



N.V. Bank Nederlandse Gemeenten

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

Euro 90,000,000,000

Debt issuance programme

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

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

The Base Prospectus has been approved by the AFM, which is the Netherlands competent authority for the purpose of Directive 2003/71/EC as amended by Directive 2010/73/EU (the “**Prospectus Directive**”) and relevant implementing measures in the Netherlands, as a base prospectus issued in compliance with the Prospectus Directive, Commission Regulation EC No. 809/2004 (the “**Prospectus Regulation**”) and relevant implementing measures in the Netherlands for the purpose of giving information with regard to the issue of Notes under the Programme during the period of twelve months after the date hereof. Application may be made for Notes issued under the Programme to be admitted to trading on NYSE Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V. (“**Euronext Amsterdam**”).

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. Application may be made for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange.

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 Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system or to be admitted to

listing, trading and/or quotation by such other or further listing authorities, stock exchanges (including the SIX Swiss Exchange) and/or quotation systems as may be agreed with the Issuer.

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

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

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

Arranger

UBS Investment Bank

Principal Dealers

Bank Nederlandse Gemeenten

BofA Merrill Lynch

Citigroup

Credit Suisse

Goldman Sachs International

ING Commercial Banking

Landesbank Baden-Württemberg

Morgan Stanley

Rabobank International

The Royal Bank of Scotland

Barclays

BNP PARIBAS

Commerzbank

Deutsche Bank

HSBC

J.P. Morgan

Mizuho International plc

Nomura

RBC Capital Markets

TD Securities

UBS Investment Bank

The date of this Base Prospectus is 13 June 2012 and it replaces the Base Prospectus dated 2 August 2011.

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

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SUMMARY OF THE BASE PROSPECTUS

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 the Base Prospectus as a whole, including any supplement thereto and the documents incorporated by reference. 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 person who has tabled the summary, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus. Where a claim relating to the information contained in this Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the relevant Member States, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

The Issuer

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

In addition to its financing activities, BNG offers advisory and consultancy services, such as assisting public authorities in the design of their treasury, portfolio and asset and liability management functions. BNG also offers investment funds, which are managed through a wholly-owned subsidiary, BNG Vermogensbeheer B.V. Investment in the funds are mainly marketed to municipalities with budgetary surpluses. Furthermore, BNG provides electronic fund transfer and payment services to its public-sector customers.

As of and for the year ended 31 December 2011, BNG had total assets of €136 billion, total equity of €1.9 billion and net profit of €256 million.

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

The Issuer is authorised by the Dutch Central Bank (*De Nederlandsche Bank N.V.* or “**DNB**”) to pursue the business of a bank in the Netherlands and is consequently supervised by DNB. In addition the Issuer is supervised by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) for the purpose of market conduct supervision. See “*N.V. Bank Nederlandse Gemeenten — Supervision and Regulation*”.

The executive board and supervisory board

The executive board of the Issuer consists of the president C. van Eykelenburg and the members J.J.A. Leenaars and J.C. Reichardt. The supervisory board of the Issuer currently consists of eleven members, who are listed in the section “*N.V. Bank Nederlandse Gemeenten*”.

Funding of the Issuer

The Issuer’s need for funding generally varies between €15 billion to €17 billion equivalent per annum. In order to raise funds on the international capital markets the Issuer established this Programme of €90 billion as well as several other funding programmes allowing it to raise funds in various markets. The Issuer can raise funds under the above mentioned programmes as well as on a stand-alone basis. The notes issued under these programmes are mainly issued in Euros, U.S. dollars, Swiss francs, Canadian dollars and British pounds.

Financial information relating to the Issuer

The Issuer's balance sheet and profit and loss account as of and for the year ended 31 December 2011 are set out in this Base Prospectus. The financial information included herein is compared with the financial information included in the balance sheet and income statement both as of 31 December 2010 and 31 December 2009. The financial statements of the Issuer set out, or incorporated by reference, in this Base Prospectus have been audited for the three financial years preceding the date of this Base Prospectus by Ernst & Young Accountants LLP ("**Ernst & Young**"). The Issuer's capitalization was €14 billion as at 31 December 2011. The indebtedness of the Issuer as at 31 December 2011 was €19 billion.

SELECTED FINANCIAL DATA 2011-2007

	2011	2010	2009	2008	2007
	(€millions, except percentages, per share and employee data)				
Total Assets	136,460	118,533	104,496	101,365	92,602
Loans and Advances	90,775	86,851	79,305	75,699	66,037
of which Granted to or guaranteed by Public Authorities	81,776	75,247	67,164	64,782	60,219
of which reclassified out of the financial assets available-for-sale item	3,219	3,724	4,226	4,569	–
Equity excluding unrealized revaluation ^{1,2}	2,450	2,321	2,204	2,008	1,949
of which Unrealised Revaluation	(553)	(62)	49	(29)	104
Equity per share (in Euros) ^{1,2}	44.00	41.68	39.58	36.06	35.00
Equity as a % of Total Assets ^{1,2}	1.8%	2.0%	2.1%	2.0%	2.1%
BIS-Ratio core capital (tier 1) ^{1,3}	20%	20%	19%	18%	18%
BIS-Ratio total capital ^{1,4}	21%	20%	20%	20%	20%
Profit before tax	339	337	350	182	238
Net Profit	256	257	278	158	195
Profit per Share (in Euros)	4.60	4.61	4.98	2.84	3.50
Dividend (in Cash)	64	128	139	79	97
Dividend as a % of Consolidated Net Profit	25%	50%	50%	50%	50%
Dividend per Share (in Euros)	1.15	2.30	2.49	1.42	1.75
Additional Payment	–	–	–	–	500
Additional Payment per Share (in Euros)	–	–	–	–	8.98
Employees (in FTEs) at Year-End ⁵	278	276	277	274	266
– of which Subsidiaries	41	45	58	51	52

¹ In December 2007, an additional payment of €500 million was made to shareholders (€8.98 per share). The payment was charged to the reserves.

² Excluding the revaluation reserve and cashflow reserve.

³ Core (Tier 1) capital as a percentage of risk-weighted amounts.

⁴ Total capital as a percentage of risk-weighted amounts.

⁵ As of 2010 this included only those FTEs that affect BNG's staff costs. The comparative figures have been adjusted.

Essential characteristics of the Notes and the Programme

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) agreed between the Issuer and the relevant dealer. The aggregate principal amount of the Notes outstanding will not at any time exceed €90 billion, subject to any duly authorised increase. Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. The aggregate principal amount, any interest rate or interest calculation, the issue price and any other terms and conditions not 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 “**Final Terms**”) in or substantially in the form set out in this Base Prospectus. The Notes may be offered for sale (a) in bearer form or registered form outside the United States to non-U.S. persons in reliance on and in accordance with Regulation S and (b) in registered form within the United States to QIBs in reliance on and in accordance with Rule 144A and, in each case, in accordance with all other applicable laws and regulations. The Notes in bearer form are subject to United States tax law requirements.

Application may be made for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or Euronext Amsterdam, as the case may be. However, Notes may also be issued under the Programme on an unlisted basis, or admitted to listing, trading and/or quotations as may be agreed between the Issuer and the relevant dealer. The final terms applicable to a Series of Notes will specify whether or not such Series of Notes have been admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or Euronext Amsterdam, as the case may be.

Notes will be issued in series (each a “**Series**”) each of which will comprise of 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.

Notes may be issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”). The Notes are expected to be available for delivery through the facilities of The Depository Trust Company (“**DTC**”) and its direct and indirect participants, Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) and/or any other agreed clearing system.

Bearer Notes will be sold outside the United States in “offshore transactions” within the meaning of Regulation S. Unless otherwise specified in the relevant Final Terms, Bearer Notes will be represented on issue by a temporary global note in bearer form, without interest coupons (each, a “**Temporary Global Note**”), and interests in Temporary Global Notes will be exchangeable for interests in permanent global notes in bearer form (each, a “**Permanent Global Note**”, and together with the Temporary Global Notes, the “**Global Notes**”) or, if so stated in the applicable Final Terms, definitive notes in bearer form (each, a “**Definitive Note**”), on or after the date falling 40 days after the date of issue of the Temporary Global Note upon certification as to non-U.S. beneficial ownership. Interests in Permanent Global Notes will be exchangeable for Definitive Bearer Notes in whole but not in part upon the occurrence of certain events described in paragraph “*Forms of Notes — Bearer Notes*”. Each Global Note will be deposited with a common depository or, as the case may be, a common safekeeper on behalf of Euroclear and Clearstream Luxembourg and/or any other agreed clearing system. See “*Forms of Notes*”.

Registered Notes may be sold (i) outside the United States in “offshore transactions” within the meaning of Regulation S (“**Regulation S Notes**”) and/or (ii) in the United States to QIBs within the meaning of Rule 144A (“**Rule 144A Notes**”). In general, (i) Regulation S Notes will be represented on issue by a permanent global note certificate in registered form, without interest coupons (each, an “**Unrestricted Global Note Certificate**”), and (ii) Rule 144A Notes will be represented on issue by a permanent global note certificate in registered form, without interest coupons (each, a “**Restricted Global Note Certificate**”) and, together with each Unrestricted Global Note Certificate, the “**Global Note Certificates**”). The provisions governing the exchange of interests in the Global Note Certificates for individual note certificates in registered form (each, an “**Individual Note Certificate**”) and together with the Global Note Certificates, the “**Note Certificates**”) in certain limited circumstances are described in “*Forms of Notes — Registered Notes*”. On the relevant issue date, Global Note Certificates of each Series will be (i) registered in the name of, and deposited with, a common depository or, as the case may be, a common safekeeper on behalf of Euroclear and Clearstream, Luxembourg; and/or (ii) registered in the name of

Cede & Co. as nominee for, and deposited with a custodian for, DTC; and/or (iii) registered and deposited with any other agreed clearing system, as specified in the applicable Final Terms. Registered Notes are subject to certain restrictions on transfer. See “*Plan of Distribution*” and “*Transfer Restrictions*”.

The Notes will constitute direct and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer and will have the benefit of a negative pledge and the events of default set out in the section entitled “*Terms and Conditions of the Notes*” (the “**Conditions**”). Notes may be redeemable at their Final Redemption Amount as may be specified in the Final Terms. Early redemption will be permitted for taxation reasons as set out in the Conditions but will otherwise be permitted only to the extent set out in the Final Terms.

Risk Factors

Investing in Notes issued under the Programme involves certain risks. The risk factors that may affect the ability of the Issuer to fulfill its obligations under the Notes are set out under “*Risk Factors*” on page 10-21 below and include:

- factors which may affect the Issuer’s ability to fulfill its obligations under the Notes such as general economic and financial market conditions, liquidity risk, interest rate volatility, market risk, credit risk, operational risk, regulatory risk, ICT risk, reputational risk and outsourcing risk;
- general risks related to the market generally for the Notes such as liquidity risk, exchange rate risk, interest rate risk and credit rating risks;
- risks affecting an investor’s ability to make an informed assessment of the risks associated with Notes issued under the Programme such as lack of sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits of investing in them;
- risks related to the structure of certain Notes issued under the Programme (including but not limited to Index Linked Notes, Inflation Linked Notes, Fund Linked Notes and Dual Currency Notes) which can only be meaningfully evaluated by an investor having sufficient expertise; and
- certain risks related to the Notes generally.

Rating

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

Supplemental information

For so long as any Notes are outstanding, copies and, where appropriate, English translations of the following documents may be inspected to the extent available at the website of the Issuer (<http://www.bng.com>) or alternatively during normal business hours at the specified office of the Paying Agent in Breda, London and Luxembourg, and be obtained free of charge: (a) the deed of incorporation and the Articles of Association (*statuten*) of the Issuer; (b) the Issuing and Paying Agency Agreement; (c) the audited financial statements for the preceding financial year and the latest audited financial statements and unaudited semi-annual financial statements of the Issuer; (d) a copy of this Base Prospectus and any further prospectus or prospectus supplement prepared by the Issuer for the purpose of updating or amending any information contained herein or therein; and (e) each of the final terms in relation to listed issues of Notes.

RISK FACTORS

Prospective investors should read the entire Base Prospectus.

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

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

Factors that may affect the Issuer's ability to fulfill its obligations under the Notes

BNG's business and results of operations are affected by conditions in the global financial markets and by global economic conditions, particularly in the Netherlands. Turbulence and volatility in these markets has adversely affected, and could continue to adversely affect, BNG's business and results of operations.

Despite significant interventions by governments and other nongovernmental bodies during and since the financial crisis in 2008/2009, capital and credit markets around the world continue to be volatile and subject to intermittent and prolonged periods of disruption. In particular, increasingly during the second half of 2011, a heightened risk of sovereign default relating to certain European Union ("EU") member states focused on Greece and certain other EU countries, notably Italy, Ireland, Portugal and Spain (the "GIIPS"), had a negative impact on capital and credit markets. The ongoing economic deterioration of the GIIPS, together with the risk of contagion to other, more stable countries, has exacerbated further the global economic crisis. In particular, the risk of default on the sovereign debt of those countries and the impact this would have on the Eurozone countries, including the potential that some countries could leave the Eurozone (either voluntarily or involuntarily) has raised concerns about the ongoing viability of the euro currency and the European Monetary Union ("EMU"). Despite the various rescue packages and other stabilising measures adopted throughout Europe to deal with the worsening Eurozone sovereign debt crisis, global markets continue to record high levels of volatility and uncertainty. Uncertainty over the best way forward for the highly indebted Eurozone persists and posed and continues to pose a serious threat to global economic recovery, with the spread of political instability and contagion to other Eurozone countries increasing in the last quarter of 2011. Financial markets are expected to remain dislocated and volatile, with the risk of contagion unlikely to dissipate in the near term. This continues to place strains on funding markets at a time when many financial institutions (in particular) have material ongoing funding needs. In 2011, continuing concerns about the fiscal position in Eurozone countries resulted in increased credit spreads in the areas affected, and fears of contagion affected the Euro and widened spreads between central bank and interbank rates.

Such challenging economic and market conditions have caused significant volatility to funding costs. As a result of a material reduction in the availability of financing, both for financial institutions and their customers, many financial institutions have had to rely on central banks and governments to provide liquidity throughout this period. Wholesale funding markets continued to suffer during 2011, particularly for European banks, as the European sovereign debt crisis worsened during the second half of 2011 and the EU sought to implement a second financial assistance program for Greece which included private sector contributions. As a result, a number of banks were reliant on central banks as their principal source of liquidity. Central banks increased their support provisions to banks with the European Central Bank ("ECB") providing significant liquidity in the last few months of 2011 and early 2012 (including long-term refinancing operations facilities (offering loans with a term of up to three years) and broader access to U.S. dollar funding). Although these efforts had a positive impact, global credit markets remain disrupted. As the European sovereign debt crisis continued into 2011, credit spreads remained at higher levels than experienced prior to the global economic and financial crisis. BNG's results of operations were significantly impacted by these conditions during 2009, 2010 and 2011 and, if such conditions were to continue or worsen, they could have an adverse effect on BNG's results in the future.

BNG'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 of these factors created a less favorable environment for BNG's public sector clientele. For example, during 2009, BNG experienced a decrease in its lending activities, as its primary clients, the public municipalities, provinces and housing corporations in the Netherlands, reduced investment in their programs and projects in response to economic uncertainty. Although BNG's long-term lending increased significantly in 2010, it declined in 2011 as the impact of the global economic and financial crisis continues to affect BNG's clients. For example, due to the continuing impact of the global economic and financial crisis together with the European sovereign debt crisis and certain recent regulations which will limit the level of funding that will be guaranteed by the State, lending in the housing sector is expected to steadily decline. If these levels of market disruption and volatility continue or recur, and the pace of economic recovery, particularly in the Netherlands, remains weak, BNG may experience further reductions in business activity, increased funding costs and funding pressures, decreased asset values and lower profitability. As a result of changing market conditions and the influence of financial and industry cycles, BNG's results of operations are subject to volatility that may be outside the control of BNG. BNG's financial condition and results of operations may, therefore, vary significantly from year to year depending on market conditions.

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

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

Credit markets worldwide experienced a severe reduction in liquidity and term-funding during the global economic and financial crisis. Continuing disruption, particularly in Europe during 2010 and 2011, mainly due to the sovereign debt crises associated with the GIIPS, has resulted in liquidity and term-funding remaining difficult to obtain and terms for certain borrowers continuing to remain less favorable than prior to the global economic and financial crisis. In particular, in the second half of 2011, as the EU sought to agree on a further financial assistance program for Greece, there was a significant liquidity problem as the interbank market, a traditional source of unsecured short-term funding, was severely disrupted and U.S. dollar funding for European banks was largely unavailable. Only the intervention of the ECB and its long-term refinancing operations made available in December 2011 and February 2012 reduced this liquidity problem that was adversely affecting banks across Europe and had shut many European banks out of the wholesale public markets. Continuation of any of these problems, or increasing perception of counterparty risk between banks, which has increased significantly during the global economic and financial crisis, could lead to further reductions in access to traditional sources of liquidity, such as the debt capital markets. BNG's access to the debt capital markets, its principal source of liquidity during the global economic and financial crisis was 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 credit, the volume of trading activities, the overall availability of credit to the financial services industry, counterparty risk, an issuer's credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of an issuer's long- or short-term financial prospects. BNG's access to funds and the cost of such funds is significantly influenced by views of rating agencies. If BNG's access to the capital markets were to decline or the cost of accessing such markets should increase significantly or if BNG is unable to attract other sources of financing, these developments could have an adverse effect on BNG's financial condition and results of operations and could, in turn, impair BNG's access to liquidity.

Volatility in interest rates, credit spreads and markets may adversely affect BNG's business.

BNG is exposed to market risk and in particular to interest rate risk. Changes in the absolute level of interest rates, credit spreads included in interest rates (caused by the market perception of credit risk, liquidity risk or other risks) and changes between different types of interest rates may negatively affect BNG's business by decreasing its interest income. In a period of changing interest rates (and higher and more volatile credit spreads), interest expense may increase at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease interest result, BNG's primary source of revenue. BNG's revenues and exposure to interest rate risk are also 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. BNG recorded (unrealised) negative market value adjustments in 2009, 2010 and 2011 due to changes in credit and liquidity spreads. Changes in interest rates may also result in unrealised losses which may be required to be recognised in the income statement or in equity on the balance sheet. In addition, an increase in interest rates (or credit spreads) may decrease the demand for loans.

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

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

Ratings are important to BNG's business for a number of reasons. Among these reasons are its ability to issue debt instruments and the risk weighting of certain assets held by BNG. BNG has credit ratings from Standard & Poor's, Fitch and Moody's. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time. In the event of a downgrade or a notice of a possible downgrade or negative outlook, BNG's cost of issuing debt instruments will increase, having an adverse effect on net profit and potentially impacting BNG's competitive position with its clients in the public sector. In January 2012, while confirming the AAA rating, Standard & Poor's placed BNG on "negative outlook," following the outlook designated to the State of the Netherlands. Due to BNG's public-sector role, Standard & Poor's considers BNG a "government-related entity" with an exceptionally high likelihood of extraordinary government support and accordingly links BNG's rating to that of the State of the Netherlands. Any rating action taken with respect to the State of the Netherlands can be expected to impact BNG's ratings, and while BNG has not experienced any significant negative effects as a result of the recent rating action, any further adverse rating actions may adversely affect BNG as described above. Notwithstanding Standard & Poor's view that BNG is a "government-related entity," investors should note that BNG is not a government entity and its debt (including the Notes) are not direct or indirect obligations of the State of the Netherlands or guaranteed in any way by the State of the Netherlands.

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

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

Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate BNG from all risks associated with market fluctuations and market stresses. BNG's hedging strategies inevitably rely on assumptions and projections regarding its assets, general market factors and

the creditworthiness of its counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, BNG's hedging activities may not have the desired beneficial impact on its financial condition, results of operations or in limiting volatility in earnings. Poorly designed strategies or improperly executed transactions could actually increase BNG's risks and lead to financial losses. If BNG terminates a hedging arrangement, it may also be required to pay additional costs, such as transaction fees or breakage costs. BNG's hedging strategies and the derivatives that it uses and may use may not adequately mitigate or offset the risk of interest rate and currency volatility, and BNG's hedging transactions may result in losses.

BNG has significant counterparty risk exposure.

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

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

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

BNG devotes significant resources to developing risk management policies, procedures and assessment methods for its banking business. BNG uses value-at-risk (VaR) models, duration analysis and sensitivity analysis 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 BNG fails to identify or anticipate. Some of BNG's qualitative tools and metrics for managing risk are based upon use of observed historical market behavior. BNG applies statistical and other tools to these observations to arrive at quantifications of risk exposures. These tools and metrics may fail to predict or incorrectly predict future risk exposures. Moreover, these observations or information may not be accurate, complete, up-to-date or properly evaluated in all cases. Thus BNG's losses could be significantly greater than such measures would indicate. In addition, BNG's quantified modeling does not take all risks into account. BNG's more qualitative approach to managing risks takes into account a broader set of risks, but is less precise than quantified modeling and could prove insufficient. In addition, certain risks could be greater than BNG's empirical data would otherwise indicate. There can, therefore, be no assurance that BNG's risk management and internal control policies and procedures will adequately control, or protect BNG against, all credit and other risks. Unanticipated or incorrectly quantified risk exposures could result in material losses for BNG.

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

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

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

Although BNG has devoted substantial resources to developing its operational risk management policies and procedures, and expects to continue to do so in the future, there can be no assurance that these will be

adequate or effective. Any material deficiency in BNG's operational risk management or other internal control policies or procedures may expose BNG to significant credit, liquidity, or market risks, which may in turn have a material adverse effect on BNG's business, results of operations and financial condition.

BNG operates in a highly regulated industry. There could be an adverse change or increase in the financial services laws and/or regulations governing BNG's business.

BNG is subject to detailed banking and other financial services laws and government regulation in the Netherlands. 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. Banking and other financial services laws, regulations and policies currently governing BNG may also change at any time in ways which have an adverse effect on BNG's business, and it is difficult to predict the timing or form of any future regulatory or enforcement initiatives in respect thereof. As a relatively small organization, BNG is heavily burdened financially and operationally by the pressure of increasing regulations which need to be reconciled and implemented in line with BNG's business and the heightened duty to provide reports to its regulators. As a result of the recent global economic and financial crisis, the last several years have seen an overwhelming number of new regulations being introduced, including, in particular, rules and regulations regarding capital adequacy, liquidity, leverage, accounting and other factors affecting banks. The vast majority of these legislative reforms are yet to be finalized and are expected to have a significant impact on the business models of banks generally, including BNG. As such, BNG can only partially assess, and cannot predict, what impact such new rules and regulations will have on its business model.

In December 2010, the Basel Committee on Banking Supervision published a global regulatory framework for more resilient banks and banking systems, known as Basel III. The requirements under Basel III are significantly more stringent than under Basel II. 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%. Certain requirements under Basel III will be effective at the beginning of 2013 and the remainder will be phased in over the 2013-2018 period. The leverage ratio of 3% will demand a substantial expansion of BNG's capital or a significant reduction in BNG's balance sheet. The liquidity ratios may also have an adverse effect on, among other things, the composition of BNG's interest-bearing securities portfolio.

Further, the International Accounting Standards Board has announced changes to several IFRS standards, certain of which could have an adverse impact on BNG's reported results and financial condition, in particular the adoption of IFRS 9; Financial Instruments; Classification and Measurement which will replace IAS 39; Financial Instruments Recognition and Measurement. In response to such changes BNG will also need to make adjustments to its risk management processes which will require investment in new systems and additional staff.

BNG 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 BNG's business and/or results of operations.

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

BNG'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. BNG's financial, accounting, data processing or other operating systems and facilities may fail to operate properly or may become disabled, which may have an adverse effect on BNG's ability to process transactions or provide services. In addition, other factors which could cause BNG'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 BNG's significant expenditures on its IT systems, there can be no assurance that these expenditures will be sufficient or that its IT systems will function as planned. Any

disruption in BNG's IT or other systems may have a material adverse effect on its business, financial condition or results of operations.

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

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

Risks related to the market for the Notes

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

Liquidity risks

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 severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

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

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

Interest rate risks

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 Risks

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

Credit or corporate ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of any Tranche of Notes. In

addition, any negative change in the credit rating of BNG could adversely affect the trading price of the Notes. A credit rating and/or a corporate rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. In the event a rating assigned to the Notes and/or BNG is lowered for any reason, the market value of the Notes may be adversely affected, but no person or entity is obliged to provide any additional support or credit enhancement with respect to the Notes.

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

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

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

Risks related to the structure of a particular issue of Notes

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 the Issuer

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

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

Index Linked Notes, Inflation Linked Notes, Fund Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”). In addition, the Issuer 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) in case of Index Linked Notes, Inflation Linked Notes, Fund Linked Notes and Dual Currency Notes, they may lose all or a substantial portion of their investment;
- (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.

Fund Linked Notes

The Issuer may issue Notes with principal or interest determined by reference to the performance of an underlying investment fund. Potential investors in Fund Linked Notes should understand that:

- (i) there are market risks associated with an actual investment in the underlying investment fund, and though the Notes do not create an actual interest in the underlying investment fund, the return on the Notes generally involves the same associated risks as an actual investment in the underlying investment fund. Potential investors in Fund Linked Notes should understand that the Issuer has not purported and does not purport to be a source of information concerning the market risks associated with the underlying fund or fund interests;
- (ii) third parties, not related to the Issuer, may subscribe for and redeem underlying fund interests. These investments may affect the performance and volatility of the fund’s net asset value. In turn, this could affect, from time to time, the return on the Notes;
- (iii) the Issuer may invest in the underlying investment fund for its own account, and the Issuer may exercise its discretion in respect of matters concerning its holding of fund interests as it sees fit, without regard to the interests of any investor in the Notes;
- (iv) any performance of the underlying investment fund necessary for the Notes to yield a specific return is not assured. Potential investors in the Notes should understand that the performance of the underlying investment fund may, depending on the terms of the Notes, strongly affect the value of payments on the Notes and the Issuer has no control over the underlying investment fund or the performance of such fund;
- (v) the value of units in the underlying investment fund and the income from it may fluctuate significantly. The Issuer has not provided (save as provided herein) and will not provide during the term of the Notes prospective purchasers of the Notes with any information or advice with respect to the performance of an underlying investment fund. The Issuer may have acquired, or during the term of the Notes may acquire, non-public information with respect to an underlying investment fund, which will not be provided to the Noteholders. The Issuer makes no representation or warranty about, or guarantee of, the performance of an underlying investment

fund. Past performance of an underlying fund cannot be considered a guide to future performance;

- (vi) the investment funds may follow a wide range of investment strategies and invest in assets in a number of different countries and denominated in a number of different currencies. The returns to the Noteholders may, therefore, be materially affected by, among other things, market trends, exchange rate fluctuations and political and economic developments in the relevant countries. This may lead to substantial volatility in the net asset value of the funds;
- (vii) the investment funds may have investment strategies and guidelines that are very broad. They may also be free to engage in additional or alternative strategies without reference to any other person;
- (viii) the investment funds may often rely on a few individuals to determine their investment strategies and to make investment decisions. The loss of such individuals could jeopardise the performance of the funds;
- (ix) the investment funds may be engaged in a high level of trading with commensurately high brokerage and transaction costs, as well as costs associated with leverage, such as interest payments and margin maintenance. Such costs will adversely affect the net asset value of the funds;
- (x) the investment funds will be exposed to credit risks against brokers and other counterparties with which they deal in implementing their investment strategies;
- (xi) where underlying investment funds invest in unlisted shares and certain other assets, risks associated with reduced liquidity and lack of objective valuations will arise. Moreover, the underlying investment funds may invest in emerging markets. This involves risks attributable to nationalizations, expropriation or taxation, currency devaluation, foreign exchange control, political, social or diplomatic instability or governmental restrictions. The capital markets in such countries have substantially less volume, and are generally less liquid and more volatile than those in more developed markets. Disclosure and regulatory requirements could be less stringent than in other markets, with a low level of monitoring and limited and uneven enforcement of existing regulations;
- (xii) certain of the underlying funds may have no or a limited operating history, with no proven track record in achieving their stated investment objectives; and
- (xiii) the underlying investment funds, or some of them, may be wholly unregulated investment vehicles and may trade in futures, options, forward exchange contracts and other derivative instruments, which may represent significant investment risks. In addition, underlying investment funds may acquire leveraged trading positions, including through the use of borrowing, and may engage in short selling. As a result of leverage, relatively small price movements may result in substantial losses or gains and an underlying investment fund itself may be subject to fees and charges on its investments which shall be borne by such fund and incorporated in the value of interests in it.

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 in its particular circumstances, which could follow from, amongst others, the EU Savings Directive. See “*Taxation*”.

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

Notes held in global form

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

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

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

Restrictions on transfer

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws and the Notes may not be offered, sold or delivered within the United States, or to or for the account or benefit of U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable United States state securities laws, or pursuant to an effective registration statement. The Notes and the Issuing and Paying Agency Agreement (as defined in the Conditions) will contain provisions that will restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exemptions under the Securities Act. In addition, any offer, sale or transfer of Notes into the United States may be made only to QIBs. Investors must ensure

that their offers and sales of the Notes within the United States and other countries comply with all applicable laws, including securities laws. Bearer Notes are subject to United States tax law requirements. Subject to certain exceptions, Bearer Notes may not be offered, sold or delivered within the United States or to United States persons, as those terms are defined in the U.S. Internal Revenue Code of 1986, as amended (the “Code”), and by the U.S. Treasury Regulations thereunder. See “*Plan of Distribution*” and “*Transfer Restrictions*”. Investors must ensure that their offers and sales of the Notes within the United States and other countries comply with all applicable laws, including, amongst others, the laws mentioned above. If offers and sales of Notes do not comply with all applicable laws in relevant jurisdictions, Notes may not be able to be sold, transferred or delivered to certain investors and investors may not be able to sell, transfer and deliver Notes to third parties who are residents, citizens or holders of securities accounts in such jurisdictions.

Nominee Arrangements

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

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

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

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

Change of law and jurisdiction

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

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

EU Savings Directive

Under EC Council Directive 2003/48/EC (the “**EU Savings Directive**”) on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by

such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35% which may decrease the net proceeds on the Notes received by an investor. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

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

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

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

After 31 December 2016, BNG or other intermediaries may be required to withhold U.S. tax on payments made to certain institutions on Notes that are issued or materially modified after 31 December 2012.

Under certain provisions of the U.S. Internal Revenue Code (commonly referred to as “**FATCA**”), BNG may be subject to 30% U.S. withholding tax on certain payments it receives unless it enters an agreement (a “**FATCA agreement**”) with the U.S. Internal Revenue Service (the “**IRS**”) pursuant to which it agrees to report to the IRS information about any of its “**United States accounts**” and comply with certain procedures to be determined by the IRS. BNG has not yet determined whether it will enter into a FATCA agreement and thereby become a participating foreign financial institution (“**participating FFI**”). The U.S. Treasury Department and the IRS recently proposed regulations that would implement certain provisions of FATCA. Under FATCA and the proposed regulations, if BNG enters into a FATCA agreement, BNG (or another intermediary that is a participating FFI) may be required, pursuant to its FATCA agreement, to withhold 30% withholding tax from any payment made after 31 December 2016 to the extent the payment is considered to be a “**foreign passthru payment**” (which term is not yet defined in FATCA), but only if such payment is made to a “**foreign financial institution**” (which is specially defined to include, in general, an investment vehicle) that is not a participating FFI and is made on Notes issued or materially modified after 31 December 2012. It is not yet clear whether or to what extent payments on the Notes will be treated as foreign passthru payments. Prospective investors should consult their tax advisers regarding the application of FATCA to an investment in the Notes.

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 (each the “**Final Terms**”) as referred to on page 69-87 hereof) the Notes to be issued under the Programme which is (in the context of the Programme and the issue of the Notes) material and such information is true and accurate in all respects and is not misleading. The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

- (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or
- (ii) 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, such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or Final Terms and the Issuer has consented in writing to its use for the purpose of such offer.

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

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

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

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base

Prospectus comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Base Prospectus and other offering material relating to the Notes see “*Plan of Distribution*” below.

