



3 May 2011

**NEDERLANDSE WATERSCHAPSBANK N.V.**  
*(Incorporated in the Netherlands with its statutory seat in The Hague)*  
**€50,000,000,000 Debt Issuance Programme**

Under this €50,000,000,000 Debt Issuance Programme (the '**Programme**') Nederlandse Waterschapsbank N.V. (the '**Issuer**' or '**NWB Bank**') may from time to time issue notes (the '**Notes**') denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). As set out herein, the Notes will not be subject to any maximum maturity but will have a minimum maturity of one month and the maximum aggregate principal amount of all Notes from time to time outstanding will not exceed €50,000,000,000 (or its equivalent in other currencies calculated as described herein).

The Notes will be issued on a continuing basis to one or more of the Dealers specified below and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a '**Dealer**' and together the '**Dealers**'). The Dealer or Dealers with whom the Issuer agrees or proposes to agree on the issue of any Notes is or are referred to as the '**relevant Dealer**' in respect of those Notes. The Notes will be issued in series (each a '**Series**') each of which will comprise one or more tranches (each a '**Tranche**').

This document constitutes a base prospectus dated 3 May 2011 (the '**Base Prospectus**') within the meaning of Directive 2003/71/EC (the '**Prospectus Directive**' which term includes amendments thereto, including Directive 2010/73/EU (the '**2010 PD Amending Directive**') to the extent implemented in a relevant Member State of the European Economic Area to which is referred) and is issued in replacement of a prospectus dated 18 May 2010. This does not affect any notes issued prior to the date of this Base Prospectus.

This Base Prospectus has been approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the '**AFM**'), which is the Netherlands competent authority for the purpose of the Prospectus Directive and relevant implementing measures in the Netherlands, as a Base Prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the Netherlands for the purpose of giving information with regard to the issue of Notes under the Programme during the period of twelve months after the date hereof.

Application may be made to Euronext Amsterdam N.V. for Notes issued under the Programme up to the expiry of 12 months from the date of this Base Prospectus to be admitted to listing and trading on Euronext Amsterdam by NYSE Euronext ('**Euronext Amsterdam**'). Euronext Amsterdam is a regulated market for the purposes of Directive 2004/39/EC (the '**Markets in Financial Instruments Directive**'). Application may also be made to the Luxembourg Stock Exchange for Notes issued under the Programme up to the expiry of 12 months from the date of this Base Prospectus to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. 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 and the Prospectus Regulation so that the Notes issued under the Programme may be listed on the regulated market of the Luxembourg Stock Exchange. Notes issued under the Programme may be listed on any other stock exchange specified in the applicable Final Terms. The AFM may be further requested by the Issuer to provide other competent authorities in the European Economic Area with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive and the Prospectus Regulation so that application may be made for Notes issued under the Programme to be admitted to trading on other regulated markets. The Issuer may also issue unlisted Notes.

The Programme has been rated AAA (in respect of Notes with a maturity of more than one year) and A-1+ (in respect of Notes with a maturity of one year or less) by Standard & Poor's Credit Services Europe Limited ('**Standard & Poor's**') and has been rated P-1 (in respect of short-term Notes) and Aaa (in respect of senior unsecured medium-term Notes) by Moody's Investors Service Limited ('**Moody's**'). Tranches or Series of Notes issued under the Programme may be rated or unrated. Where a Tranche or Series of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. 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. As of the date of this Base Prospectus, each of Standard & Poor's and Moody's is established in the European Union and is not registered under Regulation (EC) No 1060/2009 of 16 September 2009 on credit rating agencies (the '**CRA Regulation**'). Each of Standard & Poor's and Moody's has submitted an application for registration in accordance with the CRA Regulation, and such registration is not refused, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.

The rating of a certain Series or Tranche of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to a relevant Series or Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed clearly and prominently in the Final Terms. In general, Credit Institutions as defined in Directive 2006/48/EC, such as the Issuer, are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which case a supplemental Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes and which will be subject to the prior approval of the AFM.

The Notes have not been and will not be registered under the United States 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 under the Securities Act ('**Regulation S**')), except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act, 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**') within the meaning of and in reliance on Rule 144A under the Securities Act ('**Rule 144A**'). 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' below. Notes in bearer form are subject to U.S. 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 amendments or supplements hereto and with any document incorporated by reference herein (which can be found on the website of the Issuer, <http://www.nwb.com/content/en/investor-relations> and may be obtained by contacting the Issuer by telephone (+31 70 416 62 66) or by email: [legal@nwbbank.com](mailto:legal@nwbbank.com)), and in relation to any Tranche, this Base Prospectus should be read and construed together with the relevant Final Terms.

#### **Joint-Arrangers**

BofA Merrill Lynch

The Royal Bank of Scotland

#### **Dealers**

ABN AMRO Bank N.V.

Barclays Capital

BNP PARIBAS

Citi

Credit Suisse

Daiwa Capital Markets Europe

Deutsche Bank

HSBC

ING Commercial Banking

J.P. Morgan

Landesbank Baden-Württemberg

BofA Merrill Lynch

Mizuho International plc

Natixis

Nederlandse Waterschapsbank N.V.

Nomura International

Rabobank International

RBC Capital Markets

Shinkin International Ltd

The Royal Bank of Scotland

UBS Investment Bank

Zurich Cantonal Bank

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## SUMMARY OF THE PROGRAMME AND TERMS AND CONDITIONS OF THE NOTES

*This summary must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of this Base Prospectus as a whole, including any amendment and supplement thereto and the documents incorporated by reference herein. Following the implementation of the relevant provisions of the Prospectus Directive in each relevant Member State of the European Economic Area, civil liability attaches to the Issuer, being the entity which has tabled the summary (including any translation thereof), and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of this Base Prospectus. Where a claim relating to the information contained in a base prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating such base prospectus before the legal proceedings are initiated.*

*Words and expressions defined in the Terms and Conditions of the Notes 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.*

### **NWB Bank**

NWB Bank is a specialised lender to the public sector primarily in the Netherlands. NWB Bank's principal business activities include providing loans exclusively to municipal, provincial and other public authorities such as water boards, and other legal entities which are guaranteed and/or controlled by central or other public authorities (either fully or substantially, directly or indirectly, and by means of share-ownership or otherwise). NWB Bank's articles of association (the '**Articles of Association**') prohibit lending to the private sector.

As of 31 December 2010, NWB Bank had total assets of €57,219 million and total equity of €1,068 million. For the full year ended 2010 NWB Bank had net profit of €38 million.

NWB Bank was incorporated as a public limited liability company (*naamloze vennootschap*) under the laws of the Netherlands on 5 May 1954. Its legal name is Nederlandse Waterschapsbank N.V. and its trade name is NWB Bank. It is registered in the trade register of the Chamber of Commerce (*Kamer van Koophandel*) for Den Haag under No. 27049562. NWB Bank's ownership is restricted to the State of the Netherlands and other public entities. 81% of NWB Bank's shares are held by 26 water boards (*waterschappen*), the Dutch State's shareholding is 17% and 9 Dutch provinces hold the remaining 2%. NWB Bank is established in The Hague and has no branches.

NWB Bank's registered office is at Rooseveltplantsoen 3, 2517 KR The Hague, the Netherlands. Its telephone number is +31 70 4166266. NWB Bank is authorised by De Nederlandsche Bank N.V. ('**DNB**') to pursue the business of a credit institution (*kredietinstelling*) in the Netherlands and is consequently supervised by DNB. In addition, for purposes of market conduct supervision, NWB Bank is also supervised by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the '**AFM**'). See 'Nederlandse Waterschapsbank N.V. – Supervision and Regulation'.

## **Funding of NWB Bank**

NWB Bank's need for funding generally varies between €6 billion to €10 billion equivalent per annum. In order to raise funds on the international capital markets NWB Bank established this Programme of €50 billion as well as several other funding programmes allowing it to raise funds in various markets. NWB Bank can raise funds under the above mentioned programmes as well as on a stand-alone basis.

## **Managing board and supervisory board**

The managing board of NWB Bank (the '**Managing Board**') consists of chairman R.A. Walkier and member L.M.T. van Velden. The supervisory board of NWB Bank (the '**Supervisory Board**') consists of seven members, which are listed in the section 'Nederlandse Waterschapsbank N.V.' At the Annual General Meeting of Shareholders held on 28 April 2011, a resolution was adopted to increase the number of Managing Board members from two to three and the number of Supervisory Board members from seven to eight.

## **Further information**

Throughout the life of the Programme, copies of the following documents will, when published, be available, free of charge, at the registered office of NWB Bank and at the specified office of the Principal Paying Agent:

- (a) an English translation of NWB Bank's deed of incorporation and the most recent Articles of Association;
- (b) the annual reports of NWB Bank (containing NWB Bank's audited accounts as at and for the years ended 31 December 2008, 31 December 2009 and 31 December 2010) for the three most recent financial years and the most recently available published unaudited interim financial statements (if any) of NWB Bank (in each case translated into English);
- (c) the Programme Agreement and any agency agreement (which contains the forms of the Temporary and Permanent Bearer Global Notes, the Definitive Bearer Notes, the Registered Global Notes, the Individual Note Certificates, the Receipts, the Coupons and the Talons);
- (d) a copy of this Base Prospectus; and
- (e) any future Base Prospectuses, offering circulars, supplementary listing particulars, information memoranda and supplements (including the Final Terms in respect of listed Notes) to this Base Prospectus and any other documents incorporated herein or therein by reference.

## **Financial information relating to NWB Bank**

NWB Bank's balance sheet and income statement as at and for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 are set out in this Base Prospectus.

The financial information included herein for each year respectively is compared with the financial information included in the balance sheet and income statement both as of the preceding financial year ended 31 December. NWB Bank's financial statements for 2008, 2009 and 2010, as incorporated by reference into this Base Prospectus, have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ('IFRS') and have been audited by KPMG

Accountants N.V. NWB Bank's equity amounts to €1,068 million as at 31 December 2010. The indebtedness of NWB Bank as at 31 December 2010 amounts to €56,151 million.

The following table sets out certain selected financial data as at and for the years ended 31 December 2006 through 31 December 2010:

	2010	2009	2008	2007	2006
	(€ millions, except percentages and per share data)				
Statement of Financial Position					
Public-sector loans and receivables <sup>1</sup> .....	47,456	43,545	39,678	32,252	29,801
Equity.....	1,068	1,048	1,047	1,091	1,310
Total assets.....	57,219	52,422	48,396	38,770	35,172
Risk-weighted assets.....	897	1,721	1,561	1,093	1,107
Results					
Interest.....	104	92	128	114	125
Realised/unrealised changes in fair value portfolio.....	(40)	(2)	(102)	(7)	21
Operating income.....	64	90	26	107	158
Operating expenses.....	11	10	10	9	9
Contribution to NWB Fonds.....	2	4	4	4	6
Income tax.....	13	19	3	23	45
Profit for the year.....	38	57	9	71	98
Dividends					
Dividend payment (in € millions) .....	23	40	40	40	40
Dividend per share (in euros).....	390	678	678	678	678
Ratios (%)					
BIS solvency ratio <sup>2</sup> .....	94.5	51.4	53.2	68.1 <sup>4</sup>	114.6 <sup>3</sup>
Operating expenses/interest ratio <sup>5</sup> .....	10.6	10.9	7.8	7.9	7.2
Dividend payout ratio <sup>7</sup> .....	60	70.2	100 <sup>6</sup>	56.6	40.9
Capital ratio <sup>8</sup> .....	1.9	2	2.1	2.7	3.6

<sup>1</sup> Includes €41,639 million, €37,295 million, €32,877 million, €25,562 million and €22,134 million in 2010, 2009, 2008, 2007 and 2006, respectively, included on the balance sheet under 'Financial assets stated at fair value through profit or loss.'

<sup>2</sup> Equity excluding revaluation reserves and profit for the year as a percentage of credit and operational risk weighted amounts.

<sup>3</sup> The BIS solvency ratio was not introduced until 2007; for 2006 the BIS Tier-1 ratio is presented.

<sup>4</sup> Comparable BIS Tier-1 ratio 96%.

<sup>5</sup> Operating expenses (total operating expenses less contribution to Stichting NWB Fonds) as a percentage of interest.

<sup>6</sup> Dividend as a percentage of profit for the year.

<sup>7</sup> Excluding payment of €31 million charged to the general reserve.

<sup>8</sup> Equity as a percentage of total assets.

## Risk factors

Potential investors must be aware of certain risk factors (as described in detail hereafter) in the section entitled 'Risk Factors' including:

- Factors that may affect NWB Bank's ability to fulfil its obligations under Notes issued under the Programme;
- Risks related to the market for the Notes;
- Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme;
- Risks related to the structure of a particular issue of Notes; and
- Risks related to Notes generally.

### **Key characteristics of the Programme and the Notes**

<b>Description</b>	Debt Issuance Programme
<b>Issuer</b>	Nederlandse Waterschapsbank N.V.
<b>Programme</b>	The Issuer may, subject to compliance with all relevant laws, regulations and directives, from time to time issue Notes under the Programme denominated in any currency (including Euro) as may be agreed between the Issuer and the relevant Dealer. The aggregate principal amount, any interest rate or interest calculation, the issue price and any other terms and conditions contained herein with respect to each Series (as defined below) of Notes will be determined at the time of issuance and set forth in the applicable final terms (the ' <b>Final Terms</b> ').
<b>Size</b>	Up to €50,000,000,000 aggregate principal amount of Notes (or its equivalent in other currencies calculated as described herein) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the programme agreement dated 3 May 2011 (as further amended and/or supplemented and/or restated from time to time, the ' <b>Programme Agreement</b> ').
<b>Joint-Arrangers</b>	Merrill Lynch International The Royal Bank of Scotland plc
<b>Dealers</b>	ABN AMRO Bank N.V. Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International) Credit Suisse Securities (Europe) Limited Daiwa Capital Markets Europe Limited Deutsche Bank AG, London Branch HSBC Bank plc ING Bank N.V. J.P. Morgan Securities Ltd. Landesbank Baden-Württemberg

Merrill Lynch International  
Mizuho International plc  
Natixis  
Nederlandse Waterschapsbank N.V.  
Nomura International plc  
Royal Bank of Canada Europe Limited  
Shinkin International Ltd  
The Royal Bank of Scotland plc  
UBS Limited  
Zurich Cantonal Bank

**Principal Paying Agent**

Citibank N.A.

**Principal Non-U.S. Paying Agent**

Dexia Banque Internationale à Luxembourg, société anonyme, only with respect to Tranches (as defined below) of Notes which are solely offered and sold by the Issuer and/or the Dealers in bearer form or registered form outside the United States to non-U.S. persons in reliance on Regulation S and only if so specified in the applicable Final Terms.

**Distribution**

Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

**Currencies**

Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the Issuer and the relevant Dealer, including, without limitation, Australian dollars, Canadian dollars, Danish krone, euro, Hong Kong dollars, New Zealand dollars, Sterling, Swiss francs, United States dollars and Japanese yen.

**Redenomination**

The applicable Final Terms may provide that certain Notes may be redenominated in euro.

**Maturities**

Any maturity, subject to applicable laws, regulations and restrictions and subject to a minimum maturity of one month.

**Issue Price**

Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

**Issuance in Series**

The Notes will be issued in series (each a '**Series**') each of which will comprise one or more tranches (each a '**Tranche**'). The Notes of each Series will all be subject to identical terms, except that the issue date, issue price and the date of the first payment of interest may be different in respect of different Tranches. 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.

**Form of Notes**

The Notes will be issued in bearer form ('**Bearer Notes**') or registered form ('**Registered Notes**') as set out in the applicable Final Terms. Registered Notes will not be



exchangeable for Bearer Notes and *vice versa*. No single Tranche may comprise both Bearer Notes and Registered Notes.

#### *Bearer Notes*

Each Tranche of Bearer Notes will be sold outside the United States in 'offshore transactions' within the meaning of Regulation S. Bearer Notes will (unless otherwise specified in the applicable Final Terms) initially be represented by a temporary bearer global note (a '**Temporary Bearer Global Note**') which will be deposited on the relevant issue date either (i) if the Bearer Notes are intended to be issued in new global note ('NGN') form, with a common safekeeper for Euroclear Bank S.A./N.V. ('**Euroclear**') and Clearstream Banking société anonyme ('**Clearstream, Luxembourg**') or (ii) if the Bearer Notes are not intended to be issued in NGN form, with a common depositary for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system.

Interests in the Temporary Bearer Global Note will be exchangeable as described therein for either interests in a permanent bearer global note (a '**Permanent Bearer Global Note**') and together with the Temporary Bearer Global Notes, the '**Bearer Global Notes**') or Bearer Notes in definitive form ('**Definitive Bearer Notes**') on the 40<sup>th</sup> day after the date on which the Temporary Bearer Global Note is issued upon certain conditions including, in the case of a Temporary Bearer Global Note where the issue is subject to the TEFRA D Rules, upon certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. The applicable Final Terms will specify that a Permanent Bearer Global Note is exchangeable for Definitive Bearer Notes either (i) upon not less than 30 days' notice or (ii) upon the occurrence of certain Exchange Events, as described in 'Form of the Notes' herein. Any interest in a Bearer Global Note will be transferable only in accordance with the rules and procedures for the time being of either Euroclear, Clearstream, Luxembourg and/or any other agreed clearing system, as appropriate.

#### *Registered Notes*

The Registered Notes of each Tranche offered and sold in 'offshore transactions' within the meaning of Regulation S will be sold to non-U.S. persons outside the United States and will initially be represented by a global note in registered form (a '**Regulation S Global Note**'). The Registered Notes of each Tranche offered and sold in the United States or to U.S. persons may only be offered and sold in private transactions to QIBs and will initially be represented by a global note in registered form (a '**Rule 144A Global Note**')

and, together with a Regulation S Global Note, the **'Registered Global Notes'** and together with Bearer Global Notes, **'Global Notes'**).

Registered Global Notes will (i) be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (**'DTC'**) (ii) be deposited with a common depositary or common safekeeper, as the case may be for Euroclear and/or Clearstream, Luxembourg, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper and/or (iii) registered and deposited with any other clearing system, as specified in the applicable Final Terms.

The Registered Global Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions (see 'Plan of Distribution' and **'Transfer Restrictions'**). In addition, no beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

#### **Fixed Rate Notes**

Fixed interest will be payable on the date or dates specified in the applicable Final Terms and on redemption and will be calculated on the basis of such fixed day count fraction as may be agreed between the Issuer and the relevant Dealer.

#### **Floating Rate Notes**

Floating rate notes (**'Floating Rate Notes'**) will bear interest either at a rate determined on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the issue date of the first Tranche of the Notes of the relevant Series) or on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service or on such other basis as may be agreed between the Issuer and the relevant Dealer (as indicated in the applicable Final Terms).

The margin (if any) relating to such floating rate will be specified in the applicable Final Terms.

#### **Index Linked Notes**

Payments in respect of interest on Index Linked Interest Notes or in respect of principal on Index Linked Redemption Notes will be calculated by reference to such index and/or formula as may be specified in the applicable Final Terms.

#### **Other provisions in relation to Floating Rate Notes and Index**

Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or

<b>Linked Interest Notes</b>	both.
<b>Dual Currency Notes</b>	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the applicable Final Terms.
<b>Zero Coupon Notes</b>	Zero Coupon Notes will be offered and sold at a discount to their principal amount or at par and will not bear interest.
<b>Redemption</b>	<p>The applicable Final Terms will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving not less than 15 nor more than 30 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms.</p> <p>The applicable Final Terms may provide that Notes may be repayable in two or more instalments in such amounts and on such dates as indicated therein.</p> <p>The Notes are unsecured obligations of the Issuer and will be redeemed in full by the Issuer.</p>
<b>Denomination of Notes</b>	Notes will be issued in such denominations as may be specified in the applicable Final Terms save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.
<b>Taxation</b>	Payments in respect of the Notes will, as specified in the applicable Final Terms, be made either subject to withholding of applicable Dutch taxes (if any) or without withholding or deduction for or on account of taxes levied in the Netherlands, subject to certain exceptions as provided in Condition 7. If the applicable Final Terms provide that payments are to be made subject to withholding of applicable Dutch taxes (if any), it will also specify that Condition 6.2 will not apply to the Notes.
<b>Negative Pledge</b>	See Condition 3.
<b>Cross Default</b>	None.

## Status of the Notes

The Notes will constitute unsecured and unsubordinated obligations of the Issuer and will 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 provisions of law.

## Rating

The Programme has been rated AAA (in respect of Notes with a maturity of more than one year) and A-1+ (in respect of Notes with a maturity of one year or less) by Standard & Poor's Credit Services Europe Limited ('**Standard & Poor's**') and has been rated P-1 (in respect of short-term Notes) and Aaa (in respect of senior unsecured medium-term Notes) by Moody's Investors Service Limited ('**Moody's**'). A long-term obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is considered to be extremely strong.

A short-term obligation rated 'A-1' is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is considered to be strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is considered to be extremely strong.<sup>1</sup> Moody's long-term ratings are opinions of the relative credit risk of financial obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honoured as promised. Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk. Moody's short-term ratings are opinions on the ability of issuers to honour short-term financial obligations. P-1 Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.<sup>2</sup>

Tranches or Series of Notes issued under the Programme may be rated or unrated. Where a Tranche or Series of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. 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. As of the date of this Base Prospectus, each of Standard & Poor's and Moody's is established in the European Union and is not registered under Regulation (EC) No 1060/2009 of 16 September 2009 on credit rating agencies (the '**CRA Regulation**'). Each of Standard & Poor's and Moody's has submitted an application

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<sup>1</sup> <http://www.standardandpoors.com/ratings/articles/en/us/?assetID=1245299850426>

<sup>2</sup> [http://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](http://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_79004)

for registration in accordance with the CRA Regulation, and such registration is not refused, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.

The rating of a certain Series or Tranches of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to a relevant Series or Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed clearly and prominently in the applicable Final Terms. In general, Credit Institutions as defined in Directive 2006/48/EC, such as the Issuer, are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

## **Listing**

Application may be made for the Notes to be listed and traded on Euronext Amsterdam. Application may also be made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The AFM has been requested by the Issuer to provide the CSSF with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive and the Prospectus Regulation so that the Notes issued under the Programme may be listed on the regulated market of the Luxembourg Stock Exchange. Notes issued under the Programme may be listed on any other stock exchange specified in the applicable Final Terms. The AFM may be further requested by the Issuer to provide other competent authorities in the European Economic Area with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive and the Prospectus Regulation so that application may be made for Notes issued under the Programme to be admitted to trading on other regulated markets. Unlisted Notes may also be issued. The applicable Final Terms will state whether or not the Notes are to be listed and, if so, on which market.

## **Governing Law**

The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, the laws of the Netherlands.

## **Terms and Conditions**

The Terms and Conditions applicable to each Series will be as agreed between the Issuer and the relevant Dealer at or

prior to the time of issuance of such Series, and will be specified in the applicable Final Terms. A form of the Final Terms is set out below. The Terms and Conditions applicable to each Series will therefore be those set out in this Base Prospectus modified or varied by the applicable Final Terms.

**Selling Restrictions**

There are selling restrictions in relation to the European Economic Area (including the Netherlands and the United Kingdom), Japan and the United States and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. (see 'Plan of Distribution' below).

**Transfer Restrictions**

Regulation S Category 2; Rule 144A; and TEFRA D/TEFRA C/TEFRA not applicable, as specified in the applicable final terms (see 'Transfer Restrictions' below).

**Regulatory Matters**

Each issue of Notes in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see 'Plan of Distribution' and 'Transfer Restrictions' below).

## RISK FACTORS

NWB Bank believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme. Factors (although not exhaustive) which could be material for the purpose of assessing the market risks associated with Notes issued under the Programme are described below.

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

Words and expressions defined in the Terms and Conditions of the Notes 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 NWB Bank's ability to fulfil its obligations under Notes issued under the Programme**

*NWB Bank's business and results of operations are affected by conditions in the global financial markets and by global economic conditions, particularly in the Netherlands. The recent global financial and economic crisis has adversely affected these markets, and could continue to adversely affect NWB Bank's business and results of operations*

There was extreme volatility and disruption in global capital and credit markets beginning in late 2007, reaching unprecedented levels in the second half of 2008 and early 2009, particularly following the bankruptcy filing by Lehman Brothers in September 2008. This extreme volatility and disruption led to severe dislocation of financial markets around the world, unprecedented reduced liquidity and increased liquidity and credit risk premiums for many market participants. These conditions also resulted in a material reduction in the availability of financing, both for financial institutions and their customers, compelling many financial institutions to rely on central banks and governments to provide liquidity and, in some cases, additional capital during this period. In 2009 governments around the world, including in the Netherlands, took actions to stabilise financial markets and prevent the failure of financial institutions. While this sustained support from governments and central banks served to consolidate the economic recovery that had started in 2009, increased government intervention in 2010 saw government debts soar in a number of European countries, triggering the European sovereign debt crisis. As such, although credit spreads stabilised during 2009, continued turbulence in the financial markets meant that credit spreads remained high in 2010. The European sovereign debt crisis has continued into 2011 and credit spreads have not yet fully returned to pre-global economic and financial crisis levels. NWB Bank's results of operations were adversely impacted by these conditions during 2008, 2009 and 2010 and these conditions could continue to affect NWB Bank's results in the future.

NWB 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 terrorism. Market disruption over the past three years and volatility in these factors created a less favourable environment for NWB Bank's public sector clientele. For example, during financial year 2009, NWB Bank experienced a decrease in its lending activities, as certain of its primary clients, including housing corporations and provincial and municipal authorities, either reduced investment in their programs or had reduced access to particular funding structures, due to economic uncertainty. While NWB Bank's long-term lending increased in 2010, the impact of the global economic and financial crisis is still being felt by NWB Bank's clients. For example, new lending in the social housing sector, although substantial, was restricted due to limited investment opportunities available to social housing associations caused by the depressed real estate market, while certain municipal and provincial authorities sold off equity shares in utility companies to increase cash flow and opted for short-term financing as they wait for the real estate market to pick-up. If the levels of market disruption and volatility as experienced in the past few years continue or recur, NWB Bank may experience further reductions in business activity, increased funding costs and funding pressures, decreased asset values and/or lower profitability. As a result of changing market conditions and the influence of financial and industry cycles, NWB Bank's results of operations are subject to volatility that may be outside the control of NWB Bank. NWB Bank's prospects, financial condition and results of operations may, therefore, vary significantly from year to year depending on market and general economic conditions.

#### *Interest rate risk*

NWB Bank's exposure to fluctuations in interest rates arises from differences in interest rate and terms between lending and borrowing. Changes in prevailing interest rates and/or widening of liquidity and credit spreads may negatively affect NWB Bank's prospects, financial condition and results of operations by decreasing its interest result or decreasing demand for loans. In a period of changing interest rates (and volatile spreads), interest expense may increase at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease interest result, NWB Bank's primary source of revenue. Changes in interest rates may negatively affect the value of NWB Bank's assets and its ability to realise gains or avoid losses from the sale of those assets, all of which also ultimately affect profit. 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. In addition, an increase in interest rates (or spreads) may decrease the demand for loans.

NWB Bank's policy is to manage the interest rate risk bank-wide by closing interest rate swap transactions for both the asset and the liability side of the balance sheet, in which NWB Bank agrees to exchange, at specified intervals, the difference between fixed and variable interest rates calculated by reference to an agreed-upon notional principal amount. NWB Bank's hedging activities, however, may not have the desired beneficial impact on its financial condition or results of operations.

As a result of the extreme market developments that arose out of the global economic and financial crisis, since the end of 2008 NWB Bank has been adversely affected by changes in liquidity and credit spreads compared with its usual benchmark interest rate, the swap interest rates. In late 2008 and into 2009 investor risk aversion led to sharply reduced liquidity in the capital markets which resulted in NWB Bank having to lend for long periods at the swap interest rate with a spread. This contrasts to the period prior to the global economic and financial crisis where it lent at swap rates without a spread. This development together with the widening of credit spreads lead to changes in the fair value of NWB Bank's assets and liabilities, which are measured at fair value through its income statement. These fair value changes, substantially all of which are unrealised, had an adverse effect on NWB Bank's results of operations in each of 2008, 2009 and 2010. See '*NWB Bank has experienced and may experience in the future earnings volatility as a result of changes in the fair value of its financial instruments*'.



*NWB Bank has experienced and may experience in the future earnings volatility as a result of changes in the fair value of its financial instruments*

Since NWB Bank converted to IFRS accounting in 2005, the substantial majority of NWB Bank's loans, securities, debt instruments and associated swaps are fair valued through the income statement under IFRS 39. Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale. If the value of an asset carried at fair value declines (or the value of a liability carried at fair value increases) a corresponding (unrealised) loss is recognised in the income statement. For NWB Bank, fair value fluctuations depend largely on interest rate trends and spreads on loans granted to the Dutch public sector. Although most loans, securities and investments are held to maturity, which would result in the recovery of unrealised losses if such loan security or investment is paid in full, fair value movements may cause significant earnings volatility, with the potential for this volatility to lead to a significant reduction in profit for any particular financial period. Since 2008, due to interest rate volatility, increased liquidity risks and related widening credit spreads including for AAA rated credits arising out of the global economic and financial crisis, NWB Bank has reported relatively large fluctuations year-on-year due to unrealised market value results. These fair value changes, substantially all of which are unrealised, had an adverse effect on NWB Bank's results of operations in each of 2008, 2009 and 2010 and fair value changes could continue to impact NWB Bank's results of operations and financial condition in the future.

For example, despite NWB Bank's net interest result rising in 2010 to €104 million (as compared with the same period in 2009: €92 million), profit for the period fell sharply to €38 million (as compared with the same period in 2009: €57 million). This was due to higher levels of unrealised market value losses on the loan portfolio, which almost exclusively comprise very low risk loans granted to or guaranteed by Dutch public authorities. Over the past three years, NWB Bank has incurred net realised market value losses of €23 million, €3 million and €112 million in each of 2010, 2009 and 2008, respectively.

While NWB Bank believes that the parties involved will continue to meet their interest and repayment obligations, which means that previously recognised unrealised market value losses will be reflected as corresponding gains in the future, there can be no guarantee of this result.

With effect from 2011, NWB Bank will use hedge accounting for all new loans, which is intended to reduce the volatility caused by risk spreads, associated with the fair value portfolio. However, the fair value option will continue to be used for the existing loan portfolio (as at December 31, 2010). Although NWB Bank is considering options for different accounting treatment of the fair value portfolio the continued use of this accounting policy may result in further substantial unrealised market value losses and volatility in NWB Bank's results, due to continuing high risk spreads on long term loans to low risk weighted debtors.

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

Liquidity risk is the risk that NWB 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. NWB Bank requires liquidity in its day-to-day business activities primarily to pay its operating expenses and interest or other payments on its debt or derivatives and replace certain of its maturing liabilities. The principal source of liquidity for NWB Bank is the wholesale lending markets.

Credit markets worldwide experienced a severe reduction in liquidity and term-funding during the global economic and financial crisis. Continuing disruption, particularly in Europe during 2010 and

periodically in 2011 to date, has resulted in liquidity and term funding remaining difficult to obtain and terms for certain borrowers have become less favourable. Perception of counterparty risk between banks also increased significantly during the global economic and financial crisis, and has continued, leading to further reductions in access to traditional sources of liquidity, such as the debt capital markets. NWB Bank's access to the debt capital markets, its principal source of liquidity has been, and could in the future be, restricted or available only at a higher cost.

The availability and cost of financing depends on a variety of factors such as the market conditions referred to above, as well as the general availability of funds, the volume of trading activities, the overall availability of funds to the financial services industry, 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. NWB Bank's access to funds and the cost of such funds is significantly influenced by views of rating agencies. If NWB Bank's access to the capital markets or the cost of accessing such markets should increase significantly or if NWB Bank is unable to attract other sources of financing, these developments could have an adverse effect on NWB Bank's financial condition and results of operations and could, in turn, impair NWB Bank's access to liquidity.

#### *Credit and counterparty risk*

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

#### *Ratings downgrades and other ratings actions could have an adverse impact on NWB Bank's operations and financial condition*

Ratings are important to NWB Bank's business for a number of reasons, including its continued access to the capital markets and cost of funds. NWB Bank has credit ratings from Standard & Poor's and Moody's. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time. In the event of a downgrade or negative outlook with respect to NWB Bank or if NWB Bank is put on credit watch, NWB Bank's cost of issuing debt instruments will increase, having an adverse effect on net profit and potentially impacting NWB Bank's competitive position with its clients in the public sector and its financial condition.

#### *NWB Bank is exposed to certain concentration risks in its loan portfolio*

NWB Bank lends primarily to public authorities and institutions guaranteed by public authorities. In addition, NWB Bank holds a small securities portfolio comprising mainly government or government guaranteed bonds, which carry limited weighted credit risk. A relatively small proportion of loans is provided to government companies (Dutch utility companies), which carry a high weighted credit risk. In addition, it carries out hedging transactions with financial institutions, including currency and interest rate swaps and money market deposits, based on which there is a counterparty risk. The Articles of Association prohibit lending to privately owned entities (private sector).