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

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

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

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

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

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

AVAILABLE INFORMATION

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

ENFORCEMENT OF FOREIGN JUDGMENTS

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

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

FORWARD LOOKING STATEMENTS

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

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

- economic and financial market conditions, in particular, the Dutch economy;
- perceived risk of sovereign default in the European Union and associated risks relating to the Euro and the possible exit of certain countries from the “Eurozone”;
- volatility in interest rates;
- a downgrade in the Dutch State’s or the Issuer’s credit ratings;
- operational risk;
- counterparty risk;
- liquidity risk;
- the occurrence of catastrophic events, terrorist attacks and similar events;
- significant adverse regulatory developments;
- an interruption, failure or breach of the Issuer’s operational system; and
- the ineffectiveness of the Issuer’s risk management policies and procedures.

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

DOCUMENTS INCORPORATED BY REFERENCE

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

- The annual reports of the Issuer for the years ended 31 December 2009, 31 December 2010 and 31 December 2011, that include the audited financial statements (including the notes) and the audit report of Ernst & Young delivered in connection therewith on the following pages:

Annual Report	Audit report	Financial Statements (including the Notes)
2009	Page 110	Pages 35-108
2010	Page 120	Pages 43-118
2011	Page 108	Pages 33-106

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

The Issuer will, at the specified offices of the Paying Agents for the Notes, provide, without charge, to any person, upon the oral or written request of such person, a copy of any or all of the documents incorporated herein by reference as well as the Issuing and Paying Agency Agreement and a copy of this Base Prospectus and, where appropriate, English translations of any or all such documents (*i.e.* Deutsche Bank London (phone number: +44 20 754 58000, department: Trust and Securities Services), ABN

AMRO Bank N.V., e-mail address: corporate.banking@nl.abnamro.com, or Deutsche Bank Luxembourg (phone number: +35 24 212 2639, e-mail address: ctas.pricings@db.com, department: CTAS Paying Agency). Written or oral requests for such documents should be directed to the specified office of any Paying Agent or, in the case of Notes listed on the regulated market of the Luxembourg Stock Exchange or NYSE Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V., the specified office of the Listing Agent in Luxembourg or the Listing Agent in Amsterdam, respectively.

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

KEY FEATURES OF THE PROGRAMME

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

Issuer:	N.V. Bank Nederlandse Gemeenten, a company incorporated in the Netherlands with limited liability and having its statutory domicile in The Hague.
Programme Arranger:	UBS Limited
Registration Agent:	UBS AG
Principal Dealers:	N.V. Bank Nederlandse Gemeenten, Barclays Bank PLC, BNP PARIBAS, Citigroup Global Markets Limited, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International), Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities Ltd., Merrill Lynch International, Mizuho International plc, Morgan Stanley & Co. International plc, Landesbank Baden-Württemberg, Nomura International plc, RBC Europe Limited, The Royal Bank of Scotland plc, The Toronto-Dominion Bank and UBS Limited.
Swiss Dealers:	BNP Paribas (Suisse) SA, Credit Suisse AG, Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Zurich Branch, Goldman Sachs Bank AG and UBS AG.
Other Dealers:	Any other dealer appointed from time to time by the Issuer, either generally in relation to the Programme or in relation to a particular Series of Notes. Any such further dealers, together with the Principal Dealers and the Swiss Dealers, are referred to as “ Dealers ” in this Base Prospectus.
Issuing and Paying Agent:	Deutsche Bank AG, London Branch
U.S. Registrar and U.S. Paying and Transfer Agent:	Deutsche Bank Trust Company Americas
Non-U.S. Registrar	Deutsche Bank Luxembourg S.A.
Non-U.S. Paying Agents and Transfer Agents:	ABN AMRO Bank N.V. and Deutsche Bank Luxembourg S.A.
Programme Amount:	On 29 November 1993, the Executive Board of the Issuer, pursuant to the authorization of the Supervisory Board of the Issuer of 12 November 1993, resolved to set up a programme for the issuance of Notes. On 19 July 1995, the Executive Board, pursuant to the authorization of the Supervisory Board of 28 June 1995, resolved to increase the sum of the aggregate principal amounts issued under the Programme to NLG 10,000,000,000 (or its equivalent in other currencies). On 25 March 1996, the Executive Board, pursuant to the authorization of the Supervisory Board of 18 March 1996, resolved to increase the sum of the aggregate principal amounts issued under the Programme to NLG 20,000,000,000 (or its equivalent in other currencies). On 7 July 1997, the Executive Board, pursuant to the authorization of the Supervisory Board of 4 July 1997, resolved to increase the sum of the aggregate principal amounts issued under the Programme to NLG 30,000,000,000 (or its equivalent in other currencies). On 10 February 1998, the

Executive Board, pursuant to the authorization of the Supervisory Board of 19 December 1997, resolved to increase the sum of the aggregate principal amount issued under the Programme to NLG 50,000,000,000 (or its equivalent in other currencies). On 21 December 1998, the Executive Board, pursuant to the authorization of the Supervisory Board of 18 December 1998, resolved to denominate the Programme amount in Euro and to increase the aggregate principal amount outstanding under the Programme at any time to Euro 50,000,000,000 (or its equivalent in other currencies). On 2 December 2002, the Executive Board, pursuant to the authorization of the Supervisory Board of 29 November 2002, resolved to increase the maximum aggregate principal amount issued and outstanding under the Programme at any time to Euro 60,000,000,000 (or its equivalent in other currencies). On 1 December 2003, the Executive Board, pursuant to the authorization of the Supervisory Board of 28 November 2003, resolved to increase the maximum aggregate principal amount issued and outstanding under the Programme at any time to Euro 70,000,000,000 (or its equivalent in other currencies). On 11 March 2008, the Executive Board, pursuant to the authorization of the Supervisory Board of 2 December 2005, resolved to increase the maximum aggregate principal amount issued and outstanding under the Programme at any time to Euro 80,000,000,000 (or its equivalent in other currencies). On 28 June 2010, the Executive Board, pursuant to the authorization of the Supervisory Board of 25 June 2010, resolved to update the Programme and to issue notes, which may be offered in accordance with Rule 144A and Regulation S under the United States Securities Act of 1933, as amended, in order to enable the Issuer to offer securities to qualified institutional buyers (as defined under Rule 144A) inside the United States and to investors outside the United States under the Programme without registration under the United States Securities Act of 1933. On 4 July 2011, the Executive Board resolved to update the Programme. On 18 October 2011, the Executive Board, pursuant to the authorization of the Supervisory Board of 17 October 2011, resolved to increase the maximum aggregate principal amount issued and outstanding under the Programme at any time to Euro 90,000,000,000 (or its equivalent in other currencies). On 14 May 2012, the Executive Board resolved to update the Programme. The Programme amount may be increased from time to time subject to the preparation of a supplemental Base Prospectus which shall be subject to the prior approval of the AFM.

Form of Notes:

Notes may be issued in bearer form or in registered form. Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single Series or Tranche may comprise both Bearer Notes and Registered Notes.

Bearer Notes

In respect of each Tranche of Bearer Notes, unless otherwise specified in the relevant Final Terms, the Issuer will deliver either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a “**Classic Global Note**” or “**CGN**”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear, Clearstream, Luxembourg and/or any other relevant clearing

system (including Clearstream Banking AG) and each global Note which is intended to be issued in new global note form (a “**New Global Note**” or “**NGN**”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Such Temporary Global Note will be exchangeable for interests in a Permanent Global Note or for Definitive Notes in accordance with (i) its terms, (ii) applicable law and (iii) the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or any other agreed clearing system. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with (i) its terms, (ii) applicable law and (iii) the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or any other agreed clearing system, at the cost and expense of the Issuer. Definitive Notes (as defined below) will be in the standard euromarket form. Interest-bearing Notes may have interest coupons and, if applicable, a talon for further coupons attached.

Registered Notes

Each Tranche of Registered Notes will be represented by either:

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

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

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

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

Swiss Franc Notes

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

Noteholder’s Direct Rights:

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

Interest:

Notes may be interest-bearing and/or non-interest-bearing. Interest (if any) may be at a fixed or floating rate and may vary during the lifetime of the relevant Series.

Fixed Interest Rate Notes:

Fixed rate interest will be payable in arrear on the date or dates in

each year specified in the relevant Final Terms and at maturity.

Floating Rate Notes:	Floating Rate Notes will bear interest by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark rate as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Interest Periods will be agreed by the Issuer with the relevant Dealer prior to issue and specified in the relevant Final Terms. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.
Dual Currency Notes:	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.
Other provisions in relation to Interest-bearing Notes:	Notes may have a maximum interest rate, a minimum interest rate or both. Interest on Notes in respect of each Interest Period, as determined prior to issue by the Issuer and the relevant Dealer (if any), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be determined by the relevant Issuer and the relevant Dealer (as indicated in the applicable Final Terms).
Fund Linked Notes:	Payments in respect of interest and principal on Fund Linked Notes will be calculated by reference to such fund or basket of funds and/or formula(e) as may be specified in the applicable Final Terms. Fund Linked Notes will have a denomination of at least Euro 100,000.
Index Linked Notes:	Notes may be issued under the Programme in respect of which the Final Redemption Amount will be calculated by reference to such index and/or formula(e) as may be specified in the applicable Final Terms (“ Index Linked Redemption Notes ”) and/or the amount of interest will be calculated by reference to such index and/or formula(e) as may be specified in the applicable Final Terms (“ Index Linked Interest Notes ”).
Inflation Linked Notes	Notes may be issued under the Programme in respect of which the Final Redemption Amount will be calculated by reference to such inflation index and/or formula(e) as may be specified in the applicable Final Terms (“ Inflation Linked Redemption Notes ”) and/or the amount of interest will be calculated by reference to such inflation index and/or formula(e) as may be specified in the applicable Final Terms (“ Inflation Linked Interest Notes ”).
Swap Related Notes:	Swap Related Notes will bear interest payable on such dates and in such amounts as would have been payable by the Issuer had it entered into an interest rate swap transaction (to which a 1992 or 2002 ISDA Master Agreement and the 2000 or 2006 ISDA Definitions (as amended and supplemented from time to time) applied and having the terms set out in the relevant Final Terms) with the holder of such Notes.
Variable Coupon Amount Notes:	The Final Terms issued in respect of each issue of Variable Coupon Amount Notes will specify the basis for calculating the amounts of interest payable, which may be by reference to a stock or commodity index, a currency exchange rate or any other index or as otherwise provided in the relevant Final Terms.
Zero Coupon Notes:	Zero Coupon Notes will not bear interest other than in relation to interest due after the Maturity Date.

Other Notes:	Terms applicable to High Interest Notes, Low Interest Notes, Step-Up Notes, Step-Down Notes, Dual Currency Notes, Reverse Dual Currency Notes, Optional Dual Currency Notes and any other type of Notes which the Issuer may agree to issue under the Programme, subject to compliance with all relevant laws, regulations and directives, will be set out in the relevant Final Terms.
Cross Default:	None.
Negative Pledge:	The Issuer will give a negative pledge in respect of bonds, notes or other publicly issued debt securities which are (or are capable of being) traded or listed on any stock exchange, over-the-counter or similar securities market.
Events of Default:	The events of default under the Notes are as specified in Condition 7 (<i>Events of Default</i>).
Status of the Notes:	The Notes will constitute direct and unsecured obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer save for those preferred by mandatory operation of law.
Currencies:	<p>Notes may be denominated in any currency (including, without limitation, the Euro, the Japanese yen, the New Zealand dollar, the British pound, the Swiss franc and the United States dollar) subject to compliance with all applicable legal or regulatory requirements. Notes may, subject to compliance as aforesaid, be issued as Dual Currency Notes.</p> <p>The relevant Final Terms may specify if redenomination is applicable in respect of Notes denominated in the currency of a member state of the European Union, as more fully set out under “<i>Terms and Conditions of the Notes</i>”.</p> <p>In addition, Notes may be redenominated by the Issuer in accordance with the Netherlands Act on Redenomination of 26 November 1998 (<i>Wet schuldredenominatie</i>). Under this law, the Issuer may, under certain conditions, redenominate Notes issued in the national currency of one of the countries of the Eurozone as defined in Condition 9A(e) of the Terms and Conditions of the Notes into Euro without the consent of Holders.</p>
Issuance in Series:	Notes will be issued in Series comprising one or more Tranches of Notes of that Series. The Notes of each Series will be intended to be interchangeable among themselves and will all be subject to identical terms (other than in respect of the date of issue, the issue price and the date of first payment of interest), whether as to currency, denomination, interest or maturity or otherwise. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
Maturities	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Denominations:	Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Early Redemption for Taxation	The Issuer will be permitted to redeem the Notes (in whole, but not

Reasons:	in part) for taxation reasons as mentioned in Condition 6(b) (<i>Early Redemption for Taxation Reasons</i>).
Optional Redemption:	If so specified in the applicable Final Terms, Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders.
Taxation:	Payments in respect of Notes will be made without withholding in respect of taxes imposed by or in the Netherlands or, if such taxes are required to be withheld, will be increased, subject to the exceptions set out in Condition 8 (<i>Taxation</i>).
Governing Law:	The Notes and all related contractual documentation will be governed by, and construed in accordance with, the laws of the Netherlands.
Ratings:	<p>The senior outstanding public long-term debt of the Issuer is rated, AAA by Standard & Poor's Credit Market Services Europe Limited, AAA by Fitch Ratings Limited and Aaa by Moody's Investors Service Limited. The Issuer has been awarded the highest individual rating by Fitch Ratings Limited, being A and the highest Bank Financial Strength Rating by Moody's Investors Service Limited, being A. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme and/or the Issuer. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The Programme has been rated AAA by Standard & Poor's Credit Market Services Europe Limited, AAA by Fitch Ratings Limited and (P)Aaa by Moody's Investors Service Limited. Tranches of Notes issued under the Programme may be rated or unrated. Where a tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme.</p> <p>Each of Standard & Poor's, Fitch and Moody's is established in the European Union and registered under the CRA Regulation as of the date of this Base Prospectus.</p> <p>The European Securities and Markets Authority ("ESMA") is obliged to maintain on its website, www.esma.europa.eu, a list of credit rating agencies registered and certified in accordance with the CRA Regulation. The ESMA website is not incorporated by reference into, nor does it form part of, this Base Prospectus. This list must be updated within five working days of ESMA's adoption of any decision to withdraw the registration of a credit rating agency under the CRA Regulation. Therefore, such list is not conclusive evidence of the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.</p>
Listing:	Each Series may be admitted to listing on the regulated market of the Luxembourg Stock Exchange, NYSE Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V. or such other or additional stock exchange or securities market as may be agreed between the Issuer and the relevant Dealer, or may be unlisted.
Terms and Conditions:	The Terms and Conditions applicable to each Series will be as agreed between the Issuer and the relevant Dealer or other purchaser at or prior to the time of issuance of such Series, and will

be specified in the relevant 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 below as supplemented, modified or varied by the relevant Final Terms.

Selling Restrictions:

There are selling restrictions in relation to the United States of America, the European Economic Area, the United Kingdom, Japan, the Netherlands, Republic of Italy, Republic of France and Spain, in connection with the offer, sale and/or transfer of Notes. See “*Plan of Distribution*”.

Bearer Notes will be issued in compliance with United States Treasury Regulations §1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Code (the “**D Rules**”) unless the applicable Final Terms state that Notes are issued in compliance with United States Treasury Regulations §1.163-5(c)(2)(i)(C) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Code (the “**C Rules**”).

Transfer Restrictions:

There are restrictions on the transfer of (i) Regulation S Notes prior to the expiration of the relevant distribution compliance period (as defined in Regulation S) and (ii) Rule 144A Notes. See “*Transfer Restrictions*”.

FORMS OF NOTES

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

Bearer Notes

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

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

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

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

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

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

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

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

Definitive Notes will be in the standard euromarket form.

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

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

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

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

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

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

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

Registered Notes

Registered Notes will be represented by either:

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

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

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

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

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

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

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

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

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

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

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

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

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

Summary of Provisions relating to the Notes while in Global Form

Clearing System Accountholders

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

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

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

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

Transfers of Interests in Global Notes and Global Note Certificates

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

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

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

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

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

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

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

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

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

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

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be attached to or incorporated by reference into each Global Note and each Global Note Certificate and which will be attached to or endorsed upon each definitive Note and each Individual Note Certificate, provided that the relevant Final Terms in relation to any Series of Notes may specify other Terms and Conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace the following Terms and Conditions for the purposes of such Series of Notes. The applicable Final Terms will be endorsed or incorporated by reference into or attached to each Global Note, each Global Note Certificate and each definitive Note, and will be applicable to each Individual Note Certificate.

The Notes are issued in accordance with an amended and restated issuing and paying agency agreement (the “**Issuing and Paying Agency Agreement**”, which expression shall include any supplement thereto) dated 7 December 1993 and most recently amended and restated on 13 June 2012 and made between N.V. Bank Nederlandse Gemeenten (the “**Issuer**”), Deutsche Bank AG, London Branch (Winchester House, 1 Great Winchester Street, London EC2N 2DB, England), in its capacity as issuing and paying agent (the “**Issuing and Paying Agent**”, which expression shall include any successor to Deutsche Bank AG, London Branch in its capacity as such), Deutsche Bank Trust Company Americas as U.S. registrar (the “**U.S. Registrar**”, which expression shall include any successor U.S. registrar appointed from time to time in connection with the Notes), Deutsche Bank Luxembourg S.A. as non-U.S. registrar (the “**Non-U.S. Registrar**”, which expression shall include any successor non-U.S. registrar appointed from time to time in connection with the Notes, and together with the U.S. Registrar, the “**Registrars**” and each a “**Registrar**”), the paying agents named therein (the “**Paying Agents**”, which expression shall include the Issuing and Paying Agent and any substitute or additional paying agents appointed in accordance with the Issuing and Paying Agency Agreement) and the transfer agents named therein (together with the Registrars, the “**Transfer Agents**”, which expression shall include any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions, references to the “**Agents**” are to the Paying Agents and the Transfer Agents and any reference to an “**Agent**” is to any one of them. A copy of the Issuing and Paying Agency Agreement is available for inspection at the specified office of each of the Paying Agents. All persons from time to time entitled to the benefit of obligations under any Notes shall be deemed to have notice of and to be bound by all of the provisions of the Issuing and Paying Agency Agreement insofar as they relate to the relevant Notes.

For the purposes of Notes denominated in Swiss francs (the “**Swiss Franc Notes**”), the Issuer will, together with the Issuing and Paying Agent and the Swiss paying agent specified in the Final Terms relating to the relevant issue of Notes as principal Swiss paying agent (the “**Principal Swiss Paying Agent**”), enter into a supplemental issuing and paying agency agreement. In addition, all references in the Terms and Conditions of the Notes to the “Issuing and Paying Agent” and the “Paying Agents” shall, so far as the context permits, be construed as references only to the relevant Swiss paying agents, as set out in paragraph 9 of Part B of the Final Terms and references in the Terms and Conditions of the Notes to “Euroclear” and/or “Clearstream, Luxembourg” shall be construed as including references to SIX SIS AG, the Swiss securities services corporation in Olten, Switzerland (“**SIS**”), which expression shall include any other clearing institution recognised by the SIX Swiss Exchange with which the Permanent Global Note may be deposited from time to time), which shall be considered an additional or alternative clearing system for the purposes of the final paragraph of Condition 1(c) of the Terms and Conditions of the Notes.

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

- (i) a copy of which will, in the case of a Series in relation to which application has been made for admission to the regulated market of the Luxembourg Stock Exchange, be lodged with the Luxembourg Stock Exchange; or
- (ii) a copy of which will, in the case of a Series in relation to which application has been made for admission to NYSE Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V. (“**Euronext Amsterdam**”), be lodged with Euronext Amsterdam N.V.; or

- (iii) a copy of which will, in the case of a Series in relation to which application has not been made for admission to any such listing, be attached to or incorporated by reference into each Note of such Series.

1. FORM AND DENOMINATION

- (a) The Notes may be issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”). Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single series or Tranche may comprise both Bearer Notes and Registered Notes. A Note may be a Fixed Rate Note, a Floating Rate Note, a Dual Currency Note, an Index Linked Note, an Inflation Linked Note, a Fund Linked Note, a Zero Coupon Note, a Variable Coupon Amount Note, a High Interest Note, a Low Interest Note, a Step-up Note or a Step-down Note, depending upon the Interest Basis shown on its face, and a Fixed Redemption Amount Note or a Variable Redemption Amount Note (which shall be redeemable at their Final Redemption Amount as specified in the Final Terms) depending on the Redemption Basis shown on its face. All payments in respect of such Note shall, without prejudice to Article 8.1 of Council Regulation no. 974/98 of 3 May 1998, be made in the currency shown on its face unless it is stated on its face to be a Dual Currency Note (which for the purposes of these Terms and Conditions shall include Reverse Dual Currency Notes, Optional Dual Currency Notes and any other Note in respect of which payments shall, or may at the option of the Issuer or any holder, be made in more than one currency) or a Note where Condition 9A has been applied, in which case payments shall be made on the basis stated in the relevant Final Terms.
- (b) Notes may be denominated in any currency (including, without limitation, the Australian dollar, the Euro, the Japanese yen, the New Zealand dollar, the British pound, the Swiss franc and the United States dollar) subject to compliance with all applicable legal or regulatory requirements.

Bearer Notes

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

- (c) Unless otherwise specified in the Final Terms, Bearer Notes will be represented upon issue by a temporary global note (a “**Temporary Global Note**”) in substantially the form (subject to amendment and completion) scheduled to the Issuing and Paying Agency Agreement. On or after the date (the “**Exchange Date**”) which will be 40 days after the original issue date of the Notes of the relevant Series and provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in the form set out in the Temporary Global Note) has been received, interests in the Temporary Global Note may be exchanged for:
 - (i) interests in a permanent global note (a “**Permanent Global Note**”) representing the Notes in that Series of Bearer Notes and in substantially the form (subject to amendment and completion) scheduled to the Issuing and Paying Agency Agreement; or
 - (ii) if so specified in the relevant Final Terms, definitive Bearer Notes (“**Definitive Notes**”) in substantially the form (subject to amendment and completion) scheduled to the Issuing and Paying Agency Agreement.
- (d) If any date on which a payment of interest is due on the Bearer Notes of a Series occurs whilst any of the Notes of that Series are represented by the Temporary Global Note, the related interest payment will be made on the Temporary Global Note only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in the form set out in the Temporary Global Note) has been received by Euroclear Bank SA/NV (“**Euroclear**”) or Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) or any other agreed clearing system, as applicable. Payments of principal or interest (if any) on a Permanent Global Note will be made without any requirement for certification. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.
- (e) The Permanent Global Note will be exchangeable in whole but not in part for Definitive Notes (i) if Euroclear and/or Clearstream, Luxembourg or any other agreed clearing system, as applicable, has informed the Issuer that it has or they have, as the case may be, ceased or will cease to act as

the clearing system(s) in respect of the relevant Permanent Global Note or, (ii) if any of the events referred to in Condition 7 takes place, unless such event is remedied within seven days of its occurrence, or (iii) if so specified in the relevant Final Terms at any time at the request of the Holder of the relevant Permanent Global Note, except that in each case a Permanent Global Note which forms part of a securities deposit (*girodepot*) with Euroclear Netherlands shall only be exchangeable within the limited circumstances as described in the Netherlands Securities Giro Act (*Wet giraal effectenverkeer*) and such exchange will be made in accordance therewith, the Euroclear Netherlands' terms and conditions and operational documents. In order to make such request the Holder must, not less than forty-five days before the date on which delivery of Definitive Notes is required, deposit the relevant Permanent Global Note with the Issuing and Paying Agent at its specified office for the purposes of the Notes with the form of exchange notice endorsed thereon duly completed. In the event that the relevant Permanent Global Note is not, in the case of (i) or (ii) above, duly exchanged for Definitive Notes or, in the case of (iii) above, duly exchanged for Definitive Notes by 6:00 p.m. (London time) on the thirtieth day after the time at which the preconditions to such exchange are first satisfied then the terms of such Permanent Global Note provide for relevant account holders (which, for purposes hereof, shall be deemed to be the Holder of the relevant Note as referred to in Condition 7 below) with Euroclear and Clearstream, Luxembourg and any other agreed clearing system as applicable, to be able to enforce against the Issuer all rights which they would have had if they had been holding Definitive Notes to the relevant value at the time of such event. Payments by the Issuer to the relevant account holders will be considered as payments to the relevant Noteholder and operate as full and final discharge to the Issuer in this respect.

- (f) If so specified in the Final Terms, the Bearer Notes may be represented upon issue by one or more Permanent Global Notes.
- (g) Swiss Franc Notes will be represented exclusively by a Permanent Global Note which shall be deposited with SIS or such other depositary as may be approved by the Regulatory Board of the SIX Swiss Exchange. The Permanent Global Note will be exchangeable for Definitive Notes only if (i) Euroclear and/or Clearstream, Luxembourg and/or SIS and/or any other agreed clearing system, as applicable, has informed the Issuer that it has or they have, as the case may be, ceased or will cease to act as the clearing system(s) in respect of the Permanent Global Note, or (ii) any of the events referred to in Condition 7 (*Events of Default*) takes place, unless such event is remedied within seven days of its occurrence but not at the request of the Holder of the Permanent Global Note, or (iii) the principal Swiss paying agent considers, after consultation with the Issuer, the printing of Definitive Notes to be necessary or useful, or (iv) the presentation of Definitive Notes and Coupons is required by Swiss or other applicable laws or regulations in connection with the enforcement of rights of noteholders, or (v) such exchange is required by the Issuer as a result of changes to the tax regime in the United States of America, except that in each case a Permanent Global Note which forms part of a securities deposit (*girodepot*) with Euroclear Netherlands shall only be exchangeable within the limited circumstances as described in the Netherlands Securities Giro Act (*Wet giraal effectenverkeer*) and such exchange will be made in accordance therewith, the Euroclear Netherlands' terms and conditions and operational documents. Holders of Swiss Franc Notes will not have the right to request delivery of definitive notes.
- (h) Interest-bearing Definitive Notes will, if so specified in the relevant Final Terms, have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be a prerequisite to the payment of interest in certain circumstances specified below. Definitive Notes will be in the standard euromarket form. Definitive Notes and Global Notes will be bearer instruments.
- (i) Bearer Notes will be in the denomination or denominations (each of which denominations must be integrally divisible by each smaller denomination) specified in the relevant Final Terms ("**Specified Denomination**"). Bearer Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Bearer Notes of one denomination will not be exchangeable after their initial delivery for Bearer Notes of any other denomination.
- (j) For the purposes of these Terms and Conditions, references to Notes shall, as the context may require, be deemed to be to Temporary Global Notes, Permanent Global Notes, interests in Temporary Global Notes, interests in Permanent Global Notes or, as the case may be, Definitive Notes.

Registered Notes

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

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

2. TITLE AND TRANSFER

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

Bearer Notes

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

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

Registered Notes

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

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

3. STATUS

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

4. NEGATIVE PLEDGE

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

5. INTEREST

Notes may be interest-bearing or non-interest-bearing, as specified in the relevant Final Terms. The Final Terms in relation to each Series of interest-bearing Notes shall specify which one (and only one) of Conditions 5A, 5B, 5C, 5D or 5E shall be applicable; *provided* that Condition 5F will be applicable as specified therein and save to the extent inconsistent with the relevant Final Terms.

5A. Interest Rate – Fixed Rate

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

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

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

5B. Interest Rate on Floating Rate Notes, Index Linked Notes, Inflation Linked Notes, and Fund Linked Notes

5B.(1) Interest on Floating Rate Notes, Index Linked Notes, Inflation Linked Notes and Fund Linked Notes in relation to which this Condition 5B is specified in the relevant Final Terms as being applicable shall bear interest at the rates per annum determined in accordance with this Condition 5B.

- 5B.(2) Such Notes shall bear interest from their Issue Date (as specified in the relevant Final Terms). Such interest will be payable on each Interest Payment Date. Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the redemption amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Issuing and Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- 5B.(3) The Final Terms in relation to each Series of Notes in relation to which this Condition 5B is specified as being applicable shall specify which page (the “**Relevant Screen Page**”) on the Reuters Screen or Telerate or any other information vending service shall be applicable. For these purposes, “**Reuters Screen**” means the Reuter Money Market Rates Services (or such other service as may be nominated as the information vendor for the purpose of displaying comparable rates in succession thereto).
- 5B.(4) The rate of interest (the “**Rate of Interest**”) applicable to such Notes for each Interest Period shall be determined by the Issuing and Paying Agent on the following basis:
- (i) the Issuing and Paying Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandths of a percentage point, 0.00005 being rounded upwards) of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of 11:00 am (London time) on the second day on which commercial banks are open for general business in London (a “**London Banking Day**”) (or, in the case of Notes denominated in Euro as of 11:00 am (Brussels time), on the second TARGET Business Day (as defined in Condition 9)) before (or, in the case of Notes denominated in British pounds, on) the first day of the relevant Interest Period (the “**Interest Determination Date**”);
 - (ii) if no such rate for deposits so appears and there is no designated successor screen page on which such rate or any successor rate appears (or, as the case may require, if fewer than two such rates for deposits so appear), the Issuing and Paying Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the relevant currency are offered by four major banks in the London interbank market, or otherwise as set out in the relevant Final Terms selected by the Issuing and Paying Agent and agreed with the Issuer at approximately 11:00 am (London time) on the Interest Determination Date to prime banks in the London interbank market or otherwise as set out in the relevant Final Terms for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time; and
 - (iii) if fewer than two rates are so quoted, the Issuing and Paying Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by major banks in the Relevant Financial Centre (as defined in Condition 9), selected by the Issuing and Paying Agent and agreed with the Issuer at approximately 11:00 am (Relevant Financial Centre time) on the first day of the relevant Interest Period for loans in the relevant currency to leading European banks or otherwise as set out in the relevant Final Terms for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time,

and the Rate of Interest applicable to such Notes during each Interest Period will be the sum of the relevant margin (the “**Relevant Margin**”) specified in the relevant Final Terms and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid)) so determined (the “**Floating Rate**”); *provided* that, if the Issuing and Paying Agent is unable to determine a rate (or, as the case may be, an arithmetic mean) in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to such Notes during such Interest Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid)) last determined in relation to such Notes in respect of the preceding Interest Period.

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

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

In the case of Dual Currency Interest 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.

5D. **Interest Rate – Swap-Related (ISDA)**

5D.(1) Notes in relation to which this Condition 5D is specified in the relevant Final Terms as being applicable shall bear interest at the rates per annum determined in accordance with this Condition 5D.

5D.(2) Each such Note shall bear interest from its Issue Date (as specified in the relevant Final Terms). Such interest will be payable on such dates and in such amounts as would have been payable (regardless of any event of default or termination event thereunder) by the Issuer had it entered into a swap transaction (to which a 1992 or 2002 ISDA Master Agreement and the 2000 or 2006 ISDA Definitions (as amended and supplemented from time to time), each as published by the International Swaps and Derivatives Association, Inc., applied) with the Holder of such Notes under which:

- the Issuer was the Fixed Rate Payer or, as the case may be, the Floating Rate Payer;
- the Issuing and Paying Agent was the Calculation Agent (or such other agent specified in the relevant Final Terms);
- the Effective Date was such date of issue;
- the principal amount of such Note was the Calculation Amount; and
- all other terms were as specified in the relevant Final Terms.

5E. **Interest – Other Rates**

Notes in relation to which this Condition 5E is specified in the relevant Final Terms as being applicable shall bear interest at the rates per annum and payable in the amounts and in the manner determined in accordance with the relevant Final Terms. In particular, in the case of Notes denominated in Euro, if the Floating Rate basis is to be “**EURIBOR**” rather than “**LIBOR**”, the relevant provisions must be set out in full in the relevant Final Terms.

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

5F.(1) Condition 5F.(2) shall be applicable in relation to Notes in relation to which Condition 5B is specified in the relevant Final Terms as being applicable and Condition 5F.(3) shall be applicable in relation to all interest-bearing Notes.

5F.(2) The Issuing and Paying Agent (or such other agent as may be specified for the purpose in the relevant Final Terms) will cause each Rate of Interest, Floating Rate, Interest Payment Date, final day of a Calculation Period, Interest Amount or Floating Amount, as the case may be, determined by it to be notified to the other Paying Agents (from whose respective specified

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

- 5F.(3) The determination by the Issuing and Paying Agent (or such other agent as may be specified for the purpose in the relevant Final Terms) of all rates of interest and amounts of interest for the purposes of this Condition 5 shall, in the absence of manifest error, be final and binding on all parties.
- 5F.(4) In relation to Notes in relation to which Condition 5F.(2) shall not be specified as being applicable in the relevant Final Terms and in respect of which payments are to be made by reference to a variable rate of interest or by reference to an index or in any case where interest payable in respect of Notes may vary in accordance with a formula or formulae, then the relevant Final Terms shall specify an agent for the purposes of the calculation of such rates of interest and the notification of such rates to all appropriate parties.

5G. Definitions

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

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

“**Business Day**” means:

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

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

- (i) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant

Final Terms as the Specified Period after the calendar month in which the preceding such date occurred; *provided, however*, that:

- (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) “**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Amount**” (other than in relation to Condition 5D.(2)) has the meaning given in the Final Terms;

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

- (i) if “**Actual/Actual (ICMA)**” is so specified, means:
 - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (b) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if “**Actual/Actual (ISDA)**” or “**Actual/365**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and **D₁** is greater than 29, in which case **D₂** will be 30;

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

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D₂** will be 30; and

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

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30;

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

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

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

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

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

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

“**Regular Period**” means:

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

“**Specified Currency**” has the meaning given in the relevant Final Terms; and “**Specified Period**” has the meaning given in the relevant Final Terms.

6. REDEMPTION AND PURCHASE

(a) Redemption at Maturity

Unless previously redeemed, or purchased and cancelled as specified below, Notes shall be redeemed by the Issuer at their Final Redemption Amount as may be specified in the relevant Final Terms on the date or dates (or, in the case of Notes which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the relevant Final Terms.

(b) Early Redemption for Taxation Reasons

If, in relation to any Series of Notes and as a result of any change in or amendment to applicable law (which change or amendment is announced and becomes effective after the date of issue of such Notes or any earlier date specified in the relevant Final Terms), the Issuer determines that it would, on the occasion of the next payment in respect of such Notes, be required to pay additional amounts in accordance with Condition 8 and that such obligation is not avoidable by the taking of reasonable measures available to the Issuer, then the Issuer may, upon the expiry of the appropriate notice, redeem all (but not some only) of the Notes comprising the relevant Series at their Early Redemption Amount as may be specified in the relevant Final Terms, together with accrued interest (if any) thereon.

(c) Optional Early Redemption (Call)

If this Condition 6(c) is specified in the relevant Final Terms as being applicable, then the Issuer may, upon the expiry of the appropriate notice and subject to such conditions as may be specified in the relevant Final Terms, redeem all (but not, unless and to the extent that the relevant Final Terms specifies otherwise, some only), of the Notes of the relevant Series at the optional redemption amount (the “**Optional Redemption Amount**”) specified in the relevant Final Terms.

(d) The Appropriate Notice

The appropriate notice referred to in Conditions 6(b) and 6(c) is a notice given by the Issuer to the Issuing and Paying Agent and the Holders of the Notes of the relevant Series (in accordance with Condition 14(a)), which notice shall be duly signed on behalf of the Issuer and shall specify:

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

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

(e) **Partial Redemption**

If some only of the Notes of a Series are to be redeemed in part only on any date in accordance with Condition 6(c), in the case of Bearer Notes, the Notes to be redeemed shall be drawn by lot in such European city as the Issuing and Paying Agent may specify, or identified in such other manner or in such other place as the Issuing and Paying Agent may approve and deem appropriate and fair, subject always to compliance with all applicable laws and the requirements of any stock exchange on which the relevant Notes may be listed and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date bears to the aggregate principal amount of outstanding Notes on such date, *provided that* for so long as the relevant Notes are represented by a Temporary Global Note and/or a Permanent Global Note or one or more Global Note Certificates, the Notes to be redeemed will be selected in accordance with the rules and procedures of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of DTC, Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion) provided further, that any Note represented by a Temporary Global Note shall only be accepted for redemption upon certification as to non-U.S. beneficial ownership. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount shall in no event be greater than the maximum or be less than the minimum so specified.

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

If this Condition 6(f) is specified in the relevant Final Terms as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Note of the relevant Series, redeem such Note on the date or the next of the dates specified in the relevant Final Terms, at its principal amount (or such other Optional Redemption Amount as may be specified in the relevant Final Terms), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than forty-five days before the date so specified (or such other period as may be specified in the relevant Final Terms), deposit the relevant Note (together, in the case of an interest-bearing Definitive Note, with any unmatured Coupons appertaining thereto) with any Paying Agent, together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, in the case of a Permanent Global Note, with the form of redemption notice endorsed thereon duly completed.

(g) **Purchase of Notes**

The Issuer may at any time purchase Notes in the open market or otherwise and at any price, provided that, in the case of interest-bearing Definitive Notes, any unmatured Coupons appertaining thereto are purchased therewith. Notes so purchased by the Issuer may be held or resold or surrendered for cancellation.

(h) **Cancellation of Redeemed Notes**

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

7. EVENTS OF DEFAULT

The Holder of any Note may give written notice to the Issuing and Paying Agent that such Note is, and such Note shall accordingly immediately become, without further notice being required, save as indicated in (ii) below, due and repayable at its principal amount, together with interest accrued to the date of repayment (or, in the case of a Note which is not interest-bearing, at such other amount as may be specified in the relevant Final Terms), upon the occurrence of any of the following events (“**Events of Default**”) unless, prior to the giving of such notice, all Events of Default shall have been cured or otherwise made good:

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

- (ii) if the Issuer fails to perform or observe any of its other obligations under the Notes and (except where such failure is incapable of remedy, when no such notice will be required) such failure continues for a period of 60 days next following the service on the Issuer of notice requiring the same to be remedied; or
- (iii) if any order shall be made by a competent court or other authority or resolution passed for the dissolution or winding-up of the Issuer or for the appointment of a liquidator or receiver of the Issuer or of all or substantially all of its respective assets or if the Issuer enters into a composition with its creditors or becomes subject to special measures (*bijzondere voorzieningen*) in the interests of all creditors as referred to in Part 3.5.5 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, “**DFSA**”) as amended, modified or re-enacted from time to time, admits in writing that it cannot pay its debts generally as they become due, initiates a proceeding in bankruptcy, or is adjudicated bankrupt.

8. TAXATION

- (a) All amounts payable (whether in respect of principal, redemption amount, interest or otherwise), in respect of the Notes, will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Netherlands or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or charges is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by the Holders after such withholding or deduction shall equal the respective amounts which would have been receivable in the absence of such withholding or deductions, except that no such additional amounts shall be payable in respect of payment in respect of any Note or Coupon under any of the following circumstances:
 - (i) the Holder or beneficial owner of the Note or Coupon is liable to such taxes, duties, assessments or charges in respect of such Note or Coupon by reason of its having some connection with the Netherlands other than the mere holding of the Note or Coupon or the mere receipt of payments under such Note or Coupon;
 - (ii) the Holder or beneficial owner of the Note or Coupon would otherwise not be liable or subject to such withholding or deduction by making a declaration of non-residence or other similar claim for exemption or reduction as foreseen in the laws of the Netherlands or in the relevant treaties for the avoidance of double taxation to the relevant tax authorities;
 - (iii) the Note or Coupon is presented (where presentation is required) more than 30 days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of 30 days;
 - (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, including, but not limited to, any law or measure similar to the requirements set forth in the European Council Directive 2003/48/EC as adopted by Switzerland in relation to this Directive; or
 - (v) the withholding or deduction is imposed on a holder or beneficial holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon (where presentation is required) to another Paying Agent.
- (b) For the purposes of these Terms and Conditions, the “**Relevant Date**” means the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Issuing and Paying Agent or, in respect of Swiss Franc Notes only, the Principal Swiss Paying Agent on or prior to such due date, it means the first date on which the full amount of such moneys has been so received and notice to that effect shall have been duly given to the Holders of the Notes of the relevant Series in accordance with Condition 14.

- (c) Any reference in these Terms and Conditions to payments in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 8 or any undertaking given in addition thereto or in substitution therefor.
- (d) The relevant Final Terms may set forth certain additional tax consequences to Holders of Notes of a particular Series.

9. PAYMENTS

Bearer Notes

Paragraphs (a) to (e) of this Condition 9 shall apply to Bearer Notes only.

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

Registered Notes

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

- (f) Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note Certificate at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the Holder appearing in the Register at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Registrar is located) before the relevant due date for payment. Notwithstanding the previous sentence, if (i) a Holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “**Designated Account**” means the account designated in the Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and “**Designated Bank**” means (in the case of payment in a Specified Currency other than Euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in Euro) any bank which processes payments in Euro.
- (g) Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the relevant Registrar is located immediately preceding the relevant due date to the Holder of the Registered Note appearing in the relevant Register at the close of business on the Record Date at its address shown in the relevant Register on the Record Date and at his risk. Upon application of the Holder to the specified office of the relevant Registrar not less than three business days in the city where the specified office of the relevant Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the Holder who has made the initial application until such time as the relevant Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.
- (h) All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (i) Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of any delay in payment resulting from the due date for a payment not being a Payment Business Day or a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the mail.
- (j) If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (k) None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Note Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Swiss Franc Notes

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

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

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

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

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

- in relation to Notes denominated in Australian dollars, Melbourne;
 - in relation to Notes denominated in Japanese yen, Tokyo;
 - in relation to Notes denominated in New Zealand dollars, Auckland and Wellington;
 - in relation to Notes denominated in British pounds, London;
 - in relation to Notes denominated in Swiss francs, Zürich;
 - in relation to Notes denominated in United States dollars, New York City;
 - in relation to Notes denominated in Canadian dollars, Toronto; and
 - in relation to Notes denominated in any other currency, such financial center or centers as may be specified in relation to the relevant currency and for the purposes of the definition of “Business Day” in the 2000 or 2006 ISDA Definitions (as amended and updated from time to time), as published by the International Swaps and Derivatives Association, Inc.;
- (vii) “**TARGET2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007; and
- (viii) “**TARGET Business Day**” means a day on which TARGET2 is operating, and, in all cases, as the same may be modified in the relevant Final Terms.

9A. REDENOMINATION

- (a) Notes denominated in the currency of a member state of the European Union in relation to which this Condition 9A is specified in the relevant Final Terms as being applicable shall, be redenominated into Euro in accordance with this Condition 9A.
- (b) Notwithstanding the provisions of Condition 13, the Issuer may, without the consent of the Holders of Notes or Coupons, on giving at least 30 days’ prior notice to the Holders of Notes and Coupons in accordance with Condition 14, designate a Redenomination Date with respect to a Series of Notes.
- (c) With effect from the Redenomination Date:
- (i) each Note and, in the case of a Note bearing interest at a fixed rate (hereafter, a “**Fixed Rate Note**”) each amount of interest specified in the Coupons, shall (unless already so provided by mandatory provisions of applicable law) be deemed to be redenominated into such amount of Euro as is equivalent to its denomination in the relevant currency (as specified in the Final Terms) converted into Euro at the fixed rate for conversion of the relevant currency into Euro established by the Council of the European Union pursuant to Article 123(4) of the Treaty (as defined below) (including compliance with rules relating to roundings in accordance with European Union regulations);
 - (ii) all payments in respect of the Notes, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in Euro, as though references in the Notes to the relevant currency were to Euro. Such payments will be made in Euro by cheque drawn on or by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee;
 - (iii) the Issuer may elect that the Notes shall be exchangeable for Notes expressed to be denominated in Euro in accordance with such arrangements as the Issuer may decide, after consultation with the Issuing and Paying Agent, and as may be specified in the notice, including arrangements under which Coupons unmatured at the date so specified become void and replaced by new Coupons;

- (iv) if the Notes are Fixed Rate Notes and interest is required to be calculated for a period of less than one year, it will, if the Issuer so decides, be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (A) the number of those days falling in a leap year divided by 366 and (B) the number of those days falling in a non-leap year divided by 365);
- (v) if the Notes are Floating Rate Notes, Index Linked Notes, Inflation Linked Notes and Fund Linked Notes, any applicable changes to the provisions relating to interest will be specified in the Final Terms; and
- (vi) such other changes will be made to the Terms and Conditions of the Notes as the Issuer may decide, after consultation with the Issuing and Paying Agent, to conform such Notes to market conventions then applicable to instruments denominated in Euro including, without limitation, amending the definition of “Business Day” to be a day on which TARGET2 is operating and a day on which commercial banks and foreign exchange markets settle payments in Euro in the place of presentation instead of a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in London and in the relevant currency in the Relevant Financial Centre. Any such changes will not take effect until they have been notified to the Holders of Notes and Coupons and any relevant stock exchange(s) on which the Notes are listed in accordance with Condition 14.

(d) As used in these Terms and Conditions:

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

- (i) in relation to interest-bearing Notes, shall be an Interest Payment Date;
- (ii) is specified by the Issuer in the notice given to the Holders pursuant to this Condition 9A; and
- (iii) falls on or after the date on which the country of the relevant currency participates in the third stage of European Economic and Monetary Union; and

“**Treaty**” means the Treaty establishing the European Community, as amended, and, in all cases, as the same may be modified in the relevant Final Terms.

- (e) This Condition 9A notwithstanding, Notes issued in the national currency of one of the countries of the Eurozone may be redenominated by the Issuer in Euro without the consent of the Holders in accordance with and subject to the Netherlands Act on Redenomination of 26 November 1998 (*Wet schuld redenominatie*) (See page 30).
- (f) In connection with any such redenomination contemplated by this Condition 9A, and without prejudice to Condition 15, the Issuer may also from time to time, without the consent of the Holders of Notes or Coupons, consolidate the Notes with one or more issues of other notes (“**Other Notes**”) issued by it, whether or not originally issued in the relevant currency or in Euro, provided that such Other Notes have been redenominated into Euro (if not originally denominated in Euro) and otherwise have, in respect of all periods subsequent to such consolidation, the same or substantially the same terms and conditions as the Notes, and in all cases as set out in full in the relevant Final Terms.

10. PRESCRIPTION

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

11. AGENTS

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

- (a) an Issuing and Paying Agent,
- (b) a Registrar,
- (c) a Paying Agent with a specified office in continental Europe,
- (d) so long as any Notes are listed on the Luxembourg Stock Exchange, a Paying Agent with a specified office in Luxembourg,
- (e) so long as any Notes are listed on Euronext Amsterdam, a Paying Agent with a specified office in Amsterdam; and
- (f) a Paying Agent in a EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

The Agents reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Agents will be notified promptly to the Holders in accordance with Condition 14.

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

12. REPLACEMENT OF NOTES, NOTE CERTIFICATES AND COUPONS

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

13. MEETINGS OF HOLDERS, MODIFICATION AND WRITTEN RESOLUTIONS

(a) Meetings of holders

The Issuing and Paying Agency Agreement contains provisions, which are binding on the Issuer and the Holders of Notes or Coupons, for convening meetings of the Holders of Notes of any Series to consider matters affecting their interests, including the modification or waiver of the Terms and Conditions applicable to any Series of Notes. Notice specifying the date, time and place of any such meeting shall be given to the Holders of Notes of the relevant Series by or on behalf of the Issuer in accordance with Condition 14.

(b) Modification

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

Any such modification shall be binding on the Holders of the Notes or Coupons and any such modification shall be notified to the Holders of the Notes or Coupons by or on behalf of the Issuer in accordance with Condition 14 as soon as practicable thereafter.

(c) **Resolutions passed in writing**

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

14. NOTICES

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

Notices to Holders of Notes and Coupons will, save where another means of effective communication has been specified in the relevant Final Terms, be deemed to be validly given if (1) in the case of Bearer Notes, published in a leading daily English language newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, if published in a leading English language newspaper having general circulation in Europe and will be deemed to have been validly given on the date of such publication (or, if published more than once, on the date of first such publication) or (2) in the case of Registered Notes, if sent by first class mail or (if posted to an address overseas) by airmail to the Holders at their respective addresses recorded in the Register and will be deemed to have been validly given on the fourth day after mailing, *provided* that:

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

(b) **To the Issuer**

Notices to the Issuer will be deemed to be validly given if delivered at N.V. Bank Nederlandse Gemeenten, Koninginnegracht 2, 2514 AA, The Hague, the Netherlands and clearly marked on their exterior "Urgent – Attention: TVB Dealing Room" (or at such other address and for such other attention as may have been notified to the Holders of the Notes in accordance with this Condition 14) and will be deemed to have been validly given at the opening of business on the next day on which the Issuer's principal office is open for business.

15. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Holders of Notes or Coupons of, as the case may be, any Series of Notes and Coupons, issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the Notes provided that in the case of Notes which were issued in accordance with the United States Treasury Regulations §1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Internal Revenue Code of 1986, as amended (the “**TEFRA D**” U.S. Selling Restrictions for purposes of the applicable Final Terms) that are initially represented by a Temporary Global Note exchangeable for interests in a Permanent Global Note or Definitive Notes, such consolidation can only occur following the exchange of interests in the Temporary Global Note for interests in the Permanent Global Note or Definitive Notes upon certification of non-U.S. beneficial ownership and provided further that in the case of Registered Notes, such further notes will have a unique CUSIP, ISIN, Common Code and/or any other identifying number unless such additional notes are fungible with the previously issued Notes for U.S. federal income tax purposes.

16. ADDITIONAL OBLIGATIONS

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

17. SUBSTITUTION OF THE ISSUER

- (a) The Issuer or any previous substitute of the Issuer under this Condition may at any time be replaced and substituted by any company (incorporated in any country in the world) controlling, controlled by or under common control with the Issuer as the principal debtor in respect of any Series of Notes (any such company, the “**Substituted Debtor**”), *provided that*:
- (i) such documents shall be executed by the Substituted Debtor and (if the Substituted Debtor is not the Issuer) the Issuer or any previous substitute as aforesaid as may be necessary to give full effect to the substitution (together the “**Documents**”) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favor of each Noteholder to be bound by these Conditions and the provisions of the Issuing and Paying Agency Agreement as fully as if the Substituted Debtor had been named in the Notes and the Issuing and Paying Agency Agreement as the principal debtor in respect of the Notes in place of the Issuer or any previous substitute as aforesaid;
 - (ii) without prejudice to the generality of sub-paragraph (i) hereof, where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than the Netherlands, or is undertaking its obligations with respect to the Notes through a branch in another such territory, the Documents shall contain a covenant and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions of Condition 8 above with the substitution for the references to the Netherlands (or any previously substituted territory as the case may be) with references to the territory or territories in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes;
 - (iii) the Documents shall contain a warranty and representation (a) that the Substituted Debtor and the Issuer (or any previous substitute as aforesaid) have obtained all necessary governmental and regulatory approvals and consents for such substitution and for the giving by the Issuer of the Guarantee (as defined below) in respect of the obligations of the Substituted Debtor, that the Substituted Debtor has obtained all necessary governmental and regulatory approvals and consents for the performance by the Substituted Debtor of its obligations under the Documents and that all such approvals and consents are in full force and effect and (b) that the obligations assumed by the Substituted Debtor and any Guarantee (as defined below) given by the Issuer are each valid and binding in accordance with their respective terms and enforceable by each Noteholder; and

- (iv) Condition 7 shall be deemed to be amended so that it shall also be an Event of Default under the said Condition if the Guarantee (as defined below) shall cease to be valid or binding on or enforceable against the Issuer; and upon the Documents becoming valid and binding obligations of the Substituted Debtor the Issuer hereby irrevocably and unconditionally guarantees in favor of each Noteholder the payment of all sums payable by the Substituted Debtor as such principal debtor (such guarantee of the Issuer herein referred to as the “**Guarantee**”).
- (b) In connection with any substitution effected pursuant to this Condition, neither the Issuer nor the Substituted Debtor need have any regard to the consequences of any such substitution for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and no Noteholder or Couponholder, except as provided in Condition 17(a)(ii), shall be entitled to claim from the Issuer or any Substituted Debtor under the Notes and Coupons any indemnification or payment in respect of any tax or other consequences arising from such substitution.
- (c) Upon the Documents becoming valid and binding obligations of the Substituted Debtor and the Issuer (in respect of its provision of the Guarantee) (as “**Guarantor**”) (and upon a legal opinion to that effect being issued by local counsel of recognised standing in the jurisdiction of incorporation of the Substituted Debtor), the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer (or any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall, in the case of the substitution of the Issuer as principal debtor, operate to release the Issuer as issuer and, in the case of the substitution of a Substituted Debtor (if such Substituted Debtor is not the Issuer), operate to release such Substituted Debtor as principal debtor, from all of its obligations as principal debtor in respect of the Notes.
- (d) The documents referred to in paragraph (a) above shall be deposited with and held by the Issuing and Paying Agent for so long as any Notes remain outstanding and for so long as any claim made against the Substituted Debtor or (if the Substituted Debtor is not the Issuer) the Issuer by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and (if the Substituted Debtor is not the Issuer) the Issuer acknowledge the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents.
- (e) Not later than 15 Business Days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 14.
- (f) For the purposes of this Condition 17, the term “**control**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether by contract or through the ownership, directly or indirectly, of voting shares in such company which, in the aggregate, entitle the holder thereof to elect a majority of its directors, and includes any company in like relationship to such firstmentioned company, and for this purpose “**voting shares**” means shares in the capital of a company having the right to elect the directors thereof, and “**controlling**”, “**controlled**” and “**under common control**” shall be construed accordingly.

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

18. LAW AND JURISDICTION

- (a) The Notes and the Issuing and Paying Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes and the Issue and Paying Agency Agreement are governed by, and shall be construed in accordance with, the laws of the Netherlands.

- (b) The Issuer irrevocably submits, for the exclusive benefit of the Holders of the Notes, to the jurisdiction of the Court (*Rechtbank*) and its appellate courts at The Hague, the Netherlands.
- (c) The Issuer is not entitled to claim for itself or any of its assets immunity from suit, execution, attachment or other legal process except in respect of assets located in the Netherlands that have a public utility function (*goederen bestemd voor de openbare dienst*) as reflected in the books and records of the Issuer and the issue of this Note constitutes, and the performance by the Issuer of its obligations hereunder will constitute, commercial acts done and performed for commercial purposes.
- (d) For the purposes of Swiss Franc Notes only, in addition to the submission to the jurisdiction to the courts of the Netherlands, the Issuer agrees to the alternative jurisdiction of the Commercial Court of the Canton of Zurich, the place of jurisdiction being Zurich 1, with the right of appeal to the Swiss Federal Court of Justice in Lausanne where the law permits. In connection with the Notes the Issuer designates the Dealer specified in the Final Terms relating to the relevant issue of Notes as its representative for service of judicial documents pursuant to paragraph 30 of the Rules of Civil Procedure of the Canton of Zurich, and elects legal and special domicile pursuant to Article 50 of the Swiss Act on Debt Enforcement and Bankruptcy at the offices of that Dealer specified in the Final Terms. Such Dealer will be required to undertake to transmit to the Issuer as soon as possible any notice received by such Dealer in this connection.

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

USE OF PROCEEDS

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

FORM OF FINAL TERMS

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

N.V. BANK NEDERLANDSE GEMEENTEN

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

Euro 90,000,000,000

Debt Issuance Programme

Series No.: [•]

Issue of [Aggregate Nominal Amount of Notes] [Title of Notes] due [day] [month] [year]

FINAL TERMS

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

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

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

- (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph 44 of Part A below, provided such person is one of the persons mentioned in Paragraph 44 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

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

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

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

These Final Terms, under which the medium term notes described herein (the “**Notes**”) are issued, should be read in conjunction with the Base Prospectus dated 13 June 2012 (the “**Base Prospectus**”) issued in relation to the Euro 90,000,000,000 debt issuance programme of N.V. Bank Nederlandse Gemeenten. Terms defined in the Base Prospectus have the same meaning in these Final Terms. [Any reference to the Conditions herein is to the Terms and Conditions set forth in page [•] to page [•] of the Base Prospectus.] Together, the Base Prospectus and these Final Terms constitute a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus.

Full information on the Issuer and the Notes described herein is only available on the basis of a combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing, upon the oral or written request of any persons, at the specified offices of the Paying Agent. Copies may be obtained at the specified offices of the Paying Agent.

[Terms used herein shall be deemed to be defined as such in [the terms and conditions as referred to on pages 10 up to and including 25 of the information memorandum of the Issuer relating to the Programme, dated 3 December 2003 (the “**2003 Terms and Conditions**”)] [the terms and conditions as referred to on pages 10 up to and including 25 of the information memorandum of the Issuer relating to the Programme, dated 2 December 2004 (the “**2004 Terms and Conditions**”)] [the terms and conditions as referred to on pages 16 up to and including 31 of the base prospectus of the Issuer relating to the Programme, dated 11 July 2005 (the “**2005 Terms and Conditions**”)] [the terms and conditions as referred to on pages 16 up to and including 32 of the base prospectus of the Issuer relating to the Programme, dated 21 July 2006

¹ Include this legend where a non-exempt offer of Notes is anticipated.

² Include this legend where only an exempt offer of Notes is anticipated.

(the “**2006 Terms and Conditions**”)] [the terms and conditions as referred to on pages 20 up to and including 37 of the base prospectus of the Issuer relating to the Programme, dated 23 July 2007 (the “**2007 Terms and Conditions**”)] [the terms and conditions as referred to on pages 21 up to and including 38 of the base prospectus of the Issuer relating to the Programme, dated 24 July 2008 (the “**2008 Terms and Conditions**”)] [the terms and conditions as referred to on pages 21 up to and including 39 of the base prospectus of the Issuer relating to the Programme, dated 29 July 2009 (the “**2009 Terms and Conditions**”)] [the terms and conditions as referred to on pages 38 up to and including 61 of the base prospectus of the Issuer relating to the Programme, dated 12 August 2010 (the “**2010 Terms and Conditions**”)] [the terms and conditions as referred to on pages 43 up to and including 67 of the base prospectus of the Issuer relating to the Programme, dated 2 August 2011 (the “**2011 Terms and Conditions**”)] each of which have been incorporated by reference in, and form part of the Base Prospectus dated 13 June 2012. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated 13 June 2012, save in respect of the 2003/2004/2005/2006/2007/2008/2009/2010/2011 Terms and Conditions incorporated by reference therein which are attached hereto. Together, the Base Prospectus and these Final Terms constitute a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC as amended by Directive 2010/73/EU) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus.]

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

[Insert any additions or variations to the selling restrictions]

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

*Any stabilization activity in connection with the Notes listed or to be listed on NYSE Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V., will be conducted (on behalf of the Stabilising Manager) by a member of Euronext Amsterdam which shall be [Coöperative Centrale Raiffeisen – Boerenleenbank B.A. (Rabobank International) (“**Rabobank International**”)]³. 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.*

³ Or any member of Euronext Amsterdam.

PART A – CONTRACTUAL TERMS

The terms of the Notes are as follows:

1. Issuer: N.V. Bank Nederlandse Gemeenten
2. [(i)] [Series Number:] []
[(ii)] Tranche Number: []
[(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. Specified Currency or Currencies: []
(If Notes are being cleared through DTC with interest and or principal payable in a currency other than U.S. dollars, check whether DTC will accept payments in such currency)
4. Aggregate Nominal Amount: []
[(i)] [Series:] []
[(ii)] Tranche: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6. (i) Specified Denominations: []
(ii) Calculation Amount: []
7. (i) Issue Date: []
(ii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
8. Maturity Date: [Specify date]
9. Interest Basis: [[•] per cent. Fixed Rate]
[[Specify reference rate] +/- [•] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Other (Specify)]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency]
[Partly Paid]
[Installment]
[Other (Specify)]
11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]

12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. Date [Board] approval for issuance of Notes obtained: []
(N.B. Only relevant where Board (or similar) authorization is required for the particular tranche of Notes)
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions (Condition 5A)** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate[(s)] of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]
- (ii) Interest Payment Date(s): [] in each year [adjusted in accordance with *specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [] per Calculation Amount
- (iv) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA/ISDA)/other]
- (vi) [Determination Dates: [] 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. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
16. **Floating Rate Note Provisions (Condition 5B)** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Interest Period(s): []
- (ii) Specified Period: []
(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")
- (iii) Specified Interest Payment Dates: []
(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention,

Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")

- (iv) [First Interest Payment Date]: []
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (vi) Additional Business Centre(s): [Not Applicable/*give details*]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (*give details*)]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Issuing and Paying Agent]): [[*Name*] shall be the Calculation Agent (*no need to specify if the Issuing and Paying Agent is to perform this function*)]
- (ix) Screen Rate Determination:
- Reference Rate: [*For example, LIBOR or EURIBOR*]
 - Interest Determination Date(s): []
 - Relevant Screen Page: [*For example, Reuters LIBOR 01/ EURIBOR 01*]
 - Relevant Time: [*For example, 11.00 a.m. London time/Brussels time*]
 - Relevant Financial Centre: [*For example, London/Eurozone (where Eurozone means the region comprised of the countries whose lawful currency is the Euro)*]
- (x) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (xi) Relevant Margin (if any): [+/-][] per cent. per annum
- (xii) Minimum Rate of Interest: [] per cent. per annum
- (xiii) Maximum Rate of Interest: [] per cent. per annum
- (xiv) Day Count Fraction: []
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []

17. **Zero Coupon Note Provisions**

[Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)

- (i) [Amortisation/Accrual] Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Any other formula/basis of determining amount payable: []
18. **Index-Linked Interest Note/other variable-linked interest Note Provisions (Condition 5B)** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula/other variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: []
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: []
- (iv) Interest Determination Date(s): []
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
- (vi) Interest or calculation period(s): []
- (vii) Specified Period: []
(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")
- (viii) Specified Interest Payment Dates: []
(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")
- (ix) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (x) Additional Business Centre(s): []
- (xi) Minimum Rate/Amount of Interest: [] per cent. per annum
- (xii) Maximum Rate/Amount of Interest: [] per cent. per annum
- (xiii) Day Count Fraction: []

19. **Dual Currency Note Provisions (Condition 5C)** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
 - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: []
 - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
 - (iv) Person at whose option Specified Currency(ies) is/are payable: []

20. **Swap Related Note Provisions (Condition 5D)**
- Relevant swap terms: [Not Applicable/[•]]. *[If applicable, specify applicable provisions where calculation by reference to swap transaction is impossible or impracticable or otherwise disrupted]*

21. **Provisions for other Notes (Condition 5E)**
- Relevant interest provisions (including determination of dates and periods, calculation of rates and amounts (e.g. EURIBOR determination), maximum/minimum rates etc.): [Not Applicable/[•]]

PROVISIONS RELATING TO REDEMPTION

22. **Call Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): []
 - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Calculation Amount
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [] per Calculation Amount
 - (b) Maximum Redemption Amount: [] per Calculation Amount
 - (iv) Notice period: []

23. **Put Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (iii) Notice period: []
24. **Final Redemption Amount of each Note** [] per Calculation Amount
- In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: []
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: []
- (iv) Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable: []
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
- (vi) [Payment Date]: []
- (vii) Minimum Final Redemption Amount: [] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [] per Calculation Amount
25. In the case of non-interest-bearing Notes, redemption amount on event of default: [Not Applicable/[•]]
26. Special tax consequences (if any): [Not Applicable/[•]]
27. Modification of definition of “Relevant Financial Centre” (if applicable): [Not Applicable/[•]]
28. **Early Redemption Amount** [Not Applicable/[•] per Calculation Amount/other]/[In case of zero or discount coupon Notes, include Redemption Amount]
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required)

or if different from that set out in the Conditions):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | 29. Form of Notes: | [Bearer/Registered] Notes: |
|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 30. Temporary Global Note exchangeable for Definitive Notes: | [No.]/[Yes./The Notes will initially be represented upon issue by a temporary global note (the “ Temporary Global Note ”) in bearer form without interest coupons attached, which will be exchangeable on or after the date falling 40 days after the Issue Date, in accordance with the terms thereof, for definitive notes (“ Definitive Notes ”), upon certification as to non-U.S. beneficial ownership.] |
| 31. Temporary Global Note exchangeable for a Permanent Global Note: | [No.]/[Yes./The Notes will initially be represented upon issue by a temporary global note (the “ Temporary Global Note ”) in bearer form without interest coupons attached, which will be exchangeable upon certification as to non-U.S. beneficial ownership 40 days after the Issue Date in accordance with the terms thereof, for interests in a permanent global note (the “ Permanent Global Note ”).