While NWB Bank's niche position as a specialised lender to the Dutch public sector means it has a low-risk weighted portfolio, it also has a limited ability to diversify its lending. In particular, it has a

concentration in lending to social housing associations (upward of 60%), which loans are guaranteed by Stichting Waarborgfonds Sociale Woningbouw ('WSW'), a social housing fund ultimately supported by the Dutch central government and municipalities. Government policies and European rules on permitted state aid have a major impact on the social housing sector's financial position and ability to invest. In 2011, the European Commission announced that more stringent guidelines will apply to assets guaranteed by government funds, some of which will apply to the social housing sector, commencing 2011. If the impact of these requirements is to limit the volume of guaranteed social housing loans, NWB Bank's financial condition and results of operations could be adversely affected.

In 2008, the Dutch government studied the options for having local and regional governments conduct their banking transactions through, amongst others, accounts held at the Netherlands Ministry of Finance (*Ministerie van Financiën*). Under this proposed structure known as treasury banking (*schatkistbankieren*), municipal and provincial authorities and water boards would conduct their funding activities through the State of the Netherlands, with the potential to significantly reduce the scope of services currently provided by public-sector banks and/or their ability to provide such services at competitive rates. Given its specific role as a public sector bank NWB Bank emphatically advised the Dutch government not to introduce this concept. There is currently no proposal by the Dutch government to introduce treasury banking, however, if treasury banking were to be introduced in the Netherlands, this could negatively impact NWB Bank's prospects, financial condition and results of operations.

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

NWB 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 liquidity and credit spread changes. NWB Bank seeks to control these risks by, among other things, entering into a number of derivative instruments, such as swaps, options, futures and forward contracts including, from time to time, portfolio hedges for parts of its business. NWB Bank's derivative positions have increased in recent years.

Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate NWB Bank from risks associated with those fluctuations. NWB Bank's hedging strategies also rely on assumptions and projections regarding its assets, general market factors and the credit worthiness of its counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, NWB Bank's hedging activities may not have the desired beneficial impact on its financial condition or results of operations. Poorly designed strategies or improperly executed transactions could actually increase NWB Bank's risks and losses. If NWB Bank terminates a hedging arrangement, it may also be required to pay additional costs, such as transaction fees or breakage costs. NWB 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 NWB Bank's hedging transactions may result in losses.

*NWB 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, NWB Bank is exposed to a variety of risks, the most significant of which are market risk, liquidity risk, credit and counterparty risk and operational risk. NWB Bank's revenues and interest rate risk are dependent upon 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. NWB Bank's earnings are dependent upon the effectiveness of its management of migrations in credit quality and risk concentrations, the accuracy of its valuation models and its critical accounting

estimates. Extreme market volatility, like that which has prevailed during the ongoing turmoil in the global financial markets, could make it difficult, or in some cases impossible, to value some of the financial instruments that NWB Bank holds. Market volatility may also result in significant unrealised losses or impairment losses on such instruments. Observable prices or inputs are not available for certain classes of financial instruments. Fair value is determined in these cases using valuation techniques NWB 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 NWB Bank to record losses. While NWB Bank believes it has implemented the appropriate policies, systems and processes to control and mitigate these risks, however, investors should note that any failure to adequately control these risks could result in adverse effects on NWB Bank's financial condition, results of operations and reputation. See '*NWB Bank has experienced and may experience in the future earnings volatility as a result of changes in the fair value of its financial instruments*'.

NWB Bank devotes significant resources to developing risk management policies, procedures and assessment methods for its banking business. NWB Bank uses duration, gap, stress testing, duration limit models and scenario analyses as well as other risk assessment methods. 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 NWB Bank fails to identify or anticipate. Some of NWB Bank's qualitative tools and metrics for managing risk are based upon use of observed historical market behaviour. NWB 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 predict incorrectly future risk exposures. Moreover, these observations or information may not be accurate, complete, up-to-date or properly evaluated in all cases. NWB Bank's losses thus could be significantly greater than such measures would indicate. In addition, NWB Bank's quantified modelling does not take all risks into account. For a broader set of risks, NWB Bank takes a more qualitative approach to managing those risks, but this is less precise than quantified modelling and could prove insufficient. There can, therefore, be no assurance that NWB Bank's risk management and internal control policies and procedures will adequately control, or protect NWB Bank against, all credit and other risks. In addition, certain risks could be greater than NWB Bank's empirical data would otherwise indicate. Unanticipated or incorrectly quantified risk exposures could result in material losses for NWB Bank.

*Operational risks, are an inherent part of NWB Bank's businesses and failure to manage these risks could harm NWB Bank's business and reputation*

NWB Bank's business inherently generates operational risks. The operational risks that NWB 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, transaction processing and settlement, employee misconduct or external events such as fraud. These events could result in financial loss as well as harm to NWB Bank's reputation. Additionally, the loss of key personnel could adversely affect NWB Bank's operations and results.

Although NWB Bank devotes 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 NWB Bank's operational risk management or other internal control policies or procedures may expose NWB Bank to significant credit, liquidity, or

market risks, which may in turn have a material adverse effect on NWB Bank's business, results of operations and financial condition.

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

NWB Bank is subject to detailed banking and other financial services laws and government regulation in the Netherlands. The DNB has broad administrative power over many aspects of the financial services business, including liquidity, capital adequacy and permitted investments, ethical issues, anti-money laundering, privacy, record keeping, and marketing and selling practices. The failure on the part of NWB Bank to comply with the requirements of DNB could result in closer regulatory scrutiny, and higher compliance costs or otherwise adversely affect NWB Bank's business, results or financial condition. Banking and other financial services laws, regulations and policies currently governing NWB Bank may also change at any time in ways which have an adverse effect on NWB Bank's business, and it is difficult to predict the timing or form of any future regulatory or enforcement initiatives in respect thereof. As a relatively small organisation, NWB Bank is burdened financially and operationally by the pressure of increasing regulations and the heightened duty to provide reports to its regulators. In light of the responses to the global economic and financial crisis there is an increased emphasis on new regulations, including in particular rules and regulations regarding capital, liquidity, leverage and other factors affecting banks.

Most recently, in December 2010, the Basel Committee on Banking Supervision published its final standards on the revised capital adequacy framework, known as Basel III. These are significantly more stringent than the existing requirements. Basel III is intended to increase the quality and quantity of capital, increase capital against derivative positions and introduces a new liquidity framework as well as a leverage ratio and a liquidity coverage ratio. The leverage ratio expresses equity as a percentage of total assets, which may not fall below 3% effective 2018. The liquidity coverage ratio 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%. The European Commission has indicated that it expects to publish regulations or a directive reflecting Basel III in mid-2011 requiring implementation in the Member States at the beginning of 2013. Due to the structure of NWB Bank's balance sheet and its lending mainly to Dutch public sector borrowers with zero risk weighting, NWB Bank may not be able to meet the stricter capital and liquidity requirements set under Basel III.

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

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

NWB 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. NWB 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 NWB Bank's ability to process transactions or provide services. In addition, other factors which could cause NWB 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. Despite NWB Bank's ongoing 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 NWB Bank's IT or other

systems may have a material adverse effect on its business, financial condition or results of operations.

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

NWB Bank relies on a third party provider for part 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 NWB Bank's services to its clients. Furthermore, if the contract with this third party provider is terminated or any third party provider of critical services in the future, NWB 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 NWB 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:

*The secondary market generally; liquidity*

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. Therefore, 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 risks and exchange controls*

NWB Bank 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 devaluations of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

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

*Interest rate risk*

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

### *Credit rating risk*

Credit or corporate ratings may not reflect all risks. One or more independent rating agencies may assign ratings to the Notes and/or NWB Bank. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this paragraph, and other factors that may affect the value of the Notes or the standing of NWB Bank. 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 NWB 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 are material for the purpose of assessing the market risks associated with Notes issued under the Programme***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus and any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) 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) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices in the financial markets (including the risks associated therewith) as such investor is more vulnerable to any fluctuations in the financial markets generally;
- (v) be 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 investments and its ability to bear the applicable risks; and
- (vi) be aware that he or she may receive no interest, that payment of principal or interest may occur at a different time or in a different currency than expected, or that he or she may lose all or a substantial portion of their principal.

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

A wide range 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 NWB Bank*

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

NWB Bank 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.

#### *Index Linked Notes and Dual Currency Notes*

NWB Bank may issue Notes with principal or interest determined by reference to an index or formula, to movements in currency exchange rates or other factors (each, a '**Relevant Factor**'). In addition, NWB Bank may issue Notes with principal or 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;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) depending on their original principal and on the type of Notes, they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

#### *Bearer Notes where denominations involve integral multiples: Definitive Bearer Notes*

In relation to any issue of Bearer Notes which have a denomination consisting of a minimum Specified Denomination and one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a holder who, as a result of such trading, holds an amount which is less than the minimum Specified Denomination (a '**Stub Amount**') in its account with the relevant clearing system at the relevant time may not receive a Definitive Bearer Note in respect of

such holding (should Definitive Bearer Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum Specified Denomination. If Definitive Bearer Notes are issued, holders should be aware that Definitive Bearer Notes which have a denomination which is not an integral multiple of the minimum Specified denomination may be illiquid and difficult to trade. As long as the Stub Amount is held in the relevant clearing system, the Noteholder will be unable to transfer this Stub Amount.

#### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

#### ***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. 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.

##### *Restrictions on transfer*

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws and the Notes may not be offered, sold or delivered within the United States, or to or for the account or benefit of U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable United States state securities laws, or pursuant to an effective registration statement. The Notes and the Agency Agreement (as defined in the Terms and Conditions of the Notes) 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. Bearer Notes are subject to United States tax law requirements. Subject to certain exceptions, Bearer Notes may not be offered, sold or delivered within the United States or to United States persons, as are defined in the U.S. Internal Revenue Code of 1986, as amended (the 'Code') and 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.

### *Notes held in global form*

The Notes will initially be held by a common depository 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 Temporary Bearer Global Note, interests in which are exchangeable for interests in a Permanent Bearer Global Note in the case of an issue subject to the TEFRA D Rules upon certification as to non-U.S. beneficial ownership or a Registered Global Note. Interests in a Permanent Bearer Global Note, or Registered Global Note will be exchangeable for Definitive Bearer Notes or, as the case may be, Registered Notes in definitive form ('**Individual Note Certificates**') only in limited circumstances as more fully described in the section headed 'Form of the Notes' below. For as long as any Notes are represented by a Bearer Global Note or a Registered Global Note held by a common depository 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 Bearer Global Note or, as applicable, Registered Global Note and, in the case of a Temporary Bearer Global Note, interests in which are exchangeable for interests in a Permanent Bearer Global Note in the case of an issue subject to the TEFRA D Rules upon certification as to non-U.S. beneficial ownership. In the case of Bearer Notes, the bearer of the relevant Bearer Global Note, being the common depository or, as the case may be, common safekeeper for Euroclear and/or Clearstream, Luxembourg, shall be treated by NWB Bank and any Paying Agent as the sole holder of the relevant Notes represented by such Bearer Global Note with respect to the payment of principal, interest (if any) and any other amounts payable in respect of the Notes. In the case of Registered Notes, each Note represented by a Registered Global Note will be registered in the name of a nominee for Euroclear and Clearstream, Luxembourg or DTC and such nominee shall be treated by NWB Bank and any Paying Agent as the sole holder of the relevant Notes represented by such Registered Global Note 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 Bearer Global Note or a Registered Global Note must rely on the procedures of Euroclear, Clearstream, Luxembourg and/or DTC to receive payments under the relevant Notes and may therefore not be able to enforce its rights to receive payment with respect to those Notes directly against NWB Bank or the Paying Agent.

Notes which are represented by a Bearer Global Note or a Registered Global Note 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. Such rules and procedures may place restrictions or time constraints on the transferability of Notes to certain investors.

### *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 NWB Bank. 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 NWB Bank.

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, NWB Bank 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 NWB Bank, the Arrangers, any Dealer to be appointed under the Programme or Paying Agent shall be responsible for the acts or omissions of any relevant nominee service provider or clearing system nor makes any representation or warranty, express or implied, as to the services provided by any relevant nominee service provider or clearing system.

#### *Change of law and jurisdiction*

The conditions of the Notes are governed by Dutch law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to Dutch law or administrative practice after the date of this Base Prospectus. A material change to Dutch law or administrative practice may affect, amongst others, the rights which investors may be able to enforce against NWB Bank.

Prospective investors should note that the courts of the Netherlands will 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 NWB Bank 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 and the application of the laws of the Netherlands may therefore lead to a different interpretation of, amongst others, the Terms and Conditions of the Notes than the investor may expect if the equivalent law of his home jurisdiction were applied.

#### *EU Savings Directive*

Under the EC Council Directive 2003/48/EC on taxation of savings income (the '**EU Savings Directive**'), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments deducting tax at rates rising over time to 35% which may decrease the net proceeds on the Notes received by an investor (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the EU Savings Directive, which included the Commission's advice on the need for changes to the EU Savings Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of

suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the EU Savings Directive, they may amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither NWB Bank nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. NWB Bank is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

## IMPORTANT NOTICES

The Issuer has confirmed that this Base Prospectus contains all information regarding the Issuer and (subject to being supplemented by any Final Terms as referred to below) the Notes issued under the Programme which is (in the context of the Programme and the issue of the Notes) material, and such information is true and accurate in all respects and is not misleading. The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief 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. Any information from third-parties contained in this Base Prospectus has been accurately reproduced and, as far as the Issuer is aware and able to ascertain from the information published by such third parties, does not omit anything likely to render the reproduced information inaccurate or misleading. The Issuer accepts responsibility accordingly.

Notice of the aggregate principal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under 'Terms and Conditions of the Notes') of Notes will be set forth in the Final Terms which, with respect to Notes to be listed on Euronext Amsterdam, will be filed with the AFM and delivered to Euronext Amsterdam on or before the relevant Issue Date of the Notes of such Tranche, with respect to Notes to be listed on the Luxembourg Stock Exchange, will be filed with the AFM and delivered to the Luxembourg Stock Exchange on or before the relevant Issue Date of the Notes of such Tranche and with respect to Notes to be listed on another regulated market within the European Economic Area will, will be filed with the AFM and delivered to the relevant authority in the Relevant Member State on or before the relevant Issue Date of the Notes of such Tranche.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see 'Documents Incorporated by Reference' below) and shall be read and construed on the basis that such documents are incorporated in and form part of this Base Prospectus. In addition, this Base Prospectus should, in relation to any Series (as defined in the relevant Final Terms and the Terms and Conditions of the Notes) of Notes, be read and construed together with the relevant Final Terms.

In the context of an offer to the public as defined in the Prospectus Directive, and subject as provided in the applicable Final Terms, the only persons authorised to use this Base Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers and the persons named in or identifiable following the applicable Final Terms as the Financial Intermediaries as the case may be.

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES FROM AN OFFEROR WILL DO SO, AND OFFERS AND SALES OF THE NOTES TO AN INVESTOR BY AN OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH INVESTORS (OTHER THAN THE DEALERS) IN CONNECTION WITH THE OFFER OR SALE OF THE NOTES AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION. THE ISSUER HAS NO RESPONSIBILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

The Programme provides that Notes may be admitted to listing, trading and/or quotation by such other or further listing authority, stock exchange and/or quotation system as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

The Issuer will give undertakings in connection with the listing of the Notes on the regulated market of the Luxembourg Stock Exchange and Euronext Amsterdam and/or any other stock exchange 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 and/or any other stock exchange (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 this Base Prospectus or publish a new Base Prospectus. If the terms of this Programme are modified or amended in a manner which would make this Base Prospectus, as supplemented, inaccurate or misleading, a new Base Prospectus or a supplement to the Base Prospectus will be prepared.

This Base Prospectus and any supplement will only be valid for listing Notes on Euronext Amsterdam, the Luxembourg Stock Exchange and/or any other regulated market in an aggregate principal amount which, when added to the aggregate principal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed €50,000,000,000 or its equivalent in other currencies. For the purpose of calculating the aggregate amount of Notes issued under the Programme from time to time:

- (i) the euro equivalent of Notes denominated in another Specified Currency shall be determined, at the discretion of the Issuer, as of the date of agreement to issue such Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in Amsterdam, in each case on the basis of the spot rate for the sale of the euro against the purchase of such Specified Currency in the Amsterdam foreign exchange market quoted by any leading bank selected by the Issuer on such date;
- (ii) the amount (or, where applicable, the euro equivalent) of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as defined under 'Terms and Conditions of the Notes') shall be calculated (in the case of Notes not denominated in euro, in the manner specified above) by reference to the original principal amount of such Notes (in the case of Partly Paid Notes, regardless of the subscription price paid); and
- (iii) the amount (or, where applicable, the euro equivalent) of Zero Coupon Notes (as defined under 'Summary of the Programme and Terms and Conditions of the Notes') and other Notes issued at a discount or premium shall be calculated (in the case of Notes not denominated in euro, in the manner specified above) by reference to the net proceeds received by the Issuer for the relevant issue.

No person has been authorised to give any information or to make any representation not contained or incorporated by reference in this Base Prospectus or any Final Terms or as approved in writing for such purpose by the Issuer and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme should purchase any Notes. Accordingly, no representation, warranty or undertaking, express or implied, is made by the Dealers, in their capacity as such. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs and its own

appraisal of the creditworthiness of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

The delivery of this Base Prospectus or any Final Terms and the offering, sale or delivery of any Notes shall not in any circumstances create any implication that there has been no adverse change in the financial situation of the Issuer since the date hereof or, as the case may be, the date upon which the Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date hereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, *inter alia*, the most recent financial statements of the Issuer when deciding whether or not to purchase any Notes.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and any Final Terms and the offer, sale and delivery of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the Netherlands and the United Kingdom) and Japan, see 'Plan of Distribution' and 'Transfer Restrictions' 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 a transaction not subject to, the registration requirements of the Securities Act and applicable United States state securities laws, or pursuant to an effective registration statement. Bearer Notes are subject to United States tax law requirements. Subject to certain exceptions, Bearer Notes may not be offered, sold or delivered within the United States or to United States persons, as defined in the Code, and the U.S. Treasury Regulations thereunder.

The Notes may be offered and sold (i) in bearer form or registered form outside the United States to non-U.S. persons in reliance on Regulation S and (ii) 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 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 (which term includes the 2010 PD Amending Directive to the extent implemented in a relevant member state of the European Economic Area to which is referred (each, a '**Relevant Member State**')) will be made pursuant to an exemption under the Prospectus Directive insofar as implemented in that Relevant Member State. 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) if a prospectus for such offer 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 and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable. 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.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under U.K. laws and regulations stabilising activities may only be carried on by the Stabilising Manager(s) named in the applicable Final Terms (or persons acting on behalf of any Stabilising Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. 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. Any stabilisation action or over-allotment must be conducted in

accordance with all applicable laws and regulations. Any stabilisation activity in connection with the Notes listed or to be listed on Euronext Amsterdam by NYSE Euronext, the regulated market of Euronext Amsterdam N.V., will be conducted (on behalf of the Stabilising Manager) by a member of Euronext Amsterdam. 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.

All references in this document to 'U.S. dollars', 'United States dollars', 'U.S.\$' and '\$' refer to the currency of the United States of America, those to 'Japanese Yen', 'Yen' and '¥' refer to the currency of Japan, those to 'Swiss Francs' and 'CHF' refer to the currency of Switzerland, those to 'Sterling' and '£' refer to the currency of the United Kingdom and those to '€' and 'euro' refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended. All references to the Netherlands are limited to the part of the Kingdom of the Netherlands that is situated in Europe.

### **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 Section 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.

### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE 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.**

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

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

## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

### **Presentation of Financial Information**

Unless otherwise indicated, the financial information in this Base Prospectus relating to the Issuer has been derived from the audited consolidated financial statements of the Issuer for the financial years ended 31 December 2006 through 2010 (each '**Financial Statements**').

The Issuer's financial year ends on 31 December, and references in this Base Prospectus to any specific year are to the 12-month period ended on 31 December of such year. The Financial Statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board.

As discussed in this Base Prospectus, with effect from 1 January 2011, the Issuer is using hedge accounting for all new loans in order to reduce the volatility caused by credit and liquidity risk spreads associated with its fair value portfolio. The fair value option continues to be used for substantially all of the existing loan portfolio (as at 31 December 2010). See – 'Operating and Financial review – Principal Factors Affecting Results of Operations – Fair Value Accounting Option for Financial Instruments'.

Based on the Issuer's experience with IFRS and the choice made in 2005 to measure most of its loans, securities, debt instruments and associated swaps at fair value, the Issuer has determined that such accounting policies do not suit the nature of the Issuer's operations. The unrealised losses arising from credit and liquidity risk spreads on loans which the Issuer provides to the Dutch public sector are of an accounting nature and generally not realised as (i) the credit risk with respect to loans provided to the Dutch public sector is extremely low, and (ii) the Issuer generally holds such loans until they mature. The continued use of this fair value accounting policy may well result in further substantial unrealised losses due to continuing high credit and liquidity risk spreads on long-term loans to low risk debtors. As previously announced, the Issuer is currently considering options for changing to accounting policies that better suit its operating model. The possibilities which the Issuer is considering with respect to its fair value portfolio include amongst others (a) not applying certain IFRS principles to its accounts which result in such assets and liabilities being fair valued or (b) reclassification under IFRS of the Issuer's financial instruments in its fair value portfolio such that they would not be fair valued in its accounts. If such changes under IFRS are not available, the Issuer will also consider reverting to preparing its financial statements under Dutch GAAP instead of IFRS, which would allow the Issuer to carry the assets and liabilities at amortised cost. If the Issuer elected to use Dutch GAAP it would also be required to restate its annual financial statements for the past two years. The ability to pursue the options set forth under (a) and (b) above are subject to certain accounting rules and the Issuer is working with its external auditors to determine if these options would be permitted under IFRS. The Issuer is currently in the process of assessing the advantages and disadvantages of all possible options but expects to make a decision prior to the preparation of its interim results for the six months ended June 30, 2011.

### **Certain Defined Terms and Conventions**

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed thereto in 'Terms and Conditions of the Notes' or any other section of this Base Prospectus.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments; accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Base Prospectus (or any supplement hereto) may be deemed to be forward-looking statements. Forward-looking statements include all statements other than historical statements of fact, including, without limitation, those concerning the Issuer's financial position, plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward-looking statements. When used in this Base Prospectus (or any supplement hereto), the words 'anticipates', 'estimates', 'expects', 'believes', 'intends', 'plans', 'aims', 'seeks', 'may', 'will', 'should' and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in the sections entitled 'Risk Factors', 'Operating and Financial Review', 'Nederlandse Waterschapsbank N.V.' and other sections of this Base Prospectus (or any supplement hereto).

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;
- changes in the fair value of the Issuer's financial instruments;
- fluctuations in interest rates;
- a downgrade in the Issuer's credit ratings;
- operational risk;
- credit and counterparty risk;
- liquidity risk and adverse capital and credit market conditions;
- the occurrence of catastrophic events, terrorist attacks and similar events;
- significant adverse regulatory developments;
- an interruption, failure or breach of the Issuer's operational systems;
- the ineffectiveness of the Issuer's risk management policies and procedures;
- the Issuer's inability to manage its risks through derivatives; and
- failure of the Issuer's IT systems and other systems on which it depends.

The Issuer's risks are more specifically described under 'Risk Factors'. The Issuer has based these forward-looking statements on the current view of its management with respect to future events and financial performance, which is 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. Although the Issuer believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as of the date of this Base Prospectus (or any supplement hereto), if one or more of the risks or uncertainties materialise, including those identified above or which the Issuer has otherwise identified in this Base Prospectus (or any supplement hereto), or if any of the Issuer's

underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results, performance or achievements, or industry results may be materially different from those expressed or implied by these forward-looking statements. Any forward-looking statements contained in this Base Prospectus or any supplement hereto speak only as at the date of this Base Prospectus or such supplement. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus (or any supplement hereto) any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward-looking statement is based.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (i) the Articles of Association of NWB Bank (translated into English);
- (ii) the annual reports (English versions) in respect of the financial years 2008, 2009 and 2010, which includes the publicly available audited annual financial statements on pages 33 up to and including 81 of the 2008 annual report, pages 53 up to and including 101 of the 2009 annual report and pages 63 up to and including 115 of the 2010 annual report respectively, as well as the relevant auditors reports on pages 84 up to and including 85 of the 2008 annual report, pages 103 up to and including 104 of the 2009 annual report and pages 117 up to and including 118 of the 2010 annual report respectively;
- (iii) the Terms and Conditions of the Notes taken from the Base Prospectuses dated 10 June 2002 (page 19 up to and including 35), 10 June 2003 (page 19 up to and including 35), 11 June 2004 (page 20 up to and including 36), 7 July 2005 (page 27 up to and including 42), 6 July 2006 (page 26 up to and including 41), 6 July 2007 (page 38 up to and including 54), 7 July 2008 (page 39 up to and including 56), 19 May 2009 (page 47 up to and including 67) and 18 May 2010 (page 49 up to and including 69).

Any other information which is contained in any document mentioned under points (ii) and (iii) above but not specifically stated as being incorporated by reference is either not relevant for investors or covered elsewhere in this Base Prospectus.

NWB Bank will provide, without charge, to each person to whom a copy of this Base Prospectus has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated herein by reference. Written requests for such documents should be directed to NWB Bank at its registered office set out at the end of this Base Prospectus. In addition, such documents will be available from the London office of Citibank N.A., (as set out at the end of this Base Prospectus) in its capacity as Principal Paying Agent and at the offices of Dexia Banque Internationale à Luxembourg, société anonyme in its capacity as Principal Non-U.S. Paying Agent (as set out at the end of this Base Prospectus).

The Base Prospectus and the documents incorporated by reference may also be found on the investor relations section of NWB Bank's website: <http://www.nwb.com/content/en/investor-relations> and may be obtained by contacting NWB Bank by telephone (+31 70 416 62 66) or by email: [legal@nwbbank.com](mailto:legal@nwbbank.com).



## FORM OF THE NOTES

The Notes will either be issued in bearer form (**'Bearer Notes'**), with or without interest coupons attached, or registered form (**'Registered Notes'**), without interest coupons attached. Bearer Notes will be offered and sold outside the United States to persons that are not U.S. persons in reliance on Regulation S and Registered Notes will be offered and sold both outside the United States in reliance on Regulation S and within the United States, and to persons who are QIBs in reliance on Rule 144A. Bearer Notes are subject to U.S. tax law requirements.

### **Bearer Notes**

Each Tranche of Bearer Notes will (unless otherwise indicated in the applicable Final Terms) be in bearer form and will be initially represented by a temporary global Note (a **'Temporary Bearer Global Note'**) or, if so specified in the applicable Final Terms, a permanent global Note (a **'Permanent Bearer Global Note'**) and, together with the Temporary Bearer Global Note, the **'Bearer Global Notes'**), without receipts, interest coupons or talons, which in either case, will:

- (i) if the Bearer Global Notes are intended to be issued in new global note (**'NGN'**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date (the **'Issue Date'**) of the Tranche to a common safekeeper for Euroclear Bank S.A./N.V. (**'Euroclear'**) and Clearstream Banking, société anonyme (**'Clearstream, Luxembourg'**); or
- (ii) if the Bearer Global Notes are not intended to be issued in NGN form be delivered on or prior to the original issue date of the Tranche to a common depositary (the **'Common Depositary'**) for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system.

Notes issued in accordance with the TEFRA D Rules will be initially represented by a Temporary Bearer Global Note.

Whilst any Note issued in accordance with the TEFRA D Rules is represented by a Temporary Bearer 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 Bearer Global Note if the Temporary Bearer Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of such Temporary Bearer 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) have given a like certification (based on the certifications they have received) to the Principal 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 the 40th day after the date on which the Temporary Bearer Global Note is issued, interests in the Temporary Bearer Global Note will be exchangeable (free of charge), upon request as described therein, either for interests in a Permanent Bearer Global Note without receipts, interest coupons or talons or for Definitive Bearer Notes (as indicated in the applicable Final Terms) in each case, if the Notes are issued in accordance with TEFRA D Rules, against certification of beneficial ownership as described in the preceding paragraph unless such certification has already been given. Bearer Notes will not be delivered in the United States. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date, unless upon due presentation of the Temporary Bearer Global Note for exchange as aforesaid, delivery of Definitive Bearer Notes or Coupons is improperly withheld or refused.

Definitive Bearer Notes will be either in the standard euromarket form, in K-form (including *verzamelbewijs*) (with Coupons) and/or in CF-form (with Coupon sheets). Definitive Bearer Notes and Bearer Global Notes will be to bearer. Notes in K-form may, if applicable, have Talons for further Coupons attached but will not be issued with Receipts attached. Notes in CF-form will have neither Talons nor Receipts attached on issue and will be governed by the rules of the '*Algemeen Obligatiekantoor van het Centrum voor Fondsenadministratie B.V.*' in Amsterdam.

Payments of principal and interest (if any) on a Permanent Bearer Global Note will be made through the relevant clearing system(s) (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note if the Permanent Bearer Global Note is not intended to be issued in NGN form) without any requirement for certification. A Permanent Bearer Global Note will be exchangeable (free of charge), in whole or (subject to the Notes which continue to be represented by the Permanent Bearer Global Note being regarded by the relevant clearing system(s) as fungible with the Definitive Bearer Notes issued in partial exchange for such Permanent Bearer Global Note) in part in accordance with the applicable Final Terms, for security printed Definitive Bearer Notes with, where applicable, receipts, interest coupons or coupon sheets and talons attached. Such exchange may be made, as specified in the applicable Final Terms either: (i) upon not less than 30 days' written notice to the Principal Paying Agent by Euroclear, Clearstream, Luxembourg and/or another relevant Clearing System (acting on the instructions of any of its participants) as described therein or (ii) only upon the occurrence of an Exchange Event. An '**Exchange Event**' means (1) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg, has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system is available or (2) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 7 which would not be required were the Notes represented by the Definitive Bearer Note. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 upon the occurrence of an Exchange Event. In the event of the occurrence of any Exchange Event, Euroclear and/or Clearstream, Luxembourg acting on the instructions of any holder of an interest in the Bearer Global Note may give notice to the Principal Paying Agent requesting exchange and in the event of the occurrence of an Exchange Event as described in (2) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur no later than 15 days after the date on which the relevant notice is received by the Principal Paying Agent. Bearer Global Notes and Definitive Bearer Notes will be issued pursuant to the Agency Agreement. At the date hereof, neither Euroclear nor Clearstream, Luxembourg regard Bearer Notes in global form as fungible with Bearer Notes in definitive form. In the event that the relevant Permanent Bearer Global Note is not, in the case of (i) or (ii) above, duly exchanged for Definitive Bearer Notes on the thirtieth day after the time at which the preconditions to such exchange are first satisfied then, if permitted by applicable law and the regulations of the relevant clearing system, relevant account holders with Euroclear and Clearstream, Luxembourg and any other agreed clearing system will be able to enforce against the Issuer all rights which they would have had if they had been holding Definitive Bearer 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 (as defined in the section 'Terms and Conditions of the Notes') and operate as full and final discharge to the Issuer in this respect.

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

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

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts 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 such Notes, receipts or interest coupons.

Bearer Notes will be issued in the denomination or denominations (each of which denominations must be integrally divisible by each smaller denomination) specified in the relevant Final Terms ('**Specified Denomination**') 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.

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 Bearer Global Note or Permanent Bearer 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 Bearer Notes shall only be issued in denominations which may be up to twice the minimum Specified Denomination.

### **Registered Notes**

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a '**Regulation S Global Note**'). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through The Depository Trust Company ('**DTC**'), Euroclear and/or Clearstream, Luxembourg, and such Regulation S Global Note will bear a legend regarding such restrictions on transfer. The Registered Notes of each Tranche offered and sold in the United States may only be offered and sold in private transactions to QIBs and will be represented by a global note in registered form (a '**Rule 144A Global Note**' and, together with a Regulation S Global Note, '**Registered Global Notes**').

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC or (ii) be deposited with a common depository or common safekeeper, as the case may be for Euroclear and Clearstream, Luxembourg and registered in the name of a common depository of, Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Individual Note Certificates. The Registered Global Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 5.4) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Individual Note Certificate will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 5.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Individual Note Certificates without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, '**Exchange Event**' means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (iii) in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg, have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 7 which would not be required were the Notes represented by Individual Note Certificates. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar. Registered Notes will be in such Specified Denomination(s), specified in the relevant Final Terms and which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.

### **Transfer of Interests**

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC or Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see 'Plan of Distribution' and 'Transfer Restrictions'.

### **General**

Pursuant to the Agency Agreement (as defined in 'Terms and Conditions of the Notes'), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number ('**identifying number(s)**') which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes of such Tranche, and in the case of Bearer Notes issued in accordance with the TEFRA D Rules that are initially represented by a Temporary Bearer Global Note exchangeable for interests in a Permanent Bearer Global Note or Definitive Bearer Notes, such additional Bearer Notes will have a unique identifying number or numbers until such exchange occurs following certification of non-U.S. beneficial ownership, and in the case of

Registered Notes, such additional Registered Notes will have a unique identifying number or numbers unless such further Registered Notes are fungible with the previously issued Registered Notes for U.S. federal income tax purposes.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC 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 or as may otherwise be approved by the Issuer and the Principal Paying Agent.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a new Base Prospectus or a supplement to the Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

## BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear, or Clearstream, Luxembourg, (together, the '**Clearing Systems**') currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the Agency Agreement 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 Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### Book-entry Systems

#### DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a 'banking organisation' within the meaning of the New York Banking Law, a 'clearing corporation' within the meaning of the New York Uniform Commercial Code and a 'clearing agency' registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ('**Participants**') deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ('**Indirect Participants**').