[Where a Global Note is to be cleared through Euroclear, Clearstream Luxembourg or any other relevant clearing system and is exchangeable for Definitive Notes at any time or where Definitive Notes will definitely be issued, the Notes may only be issued in such denominations as Euroclear, Clearstream Luxembourg or any such other relevant clearing system will permit at that time. In particular, the Notes may not have denominations that include integral multiples of an amount if such amount is not divisible by the minimum denomination of such Notes.] |
| 32. Permanent Global Note exchangeable for Definitive Notes: | [No.]/[Yes, but only as set out in Condition 1(e)(i) and (ii), except that in each case a Permanent Global Note which forms part of a securities deposit (<i>girodepot</i>) with Euroclear Netherlands shall only be exchangeable within the limited circumstances as described in the Netherlands Securities Giro Act (<i>Wet giraal effectenverkeer</i>) and such exchange will be made in accordance therewith, the Euroclear Netherlands’ terms and conditions and operational documents.]

[The Notes will be in bearer form and will be represented by a Permanent Global SIS Note (the “ Permanent Global SIS Note ”) in substantially the form set forth in the schedule to the supplemental issuing and paying agency agreement dated [date] between the Issuer and the Swiss Paying Agent(s) mentioned in paragraph 9 of Part B below (the “ Supplemental Issuing and Paying Agency Agreement ”). The Permanent Global SIS Note will be deposited with SIX SIS Ltd, the Swiss securities services corporation in Olten, Switzerland (“ SIS ”) or, as the case may be, with any other intermediary in |

Switzerland recognised for such purposes by SIX Swiss Exchange Ltd (SIS or any such other intermediary, the “**Intermediary**”). Once the Permanent Global SIS Note is deposited with the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Notes will constitute intermediated securities (*Bucheffekten*) (“**Intermediated Securities**”) in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*).

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

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

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

No physical delivery of the Notes shall be made unless and until Definitive Notes (*Wertpapiere*) are printed. Definitive Notes may only be printed, in whole, but not in part, if the Principal Swiss Paying Agent determines, in its sole discretion, that the printing of the Definitive Notes (*Wertpapiere*) is necessary or useful. Should the Principal Swiss Paying Agent so determine, it shall provide for the printing of definitive Notes (*Wertpapiere*) without cost to the Holders. Upon delivery of the Definitive Notes (*Wertpapiere*), the Permanent Global SIS Note will be cancelled and the definitive Notes (*Wertpapiere*) shall be delivered to the Holders against cancellation of the Notes in the Holders’ securities accounts.¹

33. Registered Notes:

[Not Applicable] [Unrestricted Global Note Certificate registered in the name of [a nominee/common safekeeper] for [a common depository for] Euroclear and Clearstream,

¹ For Swiss Franc Notes only.

Luxembourg, held under the New Safekeeping Structure (NSS) and exchangeable for unrestricted Individual Note Certificates [on [•] days' notice/at any time/in the limited circumstances described in Condition 1(l)(iii)]

[and]

[Restricted Global Note Certificate registered in the name of a nominee for DTC and exchangeable for restricted Individual Note Certificates [on [•] days' notice/at any time/in the limited circumstances described in Condition 1(l)(iii)]

34. New Global Note: [Yes/No]²
35. New Safekeeping Structure: [Yes; but only as to Unrestricted Global Note Certificate] [No]³
36. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details. *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 15(ii), 16(vi) and 18(x) relate.*]
37. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
38. Alternative means of effective communication (if any): [Not Applicable/give details]
39. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions in Condition 9A apply]
40. Other final terms: [Not Applicable/give details]

[(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]

DISTRIBUTION

41. (i) 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 if such entities are not the same as the

² Specify "No" if the Notes being issued are Bearer Notes which are Classic Global Notes/CGNs.

³ Specify "Yes" if the Notes being issued are Registered Notes intended to be held under the New Safekeeping Structure.

- Managers.)*
- (ii) Date of [Subscription] Agreement: [date]
- (iii) Stabilising Manager(s) (if any): [Not Applicable/give name]
42. If non-syndicated, name and address of Dealer: [Not Applicable/give name and address]
43. Total commission and concession: [] per cent. of the Aggregate Nominal Amount
44. U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA C⁴/TEFRA D⁵/ TEFRA not applicable⁶]
45. Non-exempt Offer: [Not Applicable] [An offer of the Notes may be made by the Managers [and [specify, if applicable]] 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] (the “**Public Offer Jurisdictions**”) during the period from [specify date] until [specify date] (the “**Offer Period**” [provided, however, that the Offer Period in Austria will not commence until the day after the registration of the issue terms with the Registration Office (*Meldestelle*) has been duly made as required by the Austrian Capital Markets Act.] See further Paragraph 10 of Part B below.
46. Additional selling restrictions: [Not Applicable/give details]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] [and] [admission to trading on [specify relevant regulated market] of the Notes described herein] pursuant to the Euro 90,000,000,000 Debt Issuance Programme of the Issuer.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms which, when read together with the Base Prospectus referred to above, contains all information that is material in the context of the issue of the Notes. [(*Relevant third party information*) has been extracted from (*specify source*). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

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

⁴ To be used for Notes represented by a Permanent Global SIS Note, which may not be offered or sold in the United States or to U.S. persons.

⁵ To be used for Notes represented by a Temporary Global Note exchangeable for a Definitive Note or a Temporary Global Note exchangeable for interests in a Permanent Global Note.

⁶ To be used for offerings of Registered Notes or Notes with a term of one year or less.

By:
Duly authorised

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- (i) Admission to trading [Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [NYSE Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V.⁷/ Luxembourg Stock Exchange/*list any other applicable stock exchanges*] with effect from [•].] [The Notes have been provisionally admitted to trading on the SIX Swiss Exchange with effect from [date]. Application for definitive listing on the SIX Swiss Exchange will be made as soon as is reasonably practicable thereafter. The last trading day is on [date].] [Not Applicable.]

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

- (ii) [Estimate of total expenses relating to admission to trading:]⁸ []

- (iii) [Duration of trading:]⁹ []

2. RATINGS

The Programme under which the Notes are to be issued has been rated/The Notes [are expected to be/have been] rated:

[Standard & Poor's¹⁰: []]

[Moody's: []]

[Fitch: []]

[[Other]: []]

[Need to include a brief explanation of the meaning of 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.)

Each of [insert legal names of the rating agencies] is established in the European Union and registered

⁷ Only applicable to issues listed on NYSE Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V.

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

⁹ For Swiss Franc Notes.

¹⁰ The exact legal name of the rating agency entity providing the rating should be specified - for example, "Standard & Poor's Credit Market Services Europe Limited", rather than just "S&P" or "Standard and Poor's".

under Regulation (EC) No. 1060/2009, as amended [(the “**CRA Regulation**”)].

[In general, European regulated investors 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 (1) 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 has not been refused, (2) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the European Union, but which is certified under the CRA Regulation.]

[The European Securities and Markets Authority (“**ESMA**”)/ESMA] is obliged to maintain on its website, www.esma.europa.eu, a list of credit rating agencies registered and certified in accordance with the CRA Regulation. This list must be updated within five working days of ESMA's adoption of any decision to withdraw the registration of a credit rating agency under the CRA Regulation. Therefore, such list is not conclusive evidence of the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.]

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

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

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

[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]

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

- (i) [Reasons for the offer []
(See “Use of Proceeds” wording in the Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]
- (ii) [Estimated net proceeds:] []

(If proceeds are intended for more than one use will

need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

- (iii) [Estimated total expenses:] []
[Include breakdown [per subscriber/purchaser] of [total] expenses including commissions and taxes – if applicable]
(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)

5. **[Fixed Rate Notes only – YIELD**

Indication of yield: []

Calculated as [include details of method of calculation in summary form] on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **[Floating Rate Notes only – HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

7. **[Index-linked or other variable-linked notes only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. [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. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

The Issuer does not intend to provide post-issuance information.

[(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 Prospectus under Article 16 of the Prospectus Directive.)]

8. **[Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

[(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 Prospectus under Article 16 of the Prospectus Directive.)]

9. **OPERATIONAL INFORMATION**

CUSIP Number: [Not Applicable]
[Select “Not Applicable” if no Restricted Registered Notes will be issued]

ISIN Code:

Common Code:

Valor: [Not Applicable]

Any clearing system(s) other than DTC, Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s): As set out in the Base Prospectus

Names and addresses of additional Paying Agent(s) (if any):

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No][Not Applicable]

[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,]¹¹ and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.][*include this text if “yes” selected in which case [the] [bearer] Global Notes must be issued in NGN form*]

10. **TERMS AND CONDITIONS OF THE OFFER**

Offer Price, and any expenses and taxes (if any) specifically charged to the subscriber or purchaser: [Issue Price][*specify*]

Conditions to which the offer is subject: [Not Applicable/The Offer Period in Austria shall not commence until the day after the registration of the issue terms with the Registration Office (*Meldestelle*) has been duly made as required by the Austrian Capital Markets Act/*give details*]

¹¹ Include this text for Registered Notes intended to be held under the New Safekeeping Structure.

Description of the application process, including offer period, including any possible amendments, during which the offer will be open:	[Not Applicable/ <i>give details</i>]
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/ <i>give details</i>]
Details of the minimum and/or maximum amount of application:	[Not Applicable/ <i>give details</i>]
Details of the method and time limits for paying up and delivering the Notes:	[Not Applicable/ <i>give details</i>]
Manner in and date on which results of the offer are to be made public:	[Not Applicable/ <i>give details</i>]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/ <i>give details</i>]
Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:	[Not Applicable/ <i>give details</i>]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not Applicable/ <i>give details</i>]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/ <i>give details</i>]
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/ <i>give details</i>]

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

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

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

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

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

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

N.V. BANK NEDERLANDSE GEMEENTEN

Overview

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

In addition to its financing activities, BNG offers advisory and consultancy services, such as assisting public authorities in the design of their treasury, portfolio and asset and liability management functions. BNG also offers investment funds, which are managed through a wholly-owned subsidiary, BNG Vermogensbeheer B.V. Investment in the funds are mainly marketed to municipalities with budgetary surpluses. Furthermore, BNG provides electronic fund transfer and payment services to its public sector customers.

As of and for the year ended 31 December 2011, BNG had total assets of €136 billion, total equity of €1.9 billion and net profit of €256 million.

History and Corporate Organization

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

Purpose

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

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

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

- (a) municipalities and other legal persons in the Netherlands under public law as referred to in Article 1, Paragraphs 1 and 2, of Book 2 of the Dutch Civil Code;
- (b) the European Communities and other bodies possessing legal personality to which part of the function of the European Communities has been entrusted pursuant to the treaties establishing the European Communities;

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

Strategy

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

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

In 2011, BNG continued to focus its lending exclusively on the Dutch market, although investments in public securities from EU countries will be made if the securities fit within BNG's liquidity management policy and the country's credit rating is at least AA/Aa3 on the acquisition date. Preconditions for this strategy are the careful monitoring of the risk profile, operational effectiveness and efficiency and maintenance of BNG's strong financial position.

Competition

BNG's main competitor is Nederlandse Waterschapsbank N.V., a Dutch public sector lender, and, to a lesser extent, the commercial banks. Other competitors are insurance companies and pension funds.¹² Due

¹² These comparisons with BNG's competitors are mainly based on an analysis of (i) figures provided by CBS (*Centraal Bureau voor Statistiek*), (ii) figures provided by WSW (*Stichting Waarborgfonds Sociale Woningbouw*) and WfZ (*Stichting Waarborgfonds voor de Zorgsector*), respectively and (iii) publications, such as annual reports, of BNG's main competitors like NNB.

to the small margins generally earned on public sector lending and in part due to the economic crisis, a number of banks that competed in this market have withdrawn.

As at 31 December 2010, BNG had a market share of approximately 60% of the municipal sector as measured by aggregate loans and advances made. BNG also benefits from high market shares in lending to housing associations (50%) and healthcare entities (53%) as measured by aggregate loans and advances. A large portion of the long-term loans to the healthcare sector are guaranteed by Waarborgfonds voor de Zorgsector (“**WfZ**”), a guarantee fund backed by the Dutch government and set up to allow this sector to borrow with a lower cost of funds, and are zero-percent risk weighted by DNB. BNG competes on the basis of maintaining its high creditworthiness, which permits BNG to fund its operations at relatively low cost, and offering its public sector clients interest rates that are only slightly higher than its own cost of long-term funding (see “*Products and Services – Loans and Advances*”). Due to demand for loans with longer maturities, which BNG’s competitors were unable or unwilling to provide, BNG’s market share in 2010 and 2011 increased over prior years.

Products and Services

Loans and Advances

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

In 2011, lending volumes declined following the high levels of 2010, particularly in the public housing section, returning to more customary levels. Housing associations refinanced significant parts of their 2011 needs during 2010 in anticipation of new regulations regarding future guarantee options for clients in the housing association sector. New long-term lending to local governments and the healthcare sector were relatively stable in 2011 compared to 2010. As a result new lending to client groups decreased by 25% in 2011 compared to 2010. BNG continued to fulfill its role as the primary lender to local authorities and public sector institutions. While most of BNG’s competitors reduced their long-term credit to public authorities and institutions, BNG was able to continue to support its public clientele in large part because it was able to continue to finance itself in the financial markets and due to its strong capital position.

New long-term lending to client groups was €2.3 billion, €16.3 billion and €8.6 billion in 2011, 2010 and 2009, respectively. The decrease in 2011 was mainly due to the reduced demand for housing association loans. The increase in 2010 was due to higher demand levels, largely from housing associations for the reason described above, particularly for long-term loans, as BNG’s clients took advantage of continuing low interest rates and the Dutch economy began to recover from the global economic and financial crisis. Housing associations also borrowed in 2010 in anticipation of changes in the State aid regime that were to become effective in 2011. The increase was also attributed to higher levels of lending subject to solvency requirements despite continuing high risk spreads. The 2009 levels were mainly attributable to the difficult market conditions which prevailed in the first half of 2009 following the economic crisis, with lending strengthening in the second half of 2009.

The table below sets forth loans and advances made by BNG in 2011 and 2010 and the total outstanding to each client group as of December 31, 2011.

Long-term lending	Total As of 31 December 2011	Total As of 31 December 2010	New Lending		Of which subject to capital adequacy requirements	
			2011	2010	2011	2010
(measured at nominal value in €millions)						
Public sector (municipalities, provincial authorities and municipal joint ventures)	26,078	23,431	5,285	4,965	26	43
Housing associations	41,654	38,837	4,144	8,917	191	108
Mortgage funds	54	59	21	–	–	–
Energy, water and telecom	1,708	1,746	273	276	272	276
Healthcare sector	6,882	6,138	1,882	1,598	1,021	688
Transport, logistics and environment	1,438	1,293	296	98	163	96
Education	792	689	282	392	272	383
Design, build, finance and maintenance	1,131	1,133	87	58	87	58
Miscellaneous	497	727	2	33	–	23
Total	80,234	74,053	12,272	16,337	2,032	1,675
Growth in new long-term lending	n.a.	n.a.	– 25%	89%	21%	27%
of which solvency-free	n.a.	n.a.	83%	90%		

Public sector (Local authorities)

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

Housing associations

BNG provides long-term lending to social housing associations which is guaranteed by Waarborgfonds Sociale Woningbouw ("WSW"), a social housing fund ultimately guaranteed by the Dutch central government and municipalities. WSW guarantees (*zich borg stellen*) payment obligations of registered institutions that fulfill certain conditions set by WSW and are registered participants of WSW. The Dutch State and a number of Dutch municipalities have committed to provide WSW with interest free loans in case WSW's liquidity forecast shows that, taking into account reasonably expected claims against WSW in its capacity as guarantor and any other reasonably expected claims against WSW, the net assets of WSW would be less than 0.25% of the total amount guaranteed by WSW.¹³ Social housing associations provide approximately 32% of the Dutch housing market, defined as the total number of residential units in 2011. The housing associations meet their funding needs through borrowing from banks, and generate income through the collection of rents and through the sales of housing and condominium projects, which

¹³ This information is based on public information provided by WSW through www.wsw.nl.

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. In 2010, the European Commission announced that more stringent guidelines would apply to assets guaranteed by government funds, some of which would apply to the social housing sector, commencing 1 January 2011. The interim State aid scheme for housing associations took effect on 1 January 2011. It defines activities that are eligible for State aid and the conditions to which they are subject. Clarification of the restrictions imposed by the legislation is expected as the regulations are developed further. For example, there is expected to be a delineation of the extent to which housing associations can participate in activities that are not designated as services of general economic interest. As such, the ultimate impact of the legislation on the volume of guaranteed social housing loans is not yet known.

Healthcare institutions

BNG has provided financing alternatives to public and semi-public healthcare institutions since the establishment in 1999 of WfZ, a guarantee fund for healthcare institutions. WfZ guarantees (*zich borg stellen*) payment obligations of accredited (*toegelaten*) healthcare institutions who fulfill the conditions set by WfZ and are registered participants of WfZ. Subject to certain other conditions, the Dutch State has committed to provide WfZ with loans if WfZ’s assets less liabilities (as calculated pursuant to WfZ’s agreement with the Dutch State) fall below certain predetermined levels.¹⁴ As a result, loans covered by WfZ guarantees are zero-percent risk weighted by DNB. In September 2011, WfZ was awarded a AAA rating by Standard & Poor’s. As is the case with BNG, Standard & Poor’s has assigned WfZ a negative outlook due to its link to the Dutch State.

Education institutions

BNG also provides limited financing solutions to education institutions following recent changes in Dutch law applicable to educational institutions that require such education institutions to be responsible for their own buildings. The majority of BNG’s loans to education institutions are to finance the building of school facilities or for the expansion of campuses. Loans to educational institutions are guaranteed by Stichting Waarborgfonds Bve, the guarantee fund for professional and adult education and repaid through income generated from tuitions and government funding. Loans which are guaranteed by Stichting Waarborgfonds Bve, which obtained a Aa1 rating with a stable outlook from Moody’s Investors Services at the end of 2011, are twenty-percent risk weighted by DNB.

Public utilities

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

Regional Development

BNG, through its subsidiary *BNG Gebiedsontwikkeling B.V.* (formerly *Ontwikkelings- en Participatiebedrijf Publieke Sector*), is dedicated to regional development and participates in planning projects which prepare parcels of commercial real estate for construction, building or development. This is done in close cooperation with government parties taking public interests into account. Risk sharing and limitation structures are set up in such a manner so that the control of these government parties is not impaired, thereby safeguarding the interests of the municipalities and society. Since the end of 2010, BNG Gebiedsontwikkeling has participated in 26 partnership structures with a total equity of €54 million. No new projects were started in 2011.

Consultancy

BNG Advies carries out consultancy assignments for various parties including municipalities, provinces, housing associations and healthcare institutions. BNG Advies supports BNG’s clients in making strategic public-sector investments. In an increasingly complex environment, public organizations are faced with financing challenges where multiple interests must be balanced. BNG Advies provides the knowledge and

¹⁴ This information is based on public information provided by WfZ through www.wfz.nl.

expertise to help its clients achieve innovative solutions and make well-considered decisions, particularly in a market where there are reduced levels of funds available. The involvement of private partners in public projects is becoming increasingly important in this area. BNG Advies supports clients in finding these solutions and in translating public ambitions into feasible plans. BNG Advies specialises in the translation of spatial planning projects into financial plans in public-private partnership and in the public decision-making process.

Asset Management

BNG's Asset Management division is operated by BNG Vermogensbeheer B.V. BNG Vermogensbeheer B.V. offers money market and capital market investment funds, which totaled €5.9 billion at the end of 2011, and provides tailored solutions in the form of discretionary asset management mandates. Apart from asset management services for municipalities, urban regions and provinces, BNG Vermogensbeheer B.V. increasingly provides asset management services for educational institutions, housing associations and other similar organizations.

As at 31 December 2011, assets under management by BNG Vermogensbeheer B.V. amounted to €5.9 billion compared to €4.1 billion as at 31 December 2010 and €5.1 billion as at 31 December 2009. In 2011, assets under management rose by €1.8 billion as a result of two new mandates compared to the decline in 2010, which was due to the expiration of a temporary mandate. The higher level of assets under management in 2009 compared to 2010 levels was in part due to the proceeds from the sale of Dutch energy companies being turned over to BNG Vermogensbeheer B.V. by the selling municipalities, as these municipalities wanted to invest these funds long-term and obtain a fixed income return.

Payment Services and E-Banking

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

Since 2008, the BNG web portal has been suitable for single and bulk money transfers in connection with the Single Euro Payments Area ("SEPA"). SEPA was developed in order to make payment transactions within the Eurozone effective and inexpensive for consumers, business users and banks. BNG is responding to these developments and will continue to provide its clients with extra advice and support in 2012 with regard to the introduction of new SEPA products such as SEPA Direct Debit. The number of payment transactions processed for clients in 2011 and 2010 amounted to 80 million and 79 million respectively.

Ratings

BNG's long-term debt securities are rated AAA by Standard & Poor's, Aaa by Moody's and AAA by Fitch. In addition, the bank has been awarded the highest Financial Strength Rating (A) by Moody's. In January 2012, while confirming the AAA rating, Standard & Poor's placed BNG on "negative outlook" following the outlook designated to the State of the Netherlands. Due to BNG's public-sector role, Standard & Poor's considers BNG a government related entity with an exceptionally high likelihood of extraordinary government support and accordingly links BNG's rating to that of the State of the Netherlands. Any rating action taken with respect to the State of the Netherlands can be expected to impact BNG's ratings and while BNG has not experienced any significant negative effects as a result of the recent rating action, any further adverse rating actions may adversely affect BNG as described above. See "*Risk Factors – Risks Related to the market generally – Credit Rating Risks*".

Employees

Including its subsidiaries, BNG employed on a full-time equivalent basis, 278 employees as at 31 December 2011, all of which were employed in the Netherlands. Substantially all of BNG's employees are subject to collective labor agreements covering the banking industries. BNG believes that its employee relations are good.

Subsidiaries

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

- *BNG Vermogensbeheer B.V.* (previously BNG Capital Management B.V.)
Provides and develops specialised financial services in the fields of securities brokerage, consultancy, the management of investment funds with a FIDO (Local and Regional Government Financing Act, *Wet Financiering Decentrale Overheden*) hallmark and customised asset management services to public authorities and public interest institutions.
- *BNG Gebiedsontwikkeling B.V.* (formerly *Ontwikkelings- en Participatiebedrijf Publieke sector B.V.*)
Directly or indirectly provides (venture) capital to public authorities and directly or indirectly participates in and/or co-operates with projects, either with or on behalf of public authorities.
- *Hypotheekfonds voor Overheidspersoneel B.V.*
Finances mortgage loans being taken out by civil servants in the employ of a public or municipal organisation with which a co-operation agreement has been reached.

Risk Management

General

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

Management of Risk

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

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

Developments

Dutch Banking Code. At the end of 2009 BNG began implementing the Dutch Banking Code (*Banken Code*) drawn up by the Dutch Association of Banks and which originates from recommendations in response to the credit crisis of the Dutch Advisory Committee on the Future of Banks. Following on from the implementation of the Dutch Banking Code there have been further discussions between the Executive Board and the Supervisory Board regarding the overall "risk appetite" of BNG and BNG has prepared a risk appetite statement.

"Risk appetite" indicates the extent of risk BNG allows in order to create value and it makes BNG's risk profile transparent. The further refinement of risk processes through the preparation of the risk appetite

statement provides risk criteria based on BNG's strategic objectives and the expectations of its different stakeholders. These principles name the major qualitative and quantitative policy aspects related to each risk. The qualitative criteria encompass those of the DNB and AFM. In addition, BNG examines whether its principal risks are in line with the principles of the Dutch Banking Code. The primary objective is to map the risks as well as the reasons why these risks are being taken and to make sure they are within the risk capacity (the maximum amount of risk that the organisation tolerates). The risk appetite statements for 2011 and for 2012 have both been approved by the Supervisory Board. A risk appetite statement is somewhat high level by nature and the real challenge is to align daily risk taking operations with the risk appetite. Therefore BNG is applying its risk appetite statement to individual risk limits and business targets that can be monitored on a regular basis. Monitoring and adapting the risk appetite statement, if necessary, will be a continuous activity.

Internal credit risk assessment models

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

For further information on BNG's risk management policies please refer to Note 29 "Risk section" in the annual report for 2011 incorporated by reference herein.

Executive Board and Supervisory Board

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

Executive Board

Name	Born	Appointed	Position
C. van Eykelenburg	1952	2005	President
J.J.A. Leenaars	1952	2002	Member
J.C. Reichardt	1958	2008	Member

Supervisory Board

Name	Born	Appointed	Position
H.O.C.R. Ruding	1939	2004	Chairman
Mrs Y.C.M.T. van Rooy	1951	2004	Vice-Chairman and Secretary
R.J.N. Abrahamsen	1938	2006	Member
H.H. Apotheker	1950	2002	Member
Mrs H.G.O.M. Berkers	1955	2009	Member
T.J.F.M. Bovens	1959	2012	Member
Mrs S.M. Dekker	1942	2007	Member

W.M. van den Goorbergh	1948	2003	Member
J.J. Nooitgedagt RA	1953	2012	Member
R.J.J.M. Pans	1952	2003	Member
A.G.J.M. Rombouts	1951	2000	Member

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

Executive Board

C. van Eykelenburg, President

Appointed to the Executive Board on 1 January 2005 and appointed as Chairman of the Executive Board on 15 October 2008. His appointment as Chairman of the Executive Board is for a four-year period. This appointment can be extended. In connection with his position with the BNG, Mr van Eykelenburg is a board member and treasurer of the NVB (Dutch Banking Association). Mr Van Eykelenburg is also Chairman of the Supervisory Board of GITP International BV, Chairman of the Board of the W.F. Hermans Institute, member of the Internal Supervision Committee of the Shell Pension Fund and Chairman of the Board of Vereniging Rijksge subsidieerde Musea.

J.J.A. Leenaars, Member

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

J.C. Reichardt, Member

Appointed to the Executive Board on 15 October 2008. His appointment as a member of the Executive Board is for a four-year period. This appointment can be extended. In connection with his position with BNG, Mr Reichardt is a member of the Supervisory Affairs Committee of the NVB (Dutch Banking Association). Mr Reichardt is also Chairman of the Supervisory Board of Data B. Mailservice BV, a member of the Supervisory Board of BOEI BV and a member of the Supervisory Boards of BNG subsidiaries Hypotheekfonds voor Overheidspersoneel BV, BNG Gebiedsontwikkeling BV and BNG Vermogensbeheer BV. In addition, Mr Reichardt is a member of the National Renovation Platform.

Supervisory Board

H.O.C.R. Ruding

Appointed on 12 May 2004, reappointed on 28 April 2008 and eligible for reappointment in 2012. Former Vice-Chairman of Citicorp/Citibank, New York, former Minister of Finance.

Y.C.M.T. van Rooy

Appointed on 12 May 2004, reappointed on 28 April 2008 and eligible for reappointment in 2012. Chairman of the Board of Governors of the University of Utrecht.

R.J.N. Abrahamsen

Appointed on 17 May 2006, reappointed on 28 April 2010, eligible for reappointment in 2014. Former Managing Director and Chief Financial Officer of KLM Royal Dutch Airlines.

H.H. Apotheker

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

H.G.O.M. Berkers

Appointed on 27 April 2009, eligible for reappointment in 2013. Former member of the Executive Board of Catharina-Hospital Eindhoven. Besides being a member of the Supervisory Board of BNG, Mrs Berkers is also a member of the Supervisory Board of Stichting ORO and Proteion Thuis.

T.J.F.M. Bovens

Appointed on 25 April 2012. Mr Bovens has been the Queen's Commissioner for the province of Limburg since 2011. In 2006, he became a Crown-appointed member and member of the Executive Committee of the Social and Economic Council of the Netherlands.

S.M. Dekker

Appointed on 24 May 2007, reappointed on 26 April 2011, eligible for reappointment in 2015. Former Minister of Housing, Spatial Planning and the Environment. Besides being a member of the Supervisory Board of BNG, Mrs Dekker is also a member of the Supervisory Boards of DHV Groep BV.

W.M. van den Goorbergh

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

J.J. Nooitgedagt RA

Appointed on 25 April 2012. Mr Nooitgedagt has been Chief Financial Officer and member of the Management Board of AEGON N.V. since 2009.

R.J.J.M. Pans

Appointed on 15 May 2003, reappointed on 24 May 2007 and for the second time on 26 April 2011, due to retire in 2015. General Director of the Association of Netherlands Municipalities. Besides being a member of the Supervisory Board of BNG, Mr Pans is also Chairman of the Supervisory Board of Coloriet.

A.G.J.M. Rombouts

Appointed on 18 May 2000, reappointed on 12 May 2004 and for a second time on 28 April 2008, due to retire in 2012. Mayor of the Municipality of s-Hertogenbosch.

Managing Directors

P.J.E. Bieringa, Managing Director, Public Finance
G.J. Thomas, Managing Director, Company Secretary
O.F. Labe, Managing Director, Treasury
R. van Woerden, Managing, Director Processing

Conflicts of Interest

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

Potential conflicts of interest – Executive Board

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

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

Potential conflicts of interest – Supervisory Board

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

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

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

Share Capital, Voting Rights and Relationship with the Dutch State

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

For a full description of BNG's capitalization as at 31 December 2011, see "*Capitalization*".

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

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

Dividend

The long-term dividend policy – as more fully set out in Note 38 of the 2011 Financial Statements incorporated by reference herein – was presented at the Special General Meeting of Shareholders on 25 August 2006. In addition, the shareholders of BNG approved the proposal to make an additional payment of €500 million in mid-December 2006. On 24 May 2007, the General Meeting of Shareholders approved the proposal to make an additional payment of €500 million in mid-December 2007 from the Reserve Retained Profit to the Shareholders. A condition to this proposition was that the strong funding position of the bank in the international capital markets would not be affected in any manner whatsoever by the extra dividend. This implied that all ratings assigned to BNG be retained. These dividends have been duly paid in accordance with the aforesaid approvals and conditions. In each of 2010 and 2009, BNG paid out 50% of net profit in accordance with its stated dividend policy (2010: €128 million, 2009: €139 million).

As a result of BNG's undertaking to achieve the proposed BASEL III leverage ratio of 3% by 2017 at the latest and the outlook at the end of 2011, BNG revised its dividend policy to 25% of net profit from 50% of net profit, effective from and including the year ended 2011. BNG paid a dividend of €64 million for 2011. BNG expects this adjusted dividend policy to apply to the entire transitional period leading up to 2018, subject to reassessment in light of further regulatory developments or if expectations for growth and/or interest result are not met.

Supervision and Regulation

European Supervision and Regulation

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

Capital Requirements Directive

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

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

On 16 December 2010, the Basel Committee adopted the final text of the Basel III capital accord, which will replace Basel II. These standards are significantly more stringent than the existing requirements. 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, BNG has to comply with the requirements contained in Basel II. In order to facilitate the implementation of the Basel III capital and liquidity standards for banks and investment firms, on 20 July 2011 the European Commission proposed a legislative package to strengthen the regulation of the banking sector. This package is known as "**CRD IV**". CRD IV will replace the current Capital Requirements Directives (2006/48 and 2006/49) with a directive and a regulation and aims to create a sounder and safer financial system. The CRD IV directive governs the access to deposit-taking activities while the CRD IV regulation establishes the prudential requirements institutions will need to meet. It is expected that the implementation of CRD IV will begin

to take effect in national legislation as of 1 January 2013 and that the application in full of all measures will need to be completed before 1 January 2019.

CRD IV, in implementing Basel III, is intended to increase the quality and quantity of capital, require increased capital against derivative positions and introduce a capital conservation buffer, a counter-cyclical buffer, a new liquidity framework as well as a leverage ratio and a liquidity coverage ratio. The leverage ratio is defined as Tier-1 capital divided by a measure of non-riskweighted assets. If Basel III is followed under CRD IV, the leverage ratio may not fall below 3%. Currently, there is still uncertainty on the exact implementation of the leverage ratio into CRD IV. The ultimate aim of Basel III/CRD IV is to reduce leverage in order to bring institutions' assets more in line with their capital. The liquidity coverage ratio addresses the sufficiency of high quality liquid assets to meet short-term liquidity needs under a specified acute stress scenario which may not fall below 100% of the estimated net cash outflows for the following 30 days.