Under the rules, regulations and procedures creating and affecting DTC and its operations (the '**Rules**'), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ('**DTC Notes**') as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ('**Owners**') have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ('**Beneficial Owner**') is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their

ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in 'street name', and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for Individual Note Certificates, which it will distribute to its Participants in accordance with their proportionate entitlements upon the entry of such Participants on the register and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under 'Plan of Distribution' and 'Transfer Restrictions'.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

### ***Euroclear and Clearstream, Luxembourg***

Euroclear and Clearstream, Luxembourg each hold securities for their respective customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various

services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

### **Book-entry Ownership of and Payments in respect of DTC Notes**

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective principal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

### **Transfers of Notes Represented by Global Notes**

Transfers of any interests in Notes represented by a Global Bearer Note or a Registered Global Note within Euroclear, Clearstream, Luxembourg and DTC will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some states within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on



behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under 'Plan of Distribution' and 'Transfer Restrictions', cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian ('**Custodian**') with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear 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.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants 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 Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian 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. 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.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Paying Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## **FORM OF FINAL TERMS RE ISSUES WITH A DENOMINATION OF LESS THAN EUR 100,000**

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of less than EUR 100,000 (or its equivalent in another currency).

[date]

### **Nederlandse Waterschapsbank N.V.**

*(incorporated under the laws of the Netherlands with limited liability and having its corporate seat in The Hague)*

### **Issue of [Aggregate Principal Amount of Tranche] [Title of Notes] under the €50,000,000,000 Debt Issuance Programme**

[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 Directive 2003/71/EC (the '**Prospectus Directive**' which term includes Directive 2010/73/EU (the '**2010 PD Amending Directive**' to the extent implemented in a relevant member state of the European Economic Area to which is referred (each, a '**Relevant Member State**')) will be made pursuant to an exemption under the Prospectus Directive as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

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

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

[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 Directive 2003/71/EC (the '**Prospectus Directive**' which term includes Directive 2010/73/EU (the '**2010 PD Amending Directive**' to the extent implemented in a relevant member state of the European Economic Area to which is referred (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].

This document constitutes the Final Terms relating to the Issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 3 May 2011 [and the supplemental Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (the '**Prospectus Directive**' which term includes Directive 2010/73/EU (the '**2010 PD Amending Directive**') to the extent implemented in a relevant member state of the European Economic Area in which the Notes are issued (each, a '**Relevant Member State**')). 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 such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [as so supplemented] is available for viewing at the registered office of the Issuer at Rooseveltplantsoen 3, 2517 KR The Hague, the Netherlands and copies may be obtained from Citibank N.A., 14th floor, Citigroup Centre Canada Square, Canary Wharf, London E14 5LB, United Kingdom [and, only with respect to Tranches of Notes which are solely offered and sold by the Issuer and/or the Dealers in bearer form or registered form outside the United States to non-U.S. persons in reliance on Regulation S, Dexia Banque Internationale à Luxembourg, société anonyme, 69, route d'Esch, L-2953 Luxembourg, Luxembourg].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the '**Conditions**') set forth in a prospectus dated [●] [and the supplemental prospectus dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5(4) of the Directive 2003/71/EC (the '**Prospectus Directive**' which term includes Directive 2010/73/EU (the '**2010 PD Amending Directive**') to the extent implemented in a relevant member state of the European Economic Area in which the Notes are issued (each, a '**Relevant Member State**')) and must be read in conjunction with the Base Prospectus dated 3 May 2011 [and the supplemental Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the prospectus dated [●] and any supplements thereto (if applicable) and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, including the attached Conditions, and the Base Prospectus dated 3 May 2011 [and the supplemental Base Prospectuses dated [●] and [●]]. Copies of such Base Prospectus [and the supplemental Base Prospectuses dated [●] and [●]] are available for viewing at the registered office of the Issuer at Rooseveltplantsoen 3, 2517 KR The Hague, the Netherlands and copies may be obtained from Citibank N.A., 14th floor, Citigroup Centre Canada Square, Canary Wharf, London E14 5LB, United Kingdom [and, only with respect to Tranches of Notes which are solely offered and sold by the Issuer and/or the Dealers in bearer form or registered form outside the United States to non-U.S. persons in reliance on Regulation S, Dexia Banque Internationale à Luxembourg, société anonyme, 69, route d'Esch, L-2953 Luxembourg, Luxembourg].

*[Include whichever of the following apply or specify as 'Not Applicable' (N/A). Note that the numbering should remain as set out below, even if 'Not Applicable' is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms]*

*[When completing any final terms, or adding any other final terms or information, 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.]*

1. Issuer: Nederlandse Waterschapsbank N.V.
2. (a) Series Number: [ ]  
(b) Tranche Number: [ ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. Specified Currency or Currencies: [ ]
4. Aggregate Principal amount:
  - Tranche: [ ]
  - Series: [including this Tranche]
5. (a) Issue Price of Tranche: [ ] per cent. of the Aggregate Principal amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]  
(b) Net proceeds: [ ]  
*(Required only for listed issues)*
6. (a) Specified Denominations: [ ]  
*(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)*  
(b) Calculation Amount: *(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*  
*(Applicable to Notes in definitive form)*
7. (a) Issue Date: [ ]  
(b) Interest Commencement Date: [ ]
8. Maturity Date: *[Fixed rate – specify date/Floating rate – Interest Payment Date falling in [specify month and year]]*
9. Interest Basis: [[ ] per cent. Fixed Rate]  
[[LIBOR/EURIBOR/other]+/-[ ] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]

- [specify other]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency]  
[Partly Paid]  
[Instalment]  
[specify other]
- (NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Regulation will apply)*
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. Status of the Notes: Senior
14. Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted [to listing and] trading on [Euronext Amsterdam by NYSE Euronext/the Luxembourg Stock Exchange/specify other]] with effect from [ ].]  
[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to [listing and] trading on [Euronext Amsterdam by NYSE Euronext/the Luxembourg Stock Exchange/specify other] with effect from [ ].] [Not Applicable.]
- [where documenting a fungible issue, please indicate that original Notes are already admitted to trading]
15. Offer solely outside the United States in Reliance on Regulations S [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- [The Notes will be in [bearer/registered] form and in substantially the form set forth in schedule [...] to the agency agreement entered into between the Issuer and the Non-U.S. Principal Paying

Agent dated [date].

[Principal Non-U.S. Paying Agent: [Dexia Banque Internationale à Luxembourg, société anonyme].

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

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

17. Fixed Rate Note Provisions: [Applicable/Not Applicable]

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

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

*(if payable other than annually, consider amending Condition 4)*

(b) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date]/[specify other] (NB: This will need to be amended in the case of long or short coupons)

(c) Fixed Coupon Amount[(s)]: [ ] per Calculation Amount

*(Applicable to Notes in definitive form)*

(d) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]

*(Applicable to Notes in definitive form)*

(e) Fixed Day Count Fraction: [30/360 or Actual/Actual (ICMA) or specify other]

(f) Determination Date(s): [ ] in each year

*[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*

*NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration*

*NB: Only relevant where Fixed Day Count Fraction is Actual/Actual (ICMA)]*

(g) Other terms relating to the method of [Not Applicable/give details]

calculating interest for Fixed Rate Notes:

18. Floating Rate Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (c) Additional Business Centre(s): [ ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/specify other]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies, address)]
- (f) Screen Rate Determination: [Yes/No]
- Reference Rate: [ ]  
*(Either LIBOR, EURIBOR or other, although additional information is required if other including the fallback provisions in the Agency Agreement)*
  - Interest Determination Date(s): [ ]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and second day on which the TARGET2 system is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
  - Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (g) Margin(s): [ +/- ] [ ] per cent. per annum

- (h) Minimum Rate of Interest: [ ] per cent. per annum
- (i) Maximum Rate of Interest: [ ] per cent. per annum
- (j) Floating Day Count Fraction: [Actual/Actual  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
Other]  
  
*(See Condition 4 for alternatives)* ☐
- (k) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ] *[need to include a description of market disruption or settlement disruption events and adjustment rules with relation to events concerning any underlying]*
19. Zero Coupon Note Provisions: [Applicable/Not Applicable]  
  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Any other formula/basis of determining amount payable: [ ]
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 6.5(b) and 6.10 apply/specify other]  
  
*[Consider applicable day count fraction if not U.S. dollar denominated]*
20. Index Linked Interest Note Provisions: [Applicable/Not Applicable]  
  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Index/Formula [give or annex details including reference rate]
- (b) Calculation Agent responsible for calculating the interest due: [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies, address)]
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies, address)]



Paying Agent):

- (d) Determination Date(s): ☐ ☐
- (e) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: *[need to include a description of market disruption or settlement disruption events and adjustment rules with relation to events concerning any underlying]*
- (f) Interest or calculation period(s) ☐ ☐
- (g) Specified Interest Payment Dates: ☐ ☐
- (h) Business Day Convention: *[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]*
- (i) Business Centre(s): ☐ ☐
- (j) Minimum Rate/Amount of Interest: ☐ ☐ per cent per annum
- (k) Maximum Rate/Amount of Interest: ☐ ☐ per cent per annum
- (l) Floating Day Count Fraction: ☐ ☐
21. Dual Currency Note Provisions: *[Applicable/Not Applicable]*  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate of Exchange/method of calculating Rate of Exchange: *[Give or annex details including reference rate]*
- (b) Calculation Agent, if any, responsible for calculating the principal and/or interest payable: ☐ ☐ *[give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies, address)]*
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment rules with relation to events concerning any underlying]*
- (d) Person at whose option Specified Currency(ies) is/are payable: ☐ ☐

## PROVISIONS RELATING TO REDEMPTION

22. Issuer Call: *[Applicable/Not Applicable]*  
*(If not applicable, delete the remaining*

subparagraphs of this paragraph)

- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [ ] [per Calculation Amount/specify other/see Appendix]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (d) Notice period (if other than as set out in the Conditions): [ ]

*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent)*

23. Investor Put: [Applicable/Not Applicable]

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

- (e) Optional Redemption Date(s): [ ]
- (f) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [ ] [per Calculation Amount/specify other/see Appendix]
- (g) Notice period (if other than as set out in the Conditions): [ ]

*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent)*

24. Condition 6.2 (redemption for taxation reasons) [Applicable/Not applicable]

25. Final Redemption Amount: [ ] per Calculation Amount/specify other/see

## Appendix]

*(NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Regulation will apply).*

26. Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6.5): [[ ] per Calculation Amount/specify other/see Appendix]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes: [Bearer Notes:

(a) Form:

[Temporary Bearer Global Note exchangeable 40 days after the Issue Date, upon certification as to non-U.S. beneficial ownership if Bearer Notes issued pursuant to the TEFRA D Rules, for interests in a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes upon not less than 30 days' written notice given by to the Principal Paying Agent by Euroclear, Clearstream, Luxembourg and/or another relevant Clearing System (acting on the instructions of any of its participants) holder at any time/only upon the occurrence of an Exchange Event]

[Temporary Bearer Global Note exchangeable for Definitive Bearer Notes 40 days after the Issue Date, upon certification as to non-U.S. beneficial ownership if Bearer Notes issued pursuant to the TEFRA D Rules]

[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes upon not less than 30 days' notice given by the holder at any time/only upon the occurrence of an Exchange Event]

*(Ensure that this is consistent with the wording in the 'Form of the Notes' section in the Base Prospectus and the Notes themselves.)*

[Registered Notes:

[Regulation S Global Note (U.S.\$[ ] principal amount) registered in the name of a nominee

for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/ a common safekeeper for Euroclear and Clearstream, Luxembourg.]]

[Rule 144A Global Note (U.S.\$[ ] principal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg /a common safekeeper for Euroclear and Clearstream, Luxembourg.]]

- (b) New Global Note: [Yes/No]
- (c) New Safekeeping Structure [Yes; but only as to Regulation S Global Note/No]
- (d) Form of Definitive Bearer Notes: [K/CF/Standard Euromarket]
28. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]  
*[Note that this item relates to the place of payment, and not Interest Period end dates, to which items 17 (iii) and 19 (ix) relate]*
29. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): [Yes/No *If yes give details*]
30. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any), of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
31. Details relating to Instalment Notes; amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
32. Redenomination: [Redenomination [not] applicable]  
*[(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms)]*
33. Whether Condition (a) of the Notes applies (in which case Condition 6.2 of the Notes will not apply) or whether Condition (b) and Condition 6.2 of the Notes applies: [Condition (a) applies and Condition 6.2 does not apply]  
 [Condition (b) and Condition 6.2 apply]
34. Other terms or special conditions: [Not Applicable/give details]

## DISTRIBUTION

35. (a) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/give names, addresses and underwriting commitments, an indication of the material features of the agreements, including the quotas.] [Where not all of the issue is underwritten, a statement of the portion not covered.]
- (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 on a 'best efforts' basis.)*
- (b) Date of [Syndication] Agreement: [ ]
- (c) Stabilising Manager(s) (if any): [Not Applicable/give name<sup>3</sup>]
36. If non-syndicated, name and address of Dealer: [Not Applicable/give name and address]
37. Total commission and concession: [ ] per cent. of the Aggregate Principal amount
38. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA D/TEFRA C/TEFRA not applicable<sup>4</sup>]
39. Non-exempt Offer: [Not Applicable] [An offer of the Notes may be made by the Managers [and [specify names of other financial intermediaries/placers making non-exempt offers, to the extent known OR consider a generic description of other parties involved in non-exempt offers (e.g. 'other parties authorised by the Managers') or (if relevant) note that other parties may make non-exempt offers in the Public Offer Jurisdictions during the Offer Period, if not known]] (together with the Managers, the **'Financial Intermediaries'**) other than pursuant to Article 3(2) of the Prospectus Directive in [specify relevant Member State(s) – which must be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)] (**'Public Offer Jurisdictions'**) during the period from [specify date] until [specify date or a formula such as 'the Issue Date' or 'the date which falls [ ] Business

<sup>3</sup> Any stabilisation activity in connection with the Notes listed or to be listed on Euronext Amsterdam will be conducted (on behalf of the Stabilising Manager) by a member of Euronext Amsterdam.

<sup>4</sup> To be used for Registered Notes or Notes with a term of one year or less (including unilateral rights to rollover or extend).

*Days thereafter'] ('Offer Period'). See further Paragraphs 43–45 below.*

*(N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the base prospectus (and any supplement) has been notified/passported.)*

40. Additional Selling Restrictions

[Not Applicable/ give details]

## OPERATIONAL INFORMATION

41. Any clearing system(s) other than DTC, Euroclear Bank S.A./N.V./ and Clearstream Banking, société anonyme and the relevant identification numbers:

[Not Applicable/give name(s) and number(s)]

42. Delivery:

Delivery [against/free of] payment

43. Additional Paying Agent(s) (if any):

[ ]

44. Offer Period:

[[The offer of the Notes is expected to open at [●] hours([●] time) on [●] and close at [●] hours ([●] time) on [●] or such earlier or later date or time as the Issuer may determine and will be announced in [●].]

[The Issuer reserves the right to withdraw the offer of the Notes until [●] at the latest. Such withdrawal will be announced in the aforementioned publications.]

[The aggregate principal amount of the Notes to be issued and allotted will be announced by the Issuer at [●] hours ([●] time) on [●] or such earlier or later date or time as the Issuer may determine and will be announced in the fore mentioned publications.]

[The Issuer reserves the right to increase or reduce the aggregate principal amount of the Notes to be issued. Such increase or reduction will be announced in the fore mentioned publications]

[[No]/[D/d]ealing in the Notes will be possible before the aggregate principal amount of the

Notes is announced as set out above.]

[Not Applicable]

45. Reduction of subscriptions:

[[Subscriptions in excess. If the Issuer determines to increase the aggregate principal amount of the Notes to be issued this will be announced by the Issuer at [●] hours ([●] time) on [●] or such earlier or later date or time as the Issuer may determine and will be announced in the fore mentioned publications.]

[in [ ]]

[Not Applicable]

46. Maximum and minimum subscription amount:

[[●] and [●].

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

[Yes/No]

[Note that the designation 'yes' simply means that the Notes are intended upon issue to be deposited with one of the International Central Securities Depositories ('ICSDs') as common safekeeper, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the new safekeeping structure as designated by the European Central Bank, 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 the Eurosystem eligibility criteria have been met.] [include this text if 'yes' selected in which case Bearer Notes must be issued in NGN form]

48. For the purpose of Condition 13, notices to be published in the Financial Times:

[Yes/No]

ISIN:

[ ]

Common Code:

[ ]

Any other relevant code:

[ ]

49. Ratings:
- The Notes to be issued have been rated:
- [S& P: [ ]]
- [Moody's: [ ]]
- [[Other]: *[Insert the full legal name of credit rating agency]*]
- [include below as appropriate]*
- [[Insert the full legal name of credit rating agency] is established in the European Union and has applied for registration under Regulation (EC) No 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]*
- [[Insert the full legal name of credit rating agency] is established in the European Union and registered under Regulation (EC) No 1060/2009.]*
- [[Insert the full legal name of credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No 1060/2009.]*
- [Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*
- (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.)*
50. Interests of natural and legal persons involved in the Issue:
- [Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. *(Amend as appropriate if there are other interests)*]
51. Reasons for the offer, estimated net proceeds and total expenses:
- (a) Reasons for the offer:
- [ ] *(See ['Use of Proceeds'] wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*



- (b) 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.)*
- (c) Estimated total expenses: [ ] *[Include breakdown of expenses]*
52. Indication of yield (Fixed Rate Notes only) [ ] *[Calculated as [include details of method of calculation in summary form] on the Issue Date] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.*
53. Historic Interest Rates (*Floating Rate Notes only*)
- [Need to include details of where historic and future [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]*
- (N.B. The requirement below only apply if the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies.)*
- The Issuer *[intends to provide post-issuance information [specify what information will be reported and where it can be obtained]]* *[does not intend to provide post-issuance information].*
54. Performance of index/formula, explanation of effect on value of investment and associated risks and other information concerning the underlying (*Index-Linked Notes only*)
- [If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies, need to include 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.]*
- (N.B. The requirements below only apply if the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies.)*
- [Need to include details of where past and future performance and volatility of the index/formula can be obtained.]*
- [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]*
- [Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Regulation.]*
- [(When completing the above paragraphs, consideration should be given as to whether such matters described constitute 'significant new factors' and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

55. Performance of rate[s] of exchange and explanation of effect on value of investment (Dual Currency Notes only)

*[If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies, need to include 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.]*

*(N.B. The requirement below only applies if the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies.)*

*[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute 'significant new factors' and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

56. TERMS AND CONDITIONS OF THE OFFER

*[only applicable in respect of Non-exempt Offers]*

*Issue Price:* *[Issue Price/Not applicable/specify]*

*[Conditions to which the offer is subject:]* *[Not applicable/give details]*

*[Description of the application process]:* *[Not applicable/give details]*

*[Details of the minimum and/or maximum amount of application]:* *[Not applicable/give details]*

*[Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants]:* *[Not applicable/give details]*

*[Details of the method and time limits for paying up and delivering the Notes:]* *[Not applicable/give details]*

*[Manner in and date on which results of the offer are to be made public:]* *[Not applicable/give details]*

*[Procedure for exercise of any right of pre-emption, negotiability of subscription rights]* *[Not applicable/give details]*

*and treatment of subscription rights not exercised:]*

*[Categories of potential investors to which the Notes are offered and whether Tranche(s) have been reserved for certain countries:]* *[Not applicable/give details]*

*[Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:]* *[Not applicable/give details]*

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

*[Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.]* *[None/give details]*

57. Additional U.S. Federal Income Tax consequences:

*[In the case of certain Floating Rate Notes, Index Linked Notes and Dual Currency Notes]*

## **PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] [and] [admission to [listing and] trading on [Euronext Amsterdam by NYSE Euronext/ the Luxembourg Stock Exchange/specify other] of the Notes described herein] pursuant to the €50,000,000,000 Debt Issuance Programme of Nederlandse Waterschapsbank N.V.

## **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information. *[[Relevant third party information, for example in compliance with Annex XII to the Prospectus Regulation in relation to an index or its components]* 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].

Signed on behalf of the Issuer:

By:

Duly authorised

## FORM OF FINAL TERMS RE ISSUES WITH A DENOMINATION OF AT LEAST EUR 100,000

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least EUR 100,000 (or its equivalent in another currency).

[date]

### **Nederlandse Waterschapsbank N.V.**

(incorporated under the laws of the Netherlands with limited liability and having its corporate seat in The Hague)

**Issue of [Aggregate Principal Amount of Tranche] [Title of Notes] under the €50,000,000,000**

### **Debt Issuance Programme**

This document constitutes the Final Terms relating to the Issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 3 May 2011 [and the supplemental Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (the '**Prospectus Directive**' which term includes Directive 2010/73/EU (the '**2010 PD Amending Directive**') to the extent implemented in a relevant member state of the European Economic Area in which the Notes are issued (each, a '**Relevant Member State**'). 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 such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [as so supplemented] is available for viewing at the registered office of the Issuer at Rooseveltplantsoen 3, 2517 KR The Hague, the Netherlands and copies may be obtained from Citibank N.A., 14th floor, Citigroup Centre Canada Square, Canary Wharf, London E14 5LB, United Kingdom [and, only with respect to Tranches of Notes which are solely offered and sold by the Issuer and/or the Dealers in bearer form or registered form outside the United States to non-U.S. persons in reliance on Regulation S, Dexia Banque Internationale à Luxembourg, société anonyme, 69, route d'Esch, L-2953 Luxembourg, Luxembourg].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the '**Conditions**') set forth in a prospectus dated [●] [and the supplemental prospectus dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5(4) of the Directive 2003/71/EC (the '**Prospectus Directive**' which term includes Directive 2010/73/EU (the '**2010 PD Amending Directive**') to the extent implemented in a relevant member state of the European Economic Area in which the Notes are issued (each, a '**Relevant Member State**') and must be read in conjunction with the Base Prospectus dated 3 May 2011 [and the supplemental Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the prospectus dated [●] and any supplements thereto (if applicable) and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, including the attached Conditions, and the Base Prospectus dated 3 May 2011

[and the supplemental Base Prospectuses dated [●] and [●]]. Copies of such Base Prospectus [and the supplemental Base Prospectuses dated [●] and [●]] are available for viewing at the registered office of the Issuer at Rooseveltplantsoen 3, 2517 KR The Hague, the Netherlands and copies may be obtained from Citibank N.A., 14th floor, Citigroup Centre Canada Square, Canary Wharf, London E14 5LB, United Kingdom [and, only with respect to Tranches of Notes which are solely offered and sold by the Issuer and/or the Dealers in bearer form or registered form outside the United States to non-U.S. persons in reliance on Regulation S, Dexia Banque Internationale à Luxembourg, société anonyme, 69, route d'Esch, L-2953 Luxembourg, Luxembourg].

*[Include whichever of the following apply or specify as 'Not Applicable' (N/A). Note that the numbering should remain as set out below, even if 'Not Applicable' is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms]*

*[When completing any final terms, or adding any other final terms or information, 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.]*

1. Issuer: Nederlandse Waterschapsbank N.V.
  
2. (a) Series Number: [   ]
- (b) Tranche Number: [   ]
  
- (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
  
3. Specified Currency or Currencies: [   ]
  
4. Aggregate Principal amount:
  - Tranche: [   ]
  - Series: [including this Tranche]
  
5. (a) Issue Price of Tranche: [   ] per cent. of the Aggregate Principal amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
- (b) Net proceeds: [   ]
  
- (Required only for listed issues)*
  
6. (a) Specified Denominations: [   ]
  
- (Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed: '[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be*

*issued with a denomination above [€199,000].')*

- (b) Calculation Amount: (Applicable to Notes in definitive form) *(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: [ ]
- (b) Interest Commencement Date: [ ]
8. Maturity Date: *[Fixed rate – specify date/Floating rate – Interest Payment Date falling in [specify month and year]]*
9. Interest Basis: [[ ] per cent. Fixed Rate]
- [LIBOR/EURIBOR/other]+/-[ ] per cent.
- Floating Rate]
- [Zero Coupon]
- [Index Linked Interest]
- [specify other]
- (further particulars specified below)*
10. Redemption/Payment Basis: [Redemption at par]
- [Index Linked Redemption]
- [Dual Currency]
- [Partly Paid]
- [Instalment]
- [specify other]
- (NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Regulation will apply)*
11. Change of Interest Basis or Redemption/Payment Basis: *[Specify details of any provision for change of Notes into another Interest Basis or*

*Redemption/Payment Basis]*

12. Put/Call Options:

[Investor Put]

[Issuer Call]

[(further particulars specified below)]

13. Status of the Notes:

Senior

14. Listing and admission to trading:

(a) Listing and admission to trading:

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to [listing and] trading on [Euronext Amsterdam by NYSE Euronext/ the Luxembourg Stock Exchange/specify other]] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to [listing and] trading on [Euronext Amsterdam by NYSE Euronext/ the Luxembourg Stock Exchange/specify other] with effect from [ ].] [Not Applicable.]

*[where documenting a fungible issue, please indicate that original Notes are already admitted to trading]*

(b) Estimate of total expenses related to [ ] admission to trading:

15. Offer solely outside the United States in Reliance on Regulations S [Applicable/Not Applicable]

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

[The Notes will be in [bearer/registered] form and in substantially the form set forth in schedule [...] to the agency agreement entered into between the Issuer and the Non-U.S. Principal Paying Agent dated [date].

[Principal Non-U.S. Paying Agent: [Dexia Banque Internationale à Luxembourg, société anonyme].

16. Method of distribution:

[Syndicated/Non-syndicated]

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

17. Fixed Rate Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Fixed Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
- (if payable other than annually, consider amending Condition 4)*
- (b) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date]/[specify other]
- (NB: This will need to be amended in the case of long or short coupons)*
- (c) Fixed Coupon Amount[(s)]: [ ] per Calculation Amount
- (Applicable to Notes in definitive form)*
- (d) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]
- (Applicable to Notes in definitive form)*
- (e) Fixed Day Count Fraction: [30/360 or Actual/Actual (ICMA) or specify other]
- (f) Determination Date(s): [ ] in each year
- [Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*
- NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration*
- NB: Only relevant where Fixed Day Count Fraction is Actual/Actual (ICMA)]*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
18. Floating Rate Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ]



- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
- (c) Additional Business Centre(s): [ ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [*give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies, address)*]
- (f) Screen Rate Determination: [Yes/No]
- Reference Rate: [ ]  
  
*(Either LIBOR, EURIBOR or other, although additional information is required if other including the fallback provisions in the Agency Agreement)*
  - Interest Determination Date(s): [ ]  
  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and second day on which the TARGET2 system is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
  - Relevant Screen Page: [ ]  
  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (g) ISDA Determination: [Yes/No]
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (h) Margin(s): [+/-] [ ] per cent. per annum
- (i) Minimum Rate of Interest: [ ] per cent. per annum

- (j) Maximum Rate of Interest: [ ] per cent. per annum
- (k) Floating Day Count Fraction: [Actual/Actual (ISDA) Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
30E/360 (ISDA)  
Other]  
(See Condition 4 for alternatives)
- (l) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ] [need to include a description of market disruption or settlement disruption events and adjustment rules with relation to events concerning any underlying]
19. Zero Coupon Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Any other formula/basis of determining amount payable: [ ]
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 6.5(b) and 6.10 apply/specify other]  
(Consider applicable day count fraction if not U.S. dollar denominated]
20. Index Linked Interest Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Index/Formula: [give or annex details including reference rate]
- (b) Calculation Agent responsible for calculating the interest due: [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies, address)]

- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent): *[give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies, address)]*
- (d) Determination Date(s): *[ ]*
- (e) Provisions for determining Payment Dates: *[need to include a description of market disruption or settlement disruption events and adjustment rules with relation to events concerning any underlying]*
- (f) Coupon where calculated by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:
- (g) Interest or calculation period(s): *[ ]*
- (h) Specified Interest Payment Dates: *[ ]*
- (i) Business Day Convention: *[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]*
- (j) Business Centre(s): *[ ]*
- (k) Minimum Rate/Amount of Interest: *[ ]* per cent per annum
- (l) Maximum Rate/Amount of Interest: *[ ]* per cent per annum
- (m) Floating Day Count Fraction: *[ ]*
21. Dual Currency Note Provisions: *[Applicable/Not Applicable]*
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate of Exchange/method of calculating Rate of Exchange: *[Give or annex details including reference rate]*
- (b) Calculation Agent or other party, if any, responsible for calculating the principal and/or interest due (if not the Principal Paying Agent): *[give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies, address)]*
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment rules with relation to events concerning any underlying]*

- (d) Person at whose option Specified ☐ ☐  
Currency(ies) is/are payable:

## PROVISIONS RELATING TO REDEMPTION

22. Issuer Call: ☐ [Applicable/Not Applicable]

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

(a) Optional Redemption Date(s): ☐ ☐

(b) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): ☐ ☐ [per Calculation Amount/specify other/see Appendix]

(c) If redeemable in part:

(i) Minimum Redemption Amount: ☐ ☐

(ii) Maximum Redemption Amount: ☐ ☐

(d) Notice period (if other than as set out in the Conditions): ☐ ☐

*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent)*

23. Investor Put: ☐ [Applicable/Not Applicable]

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

(a) Optional Redemption Date(s): ☐ ☐

(b) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): ☐ ☐ [per Calculation Amount/specify other/see Appendix]

(c) Notice period (if other than as set out in the Conditions): ☐ ☐

*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other*

*notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent)*

24. Condition 6.2 (redemption for taxation reasons) [Applicable/Not applicable]

25. Final Redemption Amount: [ ] per Calculation Amount/*specify other/see Appendix*

*(NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Regulation and the requirements of Annex XII to the Prospectus Regulation will apply).*

26. Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6.5): [[ ] per Calculation Amount/*specify other/see Appendix*]

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

27. Form of Notes:

(a) Form: [Bearer Notes]

[Temporary Bearer Global Note exchangeable 40 days after the Issue Date, upon certification as to non-U.S. beneficial ownership if Bearer Notes issued pursuant to the TEFRA D Rules, for interests in a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes upon not less than 30 days' notice given by the holder at any time/only upon the occurrence of an Exchange Event]

[Temporary Bearer Global Note exchangeable 40 days after the Issue Date, upon certification as to non-U.S. beneficial ownership if Bearer Notes issued pursuant to the TEFRA D Rules, for Definitive Bearer Notes]

[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes upon not less than 30 days' notice given by the holder at any time/only upon the occurrence of an Exchange Event]

*(Ensure that this is consistent with the wording in the 'Form of the Notes' section in the Base Prospectus and the Notes themselves. N.B. The*

*exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 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 issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Bearer Notes.))*

[Registered Notes:

[Regulation S Global Note (U.S.\$[ ] principal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg /a common safekeeper for Euroclear and Clearstream, Luxembourg.]]

[Rule 144A Global Note (U.S.\$[ ] principal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg /a common safekeeper for Euroclear and Clearstream, Luxembourg.]]

- |  |   |   |
|--|---|---|
| (b) New Global Note:   | [Yes/No]  |   |
| (c) New Safekeeping Structure  | [Yes; but only as to Regulation S Global Note/No] |   |
| (d) Form of Definitive Bearer Notes:   | [K/CF/Standard Euromarket]                        | [K/CF/  |
| 28. Additional Financial Centre(s) or other special provisions relating to Payment Dates:  | [Not Applicable/give details]                     | <i>[Note that this item relates to the place of payment, and not Interest Period end dates, to which items 17 (iii) and 19 (ix) relate]</i> |
| 29. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):   | [Yes/No If yes give details]                      |   |
| 30. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any), of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | [Not Applicable/give details]                     |   |

31. Details relating to Instalment Notes; amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
32. Redenomination: [Redenomination [not] applicable]
- [(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms)]*
33. Whether Condition (a) of the Notes applies (in which case Condition 6.2 of the Notes will not apply) or whether Condition (b) and Condition 6.2 of the Notes applies: [Condition (a) applies and Condition 6.2 does not apply]
- [Condition (b) and Condition 6.2 apply]
34. Other terms or special conditions: [Not Applicable/give details]

## DISTRIBUTION

35. (a) If syndicated, names of Managers: [Not Applicable/give names, addresses and underwriting commitments, an indication of the material features of the agreements, including the quotas.] *[Where not all of the issue is underwritten, a statement of the portion not covered.]*
- (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 on a 'best efforts' basis.)*
- (b) Date of Subscription Agreement: [ ]
- (The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies).*
- (c) Stabilising Manager(s) (if any): [Not Applicable/give name<sup>5</sup>]
36. If non-syndicated, name of Dealer: [Not Applicable/give name]
37. Non-exempt Offer: Not Applicable
38. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFR

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<sup>5</sup>Any stabilisation activity in connection with the Notes listed or to be listed on Euronext Amsterdam will be conducted (on behalf of the Stabilising Manager) by a member of Euronext Amsterdam.

D/TEFRA C/TEFRA not applicable<sup>6</sup>]

39. Additional Selling Restrictions: [Not Applicable/give details]

## OPERATIONAL INFORMATION

40. Any clearing system(s) other than DTC, Euroclear Bank S.A./N.V./ and Clearstream Banking, société anonyme and the relevant Identification numbers: [Not Applicable/give name(s) and number(s)]

41. Delivery: Delivery [against/free of] payment

42. Additional Paying Agent(s) (if any): [ ]

43. Offer Period: *(only applicable if Annex XII of the Prospectus Regulation applies)*

[[The offer of the Notes is expected to open at [●] hours([●] time) on [●] and close at [●] hours ([●] time) on [●] or such earlier or later date or time as the Issuer may determine and will be announced in [●].]

[The Issuer reserves the right to withdraw the offer of the Notes until [●] at the latest. Such withdrawal will be announced in the aforementioned publications.]

[The aggregate principal amount of the Notes to be issued and allotted will be announced by the Issuer at [●] hours ([●] time) on [●] or such earlier or later date or time as the Issuer may determine and will be announced in the fore mentioned publications.]

[The Issuer reserves the right to increase or reduce the aggregate principal amount of the Notes to be issued. Such increase or reduction will be announced in the fore mentioned publications]

[[No]/[D/d]ealing in the Notes will be possible before the aggregate principal amount of the Notes is announced as set out above.]

[Not Applicable]]

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<sup>6</sup> Use for Registered Notes or Notes with a term of one year or less (including any unilateral rights to rollover or extend).



44. Intended to be held in a manner which would allow Eurosystem eligibility: [Yes/No]

[Note that the designation 'yes' simply means that the Notes are intended upon issue to be deposited with one of the International Central Securities Depositories ('ICSDs') as common safekeeper, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the new safekeeping structure as designated by the European Central Bank, 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 the Eurosystem eligibility criteria have been met.] [include this text if 'yes' selected in which case Bearer Notes must be issued in NGN form]

45. For the purpose of Condition 13, notices to be published in the Financial Times: [Yes/No]

ISIN: [ ]

Common Code: [ ]

Any other relevant code: [ ]

46. Ratings: The Notes to be issued have been rated:

[S & P: [ ]]

[Moody's: [ ]]

[[Other]: *[Insert the full legal name of credit rating agency]* ]]

*[include below as appropriate]*

*[[Insert the full legal name of credit rating agency]* is established in the European Union and has applied for registration under Regulation (EC) No 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

*[[Insert the full legal name of credit rating agency]* is established in the European Union and registered under Regulation (EC) No

1060/2009.]

[[Insert the full legal name of credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No 1060/2009.]

*(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.)*

47. Interests of natural and legal persons involved in the Issue: [Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

*(Amend as appropriate if there are other interests)]*

48. Reasons for the offer, estimated net proceeds and total expenses:

- (a) Reasons for the offer:

[ ] *(See ['Use of Proceeds'] wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*

- (b) 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.)*

- (c) Estimated total expenses:

[ ] *[[Include breakdown of expenses]*

*(N.B.: Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies, in which case (a) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (b) and (c) are also required.)]*

49. Indication of yield (Fixed Rate Notes only) [ ]

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

50. Historic Interest Rates (*Floating Rate Notes only*)

*[Need to include details of where historic and future [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]*

The Issuer [intends to provide post-issuance information *[specify what information will be reported and where it can be obtained]*] [does not intend to provide post-issuance information].

51. Performance of index/formula, explanation of effect on value of investment and associated risks and other information concerning the underlying (Index-Linked Notes only)

*[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]*

*[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Regulation.]*

*[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute 'significant new factors' and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

The Issuer [intends to provide post-issuance information *[specify what information will be reported and where it can be obtained]*] [does not intend to provide post-issuance information].

*(N.B. This paragraph 50 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies.)*

52. Performance of rate[s] of exchange and explanation of effect on value of investment (Dual Currency Notes only)

*[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute 'significant new factors' and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

The Issuer [intends to provide post-issuance information *[specify what information will be reported and where it can be obtained]*] [does not intend to provide post-issuance information].

*(N.B. This paragraph 51 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies.)*

53. Additional U.S. Federal Income Tax consequences:

*[In the case of certain Floating Rate Notes, Index Linked Notes and Dual Currency Notes]*

## PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] [and] [admission to [listing and] trading on [Euronext Amsterdam by NYSE Euronext/ the Luxembourg Stock Exchange/*specify other*] of the Notes described herein] pursuant to the €50,000,000,000 Debt Issuance Programme of Nederlandse Waterschapsbank N.V.

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information. *[[Relevant third party information, for example in compliance with Annex XII to the Prospectus Regulation in relation to an index or its components]* 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].

Signed on behalf of the Issuer:

By:

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of Notes to be issued by the Issuer which will be incorporated by reference into each Global Note and which will be endorsed on (or, if permitted by the relevant stock exchange or other relevant authority and agreed between the Issuer and the relevant Dealer, incorporated by reference into) each Definitive Bearer Note in the standard euromarket form and K-form and each Individual Note Certificate and will be applicable to each definitive Note in CF-form. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Tranche of Notes. The applicable Final Terms will be endorsed on, incorporated by reference into, or attached to, each Global Note and definitive Note in the standard euromarket form and K-form and each Individual Note Certificate and will be applicable to each Definitive Bearer Note in CF-form. Reference should be made to 'Form of the Notes' above for a description of the content of Final Terms which includes the definition of certain terms used in the following Terms and Conditions.*

This Note is one of a series of Notes issued by Nederlandse Waterschapsbank N.V. (the '**Issuer**') pursuant to the Agency Agreement (as defined below). References herein to the '**Notes**' shall be references to the Notes of this Series (as defined below) and shall mean:

1. in relation to any Notes represented by a Global Note, units of the lowest Specified Denomination in the Specified Currency,
2. definitive Notes in bearer form issued in exchange (or part exchange) for a Global Note in bearer form;
3. definitive Notes in registered form (whether or not issued in exchange for a Global Note in registered form); and
4. any Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) also have the benefit of an Amended and Restated Agency Agreement dated 3 May 2011 (as further amended and/or supplemented and/or restated from time to time, the '**Agency Agreement**' (which expression shall include any supplemental agency agreements)) made between the Issuer and Citibank N.A. as issuing and principal paying agent and agent bank (the '**Principal Paying Agent**', which expression shall include any successor agent) and the other paying agents named therein (together with the Principal Paying Agent, the '**Paying Agents**', which expression shall include any additional or successor paying agents), Citibank N.A. as exchange agent (the '**Exchange Agent**', which expression shall include any successor exchange agent and Citibank, N.A. as registrar (the '**Registrar**', which expression shall include any successor registrar) and transfer agent and the other transfer agents named therein (together with the Registrar, the '**Transfer Agents**', which expression shall include any additional or successor transfer agents).

For the purposes of Tranches (as defined below) of Notes solely offered and sold by the Issuer and/or the Dealers in bearer form or registered form outside the United States to non-U.S. persons in reliance on Regulation S, and if so specified in the relevant Final Terms, the Issuer will together with Dexia Banque Internationale à Luxembourg, société anonyme, (the '**Principal Non-U.S. Paying Agent**'), enter into a agency agreement on substantially the same terms as set out in the Agency Agreement concluded between the Issuer and Citibank N.A. If a Principal Non-U.S. Paying Agent is indicated in the Final Terms in connection with an issue of a Tranche of Notes that is only offered and sold by the

Issuer and/or Dealers outside the United States to non-U.S. persons in reliance on Regulation S, all references in the Terms and Conditions of the Notes and the Base Prospectus to the 'Principal Paying Agent' shall, so far as the context permits, be construed as references to the Principal Non-U.S. Paying Agent.

Interest bearing Definitive Bearer Notes in the standard euromarket form (unless otherwise indicated in the applicable Final Terms) have interest coupons ('**Coupons**') and, if indicated in the applicable Final Terms, talons for further Coupons ('**Talons**') attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes in the standard euromarket form repayable in instalments have receipts ('**Receipts**') for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

Any reference herein to '**Noteholders**' or '**holders**' in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered, and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to '**Receiptholders**' shall mean the holders of the Receipts and any reference herein to '**Couponholders**' shall mean the holders of the Coupons, and shall, unless the context otherwise requires, include the holders of the Talons.

Interest bearing Definitive Bearer Notes in K-form will have Coupons and, if indicated in the applicable Final Terms, Talons attached but will not be issued with Receipts attached. Interest bearing Definitive Bearer Notes in CF-form will have Coupon sheets attached but will not be issued with Talons or Receipts attached. References in these Terms and Conditions to 'Coupons' will include references to such Coupon sheets.

The Final Terms for this Note are endorsed hereon or attached hereto or applicable hereto or incorporated by reference herein and supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References herein to the '**applicable Final Terms**' are to the Final Terms for this Note.

As used herein, '**Tranche**' means Notes which are identical in all respects (including as to listing) and '**Series**' means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) are identical in all respects (including as to listing) from the date on which such consolidation is expressed to take effect.

Copies of the Agency Agreement and the applicable Final Terms are available for inspection at the specified offices of each of the Principal Paying Agent and the other Paying Agents, the Exchange Agent and the Registrar and the other Transfer Agents (such agents and the Registrar being referred to together as the '**Agents**') save that Final Terms relating to an unlisted Note will only be available for inspection by a Noteholder upon such Noteholder producing evidence as to identity satisfactory to the relevant Paying Agent. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Final Terms which are binding on them. The statements in the Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions used in the applicable Final Terms shall have the same meanings where used in the Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency the applicable Final Terms will prevail.

## 1. FORM, DENOMINATION AND TITLE

The Notes may be issued in bearer form ('**Bearer Notes**') or in registered form ('**Registered Notes**') as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the Specified Currency, the Specified Denomination(s) and the Specified Form(s). Bearer Notes may not be exchanged for Registered Notes and *vice versa*. No single Series or Tranche may comprise both Bearer Notes and Registered Notes.

Each Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note or a combination of any of the foregoing, depending on the Interest Basis indicated in the applicable Final Terms.

Each Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note, a Partly Paid Note or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The following information in this paragraph summarises the most relevant provisions of the Agency Agreement with regard to this matter. The Registered Notes to be transferred must be delivered for registration to the specified office of the Registrar with the form of transfer endorsed on them duly completed and executed and must be accompanied by such documents, evidence and information (including, but not limited to, a transfer certificate as provided in the Agency Agreement) as may be required pursuant to these Terms and Conditions and such other evidence as the Issuer may reasonably require to prove the title of the transferor or his right to transfer the Registered Notes.

Except as required by law, the Issuer, the Principal Paying Agent and any other Paying Agent will treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. ('**Euroclear**') and/or Clearstream Banking, société anonyme ('**Clearstream, Luxembourg**') each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and any Paying Agent as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Paying Agent as the holder of such Notes in accordance with and subject to the terms of the relevant Global Note (and the expressions '**Noteholder**' and '**holder of Notes**' and related expressions shall be construed accordingly).

For so long as The Depository Trust Company ('**DTC**') or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the

sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

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

References to DTC, 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.

## **2. TRANSFERS OF REGISTERED NOTES**

### **2.1 Transfers of interests in Registered Global Notes**

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear, and/or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Individual Note Certificates or for a beneficial interest in another Registered Global Note 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, and/or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. The following information in this paragraph summarises the most relevant provisions of the Agency Agreement with regard to this matter. For transfers of interests in a Registered Global Note for Individual Note Certificates, the Registered Notes to be transferred must be delivered for registration to the specified office of the Registrar with the form of transfer endorsed on them duly completed and executed and must be accompanied by such documents, evidence and information (including, but not limited to, a transfer certificate) as may be required pursuant to these Terms and Conditions and such other evidence as the Issuer may reasonably require to prove the title of the transferor or his right to transfer the Registered Notes. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

### **2.2 Transfers of Individual Note Certificates**

Subject as provided in paragraphs 2.5, 2.6 and 2.7 below, upon the terms and subject to the conditions set forth in the Agency Agreement (as summarised in this paragraph), an Individual Note Certificate may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders must (i) surrender the Individual Note Certificate for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial regulations being set out in Schedule 7 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant



Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Individual Note Certificate registered in the name of the transferee of a like aggregate principal amount to the Individual Note Certificate (or the relevant part of the Individual Note Certificate) transferred. In the case of the transfer of part only of an Individual Note Certificate, a new Individual Note Certificate in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

### **2.3 Registration of transfer upon partial redemption**

In the event of a partial redemption of Notes under Condition 6, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

### **2.4 Costs of registration**

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

### **2.5 Transfers of interests in Regulation S Global Notes**

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States will only be made:

- (a) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a **'Transfer Certificate'**), copies of which are available from the specified office of any Transfer Agent, from the transferor of the Note or beneficial interest therein 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; or
- (b) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States;

and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

In the case of (a) above, such transferee may take delivery through an interest in the Rule 144A Global Note. After expiry of the applicable Distribution Compliance Period (A) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (B) such certification requirements will no longer apply to such transfers.

### **2.6 Transfers of interests in Legended Notes**

Transfers of Legended Notes or beneficial interests therein may be made:

- (a) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (b) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
- (c) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

## 2.7 Definitions

In this Condition, the following expressions shall have the following meanings:

**'Distribution Compliance Period'** means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue);

**'Legended Note'** means Registered Notes (whether represented by a Rule 144A Global Note or any restricted Individual Note Certificate) sold in private transactions to QIBs in accordance with the requirements of Rule 144A which bear a legend specifying certain restrictions on transfer (a **'Legend'**);

**'QIB'** means a qualified institutional buyer within the meaning of Rule 144A;

**'Regulation S'** means Regulation S under the Securities Act;

**'Regulation S Global Note'** means a Registered Global Note representing Notes initially sold outside the United States to non-U.S. persons in reliance on Regulation S;

**'Rule 144A'** means Rule 144A under the Securities Act;

**'Rule 144A Global Note'** means a Registered Global Note representing Notes initially sold to U.S. persons and in the United States to persons that are QIBs; and

**'Securities Act'** means the United States Securities Act of 1933, as amended.

### 3. STATUS OF THE NOTES AND NEGATIVE PLEDGE

The Notes and the relative Receipts and Coupons constitute unsecured and unsubordinated 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 provisions of law. So long as the Notes or any relative Receipts or Coupons remain outstanding the Issuer will not secure any present or future indebtedness (whether being principal, premium, interest or other amounts) represented by notes, bonds or other debt securities which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market without securing the Notes equally and rateably except that the foregoing shall not apply to:

- (a) presently existing security which may be used to secure other obligations,
- (b) security arising by operation of law,
- (c) security to finance the purchase price of assets,
- (d) security for tax and other governmental levies which may be paid after their due date without penalty;
- (e) repurchase agreements.

### 4. INTEREST

#### 4.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from and including the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Terms and Conditions, **Fixed Interest Period** means the Period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period or if, in the case of Notes in definitive form, no applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, such interest shall be calculated by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding principal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, 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. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed 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, without any further rounding.

**'Day Count Fraction'** means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

- (a) if 'Actual/Actual (ICMA)' is specified in the applicable Final Terms:
  - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the '**Accrual Period**') is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
    - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (b) if '30/360' is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360.
- (c) If 'Actual/365 (Fixed)' is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365.

In these Terms and Conditions:

**'Determination Period'** means the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

'sub-unit' means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

## **4.2 Interest on Floating Rate Notes and Index Linked Interest Notes**

### **(a) Interest Payment Dates**

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding principal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate equal to the Rate of Interest payable in arrear on either:

- (i) the Specified Interest Payment Date(s) (each an '**Interest Payment Date**') in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an '**Interest Payment Date**') which falls on the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on 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, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 0 above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, '**Business Day**' means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and in any Additional Business Centre specified in the applicable Final Terms; and
- (b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London or any Additional Business Centre) or (2) in relation to any sum payable in euro, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the '**TARGET2 System**') is open.

**(b) Rate of Interest**

The Rate of Interest payable from time to time in respect of the Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

**(i) ISDA Determination for Floating Rate Notes**

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 the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph 0, '**ISDA Rate**' for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the '**ISDA Definitions**') and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is the period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ('**LIBOR**') or on the Euro-zone inter-bank offered rate ('**EURIBOR**') for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph 0, '**Floating Rate**', '**Calculation Agent**', '**Floating Rate Option**', '**Designated Maturity**' and '**Reset Date**' have the meanings given to those terms in the ISDA Definitions.

**(ii) Screen Rate Determination for Floating Rate Notes**

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 for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (B) 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 Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest pursuant to this subparagraph 0 in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such quotation appears or, in the case of (A) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph. The following summarises the most relevant provisions of the Agency Agreement with regard to this matter. In such an event, the Principal Paying Agent shall request that each of the Reference Banks (as defined below) provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

The expression '**Reference Banks**' means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Principal Paying Agent or as specified in the applicable Final Terms.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

**(c) Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specify a Minimum Rate of Interest for any Interest Period, then the Rate of Interest for such Interest Period shall in no event be less than such Minimum Rate of Interest and/or if it specifies a Maximum Rate of Interest for any Interest Period, then the Rate of Interest for such Interest Period shall in no event be greater than such Maximum Rate of Interest.

**(d) Determination of Rate of Interest and Calculation of Interest Amount**

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, 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. In the case

of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the '**Interest Amount**') payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding principal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;
- (C) and, in each case, multiplying such sum by the applicable Day Count Fraction, 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. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such 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, without any further rounding.

**'Day Count Fraction'** means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

- (i) if 'Actual/Actual(ISDA)' or 'Actual/Actual' is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if 'Actual/365 (Fixed)' is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if 'Actual/365 (Sterling)' is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if 'Actual/360' is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if '30/360', '360/360' or 'Bond Basis' is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:



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

where:

'Y<sub>1</sub>' is the year, expressed as a number, in which the first day of the Interest Period falls;

'Y<sub>2</sub>' is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

'M<sub>1</sub>' is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

'M<sub>2</sub>' is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

- (vi) if '30E/360' or 'Eurobond Basis' is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

'Y<sub>1</sub>' is the year, expressed as a number, in which the first day of the Interest Period falls;

'Y<sub>2</sub>' is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

'M<sub>1</sub>' is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

'M<sub>2</sub>' is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

- (vii) if '30E/360 (ISDA)' is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

'Y<sub>1</sub>' is the year, expressed as a number, in which the first day of the Interest Period falls;

'Y<sub>2</sub>' is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

'M<sub>1</sub>' is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

'M<sub>2</sub>' is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

**(e) Notification of Rate of Interest and Interest Amounts**

The applicable Principal Paying Agent for each Series will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) following the commencement of the relevant Interest Period. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression '**London Business Day**' means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

**(f) Certificates to be Final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph 4.2 by the Principal Paying Agent for each Series or, if applicable, the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the applicable Principal Paying Agent, the Calculation Agent, if applicable, the other Paying Agents and all Noteholders,

Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the applicable Principal Paying Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### **4.3 Interest on Dual Currency Notes**

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

#### **4.4 Interest on Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as specified in the applicable Final Terms.

#### **4.5 Accrual of Interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable has been received by the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13 or individually.

### **5. PAYMENTS**

#### **5.1 Method of Payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant 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 the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars, shall be Sydney); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

## 5.2 Presentation of Definitive Bearer Notes, Receipts and Coupons

Other than in the case of definitive Notes in CF-form, payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph 5.1 above only against surrender of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States (as defined below).

Payments of principal in respect of any definitive Notes in CF-form will be made in the manner provided in paragraph 5.1 above only against surrender of definitive Notes together with the Coupon sheet attached. Payments of interest in respect of any definitive Notes in CF-form will be made outside the United States in conformity with the agreement concluded at such time between the Issuer and the '*Algemeen Obligatiekantoor van het Centrum voor Fondsenadministratie B.V.*' (the '**Obligatiekantoor**') in Amsterdam, under which agreement the Issuer will accept the rules and regulations of the Obligatiekantoor.

Payments of instalments of principal (if any) in respect of Definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph 5.1 above against presentation and surrender of the relevant Receipt. Payment of the final instalment will be made in the manner provided in paragraph 5.1 above against surrender of the relevant Bearer Note. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes represented by a Definitive Bearer Note (other than Dual Currency Notes, Index Linked Notes and Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons) at the specified office of any Paying Agent outside the United States, failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of five years after the date on which such principal first became due (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due. Upon any Fixed Rate Note represented by a Definitive Bearer Note becoming due and repayable prior to its Maturity Date, all unmatured Receipts and Talons (if any) appertaining thereto will become void and no payments in respect of any such Receipts and no further Coupons in respect of any such Talons will be made or issued, as the case may be.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note represented by a Definitive Bearer Note becomes due and repayable, unmatured Receipts, Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. Where any such Bearer Note is presented for redemption without all unmatured Receipts, Coupons or Talons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require. A '**Long Maturity Note**' is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose principal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on

the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the principal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

### **5.3 Payments in respect of Bearer Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes or otherwise in the manner specified in the relevant Bearer Global Note, where applicable, against presentation or surrender, as the case may be, of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

### **5.4 Payments in respect of Registered Notes**

Payments of principal (other than instalments of principal prior to the final instalment) 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 Registered Note 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 (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the '**Register**') (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg and/or DTC, as applicable, are open for business) before the relevant due date, and (ii) where in definitive form, 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 Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account or (b) 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 (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 dollars, shall be Sydney) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) 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 Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg and/or DTC, as applicable, are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the '**Record Date**') at the holder's address shown in the Register on the Record Date and at the holder's risk. Upon

application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the 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) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

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 a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

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 Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

## **5.5 General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular principal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note. No person other than the holder of such Global Note shall have any claim against the Issuer in respect of any payments due on that Global Note.

Notwithstanding the foregoing provisions of paragraph 5.2 above, U.S. dollar payments of principal and interest in respect of Bearer Notes may be made at the specified office of a Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)) if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

## **5.6 Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes (unless otherwise specified in the applicable Final Terms), '**Payment Day**' means any day which is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (i) the case of Notes in definitive form only, the relevant place of presentation; and
  - (ii) any Additional Financial Centre specified in the applicable Final Terms;
- (b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars, shall be Sydney), or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and
- (c) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

## **5.7 Interpretation of Principal and Interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 7;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Instalment Notes, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount; and
- (g) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

## **6. REDEMPTION AND PURCHASE**

### **6.1 Redemption at Maturity**

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

### **6.2 Redemption for Tax Reasons**

Unless this Condition is stated in the applicable Final Terms not to apply, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of Notes other than Floating Rate Notes or Index Linked Interest Notes) or on any Interest Payment Date (in the case of Floating Rate Notes or Index Linked Interest Notes), on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable) if, on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of the Netherlands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes.

Each Note redeemed pursuant to this Condition 6.2 will be redeemed at its Early Redemption Amount referred to in paragraph 6.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### **6.3 Redemption at the Option of the Issuer (Issuer Call)**

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and
- (b) not less than 15 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent for such Series and, in the case of a redemption of Registered Notes, the Registrar,

(both of which notices shall be irrevocable), redeem all or some only of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

Any such redemption must be of a principal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, both as indicated in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ('**Redeemed Notes**') will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear, Clearstream, Luxembourg and/or DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the '**Selection Date**'). In the case of



Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this paragraph 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least 5 days prior to the Selection Date.

#### **6.4 Redemption of Notes at the Option of the Noteholders (Investor Put)**

If Investor Put is specified in the applicable Final Terms as having an option to redeem, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Final Terms (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 6.4 in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

If this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption of this Note its holder must deliver at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a '**Put Notice**') and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the principal amount thereof to be redeemed and, if less than the full principal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, or DTC or any common depositary or common safekeeper, as the case may be, for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or DTC from time to time and, if this Note is represented by a Global Note the terms of which require presentation for recording changes to its principal amount, at the same time present or procure the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 9.

## 6.5 Early Redemption Amounts

For the purpose of paragraph 6.2 above and Condition 9, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable to a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its principal amount; or
- (b) in the case of a Zero Coupon Note, at an amount (the 'Amortised Face Amount') calculated in accordance with the following formula:

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

where:

'RP' means the Reference Price; and

'AY' means the Accrual Yield; and

'y' is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) 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 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

- (c) in any other case, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at their principal amount.

## 6.6 Instalments

Instalment Notes will be repaid in the instalment amounts and on the instalment dates specified in the applicable Final Terms. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph 6.5 above.

## 6.7 Partly Paid Notes

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

## 6.8 Purchases

The Issuer or any of its subsidiaries may at any time purchase Notes (provided that, in the case of Definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, re-issued,

resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

## **6.9 Cancellation**

All Notes which are redeemed will subject to paragraph 6.8 above forthwith be cancelled (together with all unmatured Receipts and Coupons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph 6.8 above (together with all unmatured Receipts and Coupons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be re-issued or resold.

## **6.10 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 paragraph 6.1, 6.2, 6.3 or 6.4 above or upon its becoming due and repayable as provided in Condition 9 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 paragraph 6.5(b) 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:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 13.

## **7. TAXATION**

All payments of principal and interest in respect of the Notes, Receipts Talons and Coupons by the Issuer will be made without withholding or deduction for any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by the Netherlands or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer will depending on which provision is specified in the applicable Final Terms either:

- (a) make the required withholding or deduction of such taxes, duties, assessments or governmental charges for the account of the holders of the Notes, Receipts, Talons or Coupons, as the case may be, and shall not pay any additional amounts to the holders of the Notes, Receipts, Talons or Coupons; or
- (b) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts, Talons or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts, Talons or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt, Talon or Coupon:
- (c) to a Noteholder, Receiptholder or Couponholder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the Netherlands other than the mere holding of such Note, Receipt or Coupon or the receipt of principal or interest in respect thereof; or

- (d) to a Noteholder, Receiptholder or Couponholder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (e) presented for payment, where presentation is required, more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day; or
- (f) where such withholding or deduction is in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property tax or any similar tax, assessment or governmental charge; or
- (g) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, including, but not limited to, any law or measure similar to the requirements set forth in the EU Savings Directive as adopted by Switzerland in relation with the EU Savings Directive; or
- (h) presented for payment, where presentation is required, by or on behalf of a Noteholder, Receiptholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt Talon or Coupon to another Paying Agent in a Member State of the European Union.

As used herein, the '**Relevant Date**' means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

Any reference in these Terms and Conditions to principal and/or interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 7 or any undertaking given in addition thereto or in substitution therefor.

## 8. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of five years (in the case of both principal and interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 or any Talon which would be void pursuant to Condition 5.2.

## 9. EVENTS OF DEFAULT

If any one or more of the following events (each an '**Event of Default**') shall have occurred and be continuing:

- (a) default is made for more than 14 days in the payment of interest or principal in respect of the Notes; or

- (b) the Issuer fails to perform or observe any of its other obligations under the Notes and such failure has continued for the period of 30 days next following the service on the Issuer of notice requiring the same to be remedied; or
- (c) an encumbrancer takes possession of the whole or a major part of the assets of the Issuer, or a distress or execution or other process is levied or enforced upon or sued out against the whole or a major part of the assets of the Issuer or an executory attachment ('*executoriaal beslag*') is made on any major part of the Issuer's assets or a conservatory attachment ('*conservatoir beslag*') is made thereof and in any of the foregoing cases it is not cancelled or withdrawn within 30 days; or
- (d) any order is made by any 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 assets or the Issuer enters into a composition with its creditors, files a petition for a suspension of payments, admits in writing that it cannot pay its debts generally as they become due, initiates a proceeding in bankruptcy, or is adjudicated bankrupt,

then any Noteholder may, by written notice to the Issuer at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare the Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 6.5), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

## 10. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the applicable Principal Paying Agent at its office outside the United States (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## 11. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) so long as the Notes are listed on any stock exchange, or admitted to listing by any other relevant authority there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or listing authority;
- (b) there will at all times be a Paying Agent with a specified office in a city in continental Europe;
- (c) there will at all times be a Principal Paying Agent and a Registrar;

- (d) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City; and
- (e) the Issuer will use reasonable efforts to appoint and maintain a Paying Agent with a specified office in a country in Europe which is not obliged to withhold or deduct tax pursuant to the EU Savings Directive or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 5.5. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

## 12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent at its office outside the United States in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition **Error! Reference source not found.** Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date (on which the final Coupon comprised in the relative Coupon sheet matures).

## 13. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published (i) in at least one daily newspaper of wide circulation in the Netherlands (which is expected to be '*Het Financieele Dagblad*'), (ii) if so specified in the applicable Final Terms, in a leading English language daily newspaper of general circulation in London (which is expected to be the Financial Times) and (iii) if and for so long as the Bearer Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg or the website of the Luxembourg Stock Exchange. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Note(s) representing the Notes is or are held in its or their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, as applicable, be substituted for such publication in such newspaper(s) referred to above, the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg

and/or DTC, as applicable, for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC, as applicable.

Where the identity of all the holders of the Notes is known to the Issuer, the Issuer may (provided that, in the case of any publication required by a stock exchange or listing authority, that stock exchange or listing authority agrees) give notices individually to such holders in lieu of publication as provided above.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

#### **14. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or certain provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than five per cent. in principal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons), the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification (except as mentioned above) of the Agency Agreement which is not materially prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the Netherlands.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

## **15. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes, provided that (i) in the case of Notes which were issued in accordance with the TEFRA D Rules that are initially represented by a Temporary Bearer Global Note exchangeable for interests in a Permanent Bearer Global Note or Definitive Bearer Notes, such consolidation can only occur following the exchange of interests in the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note or Definitive Bearer Notes upon certification of non U.S. beneficial ownership and (ii) in the case of Registered Notes, if such further notes are not fungible with the previously issued Registered Notes for U.S. federal income tax purposes, the further notes will have a separate common code, ISIN, CUSIP and CINS (where applicable) from such numbers assigned to the previously issued Registered Notes.

## **16. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

The Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, the laws of the Netherlands.

The Issuer submits for the exclusive benefit of the Noteholders, the Receiptholders and the Couponholders to the jurisdiction of the court (*Rechtbank*) and its appellate courts at The Hague, the Netherlands. Without prejudice to the foregoing, the Issuer further irrevocably agrees that any suit, action or proceedings arising out of or in connection with the Agency Agreement, the Notes, the Receipts and the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Agency Agreement, the Notes, the Receipts and/or the Coupons) may be brought in any other court of competent jurisdiction.



## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes (which include profit making).

## NEDERLANDSE WATERSCHAPSBANK N.V.

### Overview

NWB Bank is a specialised lender to the public sector primarily in the Netherlands, providing short term and long term financing to water boards, municipal and provincial authorities as well as to other public sector institutions such as housing corporations, healthcare and educational institutions. NWB Bank believes it is a key bank for the Dutch public sector, fulfilling a critical role supported by the Dutch State.

As of 31 December 2010, NWB Bank had total assets of €57,219 million and total equity of €1,068 million. For the full year ended 2010 NWB Bank had net profit of €38 million.

### History and Corporate Organisation

NWB Bank was established in 1954 as a specialised lending institution to provide Dutch water boards with long-term and short-term funding at cost-efficient levels. NWB Bank has subsequently extended its lending activities to other public sector entities, particularly municipal and provincial authorities and housing corporations which are guaranteed (indirectly) by the Dutch State. NWB Bank's long-term debt securities are rated AAA by Standard & Poor's and Aaa by Moody's. See 'Ratings' below.

NWB Bank was incorporated as a public limited liability company (*naamloze vennootschap*) under the laws of the Netherlands on 5 May 1954. Its legal name is Nederlandse Waterschapsbank N.V. and its trade name is NWB Bank. The duration of NWB Bank is unlimited. It is registered in the trade register of the Chamber of Commerce (*Kamer van Koophandel*) for Den Haag under No. 27049562. NWB Bank's ownership is restricted to the State of the Netherlands and other public entities. 81% of NWB Bank's shares are held by 26 water boards (*waterschappen*), the Dutch State's shareholding is 17% and 9 Dutch provinces hold the remaining 2%. NWB Bank is established in The Hague and has no branches.

NWB Bank's registered office is at Rooseveltplantsoen 3, 2517 KR The Hague, the Netherlands. Its telephone number is +31 70 4166266. NWB Bank is authorised by DNB to pursue the business of a credit institution (*kredietinstelling*) in the Netherlands and is consequently supervised by DNB. In addition, for purposes of market conduct supervision, NWB Bank is also supervised by the AFM. See '—Supervision and Regulation' below.

### Purpose

NWB Bank's activities are characterised by its specialised purpose as a leading financial services provider for the Dutch public sector. As NWB Bank's shareholders are public authorities, NWB Bank is positioned as part of and plays an important role in the Dutch public sector. NWB Bank's principal business activities include providing loans exclusively to municipal, provincial and other public authorities such as water boards, and other legal entities which are guaranteed and/or controlled by central or other public authorities. NWB Bank also provides its shareholders with funds transfer and electronic banking services.