BNG 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. Since 2010 the Executive Board has been in discussions with the regulatory authorities and expressly objected to applying the 3% leverage ratio. BNG intends, and expects other specialist lenders to the public sector in the Netherlands and other European countries, to advocate a suitable capital requirement for public sector banks. The authorities have taken cognisance of the objections raised by BNG to the leverage ratio. BNG proposed a plan during 2011 to meet the minimum standard by late 2017 at the latest. It has been concluded that the necessary growth in equity needs to be achieved by retaining a larger part of BNG's annual profit, possibly supplemented by a limited issue of hybrid debt securities with equity characteristics.

The European Commission also adopted a proposal for amendments to the Deposit Guarantee Schemes Directive 94/19/EC. As a result thereof, the amended Deposit Guarantee Schemes Directive 2009/14/EC has come into force, which provides for: (i) an increased minimum coverage level for depositors from €20,000 to €50,000 with a further increase to €100,000 for the aggregate deposits of each depositor by 31 December 2010; and (ii) a reduction in the payout delay. On 12 July 2010, the European Commission adopted a legislative proposal for a thorough revision of the Deposit Guarantee Schemes Directive 2009/14/EC. The proposal mainly deals with a harmonisation and simplification of protected deposits, faster payouts and improved financing of schemes.

MiFID

In April 2004, the Markets in Financial Instruments Directive 2004/39/EC ("**MiFID**") came into force. MiFID regulates the provision of investment services and investment activities and replaces the Investment Services Directive 1993/22/EEC, which established the single European passport for investment firms. MiFID provides a harmonised regime for investment services and investment activities and aims to increase competition and reinforce investor protection. It streamlines supervision on the basis of home country control and enhances the transparency of markets. Furthermore, MiFID harmonises conduct of business rules, including best execution, conflict of interest, customer order handling rules and rules on inducements. MiFID abolishes the concentration rule, creating a more competitive regime between order execution venues. It furthermore imposes market transparency rules on investment firms, regulated markets and multilateral trading systems for both pre- and post-trading for, *inter alia*, equities. MiFID will be amended by MiFID II, which amendments are expected in 2013. It is expected that MiFID II will be transposed into national law in 2015. Among other things, MiFID II will change the rules in relation to post-trade transparency data, delays in the publication of such data, selling practices for certain financial instruments, investors and intermediaries protection, supervision of tied agents and related issues, pre-trade transparency regime for organised markets, the obligations for systemic internalisers and the application of transparency obligations to equity-like instruments. Certain options and discretions of MiFID will be eliminated.

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.

UCITS Directive

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

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

Anti-Money Laundering

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

Acquisition Directive

Directive 2007/44/EC (the “**Antonveneta-Directive**”) was adopted in September 2007 and provides for a limited list of grounds for refusal of an application for a declaration of no objection with respect to, amongst others, the acquisition of a qualified holding in a bank. Pursuant to the Antonveneta-Directive, the relevant supervisory authority must assess the suitability of the proposed entity that wishes to acquire a qualified holding and the financial soundness of the proposed acquisition on the basis of criteria such as reputation of the proposed acquirer and whether the bank will be able to comply and continue to comply with prudential requirements (as set out in more detail below). Pursuant to the Antonveneta-Directive, the supervisor may only oppose the proposed acquisition if there are reasonable grounds for doing so on the basis of the 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 financial firms, such as BNG and its subsidiaries, operate under the supervision of DNB and the AFM. The Dutch regulatory supervision consists of prudential supervision and conduct of business supervision. Prudential supervision is performed by DNB, while the conduct supervision is performed by the AFM.

The AFM's conduct supervision focuses on ensuring orderly and transparent financial market processes, proper relationships between market participants and the exercise of due care by financial enterprises in dealing with customers. The conduct supervision intends to realise that financial enterprises treat their customers with due care, in order to minimise the potential information gap between providers of

financial services and products, and their customers. In case of breach of conduct rules pursuant to the DFSA, the AFM may, *inter alia*, issue directions, impose fines and publish information on any imposed sanctions and the context thereof.

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

Special Measures Financial Institutions Act

An act on special measures regarding financial institutions (the *Wet bijzondere maatregelen financiële ondernemingen*, hereinafter the “**Special Measures Financial Institutions Act**”) entered into force on 13 June 2012 (with the exception of some provisions which will enter into force on a later date). The proposal for the Special Measures Financial Institutions Act was preceded by a consultation launched by the European Commission on 6 January 2011 on a comprehensive framework for crisis management in the financial sector which contains a number of legislative proposals similar to the Special Measures Financial Institutions Act. Under the Special Measures Financial Institutions Act, substantial new powers are granted to DNB and the Dutch Minister of Finance enabling them to deal with, *inter alia*, Dutch banks prior to insolvency. The Special Measures Financial Institutions Act aims to empower DNB or the Minister of Finance, as applicable, to commence proceedings leading to: (i) the transfer of all or part of the business (including deposits) of the relevant bank to a private sector purchaser; (ii) the transfer of all or part of the business of the relevant bank to a ‘bridge bank’; (iii) the transfer of the shares of the relevant bank to a ‘bridge bank’; and (iv) public ownership (nationalization) of all or part of the relevant bank or of all or part of the shares of or other securities issued by the relevant bank. Subject to certain exceptions, as soon as any of these proposed proceedings have been initiated by DNB or the Minister of Finance, as applicable, the relevant counterparties of such bank would not be entitled to invoke events of default or set off their claims against the bank. In addition, the Minister of Finance may, after consultation with DNB, take immediate measures which may deviate from statutory provisions or from the articles of association of the institution concerned. The Special Measures Financial Institutions Act has retroactive effect as of 20 January 2012. There is a risk that exercise of powers by DNB or the Minister of Finance under the Special Measures Financial Institutions Act could adversely affect the proper performance by the Issuer of its payment and other obligations and enforcement thereof against the same under the Terms and Conditions.

Dutch banking tax

On 15 December 2011, the Dutch government released a bill to introduce the levy of a banking tax. Pursuant to the proposal, tax will be levied on a taxable amount consisting of the bank’s balance sheet total minus equity and less certain liabilities, provided that a certain threshold in relation to this taxable amount is exceeded. It is intended that the Banking Tax Act, which is currently pending before Dutch parliament, will enter into force mid 2012. BNG qualifies as a potential taxpayer under the proposed Dutch Banking Tax Act. As a result, if the proposed act enters into force, it may create an additional tax burden which will affect BNG’s net profit.

Rules Regarding Prudential Supervision

Solvency supervision

Solvency supervision is currently based on the implementation of Basel II into 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*), banks are in principle required to report their liquidity position on a consolidated level to DNB on a monthly basis. The liquidity regulation seeks to ensure, *inter alia*, that banks are able to meet their payment requirements on an ongoing basis, on the assumption that banks would remain solvent. The regulatory report also takes into consideration the liquidity effects of derivatives and the potential drawings under committed facilities. The liquidity regulation places emphasis on the short-term by testing the liquidity position over a period of up to one month with a separate test of the liquidity position in the first week. For observational purposes, several additional maturity bands are included in the liquidity supervision (*e.g.* one to three months, three to six months, six months to one year and beyond one year). Available liquidity must always exceed required liquidity. Available liquidity and required liquidity are calculated by applying weighting factors to the relevant on- and off- balance sheet items. The liquidity regulation allows DNB to impose additional liquidity requirements on a bank based on periodical ILAAP/SREP reviews.

Liquidity reporting

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

Structural supervision

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

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

BNG and BNG Vermogensbeheer B.V.

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

CAPITALIZATION¹

	As of 31 December		
	2011	2010	2009
	(€millions)		
Share Capital	139	139	139
Share Premium Reserve	6	6	6
Revaluation Reserve	(271)	(62)	49
Cash Flow Hedge Reserve	(282)	–	–
Other Reserves	2,049	1,924	1,787
Net Profit	256	257	278
Currency Translation Account	–	(5)	(6)
Total Equity	1,897	2,259	2,253
Subordinated Loans	93	92	174
Funds Entrusted	10,944	7,677	7,070
Debt Securities ²	100,907	92,321	79,935
Total Capitalization	113,841	102,349	89,432

¹ Based on the Consolidated Balance Sheet of the Issuer.

² Of which as of 31 December 2011, €12,010 million had a maturity of less than one year.

SELECTED FINANCIAL DATA 2011-2007

	2011	2010	2009	2008	2007
	(€millions, except percentages, per share and employee data)				
Total Assets	136,460	118,533	104,496	101,365	92,602
Loans and Advances	90,775	86,851	79,305	75,699	66,037
of which granted to or guaranteed by Public Authorities	81,766	75,247	67,164	64,782	60,219
of which reclassified out of the financial assets available-for-sale item	3,219	3,724	4,226	4,569	–
Equity excluding Unrealised Revaluation	2,450	2,321	2,204	2,008	1,949
of which Unrealised Revaluation	(533)	(62)	49	(29)	104
Equity per share (in Euros) ^{1,2}	44.00	41.68	39.58	36.06	35.00
Equity as a % of Total Assets ^{1,2}	1.8%	2.0%	2.1%	2.0%	2.1%
BIS-Ratio core capital (tier 1) ^{1,3}	20%	20%	19%	18%	18%
BIS-Ratio total capital ^{1,4}	21%	20%	20%	20%	20%
Profit before tax	339	337	350	182	238
Net Profit	256	257	278	158	195
Profit per Share (in Euros)	4.60	4.61	4.98	2.84	3.50
Dividend (in Cash)	64	128	139	79	97
Dividend as a % of Consolidated Net Profit	25%	50%	50%	50%	50%
Dividend per Share (in Euros)	1.15	2.30	2.49	1.42	1.75
Additional Payment	–	–	–	–	500
Additional Payment per Share	–	–	–	–	8.98
Employees (in FTEs) at Year-End ⁵	278	276	277	274	266
– of which Subsidiaries	41	45	58	51	52

¹ In December 2007, an additional payment of €500 million was made to shareholders (€8.98 per share). The payment was charged to the reserves.

² Excluding the revaluation reserve.

³ Core (Tier 1) capital as a percentage of risk-weighted amounts.

⁴ Total capital as a percentage of risk-weighted amounts.

⁵ As of 2010, this includes only those FTEs that affect BNG's staff costs. The comparative figures have been adjusted.

OPERATING AND FINANCIAL REVIEW

The following operating and financial review is based on the information contained in BNG's annual reports of 2009, 2010 and 2011 as well as the accounting records of BNG and is intended to convey management's perspective on the operating performance and financial condition of BNG during the period under review, as measured in accordance with IFRS-EU. This disclosure is intended to assist readers in understanding and interpreting the financial statements of BNG incorporated by reference in this prospectus. The discussion should be read in conjunction with the "Selected Financial Data 2011–2007" and the consolidated financial statements of BNG and the accompanying notes which are incorporated by reference in this Base Prospectus. BNG is required to comply with IFRS-EU, and its accounting policies have been established accordingly.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. BNG'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 "2011", "2010" and "2009" refer to the years ended 31 December 2011, 2010, and 2009, respectively.

Overview

BNG's net profit for 2011 decreased by 0.4% to €256 million compared to €257 million in 2010, which represented a decrease of 7.6% from €278 million in 2009. The decrease in net profit of €1 million in 2011 compared to 2010 was primarily due to total income remaining unchanged (€399 million in 2011 compared to €400 million in 2010) which, in turn, was attributable to a substantial increase in negative value adjustments from result from financial transactions of €89 million in 2011 compared to €37 million in 2010, an increase of €52 million which offset the improvement in interest result (€462 million in 2011 compared to €410 million in 2010). The increase in negative value adjustments was due to the continuing European sovereign debt crisis which adversely affected credit spreads and the fair value of certain investments and structured loans. On the other hand, interest result benefitted from the continuing growth of the long-term lending portfolio, improved returns and the continuing steep interest curve. The decrease in net profit of €21 million in 2010 compared to 2009 was primarily due to the decline in total income (€400 million in 2010 compared to €411 million in 2009) which was attributable to result from financial transactions with negative value adjustments of €37 million (or a decrease of €77 million compared to 2009, when results from financial transactions recorded a positive result of €40 million) due to continued wide credit spreads. This negative impact more than offset a €73 million increase in interest result, attributable to growth in the lending portfolio and steep interest rate curve.

BNG's results remained stable despite the continuation of the European sovereign debt crisis. In general, international money and capital markets were more stable in the first half of 2011 and in 2010 and the average spreads on money borrowed by BNG declined. These trends began to reverse themselves in the second half of 2011 as the European sovereign debt crisis worsened and the EU struggled to agree upon a second rescue package for Greece. Particularly in the latter months of 2011, credit and liquidity spreads on long-term funding increased, similarly to the first half of 2009 when, as a result of the turmoil in the international money and capital markets, BNG was required to pay historically high credit and liquidity spreads on borrowed money. During the height of the financial crisis even BNG had reduced access to capital markets and during this period BNG had to pass the higher spreads on to its clients. Market access for BNG and other European banks was again materially reduced in the second half of 2011. Despite the difficult market conditions which have persisted over the past three years, BNG continued lending to its core clients: local authorities, housing associations and healthcare and educational institutions. This underscored the importance of BNG's role as a lender to local authorities and public sector institutions in all market conditions. Over the three year period under discussion, the credit and liquidity spreads BNG has been required to pay have remained at levels above those which prevailed prior to the financial crisis, although such spreads have moved up and down during this period. Long-term rates were volatile during 2011, particularly in the second half of the year, and as a result, BNG utilized its ECP program during the latter part of 2011 to ensure adequate liquidity at favorable rates.

Long-term lending was €12.3 billion in 2011 compared to €16.3 billion in 2010 and €8.6 billion in 2009. The decrease in volume of long-term lending in 2011 of 25% represented a return to more customary

volume levels following the high levels of 2010. This was mainly due to declines in the social housing sector which had pre-funded due to legislation to become effective on 1 January 2011 in response to changes in State aid which were expected in 2010 to limit guarantees that could be provided on certain loans. The increase in lending of 89.5% in 2010 was due to higher levels of demand from certain important client groups as the economy slowly improved and due to certain one-off factors, in particular the demand from the social housing sector. 2009 reflected lower demand due to a reduced willingness to invest by BNG clients as a result of the continuing uncertain economic developments during that year. Other than the decline in loans to social housing, the demand in 2011 for long-term lending from local governments and the healthcare sector remained practically unchanged from 2010. The overall level of demand for loans in 2011 continued to be impacted by the weak macroeconomic conditions in the Netherlands. The demand for longer-term loans in 2010 increased significantly as long-term rates declined and BNG's lower funding costs fell with lower rates passed on to clients. This contrasted with 2009 when demand for loans with longer maturities dropped considerably as the liquidity spreads for long-term funding increased more dramatically than for short-term loans. In 2011, as a result of modest increases in short-term interest rates, average short-term lending was €5.1 billion compared with the average of short-term lending to clients in 2010 of €5.6 billion and €5.8 billion in 2009. Despite the lower level of demand, reduced repayments of loans in 2011 compared to 2010 led to an increase in the size of the portfolio. As a result of increased demand in 2010, particularly with the shift back to longer-term loans, BNG's overall loan portfolio grew substantially, compared to only modest growth in the overall loan portfolio in 2009.

From BNG's lending and refinancing perspective, the second half of 2009 and 2010 saw a return of confidence in healthy banks and the credit markets. As a result BNG was able to resume funding in the international capital markets. The more stable financial markets together with improved confidence had a favorable effect on the level of the credit and liquidity risk spreads paid by BNG and on the variation in maturity of new issues. These improvements carried over into 2011 but capital markets were largely closed to European financial institutions in the second half of 2011 due to the continuing European sovereign debt crisis. Despite the market volatility, BNG raised long-term funding of €6.4 billion in 2011 compared to €8.2 billion in 2010 and €4.5 billion in 2009. The average maturity of BNG's debt issuance was decreased during 2011 to 6.4 years compared to 6.9 years in 2010, which itself was an improvement from 4.7 years in 2009 when there was a greater reliance on short-term funding. BNG has retained its triple A-ratings throughout the financial crisis.

The initial response by governments and central banks to the financial crisis had positive effects on the net interest income of many financial institutions in 2009 as their borrowing costs dropped and, short-term interest rates for the world's major currencies dropped to historically low levels. BNG's interest result benefited from this low interest environment and reduced volatility in the financial markets led to positive revaluation income, partly because of the reduced risk spreads on the assets in BNG's investment portfolio. Some of these factors reversed in 2010 and 2011 due mainly to the European sovereign debt crisis which resulted in continuing high risk spreads on certain assets in BNG's investment portfolio. In 2011, despite the continuing low interest rate environment, BNG's interest result increased to €462 million compared with €410 million in 2010 and €37 million in 2009. The rise in 2011 was mainly due to the expansion of the long-term lending portfolio and improved returns on the portfolio.

Principal Factors Affecting Results of Operations

General economic conditions

Although the economic consequences of the financial crisis have been considerable, the global economy began to recover during 2010. Emerging market countries in particular contributed to the increasing growth of international trade and primarily due to higher exports, many Western countries began to emerge from recession. However, starting in 2010, a number of financially weaker European countries such as Greece, Ireland, Italy, Portugal and Spain, experienced problems due to rising government deficits, in most cases as a result of the measures required to rescue local banks. This led to bail-outs for Ireland and Greece in 2010 and continued into 2011 with Portugal requiring financial assistance, as well as a number of attempts in the second half of 2011 to develop a second bail-out package for Greece. The uncertainty surrounding the second bail-out package for Greece, the potential risks of contagion associated with a withdrawal of Greece from the euro and concerns regarding the viability and potential for a break-up of the "Eurozone" exacerbated by continued economic weakness, led to ratings downgrades of a number of European countries, including France, while the Netherlands was placed on

credit watch. These factors caused considerable turmoil and volatility on the capital markets which had a net negative impact on certain of BNG's assets valued at fair value.

Just as in other Western countries the economic recovery in the Netherlands has been moderate, so that the loss in production sustained during the financial crisis is still far from being restored. In 2011 GDP in the Netherlands grew by 1.3% supported by a recovery in foreign demand.¹⁵ The export of goods and services remained strong, growing 3.8%, but far less than the 10.8% in 2010.¹⁶ Household spending decreased by 1.1% in 2011 over 2010.¹⁷ At the end of 2011, 5.4% of the working population, or approximately 456,000 persons, were unemployed, which is an increase of 55,000 compared to year-end 2010.¹⁸ Inflation remained subdued but rose in 2011 to 2.3%, compared with 1.3% in 2010 and 1.2% in 2009.¹⁹

In the "Eurozone" as a whole inflation was 2.7% in 2011 compared to 1.6% in 2010.²⁰ The rise in inflation was mainly caused by higher prices for energy and food products. As a result, the ECB decided to lift its official rates in April 2011 for the first time in almost three years from 1% to 1.25%, with a further rate increase of 0.25% in July of 2011. The escalation of the Euro crisis, however, prompted a major shift in monetary policy in the second half of 2011, which included reducing the refinancing rate back to 1.0% in two steps.

In the autumn of 2010, the then new Dutch government presented its policy plans for the next several years. A main target is to restore the Netherlands' public finances. In the period from 2011 to 2015 the government is planning savings of about €15 billion, mainly by reduction of expenses. Due to less favorable economic circumstances, the general government deficit is only expected to decline from 5.1% of GDP in 2010 to 4.6% of GDP in 2013. The deficit was 5.0% of GDP in 2011.²¹ Additional savings are expected to reduce the deficit to 3% of GDP in 2013, the target demanded by the European Commission.

BNG's clients are mainly comprised of national and local authorities or institutions affiliated to such authorities. The cutbacks announced by the new Dutch government will have consequences for many of BNG's clients. Various local authorities have announced cost reductions. The negative developments in ongoing projects of local authorities and housing associations has led to a cautious approach to starting new activities. As a result, the level of new long-term lending in 2011 was lower than it was in 2010 and is expected to show a slight decrease in 2012.

The economic consequences of the global financial crisis and the volatility of the capital markets during the period under discussion impacted BNG in its core activities of funding and lending. Furthermore, BNG believes that economic and market conditions in the Netherlands and Western Europe in general will continue to affect BNG's results of operations. In particular, BNG's ability to generate revenues and expand its business in the future largely depends on the continuing prospect and speed of economic and market recovery within the Netherlands and Western Europe. For more information relating to macro-economic risks to BNG, see "*Risk Factors – BNG'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

The international money and capital markets were volatile during 2011, with the first half of 2011 reflecting reasonably favorable financing conditions, and much more difficult conditions in the second half of 2011. These conditions were in contrast to the more stable markets during 2010 with a gradual narrowing of credit spreads for many credits. Credit spreads remained stable during the first half of 2011 but increased significantly in the second half of 2011 as the European sovereign debt crisis continued and a number of European countries, including France, had their credit ratings downgraded. Although the Netherlands retained its AAA rating, its rating has been placed on "negative outlook" by Standard &

¹⁵ Statistics Netherlands (*Centraal Bureau voor de Statistiek*).

¹⁶ Statistics Netherlands (*Centraal Bureau voor de Statistiek*).

¹⁷ Statistics Netherlands (*Centraal Bureau voor de Statistiek*).

¹⁸ Statistics Netherlands (*Centraal Bureau voor de Statistiek*).

¹⁹ Statistics Netherlands (*Centraal Bureau voor de Statistiek*).

²⁰ Eurostat.

²¹ Central Planning Agency of the Netherlands (March 2012).

Poor's. As a result of the funding conditions, BNG used most of its long-term funding prior to the end of 2011, using short-term borrowings at favorable rates at the end of 2011 to maintain liquidity. BNG also benefitted from the more benign conditions in 2010 and raised more long-term funding on slightly better conditions in 2010 compared to 2009 despite the outbreak of the European debt crisis, with average spreads paid by the bank falling in 2010. When compared to the spreads paid by the Dutch State – which is a key reference point for BNG's clients – BNG's funding position improved slightly in 2010 but was affected by the latter half of 2011 when the ratings actions were taken by the rating agencies. BNG also continued to be able to meet its short-term liquidity requirements, benefiting from attractive borrowing conditions. BNG, as a AAA-bank, over each of the past three years, has been able to fund itself more easily and under more favorable conditions than many other lenders. Because of these developments BNG was able to significantly reduce the spreads on long-term lending to clients beginning in 2009 and throughout 2010. Spreads, however, remain higher than in the years before the crisis and in 2011 BNG had to pass on increased spreads to its customers, though still offering highly competitive rates in comparison with other financial institutions. BNG was one of a few institutions providing long-term lending (in excess of a thirty-year term) in 2011.

Interest rates

Due to the financial crisis central banks globally, including the ECB, cut key interest rates significantly. Interest rates for the Euro Over Night Index Average fell from 4.25% in the third quarter of 2008 to 0.36% in the third quarter of 2009. Rates remained at that level throughout 2010 but increased to 1.50% in July 2011 when the ECB raised interest rates. The escalation of the Euro crisis resulted in the ECB taking additional liquidity easing measures, including the issue in December 2011 and February 2012 of large scale three-year loans to banks as well as reducing the refinancing rate back to 1%.

Fluctuations in short-term and medium- to long-term interest rates impact BNG's interest result differently based upon the repricing profile of its interest-earning assets and interest-bearing liabilities, which is set forth in Note 29, Risk Section – Maturity analysis of financial assets and liabilities on the basis of the remaining contractual period to the 2011 Financial Statements incorporated by reference herein. BNG's repricing profile depends upon the pricing terms applicable to its products (including base interest rates and yield curves), the mix of funding and lending instruments in BNG's portfolio and the extent of BNG's use of interest rate-related derivative contracts. As a general matter, declining short-term interest rates do not affect BNG's interest rate margins significantly, as BNG relies mainly on funding from the capital markets rather than from deposits and current accounts, and BNG's borrowing and lending margins are more closely matched. BNG also uses a variety of derivative products to minimise the risks related to interest rate fluctuations.

Hedging

BNG applies economic hedging in order to minimise foreign exchange risks and keep interest rate risks at desired levels. BNG maintains a system of limits and procedures that are monitored on a daily basis. Foreign exchange and interest rate risks are principally hedged with the aid of derivatives. The treatment of derivatives and hedged items in the balance sheet and income statement is such that they are aligned with the actual economic hedging. BNG processes this hedging relationship under IFRS through micro and portfolio fair value hedging. Micro fair value hedging ("MH") is applied to individual transactions involved in an economic hedge relationship to offset interest rate risks. Micro hedging relates to individual transactions where interest rate risk exposure is concerned, which transactions become involved in an economic hedge relationship. In the case of micro hedging, there is a demonstrable one-to-one relationship between the hedged item and the hedging instrument. With portfolio fair value hedging ("PH"), the interest rate risk of a group of transactions is hedged by means of a group of derivatives. As BNG uses MH and PH to hedge its principal assets (loans and advances and its securities portfolio) as well as its main liabilities (principally borrowings) there can be significant movements in line items although the net effects due to its policy on matching, results in relatively small net movements. Some of the movements in the period under discussion were exacerbated by the financial crisis and the differentials that arose between floating-rate and fixed-rate interest rates.

Results of Operations

The table below sets forth BNG's results of operations for the years ended 31 December 2011, 31 December 2010 and 31 December 2009:

	Year ended 31 December		
	2011	2010	2009
	(€millions)		
Interest income	2,327	1,898	2,628
Interest expenses	<u>1,865</u>	<u>1,488</u>	<u>2,291</u>
Interest result	462	410	337
Income from associates and joint ventures	–	2	2
Commission income	33	35	36
Commission expenses	<u>6</u>	<u>6</u>	<u>6</u>
Commission result	27	29	30
Result financial transactions	(89)	(37)	40
Addition to the incurred loss provision	(1)	(4)	0
Other income	=	<u>0</u>	<u>2</u>
Total income	399	400	411
Staff costs	35	35	35
Other administrative expenses	<u>23</u>	<u>26</u>	<u>24</u>
Staff costs and other administrative expenses	58	61	59
Depreciation	<u>2</u>	<u>2</u>	<u>2</u>
Total expenses	60	63	61
Profit before tax	339	337	350
Movement in Deferred Taxes	–	(1)	–
Taxes	(83)	(79)	(72)
Taxation	<u>(83)</u>	<u>(80)</u>	<u>(72)</u>
Net Profit	<u>256</u>	<u>257</u>	<u>278</u>

Description of key income statement items

Interest result

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

BNG uses PH accounting under IFRS for assets. Hedge instruments are all interest rate swaps. Interest results from derivatives involving PH accounting are included in interest income. These interest rate swaps have a fixed pay component with BNG receiving a floating rate. BNG has a significant portfolio of derivatives and changes in interest rates impact the interest result in part because the entire floating rate

portfolio resets with changes in rates, while the fixed-rate portfolio is less sensitive as only new derivatives will carry the higher or lower rates depending on the direction of rates at any point in time.

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

Commission result

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

Result financial transactions

Result financial transactions relates to realised and unrealised results from fair value movements of financial instruments that are measured at fair value with movement through the income statement. These movements are almost entirely offset by the market value movements of derivatives entered into as hedges for these transactions. This item also includes the results due to the sale of available-for-sale transactions.

Administrative expenses

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

Results of Operations for 2011 compared to 2010

Interest result

Interest result increased from €10 million in 2010 to €62 million in 2011, an increase of €52 million, or 12.7%. The increase was primarily due to:

- a net increase in the long-term lending portfolio as lower repayments of loans in 2011 offset the decline in new long-term lending in 2011 compared to 2010; and
- continuing improved returns on the lending portfolio as BNG continued to benefit from improved interest margins that accrued to BNG due to the continuing steep interest curve.

Interest income increased from €1,898 million in 2010 to €2,327 million in 2011, an increase of €429 million, or 22.6%. The increase was primarily the result of the growth of the long-term lending portfolio and the improved return on the portfolio as a whole.

BNG uses portfolio hedge accounting to hedge its interest rate exposure using interest rate swaps. With these interest rate swaps BNG pays the fixed rate and receives the floating rate. In 2011 the fixed (longer) rates declined and the floating (short) rates rose. This positive change meant that the amounts received on derivatives involved in a portfolio hedge accounting relationship increased, although the result was still negative because the payable fixed rates remained higher than the receivable floating rates. The interest income on financial assets at amortised cost rose in 2011 because of a net increase in the long-term lending portfolio and improved returns on the portfolio as a whole.

Interest income on financial assets involved in a fair value hedge accounting relationship was €3,219 million in 2011 compared to €3,154 million in 2010, or an increase of €65 million. This increase was mainly the result of the growth in the portfolio in 2011. Financial assets at amortised cost increased by €126 million in 2011 compared to 2010 primarily due to the growth in the lending portfolio.

The table below sets forth interest income for the years 2011 and 2010.

	Year ended 31 December	
	2011	2010
	(€millions)	
Financial assets at fair value through the income statement	70	68
Derivatives not involved in a hedge accounting relationship	58	86
Derivatives involved in a portfolio fair value hedge accounting relationship	(1,511)	(1,757)
Financial assets available-for-sale not involved in a hedge accounting relationship	39	37
Financial assets involved in a fair value hedge accounting relationship	3,219	3,154
Financial assets at amortised cost	402	276
Other interest income	50	34
Total interest income	2,327	1,898

Total interest expenses increased from €1,488 million in 2010 to €1,865 million in 2011, an increase of €377 million, or 25.3%. This increase was mainly due to the impact of the net interest income of derivatives involved in a micro fair value hedge accounting relationship which decreased by €362 million in 2011 compared to 2010.

BNG uses micro fair value hedge accounting to hedge its interest rate risk mainly on its liabilities, principally borrowings, using interest rate swaps and cross currency interest rate swaps. Interest expenses (amounts received) on derivatives involved in a micro fair value hedge accounting relationship declined by €362 million, because of the maturation of swaps with high coupons. BNG pays the floating rate and receives the fixed rate. In 2011 the fixed (longer) rates declined and the floating (short) rates rose. Although payments received by BNG remained positive, the net amount received declined because the receivable fixed coupons decreased and the payable floating rates increased.

An increase in interest expenses on financial liabilities involved in a micro fair value hedge accounting relationship of €79 million in 2011 compared to 2010, was due to an increase in the size of the portfolio and higher costs owing to increased liquidity spreads, offset in part by the decline in interest rates BNG pays on its fixed-rate borrowings as well as decreased costs due to shorter-term maturities of the portfolio as a whole. The decrease in financial liabilities at amortised cost of €86 million was due to decreased costs as a result of shorter-term funding available on more favorable pricing terms.

The table below sets forth interest expenses for the years 2011 and 2010.

	Year ended 31 December	
	2011	2010
	(€millions)	
Derivatives not involved in a hedge accounting relationship	122	115
Derivatives involved in a micro fair value hedge accounting relationship	(1,466)	(1,828)
Financial liabilities involved in a micro fair value hedge accounting relationship	2,584	2,505
Financial liabilities at amortised cost	601	687
Other interest expenses	24	9
Total interest expenses	1,865	1,488

Commission result

Commission result was €27 million in 2011 and €29 million in 2010. Commission result declined by €2 million as income from loans and credit facilities declined by €2 million, which, in turn, reflected reduced levels of loans made in 2011 compared to 2010.

Commission income was €33 million in 2011 compared to €35 million in 2010. Commission income from the lending business decreased by €2 million (€16 million in 2011 compared to €18 million in 2010). Other commission income was unchanged between 2011 and 2010.

Commission expense was €6 million in 2010 and 2011.

Result financial transactions

The table below sets out the fair value movements of various financial transactions recorded on the income statement as financial transactions for 2011 and 2010.