Pursuant to Article 2 of NWB Bank's articles of association (*statuten*) (the '**Articles of Association**'), the object of NWB Bank is to engage in banking operations for the public sector by providing loans and other corollary financial services to central or other public authorities and legal entities which are guaranteed and/or controlled by public authorities (either fully or substantially, directly or indirectly, and by means of share-ownership or otherwise). The Articles of Association limit the lending activities of NWB Bank to granting loans to water boards and other public entities and to any legal

entity in which a public entity has a predominant interest or which are guaranteed by such public entities. NWB Bank is empowered to perform all acts which may be conducive to its object.

## **Strategy**

Ever since it was incorporated in 1954, NWB Bank has operated as a bank of and for the Dutch public sector. NWB Bank has rigorously maintained its strategic concept of being one of the major financial service providers in the public arena, and aims to provide its public sector clients with maximum access to funding at the lowest practicable cost. Pursuit of profit is not one of NWB Bank's primary drivers. An example of this was shown by NWB Bank's policy in the period prior to the global economic and financial crisis where it lent to clients at swap rates without a spread in contrast to most private sector banks. NWB Bank intends to maintain this policy to the extent that global economic and market circumstances allow.

NWB Bank believes it is able to maintain its strategy through its efficient, high-quality and committed organisation, which has good sourcing positions in the international money and capital markets due to its AAA ratings. NWB Bank's important role in the Dutch public sector is reflected by its well-established track record and high market share in lending activities for public sector institutions such as social housing, water boards, healthcare and educational institutions. This positions NWB Bank to provide stable and low-cost financing to and for the Dutch public sector with ensuing broader public benefits. Important strategic prerequisites for achieving these objectives include:

- continuing ownership by the Dutch State and other public authorities as set out in NWB Bank's Articles of Association;
- continuing restriction on NWB Bank's operations as set out in the Articles of Association;
- maintaining its (AAA) credit rating;
- retaining a transparent and robust financial position;
- continuing provision of low-cost and competitive funding;
- maintaining its low risk profile;
- maintaining access to the international capital markets;
- maintaining professional asset and liability management;
- maintaining efficient and low cost operational management;
- maintaining a sound interest margin;
- maintaining excellent corporate governance standards and implementation;
- providing sustainable solutions; and
- leading in the area of corporate social responsibility.

With its specialised services, NWB Bank continues to benefit from maintaining its operations within the public sector. Loans to many (semi) public sector entities have been categorised by DNB as having a zero percent risk weighting for capital requirement purposes meaning that such loans do not affect NWB Bank's capital requirements or are considered 'solvency-free' to NWB Bank, which is

reflected in NWB Bank's limited credit risk as expressed by its robust BIS solvency ratio. NWB Bank has large lending market shares in certain segments of the Dutch public sector, in particular in lending to water boards, where it will seek to maintain its substantial market share. NWB bank will continue to strive to expand its strong market share in lending to Dutch municipal authorities and housing associations and other solvency-free lending. See '—Competition' below.

NWB Bank will continue to concentrate on being responsive to the changing financial needs of its clients and developing flexible and dynamic solutions, including assistance in such areas as treasury policy, loan portfolio management, and developing customised funding structures and project finance for public-private partnerships. NWB Bank also aims to conduct its business operations and the development of new financial products in a sustainable manner and reflecting enhanced levels of corporate social responsibility and good corporate governance.

## Competition

NWB Bank's main competitors are N.V. Bank Nederlandse Gemeenten ('BNG'), another Dutch public sector lender, that is nearly twice NWB Bank's size, and, to a far lesser extent, commercial banks. Other competitors include insurance companies and pension funds.<sup>7</sup> Due to the small margins generally earned on public sector lending and in part due to the global economic and financial crisis, most commercial banks have withdrawn from this market in recent times, as their relative funding costs exceed borrowing rates otherwise available to the public sector.

As at 31 December 2010, NWB Bank had a market share of approximately 19% of the Dutch municipal sector as measured by aggregate loans and advances made. As at 31 December 2010 NWB Bank also benefited from high market shares in lending to Dutch housing associations (32%), Dutch water boards (85%) and Dutch healthcare entities (22%) as measured by aggregate loans and advances made.<sup>8</sup> NWB Bank's market shares in these segments of the Dutch public sector in 2010 remained at the high level of previous years. NWB Bank competes on the basis of favourable pricing and swift response to its clients' needs.

## Products and Services

### *Loans and Advances*

NWB Bank's primary business is providing loans and advances to Dutch public sector institutions. NWB Bank's borrowers are mainly public authorities and institutions to which funds are lent under the guarantee of public authorities. In addition, NWB Bank holds a limited portfolio of securities comprised mainly of bonds issued or guaranteed by public sector institutions. A relatively small proportion of loans is provided to Dutch utility companies. NWB Bank's Articles of Association prohibit lending to the private sector. 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 from DNB making it 'solvency-free'. NWB Bank has never suffered a loan loss. NWB Bank also lends in limited amounts to governments in other Western European countries applying the same quality standards as for domestic

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<sup>7</sup> These comparisons with the Issuer's competitors are mainly based on an analysis of (i) figures provided by the *Centraal Bureau voor Statistiek*, (ii) figures provided by *Stichting Waarborgfonds Sociale Woningbouw* ('WSW') and *Stichting Waarborgfonds voor de Zorgsector* ('WfZ') respectively and (iii) publications, such as annual reports, of the Issuer's main competitors like BNG.

<sup>8</sup> The Issuer's market shares are mainly based on an analysis of figures provided by the *Centraal Bureau voor Statistiek*, WSW and WfZ.

lending. At 31 December 2010, lending outside of the Netherlands represented less than 1% of total public sector loans and receivables.

Against the backdrop of the global economic and financial crisis, NWB Bank's strong capital position and continued access to the capital markets and other financing sources ensured that NWB Bank was in a position to maintain and reinforce its position as a stable and dependable lender to its clients which allowed it to continue to provide long-term funding to local authorities and public sector institutions at competitive rates.

Due to the high credit and liquidity risk spreads in the first half of 2009, the demand for long-term lending in almost all segments of the Dutch public sector generally lagged behind in comparison with previous years. After a recovery and strongly reduced liquidity spreads in the summer months of 2009, public sector borrowing demand rose sharply in the Netherlands in the second half of 2009. However, risk spreads for longer-term loans remained in excess of the pre-global economic and financial crisis rates, causing borrowers to remain conservative during 2010. Despite these difficult conditions NWB Bank maintained its position as a leading lender to the Dutch public sector with new long-term lending to client groups of €7.0 billion, €4.9 billion and €7.1 billion in 2010, 2009 and 2008 respectively.

The table below sets forth NWB Bank's new long-term lending (and the amount thereof subject to capital adequacy requirements) in the periods ended 31 December 2010, 2009 and 2008.

Long-term Lending					Of which subject to capital adequacy requirements			
	Total	New 2010	New 2009	New 2008	Total	New 2010	New 2009	New 2008
(in millions of euros)								
Water boards	4,673	479	442	670	-	-	-	-
Municipal authorities	6,797	997	478	720	-	-	-	-
Other public authorities	486	0	0	72	-	-	-	-
Housing corporations	26,829	5,066	3,468	4,901	-	-	-	-
Healthcare institutions	3,355	410	322	634	-	-	-	-
Under government guarantee	130	-	-	-	-	-	-	-
Joint schemes	417	26	29	17	-	-	-	-
Government-controlled limited liability companies	234	80	55	0	234	80	55	-
Other	251	17	0	88	127	8	-	47
Total	43,172	7,075	4,793	7,102	361	88	55	47
Growth in new long-term lending of which solvency-free	-	6,987	4,738	7,055	-	-	-	-

### *Other Services*

NWB Bank also provides payment services and fund transfers. NWB Bank offers these services exclusively to its shareholders, the majority of which are water boards.

### **Customers**

#### *Social Housing*

NWB Bank provides long-term loans to social housing associations all of which are guaranteed by WSW, a social housing fund whose purpose is to enable housing associations qualifying as registered institutions (*toegelaten instellingen*) to borrow funds at reduced costs so as to facilitate their role in the social housing market. WSW can guarantee (*zich borg stellen*) payment obligations of registered institutions that fulfil certain conditions set by WSW and are registered participants of WSW. The State of the Netherlands 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.<sup>9</sup>

Social housing associations provide approximately 30% of all available housing in the Netherlands. The housing associations meet their funding needs through borrowing from banks, such as NWB Bank, and generate income through the collection of rents and through the sales of housing and

<sup>9</sup> This information is based on public information provided by WSW through [www.wsw.nl](http://www.wsw.nl).

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. WSW guaranteed loans are zero percent risk weighted by DNB.

#### *Healthcare institutions*

NWB Bank provides financing solutions to public and semi-public healthcare institutions such as hospitals. All of NWB Bank's long-term loans to the healthcare sector are guaranteed by WfZ. WfZ can guarantee (*zich borg stellen*) payment obligations of certain entities which exploit accredited (*toegelaten*) health care institutions, fulfil the conditions set by WfZ and are registered participants of WfZ. Subject to certain other conditions, the State of the Netherlands has committed to provide WfZ with loans if WfZ's assets less liabilities (as calculated pursuant to WfZ's agreement with the State of the Netherlands) fall below certain pre determined levels.<sup>10</sup>

#### *Municipal and provincial authorities*

A significant component of NWB Bank's client base is comprised of municipal and provincial governments in the Netherlands. Dutch local authorities are generally 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 NWB Bank and BNG. The local authorities repay their loans using income raised from local taxes and fees received for local services. Loans to Dutch municipalities are zero percent risk weighted by DNB.

#### *Water Boards*

NWB Bank's share in the Dutch water board loan market remains high. Water boards are local government authorities with control of a region's water resource management. Netherlands water boards have a similar legal status to Dutch municipalities. Their functions vary depending on location and size, but their responsibilities generally include water charging and financing, managing bulk water supply, water quality, control of urban waste water and flood control. The water boards receive financing primarily from NWB Bank and also benefit from government funding. They generate revenues from taxes levied on users. Although the water boards do not benefit from a public guarantee scheme, they have nonetheless been designated as having a zero percent risk weighting by DNB.

#### *Other public utilities*

A relatively small proportion of loans is provided to other Dutch utility companies. These utilities have their own credit ratings. Depending on the nature of the loans to utilities they carry a risk weighting by DNB of between 20% and 100%.

### **Ratings**

NWB Bank's long-term debt securities are rated AAA by Standard & Poor's and Aaa by Moody's. An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is considered to be extremely strong.<sup>11</sup> Moody's long-term ratings are opinions of the relative credit risk of financial obligations with an original maturity of

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<sup>10</sup> This information is based on public information provided by WfZ through [www.wfz.nl](http://www.wfz.nl).

<sup>11</sup> <http://www.standardandpoors.com/ratings/articles/en/us/?assetID=1245299850426>

one year or more. They address the possibility that a financial obligation will not be honoured as promised. Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.<sup>12</sup>

Tranches or Series of Notes issued under the Programme may be rated or unrated. Where a Tranche or Series of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. 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. As of the date of this Base Prospectus, each of Standard & Poor's and Moody's is established in the European Union and is not registered under Regulation (EC) No 1060/2009 of 16 September 2009 on credit rating agencies (the '**CRA Regulation**'). Each of Standard & Poor's and Moody's has submitted an application for registration in accordance with the CRA Regulation, and such registration is not refused, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority. The rating of a certain Series or Tranche of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to a relevant Series or Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed clearly and prominently in the Final Terms. See '*Risk Factors – Factors that may affect NWB Bank's ability to fulfil its obligations under Notes issued under the Programme – Ratings downgrades and other ratings actions could have an adverse impact on NWB Bank's operations and financial condition*' and '*Risks Related to the market for the Notes – Credit rating risks*'.

## **Employees**

NWB Bank had 41 employees on a full-time equivalent basis as at 31 December 2010, all of which were employed in the Netherlands. Substantially all of NWB Bank's employees are subject to collective labour agreements covering the banking industries. NWB Bank believes that its employee relations are good.

## **Risk Management**

### *Risk Management framework*

Risk management is central to NWB Bank's business. Risk awareness is an important element of NWB Bank's business culture and is embedded in NWB Bank's long-term strategy. The organisation is designed to identify risks at an early stage, analyse them, set sensible limits and monitor those limits. NWB Bank's strategy places strict requirements on risk management and on the set-up and maintenance of adequate internal controls. NWB Bank has adopted an organisation-wide approach to risk management and its control. The Managing Board sets the risk management parameters. Within these parameters, the Asset and Liability Committee ('**ALCO**') takes weekly decisions on the risks of NWB Bank. The Managing Board, treasury, risk management and back office are represented on the ALCO. In addition, there is a consultative body which focuses specifically on analysing the interest rate risk and performance. As an important element of its supervisory role, the Supervisory Board, and in particular the Audit and Risk Committee of the Supervisory Board, evaluates the management of the risks associated with the banking operations. See '*Risk Factors – NWB 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*'.

NWB Bank's most important operating risks are interest rate, liquidity and credit risks. NWB Bank employs a very prudent approach to managing these risks. NWB Bank believes that its internal risk

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<sup>12</sup> [http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004)



controls and risk management systems are adequate and effective. The Dutch Banking Code (2010) (*Banken Code*), which was drawn up by the Dutch Association of Banks and originates from recommendations in response to the global economic and financial crisis of the Dutch Advisory Committee on the Future of Banks, and the amendments to the Dutch Corporate Governance Code, offers guidance for improving risk management processes. In accordance with the Dutch Banking Code (2010)'s recommendations, which took effect on 1 January 2010, NWB Bank, amongst others, defined its risk appetite more specifically, set up a program for continuing education for the members of the Managing Board and Supervisory Board and further formalised the product approval process. In conformity with the Dutch Banking Code (2010), NWB Bank's risk appetite was documented under the Managing Board's responsibility by degree and areas in which NWB Bank is prepared to accept risk and the documentation was subsequently approved by the Supervisory Board. NWB Bank's risk profile will be reviewed annually and whenever significant events warrant such review. The product approval process, which is followed whenever new products are launched, new markets are entered into or new services are offered involves a review of transparency and risk management. Where the launch of a new product or service or the entry of a new market has a substantial impact on NWB Bank's risk profile or strategy, approval from the Supervisory Board is required.

### *Management of main risks*

Interest rate risk is monitored on a daily basis using a (partial) duration analysis, a gap analysis, a short-term interest risk model and a scenario analysis. Outcomes from positions adopted are analysed using a profit forecast, interest margin analysis, analysis of the changes in the fair value portfolio and performance analysis. NWB Bank's policy is to manage the interest rate risk bank-wide by closing interest rate swap transactions for both the asset and the liability side of the balance sheet, in which NWB Bank agrees to exchange, at specified intervals, the difference between fixed and variable interest rates calculated by reference to an agreed-upon notional principal amount. Following the drop in long-term interest rates in the early months of 2010, the duration of the fair value of equity was reduced in phases. In addition, supplementary standards were introduced in the second quarter of 2010 to improve the management of interest rate risk in the fair value portfolio. These standards are based on partial duration, which is a measure of the fair value's sensitivity to non-parallel changes in the yield curve.

NWB Bank's liquidity position is monitored daily. The aim of liquidity management is to ensure that there are sufficient funds available for NWB Bank to meet not only foreseen, but also unforeseen financial commitments. NWB Bank's management is informed daily by means of a liquidity gap analysis, containing differences between the cash flows receivable and payable. In 2009 and 2010, the standard was further refined, to better meet the need for limiting actual short-term liquidity deficits. NWB Bank has also introduced a maximum for the absolute liquidity deficit or borrowing requirement at any point in the future.

With regard to credit risk, NWB Bank focuses on maintaining an extremely high-quality loans portfolio. NWB Bank's borrowers are mainly public authorities and institutions to which funds are lent under the guarantee of public authorities (including a limited securities portfolio). A relatively small proportion of loans is provided to government companies (Dutch utility companies). NWB Bank also lends in limited amounts to governments in other Western European countries, applying the same quality standards as for domestic lending. NWB Bank applies no credit limits for Dutch public authorities. All other loans are included in the credit assessment system of NWB Bank. If a credit limit is set for a counterparty, it is adjusted annually, or as often as necessary, in line with the latest developments. NWB Bank has never suffered a loan loss. To manage the interest rate and currency risks, NWB Bank uses derivatives. To limit the credit risks associated with these derivatives as much as possible, in principle, NWB Bank only enters into transactions with counterparties with an A rating at a minimum and limits are set to minimise the total exposure from derivatives. The credit risk management policy was updated in 2010 primarily to emphasise focus on more significant risks.

Transactions NWB Bank enters into with financial counterparties, give rise to counterparty risks. These are confined by imposing limits and using a framework of standard requirements, as well as by concluding risk-mitigating netting and collateral agreements with financial counterparties. In 2010, the number of counterparties with which collateral was exchanged grew strongly and collateral management was increased.

The main components of operational risks of NWB Bank are losses incurred due to disruptions to the information system, transaction processing and settlement systems, and ineffective procedures, particularly with respect to new services or products, as well as fraudulent and/or unauthorised actions on the part of staff or third parties. These risks are actively monitored and managed.

For further information on NWB Bank's risk management policies please see Note 34 'Risk management' to the 2010 financial statements included in NWB Bank's 2010 annual report incorporated by reference herein.

### **Managing Board and Supervisory Board**

The Managing Board currently consists of two members, and the Supervisory Board currently consists of seven members. At the Annual General Meeting of Shareholders held on 28 April 2011, a resolution was adopted to increase the number of Managing Board members from two to three and the number of Supervisory Board members from seven to eight. A third member of the Managing Board and an eighth member of the Supervisory Board are expected to be appointed at the Annual General Meeting of Shareholders to be held in 2012.

The tables below set forth the members of the Managing Board and the Supervisory Board, their year of birth, the year of their initial appointment and their position. The members of the Supervisory Board and the Managing Board are appointed by the Annual General Meeting of Shareholders on the nomination of the Supervisory Board. All members of the Managing Board and the Supervisory Board have their business address at the registered office of NWB Bank.

#### *Managing Board*

<b>Name</b>	<b>Born</b>	<b>Appointed</b>	<b>Position</b>
R.A. Walkier	1953	2008	Chairman
L.M.T. van Velden	1964	2010	Member

### *Supervisory Board*

<b>Name</b>	<b>Born</b>	<b>Appointed</b>	<b>Position</b>
R.G.C. van den Brink	1948	2002	Chairman
E.H. baron van Tuyll van Serooskerken	1940	2001	Deputy Chairman
E.F. Bos	1959	2002	Member
P.C.G. Glas	1956	2011	Member
V.I. Goedvolk	1944	2004	Member
B.J. baron van Voorst tot Voorst	1944	2009	Member
J.J.M. Jansen	1954	2010	Member

Set out below are brief biographies of the members of the Managing Board and the Supervisory Board. Members of the Managing Board are generally appointed for a four year period and can be reappointed for a further term of four years.

### ***Managing Board***

#### *R.A. Walkier, Chairman*

Appointed to the Managing Board on 1 February 1993 and appointed as Chairman of the Managing Board on 24 April 2008. Mr Walkier's appointment as Chairman of the Managing Board is for a four year period. Mr. Walkier is also a board member of Stichting Beheer van het Gemeeneland.

#### *Mrs L.M.T. van Velden, Member*

Appointed to the Managing Board on 23 April 2009 (and commencing as a Managing Board member as of 1 January 2010). Mrs van Velden's appointment as a Member of the Managing Board is for a four year period.

### ***Supervisory Board***

#### *Mr R.G.C. van den Brink, Chairman*

Appointed on 21 May 2002 and appointed as Chairman of the Supervisory Board on 22 April 2010. Mr van den Brink is a member of the Audit and Risk Committee and the Remuneration and Appointment Committee. He is a former Chief Economic Adviser of the Managing Board of ABN AMRO Bank N.V. Mr van den Brink is a professor of Financial Institutions at the University of Amsterdam and a member of the Supervisory Boards of Akzo Nobel N.V. and Legal & General Nederland N.V.

*Mr E.H. baron van Tuyll van Serooskerken, Deputy Chairman*

Appointed on 22 May 2001. Mr baron van Tuyll van Serooskerken's term of office ends in 2013. Mr baron van Tuyll van Serooskerken is the former Dyke Reeve of Water Board Rijnland. Mr baron van Tuyll van Serooskerken is a member of the Supervisory Board of BTL Beheer B.V. and a member of the Supervisory and Advisory Committee of Zorgbalans.

*Mrs E.F. Bos*

Appointed on 24 April 2008 and eligible for reappointment in 2012. Mrs Bos is a member of the Audit and Risk Committee. Mrs Bos is a member of the executive committee of PGGM N.V., a member of the Supervisory Boards of Alpinvest Partners N.V., Amvest Vastgoed B.V., Stichting Waarborgfonds Eigen Woningen, a member of the Supervisory Committee of Isala Klinieken and a member of the Boards of Directors of Sustainalytics B.V. and UN-PRI (United Nations Principles on Responsible Investments).

*Mr P.C.G. Glas*

Appointed on 28 April 2011 and eligible for reappointment in 2015. Mr Glas is Water Reeve of Water Board De Dommel. He is Chairman of the Dutch Association of Water Boards, a member of the Board of PSIBouw, Proces- en Systeeminnovatie in de Bouw, the Dutch member of the European Union of Water Management Associations, and Director of Koninklijke Hollandse Maatschappij der Wetenschappen.

*Mr V.I. Goedvolk*

Appointed on 13 May 2004. Mr. Goedvolk's term of office ends in 2015. Mr Goedvolk is the Chairman of the Audit and Risk Committee. He is a former board member of Fortis ASR N.V. Mr Goedvolk is a member of the Supervisory Boards of UCN N.V., Urenco Ltd and VvAA Groep B.V., a member of the Supervisory Committee of Waarborgfonds voor de Zorgsector and the Chairman of the Supervisory Board of Loyalis N.V.

*Mr J.J.M. Jansen*

Appointed on 22 April 2010 and eligible for reappointment in 2014. Mr Jansen is a member of the Remuneration and Appointment Committee. He is a member of the Netherlands Council of State (*Raad van State*), a professor at the Faculty of Law of the Erasmus Universiteit Rotterdam and Deputy Justice of the Tax Chamber of the Leeuwarden Court of Appeal.

*Mr B.J.M. baron van Voorst tot Voorst*

Appointed on 23 April 2009 and eligible for reappointment in 2013. Mr baron van Voorst tot Voorst is the Chairman of the Remuneration and Appointment Committee. Former governor of the Netherlands province of Limburg. Mr baron van Voorst tot Voorst is a member of the Supervisory Boards of NIBA Beheer N.V. and Huco handel- en Scheepvaartmaatschappij N.V.

### ***Managing Board and other members of Senior Management***

R.A. Walkier, Chairman  
L.M.T. van Velden  
P.L. Bax, Accounting and Reporting  
A.G. van Eijl, Risk Management  
A.R.L. Hoogendoorn, Internal Audit  
T.A.J.O. Meuwissen, Treasury  
L. Knoester, Public Finance  
H.N.W. van Rooijen, Legal Affairs  
M.H.J. Vaessen, IT

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

As of date of this Base Prospectus, no members of the Managing Board, the Supervisory Board and members of Senior Management have any actual or potential conflict of interest between their duties to NWB Bank 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 – Managing Board***

The Dutch Corporate Governance Code, to which NWB Bank voluntarily adheres, requires that any conflict of interest or apparent conflict of interest between NWB Bank and the Managing Board members shall be avoided. The members of the Managing Board aim to avoid any form or semblance of conflicting interests in the performance of their duties. The regulations of the Managing Board contain a provision that a member of the Managing Board who is confronted with a potential conflict of interest must report it to the Supervisory Board and the other members of the Managing Board and provide all relevant information relating to such potential conflict of interest. A determination as to a conflict of interest is made by the Supervisory Board. The relevant member of the Managing Board will not participate in the deliberations or decision-making regarding the subject in question. In case of a potential conflict of interest, the relevant transactions will be disclosed in NWB Bank's Annual Report. At present there are no potential conflicts of interest.

It should be noted that the possibility cannot be excluded that in the future Managing Board memberships and additional positions of members of the Managing 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, to which NWB Bank voluntarily adheres, requires that any conflict of interest or apparent conflict of interest between NWB Bank 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 NWB Bank 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 to the Supervisory Board and provide all relevant information relating to such potential conflict of interest. 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 case of a potential conflict of interest, the relevant transactions will be disclosed in NWB Bank's Annual Report. At present 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.

## **Supervision and Regulation**

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

The EU Financial Services Action Plan 1999–2005 established 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, intended to result in higher levels of financial stability, consumer benefit and consumer protection. The financial services sector includes EU regulatory policies with respect to three major areas, that is banking, capital markets and asset management.

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

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

On 16 December 2010 the Basel Committee adopted the final text of the Basel III capital accord, which will replace the Basel II capital accord (**'Basel II'**). The Basel III framework (**'Basel III'**) sets out provisions related to higher and better-quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build up of capital that can be drawn down in periods of stress, and the introduction of two liquidity standards. As of the date of this Base Prospectus, NWB Bank has to comply with the requirements contained in Basel II. Basel II sets out the details for adopting risk-sensitive minimum capital requirements for banking organisations. It reinforces these risk-sensitive requirements by laying down principles for banks to assess the adequacy of their capital and for supervisors to review such assessments to determine whether banks have adequate capital to support their risks. It aims to strengthen market discipline by enhancing transparency in banks' financial reporting. Basel II has been implemented into EU law by means of the Capital Requirements Directive (**'Capital Requirements Directive'**). The Capital Requirement Directive consists in turn of the EU Capital Adequacy Directive (recast) 2006/49/EC (**'Capital Directive'**) and the Banking Directive. Together they set out the capital adequacy requirements that apply to investment firms and credit institutions. The Capital Requirements Directive will be changed. These changes (**'Capital Requirements Directive IV'**) will supplement the two sets of revisions that have already been adopted or proposed: that is, the amendments agreed by Member States and the European Parliament in September 2009 (**'Capital Requirements Directive II'**) and the proposal adopted by the Commission in July 2009 (**'Capital Requirements Directive III'**). The envisaged changes of the Capital Requirements Directive IV are similar to the Basel III capital accord.

Under Basel III there will be significantly more stringent standards than under the existing requirements. In addition to increasing the quality and quantity of capital, increasing capital against derivative positions and introducing a new liquidity framework, Basel III also introduces a leverage ratio and a liquidity coverage ratio. The leverage ratio expresses equity as a percentage of total assets,

which may not fall below 3% effective 2018. The liquidity coverage ratio 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%. The European Commission has indicated that it expects to publish regulations or a directive reflecting Basel III, in mid-2011 requiring implementation in the Member States at the beginning of 2013. Due to the structure of NWB Bank's balance sheet and its lending mainly to Dutch public sector borrowers with zero risk weighting, NWB Bank may not be able to meet the stricter capital and liquidity (ratio) requirements, including the leverage ratio, set under Basel III.

NWB Bank is of the opinion that public sector banks require a bespoke capital requirement 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. In 2010 the Managing Board contacted the regulatory authorities and expressly objected to applying the 3% leverage ratio. NWB Bank intends, and expects other specialist lenders to the public sector in the Netherlands and other European countries, to keep advocating a suitable capital requirement for public sector banks. The authorities have taken cognisance of the objections raised by NWB Bank to the leverage ratio. However, as from 2011, as long as the 3% leverage ratio may still become applicable to NWB Bank, future profits will be added to its reserves to the maximum extent possible. Once the capital requirements are met, there may be more scope for dividend distribution. Should the authorities decide to lower the current 3% leverage ratio requirement for NWB Bank, the reserve policy may be reconsidered.

#### *MiFID*

In April 2004, the Markets in Financial Instruments Directive 2004/39/EC ('**MiFID**') came into force. 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 and customer order handling rules. 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 equities. MiFID also has consequences for intermediaries in financial products. It envisages, *inter alia*, a way to harmonise regulation in respect of commission payments and remuneration transparency. MiFID prescribes inducement rules which should lead to appropriate commissions. These rules are intended to better protect customers if they wish to purchase certain financial products, such as complex structured products and mortgage loans and to avoid reward-driven advice issued by intermediaries since intermediaries are often paid by the provider of the financial product. MiFID will be amended by MiFID II in 2013. It is expected that MiFID II will be transposed into national law in 2015. MiFID II will amongst others change the rules in relation to post-trade transparency data, delays in the publication of such data, selling practices for certain financial instruments, investors and intermediaries protection, supervision of tied agents and related issues, pre-trade transparency regime for organised markets, the obligations for systemic internalisers and the application of transparency obligations to equity-like instruments. Certain options and discretions of MiFID will be eliminated.

#### *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.

## *Anti-Money Laundering*

The third Anti-Money Laundering Directive 2005/60/EC, adopted in November 2005, aims 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.

## *Antonveneta*

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 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.

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

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

Dutch credit institutions, such as NWB Bank, operate under the supervision of DNB and the AFM. The Dutch regulatory supervision consists of prudential supervision and conduct of business supervision. Prudential supervision is performed by DNB, while the conduct supervision is performed by the AFM.

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. NWB Bank holds a Dutch banking license pursuant to Article 2:11 in conjunction with Article 2:13 of the DFSA to perform banking services in the Netherlands such as granting credits. Therefore NWB Bank is subject to supervision by DNB and must comply with the rules regarding prudential supervision as set out in this section.

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



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 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.

#### *Solvency supervision*

Solvency supervision is based on the implementation of Basel II under the DFSA by the Capital Requirements Directive (see above) and regulations issued pursuant thereto, including DNB supervisory rules. This was completed when the DFSA and those regulations entered into force on 1 January 2007. These rules will be changed when Basel III (see above) is implemented under European legislation and then transposed into national law.

#### *Liquidity supervision*

Under DNB's liquidity regulation (*Regeling liquiditeit Wft* which in May 2011 will be replaced by *Regeling liquiditeit Wft 2011*), 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. 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 report (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. The liquidity test includes all currencies.

#### *Structural supervision*

An interest or control of 10% or more (a qualified holding) in a Dutch licensed bank requires a declaration of no objection ('DNO') issued by DNB or the Dutch Minister of Finance. In addition, a bank requires a DNO 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 DNO, we refer to the Antonveneta-Directive, as mentioned above. Although the Antonveneta-Directive was required to be implemented in all European Economic Area member states on 21 March 2009, it has not yet been implemented in the Netherlands. It is currently unknown when the Antonveneta-Directive will be implemented in the Netherlands. DNB has expressed that, until the Antonveneta-Directive is implemented, DNB will apply the current provisions of the DFSA concerning DNOs as far as possible in conformity with the Antonveneta-Directive. In this respect we note that, pursuant to European law, if provisions in the Antonveneta-Directive are suitable to be applied in a specific case, DNB is obligated to do so if this would be to the benefit of the DNO-applicant. DNB may however not do so if the provision in question is not to the benefit of the DNO-applicant. Having said that, it is important to note that provisions currently contained in the DFSA must be interpreted in accordance with European Directives where this is possible.

Aside from the DNO requirement for qualified holdings in financial enterprises, banks holding specific participating interests may also be required to apply for a DNO. 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.

### *Dutch Banking Code (2010)*

The Dutch Banking Code (2010) (*Code Banken*) has been given a legislative basis by virtue of a decree (*algemene maatregel van bestuur*), in the same way as was done previously for the Dutch Corporate Governance Code. Under this decree banks are obliged to report, in their annual report, on their compliance with the principles of the Dutch Banking Code (2010). The Dutch Banking Code (2010) formulates principles for banks relating to, for instance, remuneration, internal supervision, risk management and audits. Under a provision of the Dutch Banking Code (2010)'s preamble, banks are required to state in their annual report how they have applied the principles of the Dutch Banking Code (2010) in the previous year and, if they have not applied a principle or not done so in full, to provide a reasoned explanation for this.

## CAPITALISATION

	As of 31 December, 2010 (€ millions)
<b>Short-term debt (&lt;1 year)</b>	
Banks <sup>1</sup> .....	1,200
Short-term debt securities <sup>2</sup> .....	6,121
Funds entrusted <sup>3</sup> .....	1,550
Total short-term debt .....	<u>8,871</u>
<b>Long-term debt (&gt;1 year)</b>	
Loans taken out at banks <sup>4</sup> .....	87
Bonds <sup>5</sup> .....	40,175
Funds entrusted <sup>6</sup> .....	1,100
Total long-term debt .....	<u>41,362</u>
<b>Shareholders' equity</b>	
Share capital .....	7
Revaluation reserves .....	(6)
General reserve .....	1,029
Profit for the year .....	38
Total shareholders' equity .....	<u>1,068</u>
Total long-term debt and shareholders' equity .....	<u><u>42,430</u></u>

1 Banks consists of liabilities, other than debt securities, due to domestic and foreign banks. Short-term debt included in Banks is comprised of cash loans and collateral. See note 20 to the 2010 financial statements.

2 Consists of short-term debt securities classified as financial liabilities stated at fair value through profit or loss and short-term debt securities classified as debt securities stated at amortised cost. Short-term debt securities consists of commercial paper. See notes 21 and 24 to the 2010 financial statements.

3 Funds entrusted consists mainly of short-term deposits and customer current accounts. See note 23 to the 2010 financial statements.

4 Loans taken out at banks consists of long-term loans stated at amortised cost under Banks. See note 20 to the 2010 financial statements.