	Year ended 31 December	
	2011	2010
	(€millions)	
Result from hedge accounting		
Financial assets involved in a fair value hedge accounting relationship	5,123	723
Financial liabilities involved in a micro fair value hedge accounting relationship	(2,169)	(359)
Derivatives involved in a hedge accounting relationship	(2,943)	(372)
	11	(8)
Financial assets at fair value through the income statement		
Market value adjustment as a result of changes in credit and liquidity spreads		
– of which investments	(66)	(31)
– of which structured loans	(48)	(14)
	(114)	(45)
Other market value adjustments ¹	2	4
Results from sales of financial assets available-for-sale not involved in a hedge accounting relationship	12	12
	(89)	(37)

¹ In 2010, BNG changed its presentation, netting out “other market value adjustments” with “derivatives not involved in a hedge accounting relationship”.

Results financial transactions was a net loss of €89 million in 2011 compared to a net loss of €37 million in 2010, an increase of €52 million. This result was due mainly to the net negative unrealised revaluation of interest-bearing securities and structured loans for which the changes in value were recognized in the income statement. As the European sovereign debt crisis worsened in the last couple of months of 2011, credit and liquidity spreads increased significantly resulting in the negative unrealised revaluations. Despite the continuing pressure on the value of these assets, no impairment was deemed necessary in 2011.

The result from hedge accounting was a net gain of €11 million in 2011 compared to a net loss of €8 million in 2010. The bulk of the interest rate risk to which the bank is exposed in relation to its financial

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

The change from period to period in financial assets at fair value through the income statement was primarily the result of the continuing European sovereign debt crisis as described above. As a result, market value adjustments went from a negative €5 million adjustment in 2010 to a negative €14 million adjustment in 2011. The other market value adjustments consist of financial assets not involved in a hedge accounting relationship (2011: gains of €91 million) and were largely offset by derivatives not involved in a hedge accounting (2011: losses of €189 million). 2011 and 2010 both also benefited from €2 million of gains from the sale of financial assets available-for-sale and not involved in a hedge accounting relationship.

Other results

Other results produced no income in 2011 or in 2010. 2011 recorded a foreign exchange gain of € million in 2011 compared to a loss of € million in 2010. Other income included € million and € million of income from consultancy services in each of 2011 and 2010. Impairments of € million and € million relating to associates were recognised in each of 2011 and 2010, respectively. The higher levels in 2011 related to a decision by BNG to impair equity participations on several participations whose prospects were greatly impacted by the ongoing economic crisis.

Staff costs and other administrative expenses

Staff costs and other administrative expenses were €8 million in 2011 compared to €6 million in 2010.

The € million decrease was primarily due to staff costs being flat year on year (€5 million in 2011 and 2010) as salary increases slowed and there was slower growth in the workforce while administrative expenses declined due to a delay in a large project and lower information technology, temporary employment and consultancy costs.

The table below sets out staff costs for 2011 and 2010.

	Year ended 31 December	
	2011	2010
	(€millions)	
Wages and salaries	23	23
Pension costs	4	4
Social security costs	2	2
Addition to provisions	0	0
Other staff costs	6	6
	<u>35</u>	<u>35</u>

Staff costs were €5 million in 2010 and 2011. There was little change in the overall components of staff costs in each of 2011 and 2010.

Other administrative expenses decreased from €6 million in 2010 to €3 million in 2011, a decrease of € million, or 11.5%.

Profit before tax

Profit before tax increased from €337 million in 2010 to €339 million in 2011, an increase of € million. The increase was due to the factors described above. BNG's cost to income ratio decreased from 16% in 2010 to 15% in 2011.

Taxation

Tax increased from €80 million in 2010 to €83 million in 2011, an increase of €3 million, or 3.8%. The increase was primarily the result of a one-time positive effect due to a switch by BNG in 2010 to using IFRS valuations for financial instruments in determining tax returns retrospectively to 2005. In 2011, the tax paid was in line with the nominal tax rate of 25%.

Net profit

As a result of the foregoing, net profit decreased from €257 million in 2010 to €256 million in 2011, a decrease of €1 million, or 0.4%.

Results of Operations for 2010 compared to 2009

Interest result

Interest result increased from €337 million in 2009 to €410 million in 2010, an increase of €73 million, or 21.7%. The increase was primarily due to:

- higher volumes of lending in 2010 compared to 2009, resulting in a net increase in the long-term lending portfolio;
- improved returns on the lending portfolio as BNG continued to benefit from improved interest margins that accrued to BNG due to a steeper interest curve;
- relatively stable long-term rates during 2010 compared to 2009; and
- a downward trend in credit and liquidity risk spreads.

Interest result also benefited from the early repayment of loans by certain clients which increased interest result by €15 million in 2010 compared to 2009. BNG received additional income of €5 million in 2010 in connection with interest on corporate tax returns as a result of overpayment of taxes for the years 2005-2008.

Interest income and interest expenses both declined in 2010 because of lower overall interest rates on floating rate assets and liabilities compared to 2009. In applying hedge accounting, the result is that BNG pays floating rates for funding and receives floating rates for assets.

Interest income decreased from €2,628 million in 2009 to €1,898 million in 2010, a decrease of €730 million, or 28%. The decrease was primarily the result of the continuing low interest rate environment in 2010 and BNG's use of derivatives to hedge its interest rate exposures. In 2010, the difference between the fixed rate paid and the floating rate received increased further when compared to 2009. The fixed rate (payable in the PH swaps) declined further than the floating rate (received in the PH swaps) as the increase in short-term rates was less than the decline in long-term rates. This difference in rates resulted in a negative interest income on the swaps involving PH of €1,757 million in 2010 compared to €1,096 million in 2009.

Interest income on financial assets involved in a fair value hedge accounting relationship were stable in 2010 compared to 2009 (an increase of €3 million), despite higher levels of interest earning assets offset by lower fixed rates received on such assets, while financial assets at amortised cost declined in 2010 compared to 2009 (by €69 million) due to a decline in interest rates for floating rate assets.

The table below sets forth interest income for the years 2010 and 2009.

	Year ended 31 December	
	2010	2009
	(€millions)	
Financial assets at fair value through the income statement	68	69
Derivatives not involved in a hedge accounting relationship	86	116
Derivatives involved in a portfolio fair value hedge accounting relationship	(1,757)	(1,096)
Financial assets available-for-sale not involved in a hedge accounting relationship	37	41
Financial assets involved in a fair value hedge accounting relationship	3,154	3,141
Financial assets at amortised cost	276	345
Other interest income	34	12
Total interest income	1,898	2,628

Interest expenses decreased from €2,291 million in 2009 to €1,488 million in 2010, a decrease of €803 million, or 35.1%. The decrease in interest expenses was attributable to the low interest rate environment as well as the impact of BNG's use of derivatives to hedge its interest rate exposure on the liability side. As noted above, in each of 2009 and 2010 the difference between the floating rate paid and fixed rate received increased, with a larger increase in 2010. This interest rate differential reduced interest expenses by €1,828 million in 2010 compared to €981 million in 2009. Interest expenses on financial liabilities involved in a micro fair value hedge accounting relationship increased by €276 million in 2010 compared to 2009 while financial liabilities at amortised cost declined by €223 million due to the sharp decline in interest rates BNG paid on its floating-rate borrowings despite higher levels of liabilities.

The table below sets forth interest expenses for the years 2010 and 2009.

	Year ended 31 December	
	2010	2009
	(€millions)	
Derivatives not involved in a hedge accounting relationship	115	115
Derivatives involved in a micro fair value hedge accounting relationship	(1,828)	(981)
Financial liabilities involved in a micro fair value hedge accounting relationship	2,505	2,229
Financial liabilities at amortised cost	687	910
Other interest expenses	9	18
Total interest expenses	1,488	2,291

Commission result

Commission result was €9 million in 2010 and €30 million in 2009. Commission result was unchanged as both commission income and commission expenses were stable.

Commission income was €35 million in 2010 compared to €36 million in 2009. Commission income from the lending business was down €2 million (€27 million in 2010 compared to €29 million in 2009) and project financing and commission income from BNG's subsidiary BNG Vermogensbeheer increased to €8 million in 2010 from €7 million in 2009.

Commission expense was €6 million in 2009 and in 2010, The Commission expense was the same in 2010 as in 2009 despite higher levels of lending.

Result financial transactions

The table below sets out the fair value movements of various financial transactions recorded on the income statement as financial transactions for 2010 and 2009.

	Year ended 31 December	
	2010	2009
	(€millions)	
Result from hedge accounting		
Financial assets involved in a fair value hedge accounting relationship	723	(407)
Financial liabilities involved in a micro fair value hedge accounting relationship	(359)	826
Derivatives involved in a hedge accounting relationship	(372)	(412)
	<u>(8)</u>	<u>7</u>
Financial assets at fair value through the income statement		
Market value adjustment as a result of changes in credit and liquidity spreads		
– of which investments	(31)	26
– of which structured loans	(14)	(22)
	<u>(45)</u>	<u>4</u>
Other market value adjustments ¹	4	29
Results from sales of financial assets available-for-sale not involved in a hedge accounting relationship	12	
	<u>(37)</u>	<u>40</u>

¹ In 2010, BNG changed its presentation, netting out “other market value adjustments” with “derivatives not involved in a hedge accounting relationship”.

Results financial transactions was a net loss of €37 million in 2010 compared to a net gain of €40 million in 2009, a decrease of €77 million. This result was due mainly to the net negative unrealised revaluation of interest-bearing securities and structured loans for which the changes in value were recognised in the income statement. On balance the credit and liquidity spreads on interest-bearing securities increased, mainly due to the financial problems of several European countries, resulting in the negative valuations. The credit quality of this interest-bearing securities portfolio continues to be excellent and future cash flows are not in doubt. The spreads of several structured loans, initiated by BNG itself, also rose slightly with a comparable impact. The result financial transactions was also negatively influenced by the unrealised market value changes of transactions involved in a hedge accounting relationship, due to the rising short-term interest rates in 2010 compared with 2009.

The result from hedge accounting was a net loss of €8 million in 2010 compared to a net gain of €7 million in 2009. As stated above, the bulk of the interest rate risk to which the bank is exposed in relation to its financial assets or liabilities is customarily hedged through the use of financial instruments and in market value terms, value movements resulting from interest rate fluctuations are offset through the use of derivatives, although there may be significant movements in the individual assets, liabilities and derivatives from year to year. In contrast to prior years, the result financial transactions was also negatively influenced by the unrealised market value changes of transactions involved in hedge

accounting, due to the higher short-term interest rates in 2010. However, BNG's hedge accounting continued to be effective as the positive and negative results from hedge accounting generally cancel each other out over the longer term.

The change from period to period in financial assets at fair value through the income statement was primarily the result of negative revaluations of interest-bearing securities as the continuing turmoil in the financial markets in 2010 resulted in higher credit spreads as noted above. As a result, market value adjustments went from a positive €4 million adjustment in 2009 to a negative €45 million adjustment in 2010. The other market value adjustments consists of financial assets not involved in a hedge accounting relationship (2010: €3 million) and were largely offset by derivatives not involved in a hedge accounting (2010: negative €49 million). In addition, 2010 also benefited from €12 million of gains from the sale of financial assets available-for-sale and not involved in a hedge accounting relationship.

Other income

Other income decreased from €2 million in 2009 to €0 in 2010. The decline to a net of €0 in 2010 was primarily due to a foreign exchange loss of €2 million in 2010 compared to €0 in 2009. Other income included €5 million and €6 million of income from consultancy services in each of 2010 and 2009. Impairments of €3 million relating to associates were recognised in each of 2010 and 2009.

Staff costs and other administrative expenses

Staff costs and other administrative expenses were €61 million in 2010 compared to €59 million in 2009.

The €2 million increase was primarily due to higher costs of hiring and consultancy expenses in the second half of 2010.

The table below sets out staff costs for 2010 and 2009.

	Year ended 31 December	
	2010	2009
	(€millions)	
Wages and salaries	23	22
Pension costs	4	5
Social security costs	2	2
Addition to provisions	0	1
Other staff costs	6	5
	35	35

Staff costs were €35 million in 2009 and in 2010. There was little change in the overall components of staff costs in each of 2010 and 2009.

Other administrative expenses increased from €4 million in 2009 to €6 million in 2010, a increase of €2 million, or 8.3%. The increase was primarily the result of additional hiring and consultancy expenses in the second half of 2010.

Profit before tax

Profit before tax decreased from €350 million in 2009 to €337 million in 2010, a decrease of €13 million, or 3.7%. The decrease was the result of the decrease in total income (€400 million in 2010 compared to €411 million in 2009) due to the decrease in result financial transaction together with the €2 million increase in total expenses in 2010. BNG's cost to income ratio increased from 15% in 2009 to 16% in 2010.

Taxation

Tax increased from €72 million in 2009 to €80 million in 2010, an increase of €8 million, or 11.1%. The increase was primarily the result of the ending of deductions of €16 million in unrealised losses from the fiscal result in the years up to and including 2009 in 2010. 2009 benefited from a €17 million tax credit relating to income from assets acquired prior to 2006, when BNG was recategorised by the government as a taxable entity. The tax credits were claimable for a five-year period which ended in 2009. 2010 benefited from a €6 million tax credit relating to prior year adjustments.

Net profit

As a result of the foregoing, net profit decreased from €278 million in 2009 to €257 million in 2010, a decrease of €21 million, or 7.6%.

Selected Balance Sheet Items for 2011, 2010 and 2009

The table below summarises selected balance sheet items of BNG as of 31 December 2011, 31 December 2010 and 31 December 2009:

	As of 31 December		
	2011	2010	2009
	(€millions)		
Assets			
Cash and balances with the central bank	5,149	1,073	655
Banks	8,448	7,382	7,683
Loans and advances	90,775	86,851	79,305
Financial assets available-for-sale	6,919	6,412	5,531
Other financial assets	21,519	13,457	8,002
Total Assets	136,460	118,533	104,496
Liabilities			
Banks	7,469	6,037	5,615
Funds entrusted	10,944	7,677	7,070
Debt securities	100,907	92,321	79,935
Other financial liabilities	14,367	9,320	8,854
Total liabilities	134,563	116,274	102,243

Assets

In 2011, BNG's total assets increased by €8 billion to €36.5 billion compared to €18.5 billion in 2010 and €104.5 billion in 2009. The increase in 2011 was mainly due to the continuing growth of the loan portfolio as well as the accounting impact on other financial assets resulting from continuing low interest rates and the depreciation of the Euro against the dollar. Other financial assets increased from €3.5 billion in 2010 to €21.5 billion in 2011.

Cash and balances with the Central Bank, banks and loans and advances

Cash and balances with the Central Bank comprises all legal tender as well as cash balances and deposits held with the Dutch Central Bank and the ECB. The Banks and loans and advances items comprises all

receivables from banks and the extended loans and advances insofar as measured at amortised cost, as well as interest-bearing securities insofar as they are not traded on an active market.

2011 compared to 2010

Cash and balances with the Central Bank increased by €4.1 billion to €5.1 billion in 2011 from €1.0 billion in 2010 as a result of BNG's clients placing their excess liquidity with BNG (Funds entrusted increased by €3.3 billion to €10.9 billion in 2011 and debt to Banks increased by €1.4 billion to €7.5 billion in 2011). In addition, BNG obtained additional liquidity through use of its ECP programme at the end of 2011. As a result of this excess liquidity and the increasing difficulty in finding suitable counterparties with which to deposit funds for short periods, BNG has increasingly been using the ECB to temporarily deposit excess liquidity.

Banks increased by €1.1 billion, to €8.5 billion in 2011 compared with €7.4 billion in 2010. This was primarily due to increased levels of cash collateral held by BNG in connection with swap arrangements offset in part by a decline in short-term loans to banks.

Loans and advances increased by €3.9 billion to €9.8 billion in 2011 compared with €6.9 billion in 2010. This increase was mainly due to the increase in the long-term lending portfolio. A factor which contributed to that increase is that BNG was one of a select few institutions providing long-term lending (in excess of a thirty-year term) in 2011.

Long-term lending to client groups increased in 2011 by €6.2 billion to €8.2 billion. This rise was largely due to approximately €2.7 billion in lending to both the local government and housing sectors. Despite the lower level of demand, reduced repayments of loans in 2011 compared to 2010 led to an increase in the size of the portfolio. The healthcare portfolio showed relatively stable growth with an increase of €0.6 billion. The other sectors showed a slight increase or remained practically unchanged. Lending subject to solvency requirements, which is common with regard to public-private partnerships, increased by €0.7 billion. Since the economic and financial crisis, this form of lending has been relatively expensive as a result of the necessarily higher risk spreads. The demand for lending subject to solvency requirements has also been under pressure, due to the postponement or even cancellation of investment plans as a result of the worsening economic outlook.

Despite continuing low short-term interest rates, short-term lending to clients decreased to €5.1 billion in 2011 compared with €5.6 billion in 2010, due to lower (albeit fluctuating) long-term interest rates in 2011 and a slight increase in short-term interest rates compared to 2010.

2010 compared to 2009

Banks decreased by €0.3 billion, to €7.4 billion in 2010 compared with €7.7 billion in 2009. This was primarily due to the maturing of loans made to Bouwfonds Nederlandse Gemeenten, a bank previously owned by Dutch municipalities, which was split in several parts and is now owned by other Dutch Banks. As a result, it was no longer eligible as a client for BNG and BNG is winding down this portfolio.

Loans and advances increased by €7.6 billion to €6.9 billion in 2010 compared with €9.3 billion in 2009. This increase was mainly due to new long-term lending during 2010 resulting from increased demand, particularly from the housing sector as this segment moved to take advantage of historically low interest rates and to complete borrowings ahead of regulatory changes. Because of the historically high credit and liquidity risk spreads in the first half of 2009, the demand for long-term lending in almost all sectors generally lagged behind in 2009 compared with previous years. After the recovery and reduced liquidity spreads in the summer months of 2009, the demand recovered to more usual levels in the latter part of 2009. This demand carried on through 2010 and BNG's market shares increased over the level of previous years.

Long-term lending to client groups increased in 2010 by €5.4 billion to €7.1 billion. In addition to growth of €3 billion in the housing sector, lending to local authorities and healthcare institutions also grew by €2 billion and €0.3 billion, respectively. As described above, due to increasing costs associated with higher credit spreads, lending subject to solvency requirements, did not grow as fast as lending not subject to solvency requirements, but nonetheless increased by €1.4 billion. As a result of the decline in credit spreads in the long-term segment the weighted average maturity of long-term loans to clients increased in 2010.

Despite continuing low short-term interest rates, short-term lending to clients decreased to €5.6 billion in 2010 compared with €5.8 billion in 2009, due to lower long-term interest rates in 2010.

Financial assets available-for-sale

Financial assets available-for-sale includes fixed and variable rate bonds and other interest-bearing securities issued by public authorities and others (insofar as these are not included in the financial assets at fair value through the income statement).

2011 compared to 2010

Financial assets available-for-sale increased by €0.5 billion to €6.9 billion in 2011 compared to €6.4 billion in 2010 primarily as a result of new investments aimed at building an enhanced liquidity portfolio.

2010 compared to 2009

Financial assets available-for-sale increased by €0.9 billion to €6.4 billion in 2010 compared to €5.5 billion in 2009 primarily as a result of the decline in long-term interest rates, which increased the value of certain assets on the balance sheet, as well as the purchase of short-term interest-bearing securities.

Other financial assets

Other financial assets includes the fair value of derivatives involved in a hedge accounting relationship and the value adjustments concerning the effective part of the market value adjustment due to interest rate risks of assets hedged at portfolio level.

2011 compared to 2010

Other financial assets increased by €8 billion to €21.5 billion in 2010 compared to €13.5 billion in 2010 primarily as a result of the depreciation of the Euro against the U.S. dollar and British pound and the decline in long-term interest rates. Other financial assets consists mainly of derivatives involved in a micro fair value hedge accounting relationship.

2010 compared to 2009

Other financial assets increased by €5.5 billion to €13.5 billion in 2010 compared to €8.0 billion in 2009 primarily as a result of the fair value of derivatives involved in a hedge accounting relationship being positively influenced by the decrease in fixed interest rates and gains in derivatives involving MH due to the change in the exchange rate of the Euro against the funding currencies in 2010, mainly because of the increase of the exchange rate of the U.S. dollar and British pound against the Euro.

Liabilities

In 2011 total liabilities increased by €18.3 billion to €34.6 billion compared to €16.3 billion in 2010 and €02.2 billion in 2009. The increase was largely due to market conditions. The continuing Euro sovereign debt crisis resulted in a flight to quality on the part of many of BNG's clients who placed their excess liquidity with BNG. In addition, the accounting effect of fair value changes caused by a decline in fixed rates and increased spreads lead to increases in the debt securities and other financial liabilities items.

Banks

2011 compared to 2010

Debts to Banks increased by €1.5 billion to €7.5 billion in 2011 compared with €6.0 billion in 2010. The increase was primarily due to BNG's clients depositing their excess liquidity with BNG as a result of continuing confidence in BNG as a safe bank to trust with funds.

2010 compared to 2009

Debts to Banks increased by €0.4 billion to €6.0 billion in 2010 compared with €5.6 billion in 2009. The increase was primarily due to cash collateral received from collateral obligations related to derivative contracts.

Funds entrusted

2011 compared to 2010

The Funds entrusted item increased by €3.2 billion to €10.9 billion in 2011 compared with €7.7 billion in 2010 as a result of BNG's clients depositing additional funds with BNG in the flight to quality experienced, particularly in the latter months of 2011.

2010 compared to 2009

The Funds entrusted item increased by €0.6 billion to €7.7 billion in 2010 compared with €7.1 billion in 2009. This increase was primarily due to continuing confidence in BNG as a safe bank to trust with funds.

Debt securities

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

2011 compared to 2010

Debt securities increased by €8.6 billion to €100.9 billion in 2011 compared with €92.3 billion in 2010. Debenture loans and Euro notes increased to €88.9 billion in 2011 from €81.7 billion in 2010. This increase was primarily due to the depreciation of the Euro against the U.S. dollar and British pound and the decline in long-term interest rates. European commercial paper increased to €12 billion in 2011 compared to €10.6 billion in 2010. The increase was due to an increased use of BNG's ECP programme at the end of 2011 to raise short-term funding at favourable pricing as a precaution against the further narrowing of liquidity in the capital markets. BNG uses its commercial paper program to fund a portion of its long-term lending to take advantage of low short-term rates.

2010 compared to 2009

Debt securities increased by €12.4 billion to €92.3 billion in 2010 compared with €79.9 billion in 2009. Debenture loans and Euro notes increased to €81.7 billion in 2010 from €70.5 billion in 2009. This increase was primarily due to growth in the long-term lending portfolio as well as the drop in long-term interest rates during 2010, and the effect of the weakness of the Euro against certain funding currencies, particularly the U.S. dollar and the British pound, in each case, increasing the value of certain of our debt securities. European commercial paper increased to €10.6 billion in 2010 compared to €9.4 billion in 2009. The increase was due to an increase in the demand for short-term lending at the end of 2010.

Other financial liabilities

2011 compared to 2010

Other financial liabilities includes the fair value of derivatives involved in a hedge accounting relationship. Other financial liabilities increased by €5.1 billion to €14.4 billion in 2011 compared to €9.3 billion in 2010 primarily as a result of the depreciation of the Euro against the U.S. dollar and British pound and the decline in long-term interest rates.

2010 compared to 2009

Other financial liabilities includes the fair value of derivatives involved in a hedge accounting relationship. Other financial liabilities increased by €0.4 billion to €9.3 billion in 2010 compared to 8.9 billion in 2009 primarily as a result of lower long-term interest rates.

Information on Financial Assets

The table below provides information on banks and loans and advances as at 31 December 2011, 2010 and 2009.

	As at 31 December		
	2011	2010	2009
	(€millions)		
Banks	8,448	7,382	7,683
Loans and advances	90,775	86,851	79,305
	<u>99,223</u>	<u>94,233</u>	<u>86,988</u>
Of which an incurred loss provision is included in the <i>loans and advances</i> item	32	31	27
	<u>99,255</u>	<u>94,264</u>	<u>87,015</u>

The analysis of banks and loans and advances by remaining contractual term to maturity is as follows:

Up to three months	13,324	13,615	11,334
Longer than three months but not longer than one year	12,071	9,566	9,170
Longer than one year but not longer than five years	40,447	39,602	37,165
Longer than five years	33,381	31,450	29,346
	<u>99,223</u>	<u>94,233</u>	<u>87,015</u>

The Movement in the incurred loss provision

Opening balance	31	27	30
Additions during the financial year	1	4	–
Withdrawals during the financial year	–	–	(3)
Closing balance	<u>32</u>	<u>31</u>	<u>27</u>

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

	As at 31 December		
	2011	2010	2009
	(€millions)		
	Balance sheet value	Balance sheet value	Balance sheet value
Banks and loans and advances	99,223	94,233	86,988
Financial assets at fair value through the income statement	3,322	3,052	2,983
Financial assets available-for-sale	6,919	6,412	5,531
Other financial assets	21,519	13,457	8,002
	<u>130,983</u>	<u>117,154</u>	<u>103,504</u>

	As at 31 December		
	2011	2010	2009
Of which derivatives and market value adjustments hedge accounting	(22,609)	(14,317)	(8,830)
	(108,374)	102,837	94,674

	As at 31 December					
	2011		2010		2009	
	Balance sheet value	Of which not solvency free	Balance sheet value	Of which not solvency free	Balance sheet value	Of which not solvency free
	(€millions)					
Public sector	33,128	682	33,378	677	27,799	588
Housing	42,920	1,195	40,085	1,222	37,382	1,393
Energy, Water and Telecom	2,083	2,033	2,074	2,017	2,188	2,058
Healthcare	7,747	2,292	7,325	1,919	6,545	1,412
Transport, Logistics and the Environment	1,914	948	1,801	829	1,681	854
Education	1,144	1,002	1,146	965	963	778
Credit institutions	8,978	4,947	6,616	5,293	7,976	4,404
Other financial institutions	7,683	6,016	8,073	6,426	7,908	6,653
Miscellaneous	2,777	1,644	2,339	1,628	2,232	1,467
	108,374	20,759	102,837	20,976	94,674	19,607

Interest-bearing securities portfolio

The table below includes the assets on the basis of outstanding principal amounts and classified by type. The assets originate from the balance sheet items: banks, loans and advances, financial assets available-for-sale and financial assets at fair value through the income statement.

	<u>As at 31 December</u>	
	<u>2011</u>	<u>2010</u>
	(€millions)	
Domestic		
Government bonds	425	733
IBS with government guarantee	91	273
IBS with National Mortgage Guarantee	1,542	1,693
Covered Bonds	435	190
Building society	937	1,198
Medium Term Notes	140	174
ABS/MBS	811	1,141
Miscellaneous	443	510
	<hr/> 4,824	<hr/> 5,912
Foreign		
Government bonds	2,424	2,210
Supranational institutions	425	0
IBS with government guarantee	1,497	959
Covered Bonds	1,425	1,404
Medium Term Notes	140	138
ABS/MBS	1,859	1,891
Miscellaneous	881	850
	<hr/> 8,651	<hr/> 7,452
Total	<hr/> 13,475	<hr/> 13,364

At 31 December 2011 over 95% of the securities portfolio had ratings of A or better (over 97% in 2010) with over 50% of the securities portfolio carrying ratings of AAA (over 58% in 2010) and 24% carrying ratings of AA (31% in 2010).

At the end of 2011 the exposure related to the financially weaker EU countries was as follows:

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>Total</u>
Ireland							
ABS/MBS		254	80	46			380
Italy							
Government bonds			838				838
ABS/MBS	147	39	11	69			266
Loans and Advances							
IBS with government guarantee			28	32			60
	147	39	877	101			1,164
Portugal							
ABS/MBS			78				78
Loans and Advances					124	60	184
Covered bonds				25			25
IBS with government guarantee					137		137
			78	25	261	60	424
Spain							
Government Bonds		50					50
ABS/MBS	259	372	233		24	39	927
Loans and Advances		56	50		9		115
Covered bonds	192	688	324				1,204
IBS with government guarantee	34	12	46				92
Miscellaneous				80			80
	485	1,178	653	80	33	39	2,468
Total exposure	632	1,471	1,688	252	294	99	4,436

Liquidity and Capital Resources

Cash flow analysis for BNG for 2011, 2010 and 2009

The following table sets out selected cash flow information for 2011, 2010 and 2009.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(€millions)		
Total cash flow from operating activities	1,300	(2,942)	1,997
Total cash flow from investing activities	832	60	482
Total cash flow from financing activities	1,815	3,392	(2,141)
Net movement in cash and cash equivalents	3,947	510	338

Cash flow from operating activities

BNG's total cash flow from operating activities was a cash inflow of €1,300 million in 2011 compared with a cash outflow of €2,942 million in 2010 and a cash inflow of €1,997 million in 2009. The change in 2011 was primarily due to reduced net cash outflows as a result of decreases in loans and advances (€1,333 million in 2011 compared with €5,042 million in 2010) due to decreased demand and increased levels of inflows from changes in funds entrusted. The overall effect of these movements was offset in part by movement in derivatives caused largely by the depreciation of the Euro against the U.S. dollar,

which resulted in a cash outflow of €22 million in 2011 compared to a cash inflow of €884 million in 2010. The change in 2010 was primarily due to net cash outflows from increases in loans and advances (€5,042 million in 2010 compared to €45 million in 2009) due to increased demand and reduced levels of cash inflows from movement in banks (€1,239 million in 2010 compared to €3,943 million in 2009) and funds entrusted. The overall effect of these movements was offset in part by movement in derivatives which contributed a cash inflow of €884 million in 2010 compared to a cash outflow of €1,489 million in 2009.

Cash flow from investing activities

Cash flows from investing activities were inflows of €32 million in 2011, €60 million in 2010 and €482 million in 2009. The cash inflows in 2011, 2010 and 2009 were principally related to the acquisitions and disposals, repayments and redemptions of financial assets at fair value through the income statement and financial assets available-for-sale as compared to the cash inflows for investments and acquisitions and financial assets at fair value through the income statement and financial assets available-for-sale. These results were largely due to the increased activity during the period of depressed market prices for financial assets in 2011, 2010 and 2009.

Cash flow from financing activities

Cash flows from financing activities were inflows of €1,815 million in 2011, inflows of €3,392 million in 2010 and outflows of €2,141 million in 2009. Net borrowings in 2011 reflected cash inflows of €1,947 million (borrowings exceeding repayments of debt securities). Net borrowings in 2010 reflected cash inflows of €3,614 million. Net borrowings in 2009 reflected cash outflows (repayments of debt securities in excess of borrowings) of €2,062 million. BNG paid dividends of €128 million, €139 million and €79 million in 2011, 2010 and 2009 respectively.

External sources of funding, financing and indebtedness

The bank's long-term funding is almost entirely carried out through the issuance of bonds under this standardised Programme with €90 billion (or the equivalent in other currencies) available to be issued under the Programme. At 31 December 2011, the equivalent of €84.3 billion had been issued under this program. BNG's funding policy is designed to provide it flexibility to respond to investor demand. This approach seeks to strengthen relations with investors and enable the bank to attract funding on competitive terms. BNG raises loans in several currencies, with the terms and conditions tailored to the needs of both institutional and private investors. In addition to the Debt Issuance Program, BNG has a Kangaroo Medium Term Note program for issuing up to AUD 5 billion denominated in Australian and New Zealand dollars. At 31 December 2011, AUD 2 billion had been issued under this program.

As confidence in financial institutions began to recover in the second half of 2009 and 2010 BNG's funding activities in the international capital markets also increased. The increase in confidence combined with the monetary easing policies of many governments had a positive effect on the credit and liquidity risk spreads paid by BNG and on the variation in the terms of new issues during the second half of 2010. These favorable trends for BNG carried over into the first half of 2011. BNG was able to improve its liquidity profile in 2010 and the first half of 2011, attracting long-term funding with relatively long maturities and reducing the use of its short-term Euro commercial paper program to a more normal level, which was €10.6 billion at the end of 2010, after it had been reduced by €2 billion to €9.4 billion due to the market circumstances at the end of 2009. However, the second half of 2011 was marked by reduced activity in the capital markets, which were largely closed to European financial institutions many of whom experienced difficulty raising long-term debt at customary spreads due to the continuing European sovereign debt crisis. As a result, the credit and liquidity spreads BNG pays on long-term funding increased during the last two months of 2011. As a precaution against the further narrowing of liquidity in the capital markets, BNG increased use of its ECP programme at the end of 2011 with €12 billion outstanding at the end of the year and in early 2012 BNG expanded the maximum size of the programme by €5 billion to €20 billion.