5 Consists of bonds classified as financial liabilities stated at fair value through profit or loss and bonds classified as debt securities stated at amortised cost, of which €6,600 million will mature during the course of 2011. See notes 21 and 24 to the 2010 financial statements.

6 Funds entrusted consists of private loans to NWB Bank in both euro and foreign currencies. See note 21 to the 2010 financial statements.

## SELECTED FINANCIAL DATA 2010-2006

	2010	2009	2008	2007	2006
	(€ millions, except percentages and per share data)				
<b>Statement of Financial Position</b>					
Public-sector loans and receivables <sup>1</sup>	47,456	43,545	39,678	32,252	29,801
Equity .....	1,068	1,048	1,047	1,091	1,310
Total assets .....	57,219	52,422	48,396	38,770	35,172
Risk-weighted assets .....	897	1,721	1,561	1,093	1,107
<b>Results</b>					
Interest .....	104	92	128	114	125
Realised/unrealised changes in fair value portfolio .....	(40)	(2)	(102)	(7)	21
Operating income .....	64	90	26	107	158
Operating expenses .....	11	10	10	9	9
Contribution to NWB Fonds	2	4	4	4	6
Income tax .....	13	19	3	23	45
Profit for the year .....	38	57	9	71	98
<b>Dividends</b>					
Dividend payment (in € millions) .....	23	40	40	40	40
Dividend per share (in euros) .....	390	678	678	678	678
<b>Ratios (%)</b>					
BIS solvency ratio <sup>2</sup> .....	94.5	51.4	53.2	68.1 <sup>4</sup>	114.6 <sup>3</sup>
Operating expenses/interest ratio <sup>5</sup>	10.6	10.9	7.8	7.9	7.2
Dividend payout ratio <sup>7</sup> .....	60	70.2	100 <sup>6</sup>	56.6	40.9
Capital ratio <sup>8</sup> .....	1.9	2	2.1	2.7	3.6

<sup>1</sup> Includes €41,639 million, €37,295 million, €32,877 million, €25,562 million and €22,134 million in 2010, 2009, 2008, 2007 and 2006, respectively, included on the balance sheet under 'Financial assets stated at fair value through profit or loss.'

<sup>2</sup> Equity excluding revaluation reserves and profit for the year as a percentage of credit and operational risk weighted amounts.

<sup>3</sup> The BIS solvency ratio was not introduced until 2007; for 2006 the BIS Tier-1 ratio is presented.

<sup>4</sup> Comparable BIS Tier-1 ratio 96%.

<sup>5</sup> Operating expenses (total operating expenses less contribution to Stichting NWB Fonds) as a percentage of interest.

<sup>6</sup> Dividend as a percentage of profit for the year.

<sup>7</sup> Excluding payment of €31 million charged to the general reserve.

<sup>8</sup> Equity as a percentage of total assets.

## OPERATING AND FINANCIAL REVIEW

*The following operating and financial review is based on the information contained in NWB Bank's annual reports of 2010, 2009, and 2008 as well as the accounting records of NWB Bank and is intended to convey management's perspective on the operating performance and financial condition of NWB Bank during the period under review, as measured in accordance with IFRS. This disclosure is intended to assist readers in understanding and interpreting the financial statements of NWB Bank incorporated by reference in this Base Prospectus. The discussion should be read in conjunction with the 'Selected Financial Data 2010-2006' and the financial statements of NWB Bank and the accompanying notes which are incorporated by reference in this Base Prospectus. NWB Bank is required to comply with IFRS and its accounting policies have been established accordingly.*

*This discussion and analysis contains forward-looking statements that involve risks and uncertainties. NWB 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 the '2010', '2009', and '2008' refer to the years ended 31 December 2010, 2009 and 2008, respectively.*

### Overview

NWB Bank is a specialised lender to the public sector primarily in the Netherlands, providing short-term and long-term financing to water boards, municipal and provincial authorities as well as to other public sector institutions such as housing corporations, healthcare and educational institutions. NWB Bank believes it is a key bank for the Dutch public sector, fulfilling a critical role supported by the Dutch State.

### Principal Factors Affecting Results of Operations

#### *General economic conditions*

The economic consequences of the global economic and financial crisis in 2008, 2009 and 2010 have been considerable. Particularly in the last half of 2008 and the first quarter of 2009 economic activities world-wide strongly decreased due to a drop in foreign trade and corporate investments. Only during the course of the third quarter of 2009 did Western economies emerge from the recession under the influence of substantial government incentive measures. In addition, the end of 2009 saw international trade pick up strongly, partly because the economies of China and other emerging countries evidenced surprisingly strong recoveries, with the trend continuing into 2010. However, the strong government support provided during the worst of the global economic and financial crisis resulted in large increases to government debt, which sparked the European sovereign debt crisis in 2010, which has continued in 2011.

Just as in other Western countries, the economic recovery in the Netherlands has been moderate and the loss in production sustained during the financial crisis is still far from being restored. In 2010, gross domestic product ('GDP') in the Netherlands grew by 2% compared with declines of 4% and 2% in 2009 and 2008, respectively.<sup>13</sup> The export of goods and services increased by 11%<sup>14</sup> primarily as a

<sup>13</sup> Source: Statistics Netherlands (*Centraal Bureau voor de Statistiek*).

<sup>14</sup> Source: Statistics Netherlands (*Centraal Bureau voor de Statistiek*).

result of increased production and an increase in international trade, offset by high oil prices and a weak Euro compared to the U.S. dollar. Although government investment increased by way of stimulus packages, particularly in 2009, consumption in the Netherlands has fallen, though mitigated somewhat by a lower than expected rise in unemployment. Because of part-time work combined with part-time unemployment benefits fewer people were made redundant while more young people opted for further education. In addition, flexibility in the labour market ensured that the number of staff could be better synchronised with production. Nevertheless, in 2010 more than 78,000 persons were made redundant which brought the number of unemployed in the Netherlands to 426,000, or 5.4% of the working population.<sup>15</sup> In comparison, at the end of 2009 unemployment in the Netherlands was only 4.8%.<sup>16</sup> Inflation in the Netherlands increased from 1.2% in 2009 to 1.3% in 2010 under the influence of higher energy prices, and continues to rise as of the date of this Base Prospectus.<sup>17</sup> In the Eurozone as a whole, at year end 2010, inflation was at 2.2%.<sup>18</sup>

The economic consequences of the global and economic financial crisis and the volatility of the capital markets during the period under discussion has had a material impact on NWB Bank's core activities of funding and lending and NWB Bank believes that economic and market conditions in the Netherlands and Western Europe in general will continue to affect NWB Bank's results of operations. In particular, NWB Bank's ability to generate revenues and expand its loan portfolio in the future largely depends on the prospect and speed of economic and market recovery within the Netherlands and Western Europe. For more information relating to macro-economic risks to NWB Bank see 'Risk Factors – NWB Bank's business, earnings and results of operations are materially affected by conditions in the global financial markets and by global economic conditions, particularly in the Netherlands.'

#### *Borrowing and debt obligations*

Following the significant widening of credit spreads in the latter part of 2008, particularly in response to the Lehman Brothers collapse, the response by governments and central banks to the financial crisis in 2008 and 2009 saw spreads on debt instruments stabilise in 2009. The fall in credit spreads which began towards the second half of 2009 had a positive effect on the net interest income of many financial institutions as their borrowing costs dropped. While this sustained support from governments and central banks served to consolidate the economic recovery that had started in 2009, increased government intervention in 2010 saw government debts grow significantly, particularly in a number of European countries. The first loan redemptions by banks that had benefitted from government guarantees significantly limited the narrowing of credit spreads in 2010. This was caused by rising concerns over growing government debt and the associated issuance of government bonds, with the liquidity crisis that had hit the banking sector internationally turning into a debt crisis in the weaker European countries. The lower demand for government bonds from weaker European countries caused interest spreads to widen significantly between European countries.

Despite NWB Bank's AAA rating, these market developments had a significant effect on NWB Bank's cost of funding, as well as the cost of funding to its principal customers. The lower risk appetite and associated reduced liquidity on capital markets resulted in NWB Bank having to raise funding for longer periods at the swap interest rate with a spread, whereas in the past it did so at swap rates without a spread. As a result of having a higher cost of funding compared with its benchmark of

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<sup>15</sup> Source: Statistics Netherlands (*Centraal Bureau voor de Statistiek*).

<sup>16</sup> Source: Statistics Netherlands (*Centraal Bureau voor de Statistiek*).

<sup>17</sup> Source: Statistics Netherlands (*Centraal Bureau voor de Statistiek*).

<sup>18</sup> Source: Eurostat.

the swap interest rate prior to the financial crisis, NWB Bank's results have been affected due both to changes in the fair value of assets and liabilities measured on the basis of such interest rate movements and to the impact on the interest rate result (interest received less interest paid).

NWB Bank has maintained a good funding record during this period with a diversified investor base and well spread tenors. Amidst the European government debt crises seen in 2010 and the threatened double-dip economic recession, NWB Bank was able to continue to access the capital markets, raising €9.7 billion in long-term funding in 2010 compared with €7.6 billion in 2009 and €6.3 billion in 2008. NWB Bank's triple A-ratings were reconfirmed and investor confidence in NWB Bank was maintained.

Whereas in 2009 NWB Bank deliberately kept maturities short because of the higher credit spreads and because short term debt could be borrowed at the swap interest rate, in 2010 NWB Bank lengthened the average maturity of its debt securities to 5.8 years (2009: 3.4 years and 2008: 5.2 years). Of this amount, 42% was raised in US dollars, 39% in euros, 13% in Swiss francs, 3% in British pounds and 2% in Canadian dollars, with the remainder raised in Japanese yen and Hong Kong dollars. This compares to 2009 when 15% was raised in US dollars, 57% in euros, 15% in Swiss francs, 2% in British pounds, 7% in Japanese yen and 4% in Hong Kong dollars and 2008 when 32% was raised in US dollars, 53% in euros, 6% in British pounds and 3% in Japanese yen, with the remainder raised in Australian and New Zealand dollars and South African rand.

NWB Bank was also an active issuer of commercial paper having issued €27 billion in aggregate over 2010 with maturities averaging 4 months compared with €25 billion in 2009 and €6.5 billion in 2008. At an average cost of 0.4% in 2010 (2009: 0.5%) below comparable EURIBOR rates, NWB Bank views commercial paper as a feasible way of raising significant amounts of attractively priced funds and allowing it to time the issuance of long-term debt instruments with greater precision.

### *Interest rates*

During the autumn of 2008 global banks began to face severe asset erosion as the effects of the U.S. sub-prime housing loan crisis extended into the financial markets more generally, jeopardising financial stability and economic growth. Central banks globally, including the European Central Bank, cut key interest rates significantly in 2008 and in 2009. Interest rates remained at these low levels throughout 2010, although, certain countries outside the Eurozone (Sweden, for example) began to increase interest rates during 2010. Interest rates for the Euro OverNight Index Average fluctuated throughout the last year, from 0.32% at year end 2009 to 0.82% at year end 2010 and rates have increased slightly from year-end 2010 as of the date of this Base Prospectus. On 7 April 2011, the European Central Bank increased its benchmark interest rate from 1.00% to 1.25% and further rates increases are expected by the markets.

Fluctuations in short-term and medium- to long-term interest rates impact NWB 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 33, Fair value of financial instruments' and 'Note 34, Risk Management' to the 2010 financial statements included in NWB Bank's annual report incorporated by reference in this Base Prospectus. NWB 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 NWB Bank's portfolio and the extent of NWB Bank's use of interest rate-related derivative contracts. As a general matter, declining short-term interest rates do not affect NWB Bank's interest rate margins significantly, as NWB Bank relies mainly on funding from the capital markets, and NWB Bank's borrowing and lending margins are closely matched. NWB Bank also uses a variety of derivative products to minimise the risks related to interest rate fluctuations. However, over the period under review fluctuations in credit spreads (which have not been hedged) and the need for NWB Bank to pay a spread over swap interest rates on its long-term funding have had a

significant impact on its total operating income. See 'Fair Value Accounting Option for Financial Instruments' below.

### *Hedging Policy of NWB Bank*

NWB uses a hedging policy designed to minimise foreign exchange risks and manage interest rate volatility.

### Fair Value Portfolio

Prior to 1 January 2011, NWB Bank accounted for substantially all of its assets and liabilities on a fair value basis and placed the majority of its assets and liabilities into its fair value portfolio ('**FV portfolio**'). Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale. If the value of an asset carried at fair value declines (or the value of a liability carried at fair value increases) a corresponding (unrealised) loss is recognised in the income statement.

NWB Bank hedges its assets on a portfolio basis. All the assets that are included in the FV portfolio are swapped from fixed rate into floating rate. The FV portfolio is marked to market on a daily basis and has an interest rate sensitivity of close to zero. NWB Bank assesses the results on a daily basis and reports weekly to the asset/liability committee ('**ALCO**'). Interest rate movements, therefore, usually have little to no impact on the market value of the FV portfolio. However, the value of this portfolio is still exposed to a movement in credit spreads, because the present value of the assets (or underlying principal) is calculated against the swap curve plus a credit spread which is not offset by the interest rate swaps, which are valued at the swap curve (without a credit spread) as there is no credit component in the valuation of the swaps. As all of NWB Bank's assets are denominated in euros, no foreign exchange risk hedging is necessary.

Liabilities are also included in the FV portfolio. Unlike its assets, however, NWB Bank hedges its liabilities on a transaction basis, and as a result all of its funding is fully hedged as to interest rates and therefore not sensitive to movements in interest rates. With respect to funding in foreign currency, the foreign exchange risk is also fully hedged together with the interest rate risk at the outset.

### Accrual Portfolio

The portion of NWB Bank's assets and liabilities not accounted for in the FV portfolio or, going forward, the HA portfolio (as defined below) are carried at amortised cost and accounted for in the accrual portfolio and are intentionally left unhedged. The accrual portfolio has a positive duration (that is, the market value of NWB Bank's assets is more interest rate sensitive than the value of its liabilities, because the durations of the assets are longer on average than the liabilities) and is therefore sensitive to interest rate movements and benefits from a decline in interest rates. NWB Bank only uses euro denominated assets or funding to change the duration of this portfolio. In order to increase interest rate sensitivity, assets are added to the portfolio and in order to reduce interest rate sensitivity, fixed rate funding is added to the portfolio. Reporting is based on historic cost rather than marked to market as is the case with the FV Portfolio, therefore a change in interest rate has an impact on interest, but does not lead to unrealised fair value gains or losses. The interest rate sensitivity is assessed on a daily basis and reported to the ALCO weekly.

### Hedge Accounting Portfolio

Starting 1 January 2011, assets and funding that would have been previously allocated to the FV portfolio are included in the hedge accounting portfolio ('**HA portfolio**'). The hedging of assets would still be on a portfolio basis and all interest rate and currency exposure on funding would be



hedged. The HA portfolio is also marked to market. As long as a change in market value of the HA portfolio as a result of a movement in interest rates is within internal limits, the hedge is treated as being effective according to IFRS and consequently the entire portfolio can be reported on the basis of historic cost and fair value movements (absent impairments) will not affect the income statement. Since the hedging instruments continue to be measured at fair value, a basis adjustment is calculated to offset the changes in market value of the corresponding swaps. This method of accounting limits the volatility that might otherwise result in the income statement as a result of changes in credit spreads, as has been experienced in recent years. See 'Fair Value Accounting Option for Financial Instruments' below.

#### *Fair Value Accounting Option for Financial Instruments*

Since NWB Bank converted to IFRS accounting in 2005, the substantial majority of NWB Bank's loans, securities, debt instruments and associated swaps are fair valued through the income statement under IFRS 39. As described above, for NWB Bank, fair value fluctuations arise principally from changes in interest rates and credit spreads on loans granted to the Dutch public sector. Although most of NWB Bank's loans and investments are held to maturity, which would be expected to result in the recovery of unrealised losses if such loan or investment is paid in full, fair value movements may cause significant earnings volatility, with the potential for this volatility to lead to a significant reduction in total operating income and consequently profit for any particular financial reporting period. Although NWB Bank has been successful in limiting the interest rate sensitivity of the FV portfolio, since 2008, due to interest rate volatility, increased liquidity risks and related widening credit spreads arising out of the global economic and financial crisis, NWB Bank has reported relatively large fluctuations year-on-year due to non-offsetting fair value movements in the related assets and liabilities as a result of differing movements in the interest rate curves against which the various instruments are measured. As a result of utilising a 40 basis point spread to the swap curve, which has arisen due to the movement in credit spreads during the global economic and financial crisis, NWB Bank recorded high levels of unrealised losses in the FV portfolio which contributed to net unrealised losses in the FV portfolio of €23 million in 2010, €3 million in 2009 and €112 million in 2008. Given the quality of both its assets and liabilities, NWB Bank does not believe these unrealised losses reflect meaningful counterparty risk. As such, particularly where impairments for credit risks on Dutch public sector loans are concerned, these unrealised losses are expected to be recovered as loans mature.

As discussed above, with effect from 1 January 2011, NWB Bank is using hedge accounting for all new loans in order to reduce the volatility caused by credit and liquidity risk spreads associated with the FV portfolio. The fair value option continues to be used for the existing FV loan portfolio (as at 31 December 2010).

Based on NWB Bank's experience with IFRS and the choice made in 2005 to measure most of NWB Bank's loans, securities, debt instruments and associated swaps at fair value, the Issuer has determined that such accounting policies do not suit the nature of NWB Bank's operations. The unrealised losses arising from credit and liquidity risk spreads on loans which NWB Bank provides to the Dutch public sector are of an accounting nature and generally not realised as (i) the credit risk with respect to loans provided to the Dutch public sector is extremely low, and (ii) NWB Bank generally holds such loans until they mature. The continued use of this fair value accounting policy may well result in further substantial unrealised losses due to continuing high credit and liquidity risk spreads on long-term loans to low risk debtors. As previously announced, NWB Bank is currently considering options for changing to accounting policies that better suit its operating model. The possibilities which NWB Bank is considering with respect to its FV portfolio include amongst others (a) not applying certain IFRS principles to its accounts which result in such assets and liabilities being fair valued or (b) reclassification under IFRS of NWB Bank's financial instruments in the FV portfolio such that they

would not be fair valued in its accounts. If such changes under IFRS are not available, NWB Bank will also consider reverting to preparing its financial statements under Dutch GAAP instead of IFRS, which would allow NWB Bank to carry the assets and liabilities at amortised cost. If NWB Bank elected to use Dutch GAAP it would also be required to restate its annual financial statements for the past two years. The ability to pursue the options set forth under (a) and (b) above are subject to certain accounting rules and NWB Bank is working with its external auditors to determine if these options would be permitted under IFRS. NWB Bank is currently in the process of assessing the advantages and disadvantages of all possible options but expects to make a decision prior to the preparation of its interim results for the six months ended June 30, 2011.

## Results of Operations

### Overview

NWB Bank's net profit for 2010 declined by 33% to €38 million from €57 million in 2009, which itself represented an increase of €48 million from €9 million in 2008. Net interest was €104 million in 2010 compared with €92 million in 2009 and €128 million in 2008. Net profit in 2010 declined primarily due to unrealised market value losses in the FV portfolio driven by wider credit spreads that applied during 2010 in the market for long-term loans granted to NWB Bank's customers. The growth in profit in 2009 can be entirely attributed to reduced unrealised losses in the FV portfolio driven mainly by a fall in credit and liquidity risk spreads during 2009 compared to 2008.

The table below sets forth NWB Bank's results of operations for the years ended 31 December 2010, 31 December 2009 and 31 December 2008:

	Year ended 31 December		
	2010	2009	2008
	(€ millions)		
Interest income.....	1,779	1,750	1,786
Interest expenses .....	1,675	1,658	1,658
Interest.....	104	92	128
Realised/unrealised changes in fair value portfolio .....	(40)	(2)	(102)
Total operating income .....	64	90	26
Employee benefits expense.....	4	4	4
Other administrative expenses .....	6	5	5
Contribution to Stichting NWB Fonds.....	2	4	4

	<b>Year ended 31 December</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>(€ millions)</b>		
Employee benefits expense and other administrative expense	12	13	13
Depreciation and amortisation .....	1	1	1
Total operating expenses.....	13	14	14
Profit before income tax.....	51	76	12
Income tax expense.....	13	19	3
<b>Profit for the Year</b>	<b>38</b>	<b>57</b>	<b>9</b>

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

#### *Interest*

Interest comprises the netting of interest income and interest expenses.

Interest income consists of interest income on loans and receivables, financial assets stated at fair value through profit or loss, available-for-sale financial assets and derivatives, as well as commissions having an interest nature. Premiums and discounts on loans and receivables not stated at fair value are recognised using the effective interest method, together with the relevant interest income.

Interest expenses consists of interest expense on liabilities, whether or not embodied in debt securities, financial liabilities stated at fair value through profit or loss and derivatives, as well as commissions having an interest nature, penalty interest on early redemptions, premiums and discounts. Premiums and discounts on debts, whether or not embodied in debt securities, not stated at fair value are recognised using the effective interest method, together with the relevant interest expense.

#### *Realised/unrealised changes in fair value portfolio*

This item relates to unrealised results from fair value movements of financial instruments that are measured at fair value with movement through the income statement and any realised results from fair value movements recognised upon a sale of financial instruments. The realised changes in fair value include premiums and fees received on settlement of derivative contracts, realised revaluation results on sale of interest bearing securities and commission.

This item also includes the results from the sale of available-for-sale financial assets. NWB Bank hedges the interest rate risks in the item available-for-sale financial assets using interest rate swaps. Hedge accounting is applied to these positions as NWB Bank has demonstrated that there is an

effective relationship between the change in value of the hedged interest rate risk and the change in value of the hedging instrument. For the effective part of the hedge, the change in value of the hedged position is recognised in profit or loss under realised/unrealised changes in fair value portfolio. The remaining (unrealised) changes in value of the relevant available-for-sale financial assets not effectively hedged in the hedging relationship are recognised in equity. The changes in value of the derivatives concerned are also recognised in profit or loss under realised/unrealised changes in fair value portfolio.

#### *Total operating expenses*

Operating expenses includes employee benefits expense, which includes remuneration of the Managing Board and other administrative expenses. Other administrative expenses include the cost of accommodation, office expenses, general expense and the remuneration of seven Supervisory Board members. Total operating expenses also includes NWB Bank's contribution to Stichting NWB Fonds ('NWB Fonds') as well as depreciation and amortisation.

### ***Results of Operations for 2010 compared to 2009***

#### *Interest*

Interest increased from €92 million in 2010 to €104 million in 2010, an increase of €12 million, or 13%. The increase was primarily due to a realised gain upon the sale of loans in 2010. The increase was also influenced by the continuing fluctuations in interest rates and changes in the loan portfolio and invested assets.

The table below sets forth the components of total interest income for the years 2010 and 2009.

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
	<b>(€ millions)</b>	
Interest income on loans and receivables at amortised cost.....	292	318
Interest income on financial assets stated at fair value .....	1,451	1,394
Interest income on available-for-sale financial assets.....	35	38
Total interest income.....	<u>1,779</u>	<u>1,750</u>

Interest income increased by €29 million to €1,779 million in 2010 compared to €1,750 million in 2009. The increase was primarily due to an increase in interest income on financial assets stated at fair value up by €57 million in 2010 as a result of higher levels of new long-term lending and relatively stable interest rates, offset in part by sales of interest-bearing securities. The increase was further offset by a decline in interest income on loans and receivables at amortised cost, which decreased by €26 million in 2010 compared to 2009, mainly due to redemptions, although 2010 included a one-off gain of €17.1 million from a realised price difference upon sale (2009: €0.2 million).

The table below sets forth the components of interest expense for the years 2010 and 2009.

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
	<b>(€ millions)</b>	
Interest expense on banks, funds entrusted and debt securities at amortised cost.....	210	262
Interest expense on financial liabilities stated at fair value.....	703	853
Derivatives (net interest income/expense) <sup>1</sup> .....	762	543
Total interest expense.....	<u>1,675</u>	<u>1,658</u>

1 This item consists of net interest income/expense on derivatives as a result of the difference between the fixed pay component on interest rate swaps and the floating rate NWB Bank receives on the swap, recognised as an interest expense when the result is negative and as interest income when the result is positive.

Interest expense increased by €17 million to €1,675 million in 2010 from €1,658 million in 2009. Interest expense on NWB Bank's liabilities decreased primarily due to the low interest rate environment and changes in the mix of liabilities. The decrease in interest expense on banks, funds entrusted and debt securities at amortised cost and on financial liabilities stated at fair value was more than offset by an increase in net interest expense on derivatives which increased from €543 million in 2009 to €762 million in 2010 as a result of lower short-term and long-term interest rates in 2010 compared with 2009. Due to NWB Bank's policy of hedging the substantial majority of its interest rate exposure, the changes in interest rates are generally offset by the movements in the derivative portfolio.

#### *Realised/unrealised changes in fair value portfolio*

The table below sets out the components of fair value movements recorded on the income statement for 2010 and 2009.

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
	<b>(€ millions)</b>	
<b>Unrealised changes in fair value:</b>		
Financial assets stated at fair value .....	931	(280)
Financial liabilities stated at fair value.....	(35)	(248)
Derivatives .....	(912)	519
Revaluation of hedged positions recognised in profit or loss .....	32	(47)
Revaluation of hedging instruments.....	(39)	53

	(23)	(3)
<b>Realised changes in fair value:</b>		
Loss on sale of available-for-sale financial assets .....	-	-
Loss (gain) on sale of financial assets stated at fair value .....	(17)	1
Other market value adjustments.....	-	-
<b>Total .....</b>	<b>(40)</b>	<b>(2)</b>

Realised/unrealised changes in the fair value portfolio reduced total operating income by €40 million in 2010 compared to a reduction of €2 million in 2009, an increase of €38 million.

Unrealised changes in fair value primarily reflect the movements in interest rates and credit spreads. As described above, the FV portfolio is largely insulated from movements in interest rates so movements in the fair value of financial assets and liabilities stated at fair value will be largely offset by movements in derivatives hedging these positions with the exception of the assets valued on the basis of the swap curve plus credit spreads (which remained at higher levels in 2010 compared to 2009). As a result of the higher credit spreads, unrealised fair value losses of €23 million in 2010 were significantly higher when compared to €3 million in 2009. 2009 benefitted from a decline in credit spreads compared to 2008 while the unrealised market value losses on the loan portfolio in 2010 was driven by credit and liquidity risk spreads that fluctuated, due in part to the sovereign debt crisis in which higher spreads applied in the market to long-term loans granted to NWB Bank's low risk customers during 2010. In addition, a market value loss of €17 million was realised on securities sold in 2010.

#### *Operating expenses*

Operating expenses increased by €1 million to €11 million in 2010 from €10 million in 2009, driven by higher consulting fees relating to accounting, the IT organisation and a study into NWB Bank's strategies and policies. Besides operating expenses, NWB Bank made a €2 million contribution to NWB Fonds in 2010 (2009: €4 million). NWB Bank co-founded NWB Fonds with the water boards in 2006 with the aim of lending financial support to international water management and sanitation projects which the water boards undertake.

The table below sets out the components of employee benefits expense for 2010 and 2009.

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
	<b>(€ millions)</b>	
Wages and salaries .....	3.2	3.0
Pension costs .....	0.6	0.7
Social security costs .....	0.3	0.3
Other .....	0.3	0.4

Year ended 31 December	
2010	2009
(€ millions)	
4.2	4.4

Employee benefits expense was essentially unchanged in 2010 compared to 2009.

Other administrative expenses increased by €1 million from €5 million in 2009 to €6 million in 2010. The increase was primarily the result of increased consultancy fees.

Due to the lower contribution to NWB Fonds in 2010, total operating expenses declined by €1 million to €13 million in 2010 compared to €14 million in 2009.

#### *Profit before tax*

Profit before tax decreased from €76 million in 2009 to €51 million in 2010, a decrease of €25 million, or 49%. The decrease was primarily the result of the fall in total income (€64 million in 2010 compared to €90 million in 2009) for the reasons discussed above. NWB Bank's ratio of operating expenses (total operating expenses less contribution to NWB Fonds) to interest was 10.9% in 2009 and 10.6% in 2010.

#### *Income tax expense*

Income tax expense decreased from €19 million in 2009 to €13 million in 2010, a decrease of €6 million, or 31.6%. The decrease was primarily the result of the significant decrease in profit before tax in 2010 compared to 2009.

#### *Profit for the year*

As a result of the foregoing, net profit decreased from €57 million in 2009 to €38 million in 2010, a decrease of €19 million, or 33.1%.

### ***Results of Operations for 2009 compared to 2008***

#### *Interest*

- Interest decreased from €128 million in 2008 to €92 million in 2009, a decrease of €36 million, or 28.1%. The decrease was primarily influenced by the continuing fluctuations in interest rates and changes in the loan portfolio and invested assets.

The table below sets forth interest income for the years 2009 and 2008.

	<b>Year ended 31 December</b>	
	<b>2009</b>	<b>2008</b>
	<b>(€ millions)</b>	
Interest income on loans and receivables at amortised cost.....	318	395
Interest income on financial assets stated at fair value .....	1,394	1,381
Interest income on available-for-sale financial assets.....	39	10
Total interest income.....	<u>1,750</u>	<u>1,786</u>

Interest income decreased by €36 million to €1,750 million in 2009 compared to €1,786 million in 2008. The decrease was primarily due to a decrease in interest income on loans and receivables at amortised cost caused by repayments of loans, which decreased the size of the portfolio. This decrease was offset only in part by interest income on financial assets stated at fair value which increased by €13 million in 2009 compared to 2008 primarily as a result of new long-term lending. Interest income on available-for-sale financial assets in 2009 increased by €29 million compared to 2008. This increase was primarily as a result of the purchase of Dutch State bonds in the course of 2008, which were included in the portfolio for the full year in 2009.

The table below sets forth the components of total interest expense for the years 2009 and 2008.

	<b>Year ended 31 December</b>	
	<b>2009</b>	<b>2008</b>
	<b>(€ millions)</b>	
Interest expense on banks, funds entrusted and debt securities at amortised cost.....	262	317
Interest expense on financial liabilities stated at fair value.....	853	1,372
Derivatives (net interest income/expense) <sup>1</sup> .....	543	(31)
Total interest expense.....	<u>1,658</u>	<u>1,658</u>

<sup>1</sup> This item consists of net interest income/expense on derivatives as a result of the difference between the fixed pay component on interest rate swaps and the floating rate NWB Bank receives on the swap, recognised as an interest expense when the result is negative and as interest income when the result is positive.

Interest expense remained the same at €1,658 million in each of 2009 and 2008. Interest expense on NWB Bank's liabilities decreased due to increased reliance on short-term funding at lower rates. The



decrease in interest expense on banks, funds entrusted and debt securities at amortised cost and financial liabilities stated at fair value was offset by an increase in net interest expense on derivatives of €574 million in 2009. Due to NWB Bank's policy of hedging the substantial majority of its interest rate exposure, the changes in interest rates are generally offset by the movements in the derivative portfolio.

*Realised/unrealised changes in fair value portfolio*

The table below sets out the components of fair value movements recorded on the income statement for 2009 and 2008.

	<b>Year ended 31 December</b>	
	<b>2009</b>	<b>2008</b>
	<b>(€ millions)</b>	
<b>Unrealised changes in fair value:</b>		
Financial assets stated at fair value .....	(280)	3,233
Financial liabilities stated at fair value.....	(248)	(617)
Derivatives .....	519	(2,727)
Revaluation of hedged positions recognised in profit or loss .....	(47)	144
Revaluation of hedging instruments.....	53	(145)
	(3)	(112)
<b>Realised changes in fair value:</b>		
Loss on sale of available-for-sale financial assets .....	—	—
Loss (Gain) on sale of financial assets stated at fair value.....	1	7
Other market value adjustments.....	—	2
Total .....	(2)	(102)

Realised/unrealised changes in the fair value portfolio reduced total operating income by €2 million in 2009 compared to a reduction of €102 million in 2008.

Unrealised fair value losses were significantly lower in 2009 at €2 million compared with €111 million in 2008. The reduction in fair value losses was driven mainly by a fall in credit spreads during 2009 following the significant credit spread widening that accompanied the collapse of Lehman Brothers, although by the end of 2009 credit spreads were still in excess of pre-crisis levels.

*Operating Expenses*

Operating expenses remained the same at €10 million in each of 2009 and 2008.

### *Employee benefits expense and other administrative expenses*

The table below sets out employee benefit expense for 2009 and 2008.

	Year ended 31 December	
	2009	2008
	(€ millions)	
Wages and salaries .....	3.0	3.0
Pension costs .....	0.7	0.8
Social security costs .....	0.3	0.2
Other .....	0.4	0.3
	<u>4.4</u>	<u>4.3</u>

Employee benefits expense was essentially unchanged in 2008 compared to 2009.

Other administrative expenses was essentially unchanged in 2008 compared to 2009.

NWB Bank made a €4 million contribution to NWB Fonds in each of 2008 and 2009.