BNG obtained long-term funding for its lending and refinancing purposes in 2011 of €6.4 billion (2010: €8.2 billion; 2009: €4.5 billion) by means of 122 issues (2010: 154 issues; 2009: 81 issues). The weighted average maturity of the issues throughout 2011 decreased in comparison to 2010 by 0.5 years to 6.4 years. After a decrease in the first half of 2010 the weighted average maturity of the issues throughout

2010 increased by 2.2 years from 4.7 years in 2009 to 6.9 years in 2010. In 2011, the bank issued in 12 different currencies and in 2010 and 2009 the bank issued in 11 and 10 different currencies, respectively.

The currency and interest risks of bonds are fully hedged.

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

	2011	2010	2009
Volume (€billions)	16.4	18.0	14.2
Average duration (yr)	6.36	6.95	4.73
Number of trades	122	154	81
Percentage of volume by currency			
EUR	48.9%	48.9%	44.5%
USD	35.5%	26.4%	28.4%
GBP	6.6%	6.8%	4.5%
JPY	0.1%	0.0%	3.8%
CHF	2.2%	6.0%	7.5%
Kangaroo AUD	1.6%	0.8%	2.3%
Other AUD	1.1%	5.7%	4.2%
Kauri NZD	0.3%	0.0%	0.0%
Other NZD	0.1%	0.4%	1.2%
Maple CAD	0.0%	0.8%	0.0%
Other CAD	0.5%	1.0%	0.0%
HKD	0.0%	0.3%	1.0%
Nordic fx	2.4%	2.4%	2.3%
Emerging fx	0.8%	0.4%	0.4%
Number of currencies	12	11	10
Plain Vanilla	93.8%	93.5%	95.7%
Structured	6.2%	6.5%	4.3%
Public	72.1%	85.7%	89.9%
Private	27.9%	14.3%	10.1%
New issues	80.3%	85.3%	87.3%
Taps	19.7%	14.7%	12.7%
Benchmarks	57.9%	58.2%	64.4%
Other	42.1%	41.8%	35.6%

Each year, BNG issues a number of benchmark loans so that BNG yield curves in Euros and U.S. dollars are and continue to be available to institutional investors. In 2011, BNG issued eight benchmark loans in euros and U.S. dollars with amounts ranging between 1.0 to 2.0 billion. In 2010, BNG issued 11 benchmark loans in Euros and U.S. dollars with amounts ranging between 1.0 to 2.0 billion. In 2009 BNG issued seven benchmark loans in Euros and U.S. dollars. The Euro equivalent of the total amount of issued benchmark loans (including taps of benchmark loans) in 2011 was €0.3 billion compared to €0.5 billion in 2010 and €0.1 billion in 2009. The share of Euro-denominated issues amounted to 48.9% in 2011 (48.9% in 2010). Apart from the Euro, bonds were principally denominated in U.S. dollars (35.5% in 2011 and 26.4% in 2010).

The following table presents BNG's long-term funding by currency of issuance as at 31 December for each of the last three years.

	As at 31 December		
	2011	2010	2009
	(€billions)		
Euros	41.8	35.1	33.5
U.S. dollars	23.5	23.4	19.6
British pounds	6.1	6.1	5.2
Australian and New Zealand dollars	5.6	5.4	4.5
Swiss francs	5.6	5.4	3.6
Japanese yen	3.0	2.4	2.6
Other	3.8	3.8	2.5
Total (in Euros)	89.4	81.7	71.5

BNG also obtained funding through borrowings from banks and funds entrusted. In 2011 borrowings from Banks increased by €1.5 billion to €7.5 billion primarily as a result of increased deposits by BNG's clients. In 2010 borrowings from Banks increased by €0.4 billion to €6.0 billion mainly as a result of higher levels of cash collateral relating to derivative transactions. In addition, during 2011 the funds entrusted item increased to €10.9 billion from €7.7 billion in 2010, which was itself an increase from €7.1 billion in 2009. These increases are due to continuing deposits by various financial institutions, which have since the end of 2009, placed their surplus funds with BNG.

Analysis of financial liabilities according to remaining contractual terms to maturity

The amounts shown represent all non-discounted future cash flows of the financial liabilities as at 31 December 2011.

	Up to three months	Longer than three months but not longer than one year	Longer than one year but not longer than five years	Longer than five years	Total
	(€millions)				
Banks	(4,870)	(860)	(1,781)	–	(7,511)
Funds entrusted	(5,363)	(796)	(1,041)	(7,651)	(14,851)
Debt securities	(12,200)	(13,442)	(54,938)	(30,197)	(110,777)
Subordinated loans	(1)	(3)	(16)	(158)	(178)

	Up to three months	Longer than three months but not longer than one year	Longer than one year but not longer than five years	Longer than five years	Total
	(€millions)				
Other liabilities	(129)	–	–	–	(129)
Total liabilities	(22,563)	(15,101)	(57,776)	(38,006)	(133,446)

Irrevocable commitments and secured assets

The following table sets forth BNG's irrevocable facilities.

	<u>As at 31 December</u>	
	<u>2011</u>	<u>2010</u>
	(€millions)	
Irrevocable facilities		
This includes all irrevocable commitments that may lead to the granting of loans and advances.		
Master agreements concerning the unused part of credit facilities	4,418	3,816
Contracted loans and advances to be extended in the future	3,994	6,276
Total	<u>8,412</u>	<u>10,092</u>

These contracted loans and advances are granted in accordance with the contracts, as follows:

Up to three months	1,290	1,611
Longer than three months but not longer than one year	1,612	2,391
Longer than one year but not longer than five years	1,092	2,264
Longer than five years	–	10
Total	<u>3,994</u>	<u>6,276</u>

The following table sets forth the assets that have been used as collateral for secured borrowing:

Encumbered assets (€millions)

In view of the security provided for money market transactions and lending transactions, parts of BNG's assets are not freely disposable.

BNG has extended debenture loans and subordinated loans to DNB as collateral for funds withdrawn	12,929	12,126
Security extended to other financial institutions	15	15
Total	<u>12,944</u>	<u>12,141</u>

Solvency and Capital

The standards set by DNB for the principal capital ratios are based on the Capital Adequacy Directives of the European Union and the Basel Committee for Banking Supervision. These ratios compare the bank's total capital and core capital with the total of risk-weighted assets and off-balance sheet items as well as the market risk of the trading portfolios. The minimum requirements for the bank's total capital and core capital are 8% and 4% of the risk-weighted assets respectively. BNG's policy is to maintain low funding costs in order to achieve its target. BNG has set a minimum limit of 18% for the BIS-ratio core capital (tier 1) within its capitalization and dividend policy. At the end of 2011, BNG's BIS-ratio core capital (tier 1) was 20%, and its core capital was €2,337 million.

The table below gives an overview of the available capital and the minimum required capital according to the standards of DNB.

	31 December 2011		31 December 2010		31 December 2009	
	Minimum requirement	Present	Minimum requirement	Present	Minimum requirement	Present
Total capital (€millions)	932	2,431	895	2,280	882	2,239
BIS-ratio total capital	8%	21%	8%	20%	8%	20%
Core capital	466	2,337	447	2,190	441	2,064
BIS-ratio core capital (Tier 1)	4%	20%	4%	20%	4%	19%

Hedging risks with derivatives

BNG applies economic hedging in order to eliminate nearly all foreign exchange risks and keep interest rate risks at the desired level. It has put in place a system of limits and procedures that are strictly adhered to and monitored on a daily basis. Foreign exchange and interest rate risks are principally hedged with the aid of derivatives. The treatment of derivatives and hedged items in the balance sheet and income statement is such that they are aligned with the actual economic hedging. BNG processes this hedging relationship under IFRS in two ways: micro and portfolio fair value hedging. In the paragraph on the accounting principles the conditions are described that need to be met before these forms of hedge accounting can be applied.

Although BNG uses derivatives for economic hedging purposes as permitted by IFRS, it is not always possible to include these in a hedge accounting relationship. The fair values of the derivatives that are not involved in a hedge accounting relationship are stated in the balance sheet item financial assets at fair value through the income statement if the value is positive, or the balance sheet item financial liabilities at fair value through the income statement if the value is negative. For the few derivatives where this is the case, the hedged item is also designated as a financial asset at fair value through the income statement so that, on a net basis, the volatility of the result arising from derivatives is limited.

The derivatives are included in various balance sheet items, depending on their treatment under IFRS. Derivatives are always recognised in the balance sheet at fair value. Derivatives contracts with a positive fair value are stated as assets on the balance sheet while derivatives with a negative value are stated as liabilities.

Off Balance Sheet Arrangements and Contingent Liabilities

Off balance sheet arrangements

BNG has no off balance sheet arrangements, as determined for purposes of IFRS-EU.

Contingent liabilities

This includes all commitments arising from transactions for which the bank has issued guarantees on behalf of a third party. For a limited part these guarantees are covered by a counter-guarantee from public authorities. This mainly relates to letters of credit with a remaining contractual term of more than five years, which the bank has issued on behalf of clients in the utility sector. BNG records contingent liabilities at the maximum accounting loss that would need to be compensated in the event of the counterparty defaulting. BNG's contingent liabilities in 2011 were €482 million (2010: €478 million; 2009: €873 million).

Critical Accounting Policies and Estimates

The preparation of BNG's consolidated financial statements requires it to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are described in the principle accounting policies that can be found in Note 30 to the 2011 financial statements included in BNG's 2011 annual report which is incorporated by reference in this Base Prospectus.

CONSOLIDATED BALANCE SHEET

(€millions)

Assets	31 December 2011	31 December 2010	31 December 2009
Cash and cash equivalents	5,149	1,073	655
Banks	8,448	7,382	7,683
Loans and advances	90,775	86,851	79,305
Financial assets at fair value via the income statement	3,322	3,052	2,983
Financial assets available-for-sale	6,919	6,412	5,531
Other financial assets	21,519	13,457	8,002
Associates and joint ventures	108	109	106
Property and equipment	19	21	23
Other assets	201	176	208
Assets held for sale	–	–	–
<i>Total assets</i>	<u>136,460</u>	<u>118,533</u>	<u>104,496</u>
Liabilities			
Banks	7,469	6,037	5,615
Funds entrusted	10,944	7,677	7,070
Subordinated loans	93	92	174
Debt securities	100,907	92,321	79,935
Financial liabilities at fair value via the income statement	628	649	351
Other financial liabilities	14,367	9,320	8,854
Other liabilities	155	178	244
<i>Total liabilities</i>	<u>134,563</u>	<u>116,274</u>	<u>102,243</u>
Equity	1,897	2,259	2,253
<i>Total liabilities and equity</i>	<u>136,460</u>	<u>118,533</u>	<u>104,496</u>

CONSOLIDATED INCOME STATEMENT

(€millions)

	<i>2011</i>	<i>2010</i>	<i>2009</i>
Interest income	2,327	1,898	2,628
Interest expenses	1,865	1,488	2,291
Interest result	462	410	337
Income from associates and joint ventures	–	2	2
Commission income	33	35	36
Commission expenses	6	6	6
Commission result	27	29	30
Result financial transactions	(89)	(37)	40
Addition to the incurred loss provision	(1)	(4)	–
Other income	0	0	2
<i>Total income</i>	399	400	411
Staff costs	35	35	35
Other administrative expenses	23	26	24
Staff costs and other administrative expenses	58	61	59
Depreciation	2	2	2
<i>Total expenses</i>	60	63	61
<i>Profit before tax</i>	339	337	350
Movement in deferred taxes	–	(1)	–
Taxes	(83)	(79)	(72)
Taxation	(83)	(80)	(72)
Net profit	256	257	278

CONSOLIDATED CASH FLOW STATEMENT
(€millions)

	<i>2011</i>	<i>2010</i>	<i>2009</i>
Cash flow from operating activities			
Profit before tax	339	337	350
<i>Adjustments for:</i>			
– Depreciation	2	2	2
– Impairment	6	3	4
– Associates and joint ventures	–	(2)	(1)
– Unrealised results through the income statement	101	49	(40)
– Additions to provisions	1	4	–
	110	56	(35)
<i>Cash flow generated from operations</i>	449	393	315
– Movement in banks (not due on demand)	429	1,239	3,943
– Movement in loans and advances	(1,333)	(5,042)	(945)
– Movement in funds entrusted	2,676	72	557
– Movement in derivatives	(322)	884	(1,489)
– Taxes received/paid	(104)	(37)	(19)
– Other movements in cash flow from operating activities	(495)	(451)	(365)
	851	(3,335)	1,682
Total cash flow from operating activities	1,300	(2,942)	1,997
Cash flow from investing activities			
<i>Investments and acquisitions</i>			
– Financial assets at fair value via the income statement and financial assets available-for-sale	(2,527)	(1,373)	(541)
– Associates and joint ventures	(5)	(3)	(4)
– Property and equipment	–	(1)	(2)
	(2,532)	(1,377)	(547)
<i>Disposals, repayments and redemptions</i>			
– Financial assets at fair value via the income statement and financial assets available-for-sale	3,364	1,436	1,028
– Associates and joint ventures	–	–	1
– Property and equipment	–	1	–
	3,364	1,437	1,029
Total cash flow from investing activities	832	60	482
Cash flow from financing activities			
Receipts in respect of debt securities	27,353	27,629	23,738
Repayments in respect of debt securities	(25,406)	(24,015)	(25,800)
Subordinated loans	(4)	(83)	
Dividend paid	(128)	(139)	(79)
Total cash flow from financing activities	1,815	3,392	(2,141)
Net movement in cash and cash equivalents	3,947	510	338
Cash and cash equivalents as of January 1	1,075	565	227
Cash and cash equivalents as of December 31	5,022	1,075	565
<i>Cash and cash equivalents as of December 31 is comprised of the following:</i>			
Cash and cash equivalents	5,149	1,073	655
Cash equivalents under the bankers (asset) item	4	2	20
Cash equivalents under the bankers (liability) item	(131)	–	(110)
	5,022	1,075	565

EXTRACT OF THE ARTICLES OF ASSOCIATION

N.V. Bank Nederlandse Gemeenten (referred to for purposes of this section, “*Extract of the Articles of Association*” as the “**Company**”) was established in the Netherlands by Deed dated 23 December 1914.

Set out below are translated extracts of the Articles of Association of N.V. Bank Nederlandse Gemeenten as last altered by Deed dated 21 June 2005 and effective as per that date, a Ministerial declaration of non-objection having been granted on 27 May 2005.

Article 6

Shareholders and shares

1. Only the following may be shareholders: the State of the Netherlands, provinces, municipalities, water control corporations and other public bodies.

Article 8

Executive board

1. The management of the Company shall be entrusted to an Executive Board consisting of two or more members, including a president, under the supervision of a Supervisory Board.
2. The president and the other members of the Executive Board shall be appointed and dismissed by the Supervisory Board, and may be suspended individually or collectively by the Supervisory Board at all times. In the event of suspension the time and conditions of the suspension shall also be determined.
3. The Company operates a policy for remuneration of the members of the Executive Board. The policy shall be determined by the general meeting of shareholders on a motion submitted by the Supervisory Board. The remuneration policy shall include as a minimum the subjects described in Article 383(c) to 383(e) of Book 2 of the Civil Code, insofar as they concern members of the Executive Board. The remuneration policy shall be submitted in writing to the general meeting of shareholders and at the same time submitted for inspection by the Works Council.
4. The remuneration of members of the Executive Board shall be determined by agreement to be concluded between the Company – represented in this matter by the Supervisory Board – and each of the members.
5. The meetings of the Executive Board shall be presided over by the President of the Executive Board.
6. The members of the Executive Board shall regulate their duties among themselves, after consultation with the Supervisory Board.

Article 9

1. The Executive Board shall have power to represent the Company.
This power of representation shall also be vested in:
 - (a) two members of the Executive Board acting jointly;
 - (b) one member of the Executive Board together with a holder of a power of attorney.
2. The Executive Board may, subject to the approval of the Supervisory Board, confer on members of the Executive Board and employees of the Company the power to represent the Company, subject to the Executive Board’s responsibility and with due observance of the limitations which it considers necessary, and shall determine the titles to be carried by them.

Article 11

1. Without prejudice to the approvals required elsewhere in these Articles of Association, the prior approval of the Supervisory Board shall be required for resolutions of the Executive Board concerning:

- (a) the issue and acquisition of the Company's shares and debentures or of debentures of a limited partnership or general partnership in which the Company is a general partner with unlimited liability;
 - (b) application for a listing or cancellation of a listing for the items referred to at a in the price list of any stock exchange;
 - (c) the taking up of a loan with a maturity of over twenty years on the strength of an acknowledgement of debt signed under hand if the loan exceeds an amount specified by the Supervisory Board, and the conditions of such a loan;
 - (d) the conclusion or termination of lasting cooperation between the Company or a dependent company on the one hand and another company or legal person on the other or as general partner with unlimited liability in a limited partnership or general partnership, if this cooperation or termination is of far-reaching significance for the company;
 - (e) the acquisition of a holding worth at least one fourth of the amount of the issued capital with reserves, according to the balance sheet with explanatory notes of the Company, by it or a dependent company in the capital of another company, and any significant expansion or reduction of such a holding;
 - (f) investments which require an amount equal to at least one fourth of the Company's issued capital with reserves, according to its balance sheet with explanatory notes;
 - (g) a resolution to amend the articles of association;
 - (h) a resolution to dissolve the Company;
 - (i) a petition for liquidation and application for a suspension of payment of debts;
 - (j) termination of the employment of a substantial number of employees of the Company or of a dependent company at the same time or within a short space of time;
 - (k) a far-reaching change in the working conditions of a substantial number of employees of the Company or of a dependent company;
 - (l) a resolution to reduce the issued capital;
 - (m) the acquisition, encumbering and alienation of immovable property and other property subject to registration on behalf or at the expense of the company;
2. Notwithstanding the approvals required elsewhere in these articles of association, the approval of the general meeting of shareholders is required for resolutions of the Executive Board concerning an important change in the identity or the character of the Company or the business, including as a minimum:
- (a) transfer of the business or nearly the entire business to a third party;
 - (b) concluding or terminating a long-term collaboration of the Company or a subsidiary with another artificial person or company or as a completely liable partner in a limited partnership or general partnership, if this cooperation or termination is of far-reaching significance to the Company;
 - (c) acquiring or disposing by the Company or a subsidiary of a participating interest in the capital of a company with a value of at least one third of the amount of the issued capital with the reserves in accordance with the balance sheet with explanatory notes or, if the Company prepares a consolidated balance sheet, in accordance with the consolidated balance sheet as included in its most recently adopted annual accounts, as well as significantly increasing or decreasing such a participating interest;
 - (d) investments or disinvestments to at least the amount referred to under c.

The absence of the approval of the general meeting of shareholders of a resolution referred to in this paragraph does not affect the authority of the entire Executive Board or its individual members to represent the Company.

3. The Executive Board shall inform the general meeting of shareholders in time about developments and insights within the company or the business which may result in a significant change in the identity or the character of the Company or business.

Article 12

Supervisory board

1. The Supervisory Board shall determine the number of its members, being at least nine and not more than eleven members.
2. The Supervisory Board shall determine the number of its members. An incomplete Board shall nevertheless retain its powers.
3. The Supervisory Board shall draw up a profile of its size and composition, taking into account the nature of the Company, its activities and the required expertise and background of the supervisory directors. The Board shall discuss the profile for the first time upon adoption, and thereafter each time when there is a change in the general meeting of shareholders, and with the Works Council.
4. Notwithstanding the provisions of paragraph 7, the members of the Supervisory Board shall be appointed by the general meeting of shareholders on the nomination of the Supervisory Board. The Supervisory Board shall announce the nomination to the general meeting of shareholders and to the Works Council at the same time. Reasons must be given for the nomination.
5. The general meeting of shareholders and the Works Council may recommend persons to the Supervisory Board for nomination as Supervisory Director. For this purpose the Supervisory Board shall inform them in due time when, as a result of what and in accordance with which profile a vacancy must be filled. If for the vacancy the new powers to nominate one-third of the members making up the Supervisory Board referred to in paragraph 5 apply, the Supervisory Board must also give notice of this.
6. The Works Council shall recommend the nomination of one third of the members of the Supervisory Board. The Supervisory Board shall place such nominations on a list, unless it objects to the nomination because it anticipates that the recommended person will be unsuitable for the duties of supervisory director or that the Supervisory Board following appointment in accordance with the nomination will not be properly constituted. If the number of Supervisory Board members cannot be divided by three, the nearest lower number that can be divided by three shall be considered for determining the number of members to which the new powers of the Works Council apply.
7. If the Supervisory Board objects, it shall inform the Works Council of this, stating reasons. The Supervisory Board shall consult the Works Council without delay to reach agreement on the nomination. If the Supervisory Board establishes that no agreement can be reached, a representative of the Supervisory Board designated for that purpose shall request the Enterprise Section to declare the objection unfounded. The Supervisory Board shall place the recommended person on the list of candidates if the Enterprise Section declares the objection well-founded. If the Enterprise Section declares the objection well-founded, the Works Council may make a new nomination in accordance with the provisions of paragraph 5.
8. The general meeting of shareholders may reject the nomination by an absolute majority of the votes cast representing at least one third of the issued capital.

If not at least one third of the issued capital was represented at the meeting, a new meeting may be convened at which the nomination can be rejected by an absolute majority of the votes cast. In that case the Supervisory Board shall draw up a new list of nominations. Paragraphs 4, 5 and 6 apply. If the general meeting of shareholders does not appoint the nominated person and does not resolve to reject the nomination, the Supervisory Board shall make the appointment.

Article 23

Appropriation of profits

1. Profits shall be distributed after adoption by the general meeting of shareholders of the annual accounts showing that this is permissible.
2. The company may make payments to the shareholders from the profits available for distribution only in so far as its equity capital exceeds the amounts of the paid-up part of the capital plus the reserves which have to be kept by law.
3. First of all, if possible, the profits available for distribution shall be used to add an amount of ten per cent (10%) of the profit of the financial year as evidenced by the annual accounts to the general reserve; out of any surplus remaining thereafter, the shareholders shall, if possible, be paid five per cent (5%) of the nominal amount of their shareholding.
4. The remainder shall be paid to the shareholders in proportion to the nominal amount of their shareholdings, in so far as the general meeting of shareholders does not allocate this to reserves.
5. The company shall be empowered to make interim distributions of profits, subject to the provisions of Article 105, paragraph 4, of Book 2 of the Civil Code.

Article 25

Alteration of the Articles of Association and dissolution

1. Resolutions to alter the Articles of Association and to dissolve the company may be passed only at a general meeting of shareholders at which over half of the issued capital is represented and also at least two thirds of the votes validly cast are in favor of the proposed alteration or dissolution.
2. If the requisite issued capital is not represented at the meeting referred to in paragraph 1, a new meeting shall be called within a period of at least fourteen days, not including the day of the notice and that of the meeting, and no more than one month; the day, time and place of the meeting shall be immediately determined by the executive board or the supervisory board. A resolution may be passed at this meeting, irrespective of the capital represented there, provided that it is passed by at least two thirds of the votes cast.

TAXATION

Netherlands Taxation

General

The following is a general summary of certain Netherlands tax consequences of the acquisition, holding and disposal of the Notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as investors that are subject to taxation in Bonaire, Sint Eustatius and Saba and trusts or similar arrangements) may be subject to special rules. In view of its general nature, it should be treated with corresponding caution. Holders or prospective holders should consult with their tax advisors with regard to the tax consequences of investing in the Notes in their particular circumstances. The discussion below is included for general information purposes only.

Except as otherwise indicated, this summary only addresses Netherlands national tax legislation and published regulations, as in effect on the date hereof and as interpreted in published case law until this date, without prejudice to any amendment introduced at a later date and implemented with or without retroactive effect.

Withholding tax

All payments of principal and/or interest made by the Issuer under the Notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, unless the Notes qualify as equity of the Issuer for Netherlands tax purposes.

Taxes on income and capital gains

Please note that the summary in this section does not describe the Netherlands tax consequences for:

- (i) holders of Notes if such holders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest or deemed substantial interest in the Issuer under the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner (as defined in the Netherlands Income Tax Act 2001), directly or indirectly, holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) holds rights to acquire, directly or indirectly, such interest; or (iii) holds certain profit sharing rights in that company that relate to 5% or more of the company's annual profits and/or to 5% or more of the company's liquidation proceeds. A deemed substantial interest arises if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis; and
- (ii) pension funds, investment institutions (*fiscale beleggingsinstellingen*), exempt investment institutions (*vrijgestelde beleggingsinstellingen*) (as defined in the Netherlands Corporate Income Tax Act 1969; *Wet op de vennootschapsbelasting 1969*) and other entities that are exempt from Netherlands corporate income tax.

Residents of the Netherlands

Generally speaking, if the holder of the Notes is an entity that is a resident or deemed to be resident of the Netherlands for Netherlands corporate income tax purposes, any payment under the Notes or any gain or loss realised on the disposal or deemed disposal of the Notes is subject to Netherlands corporate income tax at a rate of 25% (a corporate income tax rate of 20% applies with respect to taxable profits up to €200,000 in the 2012 tax year).

If a holder of the Notes is an individual, resident or deemed to be resident of the Netherlands for Netherlands income tax purposes (including the non-resident individual holder who has made an election for the application of the rules of the Netherlands Income Tax Act 2001 as they apply to residents of the

Netherlands), any payment under the Notes or any gain or loss realised on the disposal or deemed disposal of the Notes is taxable at the progressive income tax rates (with a maximum of 52%), if:

- (i) the Notes are attributable to an enterprise from which the holder of the Notes derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise without being a shareholder (as defined in the Netherlands Income Tax Act 2001); or
- (ii) the holder of the Notes is considered to perform activities with respect to the Notes that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or derives benefits from the Notes that are (otherwise) taxable as benefits from other activities (*resultaat uit overige werkzaamheden*).

If the above-mentioned conditions (i) and (ii) do not apply to the individual holder of the Notes, such holder will be taxed annually on a deemed income of 4% of his/her net investment assets for the year at an income tax rate of 30%. The net investment assets for the year are the fair market value of the investment assets less the allowable liabilities on 1 January of the relevant calendar year. The Notes are included as investment assets. A tax free allowance may be available. An actual gain or loss in respect of the Notes is as such not subject to Netherlands income tax.

Non-residents of the Netherlands

A holder of the Notes will not be subject to Netherlands taxes on income or capital gains in respect of any payment under the Notes or in respect of any gain or loss realised on the disposal or deemed disposal of the Notes, *provided that*:

- (i) such holder is neither resident nor deemed to be resident of the Netherlands nor has made an election for the application of the rules of the Netherlands Income Tax Act 2001 as they apply to residents of the Netherlands;
- (ii) such holder does not have an interest in an enterprise or deemed enterprise (as defined in the Netherlands Income Tax Act 2001 and the Netherlands Corporate Income Tax Act 1969) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Notes are attributable; and
- (iii) in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the Notes that go beyond ordinary asset management activities and does not derive benefits from the Notes that are (otherwise) taxable as benefits from other activities in the Netherlands.

Gift and inheritance taxes

Residents of the Netherlands

Gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a holder of such Notes who is resident or deemed resident of the Netherlands at the time of the gift or his/her death.

Non-residents of the Netherlands

No Netherlands gift or inheritance taxes will arise on the transfer of Notes by way of gift by, or on the death of, a holder of Notes who is neither resident nor deemed to be resident in the Netherlands, unless the transfer is construed as a gift or inheritance made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands.

Value added tax (VAT)

No Netherlands VAT will be payable by the holders of the Notes on any payment in consideration for the issue of the Notes or with respect to the payment of interest or principal by the Issuer under the Notes.

Other taxes and duties

No Netherlands registration tax, customs duty, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable by the holders of the Notes in respect of or in connection with the issue of the Notes or with respect to the payment of interest or principal by the Issuer under the Notes.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the “**EU Savings Directive**”) on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35% which may decrease the net proceeds on the Notes received by an investor. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

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

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

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

United States Federal Income Taxation

This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the Notes. This tax disclosure was written in connection with the promotion or marketing of the Notes by the Issuer, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Internal Revenue Code of 1986, as amended (the “Code”). Holders should seek their own advice based on their particular circumstances from an independent tax adviser.

The following is a discussion of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Registered Notes. This disclosure does not address Bearer Notes, which generally may not be offered or sold in the United States or to U.S. Holders. Unless an exemption applies, a U.S. Holder of a Bearer Note or Coupon will not be entitled to deduct any loss on the Bearer Note or Coupon and must treat as ordinary income any gain 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 described below 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 organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Notes is sold for money, and holds the Notes as capital assets.

This discussion does not describe all of the tax consequences that may be relevant to a U.S. Holder in light of its particular circumstances 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;
- persons that own, or are deemed to own, ten percent or more of any class of the Issuer's stock; 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. Partnerships holding Notes and partners in a partnership holding Notes should consult their tax advisors.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, changes to any of which subsequent to the date of this Base Prospectus may affect the tax consequences described herein, possibly with retroactive effect. Persons considering the purchase of Notes are urged to consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

This discussion applies only to Notes that are classified as indebtedness for U.S. federal income tax purposes. This discussion does not apply to every type of Note that may be issued under the Programme, including certain Dual Currency Notes, Fund Linked Notes, Index Linked Notes, Inflation Linked Notes, Swap Related Notes, Variable Coupon Amount 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 individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organised in or under the laws of the United States or of any political subdivision thereof; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Payments of Interest

Interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes, provided that the interest is qualified stated interest (as defined below). Interest income earned by a U.S. Holder with respect to a Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant to a U.S. Holder in calculating the U.S. Holder's foreign tax credit limitation. Special rules governing the treatment of interest paid with respect to OID Notes, including certain Variable Rate Notes and Foreign Currency Notes (each as defined below), are described under "*— Original Issue Discount and Variable Rate Notes*" and "*— Foreign Currency Notes*" below.

Any amounts withheld with respect to interest paid on the Notes and any additional amounts paid with respect to interest pursuant to the Notes would be treated as ordinary interest income.

Original Issue Discount and Variable Rate Notes

A Note that is issued at an issue price less than its “stated redemption price at maturity” will be considered to have been issued at an original issue discount for U.S. federal income tax purposes (and will be referred to in this section as an “**OID Note**”) unless the Note satisfies a *de minimis* threshold (as described below) or is a Short-Term Note (as defined below). The “stated redemption price at maturity” of a Note will equal the sum of all payments required under the Note other than payments of “qualified stated interest”. “Qualified stated interest” is stated interest unconditionally payable as a series of payments in cash or property (other than in debt instruments of the Issuer) at least annually during the entire term of the Note and equal to the outstanding principal balance of the Note multiplied by a single fixed rate of interest or, subject to certain conditions, based on one or more floating rates or indices.

All stated interest on a Variable Rate Note (as defined below) will constitute qualified stated interest if it provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term of the Note that is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually. Therefore, such a Variable Rate Note will not be treated as having been issued with original issue discount unless it is issued at a “true” discount (*i.e.*, at a price below the Note’s stated principal amount in excess of a specified *de minimis* amount). In general, a “**Variable Rate Note**” is a Note that provides for one or more qualified floating rates of interest, a single fixed rate and one or more qualified floating rates, a single objective rate, or a single fixed rate and a single objective rate that is a qualified inverse floating rate, as such terms are defined in applicable Treasury regulations, provided that the issue price of the Note does not exceed the total noncontingent principal payments due under the Note by more than an amount equal to the lesser of (x) 0.015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date or (y) 15% of the total noncontingent principal payments.

In general, a “qualified floating rate” is any variable rate where variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Rate Note is denominated. An interest rate that is based on the product of a qualified floating rate and a fixed multiple, or that subjects a qualified floating rate to a cap, floor, governor or similar restriction, may also be treated as a qualified floating rate if certain conditions are satisfied. An “objective rate” is generally a rate that is determined using a single fixed formula and that is based on objective financial or economic information. If a Variable Rate Note provides for two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Note, the qualified floating rates together constitute a single qualified floating rate. If interest on a debt instrument is stated at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period, and the value of the variable rate on the issue date is intended to approximate the fixed rate, the fixed rate and the variable rate together constitute a single qualified floating rate or objective rate. Two or more qualified floating rates or a fixed rate and a variable rate will be conclusively presumed to meet the requirements of the preceding sentences if the values of the applicable rates on the issue date are within 1/4 of one percentage point of each other. If a Variable Rate Note is issued at a “true” discount (*i.e.*, at a price below the Note’s stated principal amount) in excess of a specified *de minimis* amount, the U.S. federal income tax treatment of such Note will be more fully described in the applicable Final Terms.