### *Profit before tax*

Profit before tax increased from €12 million in 2008 to €76 million in 2009, an increase of €64 million. The increase was primarily the result of the increase in total income (€90 million in 2009 compared to €26 million in 2008) for the reasons discussed above. NWB Bank's ratio of operating expenses (total operating expenses less contribution to NWB Fonds) to interest was 7.8% in 2008 and 10.9% in 2009.

### *Income tax expense*

Income tax expense increased from €3 million in 2008 to €19 million in 2009, an increase of €16 million. The increase was primarily the result of the significant increase in profit before tax in 2009.

### *Profit for the year*

As a result of the foregoing, net profit increased from €9 million in 2008 to €57 million in 2009, an increase of €48 million.

### **Selected Balance Sheet Items for 2010, 2009 and 2008**

The table below summarises selected balance sheet items of NWB Bank as of 31 December 2010, 31 December 2009 and 31 December 2008:

	As of 31 December		
	2010	2009	2008
	(€ millions)		
<b>Assets</b>			
Cash and cash equivalents.....	13	467	73
Financial assets stated at fair value through profit and loss <sup>1</sup> .....	43,285	39,260	35,289
Available-for-sale financial assets .....	861	928	947
Derivative assets .....	4,659	2,642	2,666
Bank loans and receivables .....	2,363	2,647	2,332
Public-sector loans and receivables .....	5,817	6,250	6,801
Other assets .....	221	228	288
Total assets .....	<u>57,219</u>	<u>52,422</u>	<u>48,396</u>

#### Liabilities

Banks.....	1,286	323	1,316
Financial liabilities stated at fair value through profit and loss <sup>2</sup> .....	41,943	37,833	32,151
Derivative liabilities .....	5,704	4,950	5,603
Funds entrusted .....	1,559	2,308	1,537
Debt securities.....	5,444	5,755	6,452
Other liabilities.....	215	205	290
Total liabilities .....	<u>56,151</u>	<u>51,374</u>	<u>47,349</u>

1 Includes €41,638 million, €37,295 million and €32,877 million public-sector loans and receivables as of 31 December 2010, 2009 and 2008, respectively .

2 Includes €35,345 million, €29,595 million and €18,198 million of outstanding bonds issued under NWB Bank's various debt issuance programmes as of 31 December 2010, 2009 and 2008, respectively.

## ***General***

New long-term lending was €7 billion in 2010 compared to €4.9 billion in 2009 and €7.1 billion in 2008. The increase in lending in 2010 of 48% compared with 2009 was mainly attributable to the significant funding requirements of NWB Bank's clients as well as NWB Bank's continued willingness to provide flexible lending solutions to its clients, including granting new loans with spreads that will reset in the near future. Long-term lending decreased by 31% in 2009 compared with 2008 due to lower demand and many public sector borrowers having pre-funded with long-term financing in 2008. The demand for loans with longer maturities was up in 2010, having dropped considerably in 2009 when credit spreads for long-term funding increased more dramatically than for short-term loans. As a result, in 2009 there was an increase in use of short-term financing by local authorities in anticipation of the economic recovery and to take advantage of the lower interest rates available for short-term lending. The largest increase in new lending in 2010 was a result of prefunding by housing associations in anticipation of more stringent regulatory requirements in respect of assets guaranteed by government funding, some of which apply to the social housing sector as from 2011. As a result of the economic improvements during 2010, NWB Bank's overall loan portfolio growth was positive in 2010 and the maturity profile of loans returned to pre-crisis levels following the temporary shift to shorter-term loans in 2009. Although demand returned in 2010, NWB Bank is expecting demand for loans in the Dutch public sector, from housing corporations, in particular, to fall in 2011.

## ***Assets***

In 2010 NWB Bank's total assets rose by €4.8 billion to €57.2 billion compared to €52.4 billion in 2009 which itself represented an increase of €4 billion over 2008. This increase in total assets in each year was principally due to a combination of new lending, changes in market values and money market issues and increased collateral under derivative transactions.

### *Financial assets stated at fair value through profit or loss*

Financial assets stated at fair value through profit or loss consists of loans and receivables and interest bearing securities stated at fair value through profit or loss on initial recognition if they are part of NWB Bank's FV Portfolio and are managed on a fair value basis. After initial recognition, revaluation gains and losses are recognised in profit or loss under the item Realised/unrealised changes in fair value portfolio.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	(€ millions)		
<b>Financial assets stated at fair value through profit or loss includes:</b>			
Bank loans and receivables .....	–	–	21
Public-sector loans and receivables .....	41,638	37,295	32,877
Interest-bearing securities .....	<u>1,647</u>	<u>1,965</u>	<u>2,391</u>
	<u>43,285</u>	<u>39,260</u>	<u>35,289</u>

**The breakdown of public-sector loans and receivables by nature of the loan or receivable is as follows:**

Receivables from or under guarantee from the Dutch government <sup>1</sup> .....	41,231	36,849	32,376
Receivables from or under guarantee from foreign governments.....	134	242	329
Other receivables from the government sector and others.....	274	204	172
	<u>41,639</u>	<u>37,295</u>	<u>32,877</u>

1 Includes support provided indirectly by the Dutch State through public authorities and treated as guarantees by DNB. For a description of those public authorities, see 'Nederlandse Waterschapsbank N.V. – Customers'.

Receivables from or under guarantee from the Dutch government can be broken down by customers as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	<b>(€ millions)</b>		
Water boards .....	4,170	3,608	3,480
Municipal authorities .....	6,215	5,757	5,612
Housing corporations .....	26,485	22,880	19,002
Other .....	4,360	4,603	4,282
	<u>41,230</u>	<u>36,849</u>	<u>32,377</u>

#### 2010 compared to 2009

Available-for-sale financial assets stated at fair value through profit or loss increased by €4 billion from €39.3 billion in 2009 to €43.3 billion in 2010 as a result of increased lending, principally to the social housing sector.

#### 2009 compared to 2008

Financial assets stated at fair value through profit or loss increased by €4 billion from €35.3 billion in 2008 to €39.3 billion in 2009 primarily due to higher valuations as credit spreads declined, offsetting a fall in new lending which was €4.9 billion in 2009 compared with €7.1 billion in 2008.

#### *Available-for-sale financial assets*

Available-for-sale financial assets consists of fixed and variable rate government bonds.

#### 2010 compared to 2009

Financial assets available-for-sale decreased by €121 million to €861 million in 2010 compared with €928 million in 2009. The decrease was primarily the result of the sale of government bonds (€146 million in 2010 compared with no sales in 2009) offset in part by valuation changes (€85 million of unrealised gains in 2010 compared to unrealised losses of €69 million in 2009).

#### 2009 compared to 2008

Financial assets available-for-sale decreased by €19 million to €928 billion in 2009 compared with €947 million in 2008. The decrease was attributable to valuation changes (€69 million of unrealised losses in 2009 compared with €128 million of unrealised gains in 2008). In 2009 NWB Bank purchased an additional €50 million of government bonds compared with €785 million in 2008, which made up the bulk of the available-for-sale portfolio during 2009.

### *Derivative assets*

This item consists of interest rate swaps cross currency interest rate swaps and FX swaps, options and caps. These products are carried at fair value, including accrued interest.

#### 2010 compared to 2009

Derivative assets increased by €2 billion to €4.7 billion in 2010 compared to €2.6 billion in 2009 primarily as a result of changes in the fair value of derivatives. Fair values of interest rate swaps were essentially unchanged year to year while the fair value of currency swaps increased by around €1.9 billion in 2010 due to changes in the exchange rate of the Euro against NWB Bank's funding currencies, mainly, the United States dollar.

#### 2009 compared to 2008

Derivative assets were flat at €2.6 billion for each of 2008 and 2009.

### *Bank loans and receivables*

This item consists of loans and receivables, other than interest-bearing securities, from banks established in the Netherlands and their foreign branches, as well as multilateral development banks, and collateral under collateral agreements held to secure obligations under derivative contracts owed to NWB Bank. The collateral included in this item is not at the disposal of NWB Bank.

#### 2010 compared to 2009

Bank loans and receivables, which mainly consists of collateral associated with swap agreements, decreased by €284 million in 2010 from €2.6 billion in 2009 to €2.4 billion in 2010. This decrease was due to the reduction in collateral of €284 million held to secure obligations under derivative contracts owed to NWB Bank.

#### 2009 compared to 2008

Bank loans and receivables increased by €315 million from €2.3 billion in 2008 to €2.7 billion in 2009. This increase was due to an increase in collateral of €340 million from €2.3 billion in 2008 to €2.6 billion in 2009 pledged to secure obligations under derivative contracts owed to NWB Bank. The increase was partially offset by repayment of cash loans in the amount of €25 million.

### *Public-sector loans and receivables*

This item consists of loans and receivables, other than interest-bearing securities, from customers other than banks, but does not include those loans and receivables that are carried at fair value and included in the FV portfolio. The receivables, which, apart from several employee loans, are all to public-sector customers, are mostly long-term. Public-sector loans and receivables include those to or guaranteed by the Dutch government and public authorities abroad, and to government-controlled public limited liability companies and other businesses or institutions whose tasks derive from public authorities. These public-sector loans are treated as loans and receivables and are recognised at amortised cost compared with financial assets initially classified at fair value through profit or loss and managed on a fair value basis. Given the risk profile of NWB Bank's customers, a provision for losses is not maintained. This is supported by the fact that NWB Bank has never suffered a loan loss in its history. Some of the assets in this item are pledged to De Nederlandsche Bank. See 'Liquidity and Capital Resources' below.

Public-sector loans and receivables can be broken down as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	<b>(€ millions)</b>		
Receivables from or under guarantee from the Dutch government <sup>1</sup> .....	5,720	6,148	6,615
Other loans and receivables to the public sector and others .....	<u>97</u>	<u>102</u>	<u>187</u>
Total .....	<u>5,817</u>	<u>6,250</u>	<u>6,802</u>

Breakdown by customers:

Water boards .....	1,198	1,213	888
Municipal authorities .....	1,240	1,585	1,869
Housing corporations .....	2,870	2,995	3,234
Other .....	509	457	811
	<u>5,817</u>	<u>6,250</u>	<u>6,802</u>

1 Includes support provided indirectly by the Dutch State through public authorities and treated as guarantees by DNB. For a description of those public authorities, see 'Nederlandse Waterschapsbank N.V. – Customers'.

2010 compared to 2009

Public-sector loans and receivables decreased by €433 million from €6.3 billion in 2009 to €5.8 billion in 2010 primarily as a result of repayments of outstanding lending.

2009 compared to 2008

Public-sector loans and receivables decreased by €551 million from €6.8 billion in 2008 to €6.3 billion in 2009 primarily as a result of repayments of outstanding lending.

### ***Liabilities***

In 2010 total liabilities increased by €4.8 billion to €56.2 billion compared to €51.4 billion in 2009 which itself represented an increase of €4 billion from €47.3 billion in 2008.



## ***Banks***

### 2010 compared to 2009

Debts to banks increased by €963 million to €1.3 billion in 2010 compared with €323 million in 2009. The increase was primarily due to the increase in collateral (€1.1 billion in 2010 compared to €81 million in 2009) utilised by NWB Bank to secure derivatives positions.

### 2009 compared to 2008

Debt to banks decreased by €993 million to €0.3 billion in 2009 compared with €1.3 billion in 2008. This decrease was due to the repayment of cash loans in the amount of €900 million.

### *Financial liabilities stated at fair value through profit and loss*

Financial liabilities stated at fair value through profit or loss consists of loans from banks, funds entrusted and debt securities classified at initial recognition as fair value through profit or loss. After initial recognition, revaluation gains and losses are recognised in profit or loss under the item Realised/unrealised changes in fair value portfolio.

This item can be broken down as follows:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
		<b>(€ millions)</b>	
Loans taken out.....	1,091	760	1,109
Bond loans.....	35,345	29,595	26,688
Short-term debt securities .....	5,507	7,478	4,354
	<b>41,943</b>	<b>37,833</b>	<b>32,151</b>

### 2010 compared to 2009

Financial liabilities stated at fair value through profit or loss increased by €4.1 billion from €37.8 billion in 2009 to €41.9 billion in 2010. This increase was principally due to a €5.7 billion net increase in bond loans in 2010 compared to 2009 as a result of higher bond issuances offset by repayments. This was offset in part by a €2 billion decline in short-term debt securities as NWB Bank reduced its use of its commercial paper facility as its customers increased longer term loans compared to 2009, when certain customers borrowed on a short-term basis while waiting for credit spreads to narrow.

### 2009 compared to 2008

Financial liabilities stated at fair value through profit or loss increased by €5.7 billion from €32.1 billion in 2008 to €37.8 billion in 2009. The increase was due to an increase in short-term debt securities and bond loans. Short-term debt securities increased by €3.1 billion in 2009 compared to 2008 as NWB Bank increased its use of its commercial paper facility to take advantage of short-term rates for its own funding and in response to client demand for short-term lending. Bond loans

increased by €2.9 billion in 2009 compared to 2008 as NWB Bank increased its long-term borrowings as long-term lending rates stabilised in 2009 compared with 2008.

#### *Derivative liabilities*

This item consists of interest rate swaps, cross currency interest swaps and foreign exchange swaps, options and caps. These products are carried at fair value.

##### 2010 compared to 2009

Derivative liabilities increased by €0.7 billion to €5.7 billion in 2010 compared to €5 billion in 2009. The increase was primarily as a result of the market developments, including lower interest rates in 2010 compared with 2009.

##### 2009 compared to 2008

Derivative liabilities decreased by €0.6 billion to €5 billion in 2009 compared to €5.6 billion in 2008. The decrease was primarily as a result of the market developments relating to changes in interest rates.

#### *Funds entrusted*

##### 2010 compared to 2009

The Funds entrusted item decreased by €0.7 billion to €1.6 billion in 2010 compared with €2.3 billion in 2009. This decrease was primarily due to client's reinvesting funds rather than leaving them with NWB Bank following the financial crisis.

##### 2009 compared to 2008

Funds entrusted increased by €0.7 billion to €2.3 billion in 2009 compared to €1.5 billion in 2008. This increase was primarily due to an increase in funds temporarily deposited by clients.

#### *Debt securities*

Debt securities includes debenture loans and other issued negotiable debt instruments, including short-term debt securities, but does not include those debt securities that are carried at fair value and included in the FV portfolio.

##### 2010 compared to 2009

Debt securities increased by €0.4 billion to €5.4 billion in 2010 compared with €5.8 billion in 2009.

##### 2009 compared to 2008

Debt securities decreased by €0.7 billion to €5.8 billion in 2009 compared to €6.5 billion in 2008.

## ***Information on Financial Assets***

### *Analysis of financial assets according to remaining contractual term*

The following table sets forth financial assets according to remaining contractual term, including all future interest rate cash flows and notional amounts of derivatives, before proposed profit appropriation:

<b>(in millions of euros)</b>	<b>Total</b>	<b>3 months or less</b>	<b>3 months – 1 years</b>	<b>1 year – 5 years</b>	<b>More than 5 years</b>
<b>Assets</b>					
Cash	13	13	-	-	-
Financial assets stated at fair value through profit or loss .....	56,477	654	2,109	17,778	35,936
Available-for-sale financial assets .....	1,537	-	29	116	1,392
Derivative assets .....	45,961	5,487	4,716	13,845	21,913
Bank loans and receivables .....	2,362	-	-	-	2,362
Public-sector loans and receivables .....	7,367	528	472	3,251	3,116
Property and equipment .....	7	-	-	-	7
Intangible assets .....	1	-	-	-	1
Deferred tax assets .....	41	-	18	-	23
Other receivables.....	52	-	52	-	-
Accruals .....	120	-	120	-	-
<b>Total as at 31 December 2010.....</b>	<b>113,938</b>	<b>6,682</b>	<b>7,516</b>	<b>34,990</b>	<b>64,750</b>
Total as at 31 December 2009.....	105,853	8,722	7,122	29,907	60,102
Total as at 31 December 2008.....	100,545	7,109	4,929	25,013	63,494

## Interest rate risk analysis

An example of a gap analysis according to interest rate period at 31 December 2010 is shown below. The fair value of all instruments is presented. The derivatives include notional amounts to give a clearer picture of interest rate positions.

(in millions of euros)	Total	3 months or less	3 months – 1 years	1 year – 5 years	More than 5 years
<b>Assets</b>					
Loans and receivables .....	9,008	3,671	824	2,445	2,068
Financial assets stated at fair value through profit or loss .....	47,934	7,280	3,962	15,693	20,999
Fixed-interest derivative assets .....	32,665	4,617	5,588	12,621	9,839
Variable-interest derivative assets.....	43,949	39,892	4,057	-	-
Total assets .....	133,556	55,460	14,431	30,759	32,906
<b>Liabilities</b>					
Banks, funds entrusted and debt securities issued .....	8,869	3,287	1,379	3,004	1,199
Financial liabilities stated at fair value through profit or loss.....	19,106	3,557	3,408	7,449	4,692
Fixed-interest derivative liabilities.....	57,941	5,278	5,699	21,009	25,955
Variable-interest derivative liabilities .....	45,874	40,515	5,359	-	-
Total liabilities .....	131,790	52,637	15,845	31,462	31,846
Total assets less liabilities 2010 .....	1,766	2,823	(1,414)	(703)	1,060
Total assets less liabilities 2009 .....	1,601	1,144	(854)	321	990
Total assets less liabilities 2008 .....	1,443	290	(420)	525	1,048

### *Weighted credit risk analysis*

The table below provides information on the weighted credit risk (including commitments for loans not yet taken out) to which NWB Bank is subject in accordance with DNB standards for each of 31 December 2010, 2009 and 2008:

<b>(in millions of euros)</b>	<b>Nominal 2010</b>	<b>Weighted 2010</b>	<b>Nominal 2009</b>	<b>Weighted 2009</b>	<b>Nominal 2008</b>	<b>Weighted 2008</b>
Central governments <sup>1</sup> .....	989	0	1,652	0	1,452	0
Regional governments <sup>1</sup> .....	14,811	0	14,032	0	14,024	0
Institutions with delegated government duties.....	39,900	367	36,011	299	34,023	321
Development banks <sup>1</sup> .....	78	0	93	0	114	0
International organisations <sup>1</sup> .....	12	0	12	0	12	0
Counterparty banks <sup>2</sup> .....	3,496	345	5,920	1,234	5,624	1,117
Securities covered by collateral <sup>3</sup> .....	836	167	901	180	998	200
Other .....	19	18	9	8	8	7
<b>Total .....</b>	<b>60,141</b>	<b>897</b>	<b>58,630</b>	<b>1,721</b>	<b>56,255</b>	<b>1,645</b>

<sup>1</sup> 0% risk weighted.

<sup>2</sup> Counterparty risks and money market lending come under the 20% and 50% risk weighted categories.

<sup>3</sup> Includes a portfolio of Residential Mortgage Backed Securities, which carry a 20% risk weighting.

The table below provides a breakdown of loans granted by the Bank by type of borrower:

<b>Loans portfolio (in millions of euros)</b>	<b>As at 31 December</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Water boards .....	4,673	4,195	4,006
Municipal authorities .....	6,797	6,645	6,623
Other public authorities.....	486	520	580
Housing corporations .....	26,829	24,070	20,112
Healthcare institutions.....	3,355	3,457	3,214
Under governments guarantee.....	130	748	833
Joint schemes .....	417	297	278
Government-controlled public limited liability companies <sup>1</sup> .....	234	162	126
Other <sup>2</sup> .....	251	78	162
	<u>43,172</u>	<u>40,172</u>	<u>35,934</u>

<sup>1</sup> Includes loans to Dutch utility companies, which carry a 100% risk-weighting.

<sup>2</sup> Includes loans which carry a 0%, 20%, 35%, 50% or 100% risk-weighting.

## **Liquidity and Capital Resources**

### ***Cash flow analysis for NWB Bank for 2010, 2009 and 2008***

The following table sets out selected cash flow information for 2010, 2009 and 2008.

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>(€ millions)</b>		
Net cash flow from(used in) operating activities .....	(2,036)	(4,780)	(3,898)
Net cash flow from investing activities.....	435	311	(487)
Net cash flow from financing activities .....	1,147	4,863	4,344
Net movement in cash and cash equivalents.....	(454)	394	(41)

### *Cash flow from operating activities*

NWB Bank's total cash flow from operating activities was a cash outflow of €2,036 million in 2010 compared to a cash outflow of €4,780 million in 2009 and a cash outflow of €3,898 million in 2008. The cash outflow in 2010, 2009 and 2008 was primarily the result of net cash outflows from movements in bank loans and receivables and public sector loans and receivables in the case of 2010, as a result of repayments and new transactions and in each of 2009 and 2008 as a result of the general tightening of the credit markets and the changes in the yield curve.

### *Cash flow from investing activities*

Cash flows from investing activities were net inflows of €435 million in 2010 and €311 million in 2009 and cash outflows of €487 million in 2008. The cash inflows in 2010 and 2009 were principally related to the sales and redemption of interest-bearing securities while the cash outflows in 2008 were primarily a result of significant purchases of interest-bearing securities.

### *Cash flow from financing activities*

Cash flows from financing activities were inflows of €1,147 million in 2010 compared to €4,863 million in 2009 and €4,344 million in 2008. Net borrowing by NWB Bank in 2010, 2009 and 2008 reflected cash inflows of €1,187 million, €4,903 million and €4,354 million, respectively as NWB Bank issued bond loans in excess of repayments made by it. NWB Bank paid dividends of €40 million in each of 2010, 2009 and 2008.

### ***External sources of funding, financing and indebtedness***

Despite continued market dislocation over the past three years, NWB Bank has maintained a good funding record with a diversified investor base and well spread tenors. As confidence in financial institutions began to recover in the second half of 2009 NWB Bank's funding activities in the international capital markets also increased. The increase in confidence combined with the monetary easing policies of many governments had a positive effect on the credit and liquidity spreads paid by NWB Bank and on the variation in the terms of new issues during the second half of 2009. While sustained support from governments and central banks served to consolidate the economic recovery that had started in 2009, increased government intervention and concerns over growing government debt triggered the European sovereign debt crisis, significantly limited the narrowing of credit spreads in 2010. Despite this environment, NWB Bank has benefitted from its low risk profile and was able to continue to access the capital markets.

NWB Bank's long-term funding is almost entirely carried out through the issuance of bonds under this Programme with €50 billion (or the equivalent in other currencies) available to be issued. At 31 December 2010 €35.6 billion was issued and outstanding under this programme. NWB Bank's funding policy is designed to provide it flexibility to respond to investor demand. This approach seeks to strengthen relations with investors and enable the bank to attract funding on competitive terms. NWB Bank issues bonds in several currencies, with the terms and conditions tailored to the needs of both institutional and private investors. In addition to the Debt Issuance Programme, NWB Bank has a Kauri bond programme for issuing up to AUD 5 billion denominated in Australian and new Zealand dollars. At 31 December 2010 AUD (equivalent) of €0.5 billion had been issued under this programme.

In 2010, NWB Bank issued €9.7 billion (2009: €7.6 billion; 2008: €7.3 billion) of bonds for its lending and refinancing purposes. The weighted average maturity of the issues made in 2010 increased in comparison with 2009 by 2.4 years to 5.8 years (2009: 3.4 years; 2008: 5.3 years).

NWB Bank has a €15 billion (or the equivalent in other currencies) Euro Commercial Paper and Certificate of Deposit Programme. In 2010, NWB Bank issued in aggregate over the year €27 billion under this programme (2009: €25 billion, 2008: €6.50 billion).

Each year, NWB Bank issues a number of benchmark bonds so that NWB Bank yield curves in Euros and U.S. dollars are and continue to be available to institutional investors. In 2010 NWB Bank completed five benchmark bond issues in Euros and U.S. dollars with amounts ranging from €1 billion to €1.5 billion. In 2009, there were three such benchmark bond issues and in 2008, there were five such benchmark bond issues. The Euro equivalent of the total amount of issued benchmark bonds in 2010 was €4.3 billion compared to €3.2 billion in 2009 and €4.9 billion in 2008.

NWB Bank also maintains a collateral position at DNB, to further mitigate any potential liquidity risk in times of market stagnation. Virtually the entire loan portfolio of NWB Bank is accepted as collateral at DNB. The collateral value of the portion of the portfolio pledged as collateral to DNB was €12.8 billion in 2010 (€13.7 billion in 2009; €6.5 billion in 2008).

The following table presents NWB Bank's long-term bonds by currency of issuance as at 31 December for each of the last three years.

	<b>As at 31 December</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>(millions)</b>		
Euros .....	19,734	17,926	15,052
US Dollars.....	10,437	6,251	7,969
Pounds Sterling .....	1,280	1,765	1,957
Australian and New Zealand Dollars .....	1,340	1,740	1,940
Swiss Francs.....	5,825	4,675	3,200
Japanese Yen.....	530,079	602,401	588,036
Other .....	4,120	4,782	1,518
Total (in Euros) .....	40,360	33,650	30,914



***Analysis of financial liabilities according to remaining contractual terms to maturity***

The following table sets forth financial liabilities according to remaining contractual term, including all future interest rate cash flows and notional amounts of derivatives, before proposed profit appropriation:

	<b>Total</b>	<b>3 months or less</b>	<b>3 months – 1 year</b>	<b>1 year – 5 years</b>	<b>More than 5 years</b>
	<b>(€ millions)</b>				
Banks	1,304	1,097	82	33	92
Financial liabilities stated at fair value through profit or loss.....	48,566	6,782	4,921	18,926	17,937
Derivative liabilities.....	53,665	5,368	4,983	15,266	28,048
Funds entrusted.....	1,592	1,577	8	7	-
Debt securities.....	6,366	524	1,115	3,175	1,552
Provisions.....	3	-	-	-	3
Other liabilities.....	105	-	105	-	-
Accruals.....	146	-	146	-	-
Equity.....	1,067	-	-	-	1,067
Total as at 31 December 2010.....	<u>112,814</u>	<u>15,348</u>	<u>11,360</u>	<u>37,407</u>	<u>48,699</u>
Total as at 31 December 2009.....	<u>104,781</u>	<u>19,667</u>	<u>10,156</u>	<u>31,544</u>	<u>43,414</u>
Total as at 31 December 2008.....	<u>98,999</u>	<u>16,578</u>	<u>8,158</u>	<u>28,618</u>	<u>45,645</u>

### ***Irrevocable commitments***

The following table sets forth NWB Bank's irrevocable commitments:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
		<b>(€ millions)</b>	
Loans granted but not yet made .....	4,363	3,532	5,492
Increase in 'klimleningen' owing to accrued interest.....	1	4	1
Unused current account overdraft facilities .....	758	756	761
Unused financing facilities.....	1,188	1,169	874
Guarantees issued.....	3	3	2
	<b>6,314</b>	<b>5,464</b>	<b>7,130</b>

### ***Capital Management***

The main capital ratio is calculated in accordance with the standards set by the Financial Services Act (*Wet op het Financieel Toezicht*). These standards are based on the international solvency guidelines of the Basel Committee on Banking Supervision. The ratio compares the total capital base (net of proposed dividends) and the total of risk-weighted assets and off-balance sheet items. The minimum required ratio of total capital to risk-weighted assets is 8%.

With effect from 1 January 2008, the Bank switched from the Basel I to the Basel II supervisory regime.

There are three pillars of the Basel II supervisory regime:

Pillar 1: the minimum capital requirements for each category of risk: credit risk, market risk, operational risk and concentration risk;

Pillar 2: internal processes for risk management and setting internal capital requirements: Supervisory Review and Evaluation Process (SREP) and Internal Capital Adequacy Assessment Process (ICAAP), outlier criterion and stress tests;

Pillar 3: publication of financial headline figure requirements: market discipline and transparency.

#### ***Pillar 1***

The standardised method for credit risk uses external ratings linked to certain risk weightings. NWB Bank uses the credit ratings of Moody's and S&P.

The market risk concerns risks in the trading portfolio and currency and commodity risks. NWB Bank does not keep a trading portfolio and can apply an add-on to the credit risk in line with the standardised method for any residual market risk.

When calculating qualifying capital for operational risk, NWB Bank uses the basic indicator approach. Under this approach, 15% of the relevant indicator is taken as a benchmark for the operational risk. The relevant indicator is the three-year average of the total of the annual net interest income and the annual net non-interest income at the end of the financial year. For NWB Bank, the indicator is limited to the net interest income.

The Large Positions rule limits the concentration risk of a bank. NWB Bank's large positions are connected to the swap portfolio and interbank deposits. These positions are limited as much as possible by concluding collateral agreements and applying netting.

The table below presents a calculation of the Pillar 1 solvency index ratio as at 31 December 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Equity excluding revaluation reserves and profit for the year .....	1,051	1,035	1,019
Less: Revaluation reserves.....	<u>(6)</u>	<u>(28)</u>	<u>(12)</u>
 Total equity (A).....	 1,045	 1,007	 1,007
 Weighted credit risk.....	 897	 1,721	 1,645
Weighted operational risk.....	209	237	236
 Total weighted risks (B).....	 1,106	 1,958	 1,881
 Solvency index ratio (A/B) .....	 94.5%	 51.4%	 53.2%

The sharp increase in this ratio in 2010 was caused mainly by the reduction in risk-weighted assets. The reduction was a result of a modification of the calculation method with respect to future credit risk, which allowed a lower risk-weighting add-on to the credit risk where a CSA was entered into and NWB Bank's further tightened criteria regarding counterparty credit risk management, including increasing the number of CSAs entered into and the number of better rated counterparties.

## *Pillar 2*

The SREP is an evaluation by DNB, acting in its capacity of supervisory authority, in which it attempts to establish that a bank has its solvency management and capital adequacy, and therefore also its ICAAP, in order.

The outlier criterion sets a maximum interest rate risk that a bank may run on its equity.

Stress tests can be applied under pillar 1 and pillar 2. Using sensitivity analyses or scenarios, banks can gain a better understanding of their risk profile. A best practice for stress tests does not exist yet, which means that each bank needs to develop its own practice. NWB Bank uses stress testing in practice, but is working on further improving its stress testing framework.

### *Pillar 3*

Market discipline and transparency in the publication of solvency risks are important elements of the Basel rules for Pillar 3. Central to these publications is information on the solvency and the risk profile of a bank.

On 16 December 2010 the Basel Committee adopted the final text of the Basel III capital accord, which will replace Basel II. The Basel III framework (**'Basel III'**) sets out provisions related to higher and better-quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build up of capital that can be drawn down in periods of stress, and the introduction of two liquidity standards including a liquidity coverage ratio. These are significantly more stringent standards than under the existing requirements. In addition to increasing the quality and quantity of capital, increasing capital against derivative positions and introducing a new liquidity framework Basel III also has introduced a leverage ratio. The leverage ratio expresses equity as a percentage of total assets, which may not fall below 3% effective 2018. The liquidity coverage ratio 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%. The European Commission has indicated that it expects to publish regulations or a directive reflecting Basel III in mid-2011 requiring implementation in the member states at the beginning of 2013. Due to the structure of the Issuer's balance sheet and its lending mainly to Dutch public sector borrowers with zero risk-weighting and its funding such loans with public sector borrowings, the Issuer may not be able to meet the stricter liquidity and leverage ratio requirements set under Basel III. See 'Nederlandse Waterschapsbank N.V. – European Supervision and Regulation – Capital Requirements Directive'.

### *Hedging Risks with Derivatives*

As described in 'Hedging Policy of NWB Bank' above, NWB Bank uses derivatives to manage its interest rate and currency risks. To limit the credit risks associated with these derivatives as much as possible NWB Bank's policy is to only enter into transactions with counterparties with a single A rating at a minimum and limits are set to minimise the total exposure from derivatives. The fair values of these derivatives can, depending on the agreements reached with counterparties, be hedged by collateral agreements (also known as CSAs). NWB Bank's policy is to conclude CSAs with all new counterparties and to ensure that netting agreements apply. In 2010, the creditworthiness of some financial counterparties decreased to such an extent that the positions held were reduced. Portfolio management, monitoring and collateral management were stepped further up with respect to individual derivatives portfolios for all counterparties, as well as for the total derivatives portfolio. For example, risk concentrations in the swap portfolio are assessed and managed and the portfolio's spread across rating categories and countries monitored more closely. Of the total derivatives portfolio at December 31, 2010, over 40% of the contracts (measured by notional amounts) were entered into with financial institutions that have at least double A ratings, and over 80% of the contracts (measured by notional amounts) were entered into with institutions based in Europe.

The total fair value exposure from derivatives to financial counterparties at year-end 2010 was €1,569 million, of which €1,095 million was covered by collateral pledged to the Bank (2009: €528 million and €86 million; 2008: €274 million and €86 million). The total fair value exposure from derivatives from financial counterparties at year-end 2010 was €2,613 million, of which €2,578 million was covered by collateral provided by NWB Bank (2009: €2,845 million and €2,647 million; 2008: €2,925 million and €2,307 million).

The tables below break down counterparty risk by rating category:

Positive replacement values of derivatives:

<b>Rating</b>	<b>Notional amount</b>	<b>Fair value (€ millions)</b>	<b>Collateral</b>
AAA.....	1,647	120	0
AA.....	13,855	755	423
A .....	8,777	694	672
Total .....	<u>24,279</u>	<u>1,569</u>	<u>1,095</u>

Negative replacement values of derivatives:

<b>Rating</b>	<b>Notional amount</b>	<b>Fair value (€ millions)</b>	<b>Collateral</b>
AAA.....	12,191	222	376
AA.....	12,942	477	424
A .....	47,963	1,914	1,778
Total .....	<u>73,096</u>	<u>2,613</u>	<u>2,578</u>

The Bank's policy is to eliminate all currency risks on both loans granted and borrowings. Currency risks arise primarily in respect of funds borrowed by NWB Bank. NWB Bank borrows significant amounts in foreign currency. The resulting currency risks are fully hedged immediately by entering into cross currency interest rate and FX swaps.

The table below shows the nominal values in millions in local currencies.

CCY	2010			Total Asset	2009		
	Asset	Liability	Derivatives		Liability	Derivatives	Total
AUD .....		(1,370)	1,370	-	(1,929)	1,929	-
CAD .....		(607)	607	-	(436)	436	-
CHF .....		(6,033)	6,033	-	(5,771)	5,771	-
GBP .....		(2,017)	2,017	-	(2,549)	2,549	-
HKD .....		(2,652)	2,652	-	(3,699)	3,699	-
JPY .....		(530,079)	530,079	-	(604,911)	604,911	-
NZD .....		(34)	34	-	(242)	242	-
USD .....	163	(16,768)	16,605	177	(14,747)	14,570	-
ZAR .....		(875)	875	-	(875)	875	-

The assets are recognised in the statement of financial position under Loans and receivables and Available-for-sale financial assets. The liabilities are recognised under the item Financial liabilities stated at fair value through profit or loss.

### Off Balance Sheet Arrangements and Contingent Liabilities

#### *Off balance sheet arrangements*

NWB Bank has no off balance sheet arrangements, as determined for purposes of IFRS.

#### *Contingent liabilities*

This includes commitments which could arise on guarantees issued (standby letters of credit) in connection with the cross-border financing of water boards and bank guarantees issued to business contacts. NWB Bank's contingent liabilities at year end 2010 were €199 million (2009: €185 million; 2008: €206 million).

### Critical Accounting Policies and Estimates

The preparation of the NWB Bank's financial statements in accordance with IFRS requires it to make estimates and assumptions that have an impact on the application of accounting policies and the reported value of assets and liabilities and of income and expenditure. The estimates and associated assumptions are based on past experience, market information and various other factors considered to be reasonable given the circumstances. The outcomes form the basis for the opinion on most of the carrying amounts of assets and liabilities which cannot be easily established from other sources. The actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed regularly. Revisions of estimates are recognised in the period in which the estimate was revised if the revision only has consequences for

that period, or in the period of revision and future periods if the revision has consequences for both the reporting period and future periods.

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 2010 financial statements under 'Significant assumptions and estimation uncertainties' included in NWB Bank's 2010 annual report which is incorporated by reference in this Base Prospectus.

## BALANCE SHEET

	2010	2009	2008
	(€ millions)		
<b>Assets</b>			
Cash	13	467	73
Financial assets stated at fair value through profit or loss.....	43,285	39,260	35,289
Available-for-sale financial assets.....	861	928	947
Derivative assets.....	4,659	2,642	2,666
Bank loans and receivables.....	2,363	2,647	2,332
Public-sector loans and receivables.....	5,817	6,250	6,801
Income tax.....	18	26	15
Property and equipment.....	7	5	5
Intangible assets.....	1	1	2
Deferred tax assets.....	23	34	45
Other receivables.....	52	28	69
Accruals.....	120	134	152
Total assets.....	57,219	52,422	48,396
<b>Equity and Liabilities</b>			
Banks.....	1,286	323	1,316
Financial liabilities stated at fair value through profit or loss.....	41,943	37,833	32,151
Derivative liabilities.....	5,704	4,950	5,603
Funds entrusted.....	1,559	2,308	1,537
Debt securities.....	5,444	5,755	6,452
Other liabilities.....	69	69	103
Accruals.....	146	136	187
	56,151	51,374	47,349
Paid-up share capital.....	7	7	7
Available-for-sale reserve.....	(7)	(29)	(13)
Other revaluation reserves.....	1	1	1
General reserve.....	1,029	1,012	1,043
Profit for the year.....	38	57	9
Equity.....	1,068	1,048	1,047
Total equity and liabilities.....	57,219	52,422	48,396



## INCOME STATEMENT

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	<b>(€ millions)</b>		
Interest income .....	1,779	1,750	1,786
Interest expense .....	1,675	1,658	1,658
Interest .....	104	92	128
Realised/unrealised changes in fair value portfolio .....	<u>(40)</u>	<u>(2)</u>	<u>(102)</u>
TOTAL OPERATING INCOME .....	64	90	26
Employee benefits expense .....	4	4	4
Other administrative expenses .....	6	5	5
Contribution to Stichting NWB Fonds .....	2	4	4
Employee benefits expense and other administrative expenses .....	12	13	13
Depreciation and amortisation .....	<u>1</u>	<u>1</u>	<u>1</u>
TOTAL OPERATING EXPENSES .....	13	14	14
Profit before income tax .....	51	76	12
Income tax expense .....	13	19	3
<b>Profit for the year .....</b>	<b><u>38</u></b>	<b><u>57</u></b>	<b><u>9</u></b>

## CASH FLOW STATEMENT

	2010	2009	2008
	(€ millions)		
Profit before income tax .....	51	76	12
Adjusted for:			
Income tax .....	7	0	(3)
Depreciation and amortisation .....	1	1	1
Change in fair value of assets and liabilities .....	2	3	112
Changes in:			
Bank loans and receivables not available on demand.....	1,248	(1,288)	361
Public-sector loans and receivables .....	(2,942)	(4,075)	(4,441)
Funds entrusted.....	(454)	663	(113)
Income tax paid .....	1	(14)	(17)
Other assets and liabilities .....	50	(146)	190
Net cash flows used in operating/banking activities.....	(2,036)	(4,780)	(3,898)
Additions to interest-bearing securities .....	0	(50)	(830)
Sales and redemptions of interest-bearing securities.....	437	362	346
Balance .....	437	312	(484)
Additions to property and equipment .....	(2)	(1)	(1)
Disposals.....	0	0	0
Balance .....	(2)	(1)	(1)
Additions to intangible assets .....	0	0	(2)
Net cash flows from investing activities.....	435	311	(487)
Issued bond loans, notes .....	9,679	7,631	7,305
Repayment of bond loans, notes.....	(5,592)	(5,077)	(8,624)
Issued CD/CP .....	27,035	25,868	15,538
Repayment of CD/CP .....	(29,935)	(23,519)	(9,835)
Balance .....	1,187	4,903	4,384
Dividend paid .....	(40)	(40)	(40)
Net cash flows from financing activities .....	1,147	4,863	4,344
Cash flow .....	(454)	394	(41)
Cash and cash equivalents as at 1 January.....	467	73	114
Cash and cash equivalents as at 31 December.....	13	467	73
Cash and cash equivalents comprise:			
Banks, balances available on demand.....	0	0	0
Banks, cash and receivables .....	13	467	73
Cash and cash equivalents as at 31 December.....	13	467	73

## TAXATION

### Taxation in the Netherlands

#### 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 'afgezonderd particulier vermogen' ('APV'), as defined in The Netherlands Income Tax Act 2001, trusts or similar arrangements, or the settlors or beneficiaries of such APVs, 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, 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.

Please note that the summary does not describe the Netherlands tax consequences for:

- (i) holders of Notes if such holders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest or deemed substantial interest in the Issuer under The Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner (as defined in The Netherlands Income Tax Act 2001), directly or indirectly, holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) holds rights to acquire, directly or indirectly, such interest; or (iii) holds certain profit sharing rights in that company that relate to 5% or more of the company's annual profits and/or to 5% or more of the company's liquidation proceeds. A deemed substantial interest arises if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;
- (ii) pension funds, investment institutions (*fiscale beleggingsinstellingen*), exempt investment institutions (*vrijgestelde beleggingsinstellingen*) (as defined in The Netherlands Corporate Income Tax Act 1969; *Wet op de vennootschapsbelasting 1969*) and other entities that are exempt from Netherlands corporate income tax;
- (iii) holders of Notes who receive or have received the Notes as employment income, deemed employment income or receive benefits from the Notes as a remuneration or deemed remuneration for activities performed by such holders or certain individuals related to such holders (as defined in the Netherlands Income Tax Act 2001); and,
- (iv) holders of Notes if such Notes are or treated as (a) shares (*aandelen*), (b) profit-sharing certificates (*winstbewijzen*), (c) debt characterised as equity for Netherlands tax purposes or (d) redeemable in exchange for, convertible into or linked to shares or other equity

instruments issued or to be issued by the Issuer or a related entity. With respect to item (c) above, please be informed that legislation stipulates that debt will be treated as equity, if the debt is created under such conditions that it in effect functions as equity. Pursuant to Dutch case law, debt will in any event function as equity if the debt (i) carries a profit dependent interest (ii) is perpetual (whereby debt with a maturity in excess of 50 years is considered to be perpetual) as such that the outstanding amount can only be claimed upon liquidation or bankruptcy of the debtor; and (iii) the debt is subordinated to all other debt. A consequence of equity treatment is withholding tax in respect of interest payments (please also refer to Condition 7 on page 104-105 of this Base Prospectus).

### *Withholding tax*

All payments of principal 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.

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

#### *Residents of the Netherlands*

Generally speaking, if the holder of the Notes is an entity that is a resident or deemed to be resident of the Netherlands for Netherlands corporate income tax purposes, any payment under the Notes or any gain or loss realised on the disposal or deemed disposal of the Notes is subject to Netherlands corporate income tax at a rate of 25% (a corporate income tax rate of 20% applies with respect to taxable profits up to €200,000, the bracket for 2011).

If a holder of the Notes is an individual, resident or deemed to be resident of the Netherlands for Netherlands income tax purposes (including the non-resident individual holder who has made an election for the application of the rules of The Netherlands Income Tax Act 2001 as they apply to residents of the Netherlands), any payment under the Notes or any gain or loss realised on the disposal or deemed disposal of the Notes is taxable at the progressive income tax rates (with a maximum of 52%), if:

- (i) the Notes are attributable to an enterprise from which the holder of the Notes derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise without being a shareholder (as defined in The Netherlands Income Tax Act 2001); or
- (ii) the holder of the Notes is considered to perform activities with respect to the Notes that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or derives benefits from the Notes that are (otherwise) taxable as benefits from other activities (*resultaat uit overige werkzaamheden*).

If the above-mentioned conditions (i) and (ii) do not apply to the individual holder of the Notes, such holder will be taxed annually on a deemed income of 4 % of his/her net investment assets for the year at an income tax rate of 30 %. The net investment assets for the year is the fair market value of the investment assets less the allowable liabilities on 1 January of the relevant calendar year. The Notes are included as investment assets. A tax free allowance may be available. An actual gain or loss in respect of the Notes is as such not subject to Netherlands income tax.

### *Non-residents of the Netherlands*

A holder of Notes that is neither resident nor deemed to be resident of the Netherlands (and, in the event such holder is an individual, such holder has not made an election for the rules of The Netherlands Income Tax Act 2001 as they apply to residents of the Netherlands to apply to such holder) 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 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
- (ii) 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 and does not derive benefits from the Notes that are (otherwise) taxable as benefits from other activities in the Netherlands.

### **Gift and inheritance taxes**

#### *Residents of the Netherlands*

Gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a holder of such Notes who is resident or deemed resident of the Netherlands at the time of the gift or his/her death. A gift made under a condition precedent is deemed to be made at the time the condition precedent is fulfilled.

#### *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. A gift made under a condition precedent is deemed to be made at the time the condition precedent is fulfilled.

For purposes of Netherlands gift and inheritance taxes, amongst others, a person that holds the Netherlands nationality will be deemed to be resident in the Netherlands if such person has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his/her death. Additionally, for purposes of Netherlands gift tax, amongst others, a person not holding the Netherlands nationality will be deemed to be resident in the Netherlands if such person has been resident in the Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

### **Value Added Tax (VAT)**

No Netherlands VAT will be payable by the holders of the Notes on any payment in consideration for the issue of the Notes or with respect to the payment of interest or principal by the Issuer under the Notes.

## **Other taxes and duties**

No Netherlands registration tax, customs duty, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable by the holders of the Notes in respect or in connection with the issue of the Notes or with respect to the payment of interest or principal by the Issuer under the Notes.

## **EU Savings Directive**

Under the EC Council Directive 2003/48/EC on the taxation of savings income (the '**EU Savings Directive**'), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments deducting tax at rates rising over time to 35% which may decrease the net proceeds on the Notes received by an investor (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the EU Savings Directive, which included the Commission's advice on the need for changes to the EU Savings Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the EU Savings Directive, they may amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

## **United States Federal Income Taxation**

### ***General***

*This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the Notes. This tax disclosure was written in connection with the promotion or marketing of the Notes by the Issuer, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the U.S. Internal Revenue Code of 1986, as amended. Holders should seek their own advice based on their particular circumstances from an independent tax adviser.*

The following is a discussion of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes issued in registered form by the U.S. Holders described below. This disclosure does not address Notes issued in bearer form, which generally may not be offered or sold in the United States or to U.S. persons (as defined for U.S. federal income tax purposes). Unless

an exemption applies, a U.S. person who holds 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. This discussion only applies to Notes that are purchased by a U.S. Holder who purchases Notes at the 'issue price,' which 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 are held 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 or 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;
- persons subject to the alternative minimum tax; or
- persons carrying on a trade or business in the Netherlands through a permanent establishment.

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. Thus, partnerships and persons who are partners in a partnership holding the Notes should consult their own tax advisers.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended to the date hereof, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, changes (possibly with retroactive effect) to any of which subsequent to the date of this Base Prospectus may affect the tax consequences described herein. 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 Floating Rate Notes, Dual Currency Notes, Index Linked Interest Notes, Long Maturity Notes and any other Notes that are subject to different U.S. federal income tax consequences than those described below. Additional material U.S. federal income tax consequences of such Notes may be addressed in the applicable Final Terms.

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 resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organised in or under the laws of the United States or of any political subdivision thereof; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

*Payments of Interest.* Interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes, provided that the interest is qualified stated interest (as defined below). Any amounts withheld with respect to interest paid on the Notes and any additional amounts paid with respect to interest will be treated as ordinary interest income. 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. The rules governing foreign tax credits are complex and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes, if any, in their particular circumstances. Special rules governing the treatment of interest paid with respect to Original Issue Discount Notes, including certain Variable Rate Notes and Foreign Currency Notes are described under '—Original Issue Discount' and '—Foreign Currency Notes' below.

*Original Issue Discount.* 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 '**Original Issue Discount Note**') unless the Note satisfies a *de minimis* threshold (as described below) or is a Short-Term Note (as defined below). The 'stated redemption price at maturity' of a Note will equal the sum of all payments required under the Note other than payments of 'qualified stated interest'. 'Qualified stated interest' is stated interest unconditionally payable as a series of payments in cash or property (other than in debt instruments of the Issuer) at least annually during the entire term of the Note and equal to the outstanding principal balance of the Note multiplied by a single fixed rate of interest or, subject to certain conditions, based on one or more floating rates or indices.

All stated interest on a Variable Rate Note (as defined below) will constitute qualified stated interest if it provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof that is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually. Therefore, such a Variable Rate Note will not be treated as having been issued with original issue discount unless it is issued at a 'true' discount (i.e., at a price below the Note's stated principal amount in excess of a specified *de minimis* amount). In general, a '**Variable Rate Note**' is a Note that provides for one or more qualified floating rates of interest, a single fixed rate and one or more qualified floating rates, a single objective rate, or a single fixed rate and a single objective rate that is a qualified inverse floating rate (as such terms are defined in applicable Treasury regulations), provided that the issue price of the Note does not exceed the total noncontingent principal payments due under the Note by more than an amount equal to the lesser of (x) 0.015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date or (y) 15% of the total noncontingent principal payments.

A 'qualified floating rate' is any variable rate where variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Rate Note is denominated. An interest rate that is based on the product



of a qualified floating rate, or that subjects a qualified floating rate to a cap, floor, governor or similar restriction, may also be treated as a qualified floating rate if certain conditions are satisfied. An 'objective rate' is generally a rate that is determined using a single fixed formula and that is based on objective financial or economic information. If a Variable Rate Note provides for two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Note, the qualified floating rates together constitute a single qualified floating rate. If interest on a debt instrument is stated at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period, and the value of the variable rate on the issue date is intended to approximate the fixed rate, the fixed rate and the variable rate together constitute a single qualified floating rate or objective rate. Two or more qualified floating rates or a fixed rate and a variable rate will be conclusively presumed to meet the requirements of the preceding sentences if the values of the applicable rates on the issue date are within 1/4 of one percentage point of each other. If a Variable Rate Note provides for stated interest other than qualified stated interest or is issued with a true discount, the U.S. federal income tax treatment of such Note will be more fully described in an applicable Final Terms.

If the difference between a Note's stated redemption price at maturity and its issue price is less than a *de minimis* amount, i.e., 1/4 of one percent of the stated redemption price at maturity 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 an Original Issue Discount Note 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 and 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 Original Issue Discount Notes generally will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder may make an election to include in gross income all interest that accrues on any Note (including stated interest, original issue discount or *de minimis* original issue discount, and unstated interest as adjusted by any amortisable bond premium) in accordance with a constant-yield method based on the compounding of interest (a '**constant-yield election**').

A Note that matures one year or less from its date of issuance (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. 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 until the accrued discount is included in income.

Under applicable Treasury regulations, if the Issuer or the U.S. Holder has an unconditional option to redeem a Note prior to its stated maturity date and certain other conditions are met, 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 the stated maturity date or, in the case of the U.S. Holder's option, the yield on the Note would be higher than its yield to the stated maturity date. 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. The adjusted issue price of a Note is generally the issue price of the Note, increased by the amount of original issue discount includible in gross income of any holder and decreased by the amount of any payment previously made, other than a payment of qualified stated interest.

*Contingent Payment Debt Instruments.* Special rules govern the tax treatment of debt obligations that are treated under applicable Treasury regulations as providing for contingent payments (**'Contingent Payment Debt Instruments'**). 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. Generally, any gain on the sale, exchange, retirement or other disposition of a Contingent Payment Debt Instrument will be ordinary income. The U.S. federal income tax treatment of any Notes that are treated as Contingent Payment Debt Instruments will be more fully described in an applicable Final Terms.

*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. In general, amortisable bond premium with respect to any Note will be equal to the excess of the purchase price over the sum of all amounts payable on the Note other than qualified stated interest and 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 its 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 then owned and thereafter acquired by the U.S. Holder and may be revoked only with the consent of the Internal Revenue Service.

If a U.S. Holder makes a constant-yield election (as described under '—Original Issue Discount' 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 Internal Revenue Service 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. Amounts attributable to accrued qualified stated interest are treated as interest as described under '—Payments of Interest' above. A U.S. Holder's adjusted tax basis in a Note generally will equal such U.S. Holder's initial investment in the Note increased by any original issue discount included in income and decreased by any bond premium previously amortised and principal payments or payments other than qualified stated interest previously received.

Except as described below, gain or loss realised on the sale, exchange or retirement of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Note has been held for more than one year. An exception to this general rule applies 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' above. In addition, other exceptions to this general rule apply in the case of certain Foreign Currency Notes and Contingent Payment Debt Instruments. See '—Foreign Currency Notes' below and '—Contingent Payment Debt Instruments' above.

*Foreign Currency Notes.* The rules applicable to Notes issued in a currency other than U.S. dollars ('**Foreign Currency Notes**') could require some or all of the gain or loss on the sale, exchange or other disposition 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 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 other disposition attributable to accrued qualified stated interest) in a foreign currency with respect to a Foreign Currency Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined based on a spot rate on the date the payment is received) regardless of whether the payment is in fact converted into U.S. dollars at that time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency received.

An accrual-method U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including original issue discount, but reduced by amortisable bond premium to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a Foreign Currency Note during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. Holder may recognise ordinary income or loss (which will not be treated as interest income or expense) with respect to accrued interest income on the date the interest payment or proceeds from the sale, exchange or other disposition attributable to accrued interest is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the foreign currency payment received (determined based on a spot rate on the date the payment is received) in respect of the accrual period and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of cash-method U.S. Holders who are required to currently accrue original issue discount on a Foreign Currency Note. An accrual-method U.S. Holder may elect to translate interest income (including original issue discount) into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service.

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 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 such 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.

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, and 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 qualified stated 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 Internal Revenue Service. 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 or other disposition 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 Internal Revenue Service 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 Internal Revenue Service.

Recently enacted legislation may require individual U.S. Holders to report to the Internal Revenue Service certain information with respect to their beneficial ownership of the 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.

## CERTAIN ERISA AND OTHER CONSIDERATIONS

### Benefit Plan Investor Considerations

The Employee Retirement Income Security Act of 1974, as amended ('**ERISA**'), and Section 4975 of the U.S. Internal Revenue Code of 1986, (the '**Code**'), impose certain requirements on (a) employee benefit plans subject to Title I of ERISA, (b) individual retirement accounts, Keogh plans or other arrangements subject to Section 4975 of the Code, (c) entities whose underlying assets include 'plan assets' by reason of any such plan's or arrangement's investment therein (we refer to the foregoing collectively as '**Plans**') and (d) persons who are fiduciaries with respect to Plans. In addition, certain governmental, church and non-U.S. plans ('**Non-ERISA Arrangements**') are not subject to Section 406 of ERISA or Section 4975 of the Code, but may be subject to other laws that are substantially similar to those provisions (each, a '**Similar Law**').

In addition to ERISA's general fiduciary standards, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Plan and persons who have specified relationships to the Plan, *i.e.*, 'parties in interest' as defined in ERISA or 'disqualified persons' as defined in Section 4975 of the Code (we refer to the foregoing collectively as '**parties in interest**') unless exemptive relief is available under an exemption issued by the U.S. Department of Labour. 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. The Issuer, 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 the Issuer and an investing Plan which would be prohibited if the Issuer 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 programme agreement dated 3 May 2011 (as further amended and/or supplemented and/or restated from time to time, the '**Programme Agreement**'), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under 'Form of the Notes' and 'Terms and Conditions of the Notes' above. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the redocumentation of the Programme and the issue of Notes under the Programme.

### **General**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers or sells Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any Dealer shall have any responsibility therefor.

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

With regard to each Tranche, the relevant Dealer will be required to comply with any other additional restrictions set out in the applicable Final Terms.

### **Selling Restrictions**

#### ***United States***

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws and the Notes may not be offered, sold or delivered within the United States, or to or for the account or benefit of U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable United States state securities laws, or pursuant to an effective registration statement.

The Notes in bearer form 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. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, 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 Programme Agreement, it will not offer, sell or deliver such 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 relevant 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 relevant 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 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.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$200,000 (or the approximate equivalent thereof in any other currency). To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are 'restricted securities' within the meaning of the Securities Act, the Issuer has undertaken in to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by it, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as 'restricted securities' within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

The Notes in bearer form will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(D) or after March 18, 2012, any successor rules in substantially the same form as such rules for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the '**TEFRA D Rules**'), unless the relevant 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 after March 18, 2012, any successor rules in substantially the same form as such rules for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the '**TEFRA C Rules**').

In respect of Notes in bearer form issued or to be issued in accordance with the TEFRA 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 TEFRA D Rules, (i) it has not offered or sold, and during the restricted period will not offer or sell, 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 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 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 TEFRA D Rules;
- (c) if such Dealer is a United States person, it represents that it is acquiring the Notes for purposes of resale in connection with their original issuance and, if such Dealer retains 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);

- (d) with respect to each affiliate (if any) that acquires from such Dealer 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) such Dealer will obtain for the benefit of the Issuer the representations and agreements contained in sub-paragraphs (a), (b), (c) and (d) of this paragraph from any person other than its affiliate with whom it enters into a written contract, as defined in U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(4), for the offer and sale of Notes during the restricted period.

Terms used in the above paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder, including the TEFRA D Rules.

Notes issued pursuant to the TEFRA 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 TEFRA C Rules are specified in the relevant Final Terms as being applicable in relation to any issue of Notes in bearer form, 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 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 Notes. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA C Rules.

Each issuance of Index-Linked Notes and Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer or Dealers shall agree, as indicated in the applicable Final Terms. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

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.

### ***European Economic Area***

In relation to each Member State of the European Economic Area (the '**EEA**') which has implemented the Prospectus Directive (each a '**Relevant Member State**'), each Dealer has represented and agreed, and each additional Dealer 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 the Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State. As a result, the Notes may only be offered in the Relevant Member States:

- (a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) at any time to any legal entity which has two or more of: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); 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 (a) to (d) above shall require the Issuer or the 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 and the expression 'Prospectus Directive' means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression '**2010 PD Amending Directive**' means Directive 2010/73/EC.

### ***United Kingdom***

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the

meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (c) 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.

### ***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; '**FIEA**') and 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 offer or sell Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which terms as used herein means any resident of Japan, as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws and regulations of Japan.

### ***The Netherlands***

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that Zero Coupon Notes in definitive form of the Issuer 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 firm of Euronext Amsterdam in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such 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 a 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 initial distribution or immediately thereafter. As used herein '**Zero Coupon Notes**' are 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.

## 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 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;
  - 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 in the case of Registered Notes only, in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB;

in each case in accordance with any applicable securities laws of any State of the United States; and

- (iii) it understands that the Issuer, the Registrars, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer.

On or prior to the fortieth day after the relevant issue date, Notes represented by an interest in a Regulation S Global Note may be transferred to a person who wishes to hold such Notes in the form of an interest in a Rule 144A Global Note only (a) 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 or (b) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States and, in each case, 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 Registered Global Note, as described below.

Notes represented by an interest in Legended Notes may also be transferred to a person who wishes to hold such Notes in the form of an interest in a Regulation S Global Note, 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 and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made on or prior to the fortieth day after the relevant issue date, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream.

Any interest in a Note represented by a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in a Note represented by a Rule 144A Global Note will, upon transfer, cease to be an interest in a Note represented by a Regulation S Global Note and become an interest in a Note represented by a Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Notes represented by a Rule 144A Global Note.

### **Rule 144A Notes**

Each purchaser of Notes that is a U.S. person or within the United States, by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

- (i) the purchaser is (a) a QIB, (b) acquiring the Notes for its own account or for the account of one or more QIBs, (c) not formed for the purpose of investing in the Notes or the Issuer and (d) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;
- (ii) the purchaser understands that (1) the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) pursuant to an effective registration statement under the Securities Act or (e) to the Issuer or any of its affiliates, in each case in accordance with any applicable securities laws of any State of the United States and (2) it will, and each subsequent holder of the Registered Notes offered and sold in the United States is required to, notify any purchaser of such Notes from it of the resale restrictions applicable to such 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 any U.S. federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code ('**Similar Law**'), or (B) its purchase and holding of a Note will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any Similar Law;
- (iv) the purchaser understands that the Notes in registered form other than the Regulation S Global Notes 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 AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE ISSUE DATE (OR THE DATE ON WHICH FULL CONSIDERATION HAS BEEN PAID FOR PARTLY PAID NOTES) 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) 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 OF REGULATION S 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 AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF BUT UPON NOTICE TO, THE HOLDERS OF THE NOTES REPRESENTED HERBY SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THE NOTES REPRESENTED HEREBY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THE NOTES REPRESENTED HEREBY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THE NOTES REPRESENTED HEREBY AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFORE, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

BY ITS PURCHASE AND HOLDING OF THE NOTES REPRESENTED HEREBY (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED EITHER THAT (A) IT IS NOT, IT IS NOT ACTING ON BEHALF OF, AND FOR SO LONG AS IT HOLDS THE NOTES REPRESENTED HEREBY (OR ANY INTEREST THEREIN) WILL NOT BE (I) AN 'EMPLOYEE BENEFIT PLAN' THAT IS SUBJECT TO TITLE I OF THE U.S.

EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ('ERISA'), (II) AN INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT SUBJECT TO THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE 'CODE'), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF ANY SUCH PLAN'S OR ARRANGEMENT'S INVESTMENT THEREIN, OR (IV) A GOVERNMENTAL OR CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ('SIMILAR LAW'), OR (B) ITS PURCHASE AND HOLDING OF THE NOTES REPRESENTED HEREBY 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 Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Notes represented by an interest in Legended Notes may be transferred (a) to a person who takes delivery of such interest through a Legended Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification or (b) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in an Regulation S Global Note will, upon transfer, cease to be an interest in a Rule 144A Global Note and become an interest in an Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in an Regulation S Global Note.

**Prospective purchasers that are QIBs are hereby notified that sellers of the Rule 144A Registered Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**



## GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the issue of Notes under the Programme have been duly authorised by a resolution of the Managing Board dated 1 September 1995. An increase of the size of the Programme was duly authorised by a resolution of the Board dated 1 May 1997, and further increases in the size of the Programme were duly authorised by resolutions of the board on 30 March 1998, 1 May 2001, 21 October 2005, 7 November 2005, 27 April 2010 and 3 January 2011. All consents, approvals, authorisations or other orders of all regulatory authorities required by NWB Bank under the laws of the Netherlands have been given for the issue of Notes and for NWB Bank to undertake and perform its obligations under the Programme Agreement, the Agency Agreement and the Notes.

### Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which NWB Bank is aware), nor have there been any such proceedings 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 NWB Bank.

### Significant Change

There has been no significant change in the financial or trading position of NWB Bank and no material adverse change in the financial position or prospects of NWB Bank since 31 December 2010.

### Listing of Notes

Application may be made for the Notes to be issued under the Programme to be listed (i) on Euronext Amsterdam and (ii) on the Luxembourg Stock Exchange.

### Auditors

The financial statements of NWB Bank for the financial years ending 31 December 2008, 2009 and 2010 have been audited by KPMG Accountants N.V. KPMG Accountants N.V. is located at Laan van Langerhuize 1, 1186 DS Amstelveen, the Netherlands. The individual auditors of KPMG Accountants N.V. are members of the Royal NIVRA, the *Nederlands Instituut voor registeraccountants*, the Dutch accountants board.

The auditor's report in respect of the financial statements for the years ended 31 December 2010, 31 December 2009 and 31 December 2008 (incorporated by reference), are included in the form and context in which they appear with the consent of KPMG Accountants N.V. who have authorised the inclusion of these auditor's reports. As the Notes have not been and will not be registered under the Securities Act, KPMG Accountants N.V. have not filed and will not file a consent under the Securities Act.

## **Documents Available**

Throughout the life of the Programme, copies of the following documents will, when published, be available, free of charge, at the registered office of NWB Bank and at the specified office of the Principal Paying Agent and the Principal non-U.S. Paying Agent:

- (a) an English translation of NWB Bank's deed of incorporation and the most recent Articles of Association;
- (b) the annual reports of NWB Bank (containing NWB Bank's audited accounts as at and for the years ended 31 December 2008, 31 December 2009 and 31 December 2010) for the three most recent financial years and the most recently available published unaudited interim financial statements (if any) of NWB Bank (in each case translated into English);
- (c) the Programme Agreement and any agency agreement (which contain the forms of the Temporary and Permanent Bearer Global Notes, the Definitive Bearer Notes, the Registered Global Notes, the Individual Note Certificates, the Receipts, the Coupons and the Talons);
- (d) a copy of this Base Prospectus; and
- (e) any future Base Prospectuses, offering circulars, supplementary listing particulars, information memoranda and supplements (including the Final Terms in respect of listed Notes) to this Base Prospectus and any other documents incorporated herein or therein by reference.

## **Clearing and Settlement Systems**

The Notes have been accepted for clearing through Euroclear, Luxembourg, the Clearnet S.A. Amsterdam Branch Stock Clearing and DTC. The appropriate common code, ISIN, CUSIP and/or any other relevant security code will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in applicable Final Terms.

Euroclear's offices are situated at 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. Clearstream, Luxembourg's offices are situated at 42 Avenue J.F. Kennedy, 1855 Luxembourg. The address of Clearnet S.A. Amsterdam Branch Stock Clearing is Vijzelstraat 79, 1017 HG Amsterdam. The address of DTC is 55 Water Street, New York, NY 10041, United States of America.

## **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

## **ABN AMRO Bank N.V.**

ABN AMRO Bank N.V. is not registered with the U.S. Securities and Exchange Commission as a broker-dealer and, therefore, will not participate in the offer or sale of the Notes within the United States. To the extent that it intends to effect any sales of the Notes in the United States, it will do so through one or more U.S. registered broker-dealers in accordance with the applicable U.S. securities laws and regulations, and as permitted by the Financial Industry Regulatory Authority regulations.

## **REGISTERED OFFICE OF THE ISSUER**

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London E14 5LB  
United Kingdom

## **PRINCIPAL NON-U.S. PAYING AGENT**

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Luxembourg

## **PAYING AGENT**

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## **LEGAL ADVISERS**

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### **To the Dealers**

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## **LUXEMBOURG LISTING AGENT**

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Citigroup Centre  
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London E14 5LB  
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Coöperatieve Centrale Raiffeisen-  
Boerenleenbank B.A.  
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Daiwa Capital Markets Europe Limited  
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HSBC Bank plc  
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J.P. Morgan Securities Ltd.  
125 London Wall  
London EC2Y 5AJ  
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Merrill Lynch International  
2 King Edward Street  
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