If the difference between a Note’s stated redemption price at maturity and its issue price is less than a *de minimis* amount, *i.e.*, 1/4 of one percent of the stated redemption price at maturity multiplied by the number of complete years to maturity, then the Note will not be considered to have original issue discount.

A U.S. Holder of OID Notes will be required to include any qualified stated interest payments in income in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes, as described under “—*Payments of Interest*”. U.S. Holders of OID Notes will be required to include original issue discount in income for U.S. federal income tax purposes as it accrues, in accordance with a constant-yield method based on a compounding of interest. Under this method, U.S. Holders of OID Notes generally will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder may make an election to include in gross income all interest that accrues on any Note (including stated interest, original issue discount or *de minimis* original issue discount, and unstated interest as adjusted by any amortisable bond premium) in accordance with a constant-yield method based on the compounding of interest (a “constant-yield election”).

A Note that matures one year or less from its date of issuance (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 that has not been 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, this option will be presumed to be exercised if, by utilizing any date on which the Note may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Note as the stated redemption price at maturity, in the case of the Issuer’s option, the yield on the Note would be lower than its yield to stated maturity or, in the case of the U.S. Holder’s option, the yield on the Note would be higher than its yield to stated maturity. If this option is not in fact exercised, the Note would be treated solely for purposes of calculating original issue discount as if it were redeemed, and a new note were issued, on the presumed exercise date for an amount equal to the Note’s adjusted issue price on that date.

Contingent Debt Obligations

Special rules govern the tax treatment of debt obligations that are treated under applicable Treasury regulations as providing for contingent payments (“**Contingent Debt Obligations**”). These rules generally require accrual of interest income on a constant-yield basis at an assumed yield determined at the time of issuance of the obligation. Adjustments will be required to these accruals when any contingent payments are made that differ from the payments calculated based on the assumed yield. Any gain on the sale, exchange or retirement of a Contingent Debt Obligation will be ordinary income. The U.S. federal income tax treatment of any Notes that are treated as Contingent Debt Obligations will be more fully described in 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 equal to this excess. The U.S. Holder may elect to amortise this premium, using a constant-yield method, over the remaining term of the Note. Special rules may apply in the case of Notes that are subject to optional redemption. A U.S. Holder may generally use the amortisable bond premium allocable to an accrual period to offset qualified stated interest required to be included in the U.S. Holder’s income with respect to the Note in that accrual period. A U.S. Holder who elects to amortise bond premium must reduce the U.S. Holder’s tax basis in the Note by the amount of the premium amortised in any year. An election to amortise bond premium applies to all taxable debt obligations held by the U.S. Holder on or after the first day of the taxable year in which the election is made and may be revoked only with the consent of the Internal Revenue Service (the “**IRS**”).

If a U.S. Holder makes a constant-yield election (as described under “—*Original Issue Discount and Variable Rate Notes*” above) for a Note with amortisable bond premium, such election will result in a deemed election to amortise bond premium for all of the U.S. Holder’s debt instruments with amortisable bond premium and may be revoked only with the permission of the IRS with respect to debt instruments held or acquired after the election.

Sale, Exchange or Retirement of the Notes

Upon the sale, exchange or retirement of a Note, a U.S. Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder's adjusted tax basis in the Note. Gain or loss, if any, will generally be U.S. source for purposes of computing a U.S. Holder's foreign tax credit limitation. For these purposes, the amount realised does not include any amount attributable to accrued qualified stated interest, which will be treated as interest as described under "*—Payments of Interest*" above. A U.S. Holder's adjusted tax basis in a Note generally will equal such U.S. Holder's initial investment in the Note increased by any original issue discount included in income and decreased by any bond premium previously amortised and principal payments or payments other than qualified stated interest previously received.

Except as described below, gain or loss realised on the sale, exchange or retirement of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Note has been held for more than one year. Exceptions to this general rule apply in the case of a Short-Term Note, to the extent of any accrued discount not previously included in the U.S. Holder's taxable income. See "*—Original Issue Discount and Variable Rate Notes*" above. In addition, other exceptions to this general rule apply in the case of certain Foreign Currency Notes and Contingent Debt Obligations. See "*—Foreign Currency Notes*" below and "*—Contingent Debt Obligations*" above.

Foreign Currency Notes

The rules applicable to Notes denominated in (or the payments on which are determined by reference to) a single currency other than U.S. dollars (referred to in this section as "**Foreign Currency Notes**") could require some or all of the gain or loss on the sale, exchange or retirement of a Foreign Currency Note to be recharacterised as ordinary income or loss. The rules applicable to Foreign Currency Notes are complex and their application may depend on the U.S. Holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a U.S. Holder should make any of these elections may depend on the U.S. Holder's particular U.S. federal income tax situation. U.S. Holders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of Foreign Currency Notes.

A U.S. Holder who uses the cash method of tax accounting and who receives a payment of qualified stated interest (or who receives proceeds from a sale, exchange or retirement attributable to accrued qualified stated interest) in a foreign currency with respect to a Foreign Currency Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined based on a spot rate on the date the payment is received) regardless of whether the payment is in fact converted into U.S. dollars at that time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency received.

An accrual-method U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including original issue discount, but reduced by amortisable bond premium to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a Foreign Currency Note during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. Holder may recognise ordinary income or loss (which will not be treated as interest income or expense, but will be treated as U.S. source income or loss) with respect to accrued interest income on the date the interest payment or proceeds from the sale, exchange or retirement attributable to accrued interest is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the foreign currency payment received (determined based on a spot rate on the date the payment is received) in respect of the accrual period and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of cash-method U.S. Holders who are required to currently accrue original issue discount on a Foreign Currency Note. An accrual-method U.S. Holder may elect to translate interest income (including original issue discount) into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

Original issue discount and amortisable bond premium on a Foreign Currency Note are to be determined in the relevant foreign currency.

If an election to amortise bond premium is made, amortisable bond premium taken into account on a current basis will reduce interest income in units of the relevant foreign currency. Gain or loss attributable to fluctuations in currency exchange rates will be realised on amortised bond premium with respect to any period by treating the bond premium amortised in the period in the same manner as it would have been treated on the sale, exchange or retirement of the Foreign Currency Note. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any bond premium will be taken into account in determining the overall gain or loss on the Notes and any loss realised on the sale, exchange or retirement of a Foreign Currency Note with amortisable bond premium by a U.S. Holder who has not elected to amortise the premium will be a capital loss to the extent of the bond premium, subject to the discussion of foreign currency loss below.

A U.S. Holder's tax basis in a Foreign Currency Note, and the amount of any subsequent adjustment to the U.S. Holder's tax basis (including adjustments for original issue discount included as income and any bond premium previously amortised or principal payments received), will be the U.S. dollar value of the foreign currency amount paid for such Foreign Currency Note, as discussed below, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment. A U.S. Holder who purchases a Foreign Currency Note with previously owned foreign currency will recognise ordinary income or loss in an amount equal to the difference, if any, between the U.S. Holder's tax basis in the foreign currency and the U.S. dollar fair market value of the Foreign Currency Note on the date of purchase.

Gain or loss realised upon the sale, exchange or retirement of a Foreign Currency Note that is attributable to fluctuations in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the payment is received or the Note is disposed of (or if the Note is traded on an established securities market, on the settlement date if the holder is a cash basis U.S. Holder or an electing accrual basis U.S. Holder); and (ii) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the U.S. Holder acquired the Note. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on Foreign Currency Notes described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by a U.S. Holder on the sale, exchange or retirement of the Foreign Currency Note. The foreign currency gain or loss for U.S. Holders will be U.S. source. Any gain or loss realised by a U.S. Holder in excess of the foreign currency gain or loss will be capital gain or loss (except in the case of a Short-Term Note, to the extent of any discount not previously included in the U.S. Holder's income).

A U.S. Holder will have a tax basis in any foreign currency received on the sale, exchange or retirement of a Foreign Currency Note equal to the U.S. dollar value of the foreign currency, determined at the time of sale, exchange or retirement. Provided the Foreign Currency Notes are traded on an established securities market, a cash-method U.S. Holder who buys or sells a Foreign Currency Note is required to translate units of foreign currency paid or received into U.S. dollars at the spot rate on the settlement date of the purchase or sale. An accrual-method U.S. Holder may elect the same treatment for all purchases and sales of Foreign Currency Notes, provided the Foreign Currency Notes are traded on an established securities market. This election cannot be changed without the consent of the IRS. Any gain or loss realised by a U.S. Holder on a sale or other disposition of foreign currency (including its exchange for U.S. dollars or its use to purchase Foreign Currency Notes) will be ordinary income or loss.

A U.S. Holder may be required to file a reportable transaction disclosure statement with the U.S. Holder's U.S. federal income tax return, if such U.S. Holder realises a loss on the sale, exchange or retirement of a Foreign Currency Note and such loss is greater than applicable threshold amounts, which differ depending on the status of the U.S. Holder. A U.S. Holder that claims a deduction with respect to a Foreign Currency Note should consult its own tax adviser regarding the need to file a reportable transaction disclosure statement.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if the U.S. Holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Recently enacted legislation may require individual and certain other U.S. Holders to report to the IRS certain information with respect to their beneficial ownership of Notes not held through a financial institution. U.S. Holders who fail to report the required information could be subject to substantial penalties.

Potential U.S. FATCA withholding after 31 December 2016

Under certain provisions of the Code (commonly referred to as "**FATCA**"), BNG may be subject to 30% U.S. withholding tax on certain payments it receives unless it enters an agreement (a "**FATCA agreement**") with the IRS pursuant to which it agrees to report to the IRS information about any of its "United States accounts" and comply with certain procedures to be determined by the IRS. BNG has not yet determined whether it will enter into a FATCA agreement and thereby become a participating foreign financial institution ("participating FFI"). The U.S. Treasury Department and the IRS recently proposed regulations that would implement certain provisions of FATCA. Under FATCA and the proposed regulations, if BNG enters into a FATCA agreement, BNG (or another intermediary that is a participating FFI) may be required, pursuant to its FATCA agreement, to withhold 30% withholding tax from any payment made after 31 December 2016 to the extent the payment is considered to be a "foreign passthru payment" (which term is not yet defined in FATCA), but only if such payment is made to a "foreign financial institution" (which is specially defined to include, in general, an investment vehicle) that is not a participating FFI and is made on Notes issued or materially modified after 31 December 2012. It is not yet clear whether or to what extent payments on the Notes will be treated as foreign passthru payments. Prospective investors should consult their tax advisers regarding the application of FATCA to an investment in the Notes.

CERTAIN ERISA AND OTHER CONSIDERATIONS

Benefit Plan Investor Considerations

The Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), and Section 4975 of the U.S. Internal Revenue Code of 1986, (the “**Code**”), impose certain requirements on (a) employee benefit plans subject to Title I of ERISA, (b) individual retirement accounts, Keogh plans or other arrangements subject to Section 4975 of the Code, (c) entities whose underlying assets include “plan assets” by reason of any such plan’s or arrangement’s investment therein (we refer to the foregoing collectively as “**Plans**”) and (d) persons who are fiduciaries with respect to Plans. In addition, certain governmental, church and non-U.S. plans (“**Non-ERISA Arrangements**”) are not subject to Section 406 of ERISA or Section 4975 of the Code, but may be subject to other laws that are substantially similar to those provisions (each, a “**Similar Law**”).

In addition to ERISA’s general fiduciary standards, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Plan and persons who have specified relationships to the Plan, *i.e.*, “parties in interest” as defined in ERISA or “disqualified persons” as defined in Section 4975 of the Code (we refer to the foregoing collectively as “parties in interest”) unless exemptive relief is available under an exemption issued by the U.S. Department of Labor. Parties in interest that engage in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. BNG, and its current and future affiliates, including the calculation agent, may be parties in interest with respect to many Plans. Thus, a Plan fiduciary considering an investment in the Notes should also consider whether such an investment might constitute or give rise to a prohibited transaction under ERISA or Section 4975 of the Code. For example, the Notes may be deemed to represent a direct or indirect sale of property, extension of credit or furnishing of services between BNG and an investing Plan which would be prohibited if BNG is a party in interest with respect to the Plan unless exemptive relief were available.

In this regard, each prospective purchaser that is, or is acting on behalf of, a Plan, and proposes to purchase the Notes, should consider the relief available under the following prohibited transaction class exemptions, or PTCEs: (A) the in-house asset manager exemption (PTCE 96-23), (B) the insurance company general account exemption (PTCE 95-60), (C) the bank collective investment fund exemption (PTCE 91-38), (D) the insurance company pooled separate account exemption (PTCE 90-1) and (E) the qualified professional asset manager exemption (PTCE 84-14). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide a limited exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan neither pays more nor receives less than adequate consideration in connection with the transaction (the so-called “service provider exemption”). There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the Notes.

Each purchaser or holder of a Note, and each fiduciary who causes any entity to purchase or hold a Note, shall be deemed to have represented and warranted, on each day such purchaser or holder holds such Note, that either (i) it is neither a Plan nor a Non-ERISA Arrangement and it is not purchasing or holding the Note on behalf of or with the assets of any Plan or Non-ERISA Arrangement; or (ii) its purchase, holding and subsequent disposition of such Note shall not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any provision of Similar Law.

Fiduciaries of any Plans and Non-ERISA Arrangements should consult their own legal counsel before purchasing the Notes. Each purchaser of the Notes will have exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the Notes does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any Similar Law. Nothing herein shall be construed as a representation that an investment in the Notes would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement.

PLAN OF DISTRIBUTION

Under the Programme, Notes may be issued from time to time by the Issuer to any one or more of the Dealers. The Dealers have, in an amended and restated dealer agreement dated 7 December 1993 and most recently amended and restated on 13 June 2012 (the “**Dealer Agreement**”), agreed with the Issuer a basis upon which they or any of them may from time to time agree to subscribe Notes. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. In the Dealer Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the maintenance of the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In addition, in the ordinary course of their business activities, the dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of BNG or BNG’s affiliates. Certain of the dealers or their affiliates that have a lending relationship with BNG and routinely hedge their credit exposure to BNG consistent with their customary risk management policies. Typically, such dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GENERAL

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out below) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the preceding paragraph.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

UNITED STATES OF AMERICA

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws and the Notes may not be offered, sold or delivered within the United States, or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable United States state securities laws, or pursuant to an effective registration statement.

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

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Issuing and Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Issuing and Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, other than pursuant to Rule 144A or in offshore transactions pursuant to Regulation S, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act.

The Dealer Agreement provides that any other Dealer may directly or through its respective agents or affiliates arrange for the resale of Restricted Registered Notes in the United States only to qualified institutional buyers pursuant to Rule 144A.

The Bearer Notes will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Code (the “**D Rules**”), unless the 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 any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Code (the “**C Rules**”).

In respect of Bearer Notes issued or to be issued in accordance with the D Rules, each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that:

- (a) except to the extent permitted under the D Rules, (i) it has not offered or sold, and during the restricted period will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person, and (ii) such Dealer has not delivered and will not deliver within the United States or its possessions definitive Bearer Notes that are sold during the restricted period;
- (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) if such Dealer is a United States person, it represents that it is acquiring the Bearer Notes for purposes of resale in connection with their original issuance and, if such Dealer retains Bearer Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) or any successor provision for purposes of Section 4701 of the Code; and
- (d) with respect to each affiliate (if any) that acquires from such Dealer Bearer Notes for the purposes of offering or selling such Notes during the restricted period, such Dealer either (i) hereby represents and agrees on behalf of such affiliate (if any) to the effect set forth in sub-paragraphs (a), (b) and (c) of this paragraph or (ii) agrees that it will obtain from such affiliate (if any) for the benefit of the Issuer the representations and agreements contained in sub-paragraphs (a), (b) and (c) of this paragraph.

Terms used in the above paragraph have the meanings given to them by the Code and regulations thereunder, including the D Rules.

Notes issued pursuant to the D Rules and any receipts or coupons appertaining thereto will bear the following legend:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

Where the C Rules are specified in the relevant Final Terms as being applicable in relation to any issue of Bearer Notes, such Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Accordingly, each Dealer has represented and agreed (and each additional Dealer appointed under the programme will be required to represent and agree) in respect of such Notes that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any such Notes within the United States or its possessions in connection with the original issuance. Further, each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) in connection with the original issuance of such Bearer Notes, that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such Dealer or such purchaser is within the United States or its possessions and will not otherwise involve the U.S. office of such Dealer in the offer and sale of Bearer Notes. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the C Rules.

Each issuance of index-linked, commodity-linked or currency-linked Notes shall be subject to additional U.S. selling restrictions as the relevant Dealer or Dealers shall agree as a term of the issuance and purchase of such Notes. 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.

PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS DIRECTIVE

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “**an offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

SELLING RESTRICTIONS ADDRESSING ADDITIONAL SECURITIES LAWS

UNITED KINGDOM

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

- (a) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not, or in the case of the Issuer would not, if it was not an authorised person, apply to the Issuer; and
- (b) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

JAPAN

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken, and each further Dealer appointed under the Programme will be required to undertake, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, “**Japanese Person**” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

THE NETHERLANDS

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive if and to the extent Article 5:20(5) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the “**FSMA**”) will be applied, unless such offer is made exclusively to qualified investors in The Netherlands as defined in the Prospectus Directive provided that no such offer of Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive. For the purposes of this provision, the expressions (i) an “offer of Notes to the public” in relation to any Notes in The Netherlands; and (ii) “Prospectus Directive”, have the meaning given to them above in the paragraph headed with “*Public Offer Selling Restriction Under the Prospectus Directive*”.

Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V., admitted in a function on one or more markets or systems held or operated

by Euronext Amsterdam N.V. in full compliance with the Dutch Savings Certificates Act (*Wet inzake Spaarbewijzen*) of 21 May 1985 (as amended). No such mediation is required in respect of (a) in respect of the transfer and acceptance of rights representing an interest in a Global Note or a Global Note Certificate, (b) the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, (c) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof, or (d) the transfer and acceptance of Zero Coupon Notes within, from or into the Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in the Zero Coupon Note in global form) of any particular Series or Tranche are issued outside the Netherlands and are not distributed into the Netherlands in the course of their initial distribution or immediately thereafter. In the event that the Savings Certificates Act applies, certain identification requirements in relation to the issue and transfer of, and payments on, Zero Coupon Notes have to be complied with and, in addition thereto, if such Zero Coupon Notes in definitive form do not qualify as commercial paper traded between professional borrowers and lenders within the meaning of the agreement of 2 February 1987, attached to the Royal Decree of 11 March 1987, (*Staatsblad 129*) (as amended), each transfer and acceptance should be recorded in a transaction note, including the name and address of each party to the transaction, the nature of the transaction and the details and serial numbers of such Notes. For purposes of this paragraph “**Zero Coupon Notes**” means Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

REPUBLIC OF ITALY

The offering of the Notes has not been registered pursuant to Italian securities legislation. Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in an offer to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Each of the Dealers has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it will not offer, sell or deliver any Notes or distribute copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy except:

- (a) to “Qualified Investors”, pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (“**Decree No. 58**”) and as defined in Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended (“**Regulation No. 11971**”); or
- (b) that it may offer, sell or deliver Notes or distribute copies of any prospectus relating to such Notes in an offer to the public in the period commencing on the date of publication of such prospectus, provided that such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Prospectus Directive, as implemented in Italy under Decree 58 and Regulation No. 11971, and ending on the date which is 12 months after the date of publication of such prospectus; or
- (c) in any other circumstances where an express exemption from compliance with the public offering restrictions applies, as provided under Decree No. 58 or CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Any such offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (i) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended (“**Decree No. 385**”), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007, as amended and any other applicable laws and regulations; and
- (ii) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Provisions relating to the secondary market in Italy

Investors should also note that, in any subsequent distribution of the Notes in the Republic of Italy, Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Notes are placed solely with qualified investors and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Notes who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Notes were purchased, unless an exemption provided for under Decree No. 58 applies.

REPUBLIC OF FRANCE

Each Dealer has represented and agreed, and each further Dealer under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, directly or indirectly, Notes to the public in France and that offers and sales of Notes in France will be made only to providers of investment services relating to portfolio management for the account of third parties and/or to qualified investors (*investisseurs qualifiés*), as defined in Articles L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*, but excluding individuals referred to in Article D.411-1 II 2°.

In addition, each Dealer has represented and agreed, and each further Dealer under the Programme will be required to represent and agree, that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in France this Base Prospectus or any other offering material relating to the Notes other than to investors to whom offers and sales of Notes in France may be made as described above.

SPAIN

Each Dealer has represented and agreed, and each further Dealer under the Programme will be required to represent and agree, that it has only made and will only make an offer of the Notes to the public (*oferta pública*) in Spain in the period beginning on the date of notification of the approval of this Base Prospectus in relation to the Notes by the AFM in the Netherlands to the '*Comisión Nacional del Mercado de Valores*' (CNMV) in Spain, in accordance with the Spanish Securities Market Act (*Ley 24/1988 de 28 de julio, del Mercado de Valores*), as amended (the "**LMV**"), Royal Decree 1310/2005, of 4 November, developing partially the Spanish Securities Market Law as regards admission to listing on official secondary markets, public offers and the prospectus required thereto and the regulations made thereunder, and ending at the latest on the date which is 12 months after the date of the approval of this Base Prospectus.

The Notes may not be offered or sold in Spain other than by institutions authorised under the LMV and Royal Decree 217/2008, of 15 February, on the legal regime applicable to investment services companies, to provide investment services in Spain, and in compliance with the provisions of the LMV and any other applicable legislation.

TRANSFER RESTRICTIONS

Regulation S Notes

Each purchaser of Bearer Notes or Unrestricted Registered Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (i) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and:
 - (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S); and
 - (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;
- (ii) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except:
 - (a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or
 - (b) to the Issuer; or
 - (c) in the case of Unrestricted Registered Notes only, in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB;in each case in accordance with any applicable securities laws of any State of the United States; and
- (iii) it understands that the Issuer, the Registrars, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer.

On or prior to the fortieth day after the relevant issue date, Notes represented by an interest in an Unrestricted Global Note Certificate may be transferred to a person who wishes to hold such Notes in the form of an interest in a Restricted Global Note Certificate only upon receipt by the relevant Registrar of a written certification from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. After such fortieth day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Note Certificate, as described above under “*Forms of the Notes*”.

Notes represented by an interest in a Restricted Global Note Certificate may also be transferred to a person who wishes to hold such Notes in the form of an interest in an Unrestricted Global Note Certificate, but only upon receipt by the relevant Registrar of a written certification from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any interest in a Note represented by an Unrestricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in a Note represented by a Restricted Global Note Certificate will, upon transfer, cease to be an interest in a Note represented by an Unrestricted Global Note Certificate and become an interest in a Note represented by a Restricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Notes represented by a Restricted Global Note Certificate.

Rule 144A Notes

Each purchaser of Restricted Registered Notes in reliance on Rule 144A, by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

- (i) the purchaser is (a) a QIB, (b) acquiring the Notes for its own account or for the account of one or more QIBs, (c) not formed for the purpose of investing in the Notes or the Issuer and (d) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;
- (ii) the purchaser understands that (1) the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) pursuant to an effective registration statement under the Securities Act or (e) to the Issuer or any of its affiliates, in each case in accordance with any applicable securities laws of any State of the United States and (2) it will, and each subsequent holder of the Restricted Registered Notes is required to, notify any purchaser of the Restricted Registered Notes from it of the resale restrictions applicable to the Restricted Registered Notes;
- (iii) either (A) it is not, it is not acting on behalf of, and for so long as it holds a Note (or any interest therein), it will not be (i) an “employee benefit plan” that is subject to Title I of ERISA, (ii) an individual retirement account or other arrangement subject to the U.S. Internal Revenue Code of 1986, as amended (the “Code”), (iii) an entity whose underlying assets include plan assets by reason of any such plan’s or arrangement’s investment therein or (iv) a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (“**Similar Law**”), or (B) its purchase and holding of a Note will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any Similar Law;
- (iv) the purchaser understands that the Restricted Global Note Certificate and any restricted Individual Note Certificate (a “**Restricted Individual Note Certificate**”) will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

“THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION OF THE NOTES REPRESENTED HEREBY, THE HOLDER (A) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE NOTES REPRESENTED HEREBY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE NOTES REPRESENTED HEREBY EXCEPT IN ACCORDANCE WITH THE ISSUING AND PAYING AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE ISSUE DATE (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) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN

COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THE NOTES REPRESENTED HEREBY ARE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS NOTE CERTIFICATE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE ISSUING AND PAYING AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF BUT UPON NOTICE TO, THE HOLDERS OF THE NOTES REPRESENTED HERBY SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THE NOTES REPRESENTED HEREBY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THE NOTES REPRESENTED HEREBY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THE NOTES REPRESENTED HEREBY AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFORE, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

BY ITS PURCHASE AND HOLDING OF THE NOTES REPRESENTED HEREBY (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED EITHER THAT (A) IT IS NOT, IT IS NOT ACTING ON BEHALF OF, AND FOR SO LONG AS IT HOLDS THE NOTES REPRESENTED HEREBY (OR ANY INTEREST THEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" THAT IS SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) AN INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT SUBJECT TO THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF ANY SUCH PLAN'S OR ARRANGEMENT'S INVESTMENT THEREIN, OR (IV) A GOVERNMENTAL OR CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) ITS PURCHASE AND HOLDING OF THIS SECURITY WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW."

- (v) if it is acquiring any Notes for the account of one or more QIBs the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (vi) it understands that the Issuer, the Registrars, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer.

Upon the transfer, exchange or replacement of a Restricted Global Note Certificate or a Restricted Individual Note Certificate, or upon specific request for removal of the legend, the Issuer will deliver only a Restricted Global Note Certificate or one or more Restricted Individual Note Certificates that bear such legend or will refuse to remove such legend, unless there is delivered to the Issuer and the relevant Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in a Restricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note Certificate will, upon transfer, cease to be an interest in a Restricted Global Note Certificate and become an interest in an Unrestricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in an Unrestricted Global Note Certificate.

Prospective purchasers that are QIBs are hereby notified that sellers of the Restricted Registered Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

GENERAL INFORMATION

1. The establishment of the Programme was authorised by the Executive Board of the Issuer on 29 November 1993, pursuant to the authorization of the Supervisory Board of the Issuer of 12 November 1993; the increase of the Programme amount to NLG 10,000,000,000 was authorised by the Executive Board on 19 July 1995; pursuant to the authorization of the Supervisory Board of 28 June 1995; a subsequent increase of the Programme amount to NLG 20,000,000,000 was authorised by the Executive Board on 25 March 1996; pursuant to the authorization of the Supervisory Board of 18 March 1996; a subsequent increase of the Programme amount to NLG 30,000,000,000 was authorised by the Executive Board on 7 July 1997, pursuant to the authorization of the Supervisory Board of 4 July 1997; a subsequent increase of the Programme amount to NLG 40,000,000,000 was authorised by the Executive Board on 10 February 1998, pursuant to the authorization of the Supervisory Board of 19 December 1997; a subsequent increase of the Programme amount to NLG 50,000,000,000 was authorised by the Executive Board on 7 September 1998, pursuant to the authorization of the Supervisory Board of 4 September 1998; on 21 December 1998, the Executive Board, pursuant to the authorization of the Supervisory Board of 18 December 1998, resolved to denominate the Programme in Euro and to increase the Programme amount at any time to €50,000,000,000, on 2 December 2002, the Executive Board, pursuant to the authorization of the Supervisory Board of 29 November 2002, resolved to increase the Programme amount to €60,000,000,000, on 1 December 2003, the Executive Board, pursuant to the authorization of the Supervisory Board of 28 November 2003, resolved to increase the Programme amount to €70,000,000,000, on 11 March 2008, the Executive Board, pursuant to the authorization of the Supervisory Board of 2 December 2005, resolved to increase the Programme amount to €80,000,000,000 (or its equivalent in other currencies). On 28 June 2010, the Executive Board, pursuant to the authorization of the Supervisory Board of 25 June 2010, resolved to update the Programme and to issue Notes, which may be offered in accordance with Rule 144A and Regulation S under the United States Securities Act of 1933, as amended, in order to enable BNG to offer securities to qualified institutional buyers (as defined under Rule 144A) inside the United States and to investors outside the United States under the Programme without registration under the United States Securities Act of 1933. On 4 July 2011, the Executive Board resolved to update the Programme. On 18 October 2011, the Executive Board, pursuant to the authorization of the Supervisory Board of 17 October 2011, resolved to increase the maximum aggregate principal amount issued and outstanding under the Programme at any time to Euro 90,000,000,000 (or its equivalent in other currencies). On 14 May 2012, the Executive Board resolved to update the Programme. Each issue of Notes under the Programme requires a separate resolution of the Executive Board to be passed prior to the date of issue of such Notes.
2. There are not and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and its subsidiaries taken as a whole.
3. There has been no material adverse change in the prospects of the Issuer since 31 December 2011, nor has there been any significant change in the financial or trading position of the Issuer or its subsidiaries, taken as a whole, which has occurred since 31 December 2011.
4. Application may be made to list Notes issued under the Programme on the regulated market of the Luxembourg Stock Exchange. A notice relating to the issue (*Notice Légale*) as well as the Articles of Association (*statuten*) of the Issuer will be lodged with the *Registre de Commerce et des Sociétés à Luxembourg* where such documents may be examined and copies obtained. The Luxembourg Stock Exchange has allocated to the Programme no. 2286 for listing purposes.
5. Application may be made to list Notes issued under the Programme on NYSE Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V.
6. The financial statements of the Issuer have been audited for the three financial years preceding the date of this Base Prospectus by Ernst & Young Accountants LLP, chartered accountants (*registeraccountants*), and unqualified opinions have been reported thereon. Ernst & Young Accountants LLP is located in Amsterdam at the Antonio Vivaldistraat 150 (1083 HP), the

Netherlands. The auditors (*registeraccountants*) of Ernst & Young Accountants LLP are members of the Netherlands Organisation of Accountants (NBA).

The auditor's report in respect of the financial statements for the years ended 31 December 2011, 31 December 2010 and 31 December 2009 (incorporated by reference) are included in the form and context in which they appear with the consent of Ernst & Young, who have authorised the inclusion of these auditor's reports.

7. For the life of the Base Prospectus and for so long as any Notes are outstanding, copies and, where appropriate, English translations of the following documents may be inspected to the extent available at the investor relation section of the website of BNG, <http://www.bng.nl/smartsite.shtml?id=51607>, or alternatively during normal business hours at the specified office of the Paying Agent in Breda, London and Luxembourg, and be obtained free of charge, namely:
 - (a) the Deed of Incorporation and the Articles of Association (statuten) of the Issuer;
 - (b) the Issuing and Paying Agency Agreement (as amended);
 - (c) the audited financial statements for the three financial years preceding the date of the Base Prospectus and the latest audited financial statements and unaudited semi-annual financial statements of the Issuer;
 - (d) a copy of this Base Prospectus and any further prospectus or prospectus supplement prepared by the Issuer for the purpose of updating or amending any information contained herein or therein;
 - (e) each Final Terms in relation to listed issues of Notes; and
 - (f) any press releases that are published in relation to the Issuer or to issues of Notes.
8. The Issuer has no patents, licenses or agreements which are of significance to its business activities or its profit.
9. 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 DTC is 55 Water Street, New York, NY 10041, United States of America.

ISSUER

N.V. Bank Nederlandse Gemeenten
Koninginnegracht 2
2514 AA The Hague
The Netherlands

ARRANGER

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
England

PRINCIPAL DEALERS

N.V. Bank Nederlandse Gemeenten
Koninginnegracht 2
2514 AA The Hague
The Netherlands

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
England

BNP PARIBAS
10 Harewood Avenue
London NW1 6AA
England

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
England

Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt am Main
Federal Republic of Germany

**Coöperatieve Centrale
Raiffeisen-Boerenleenbank B.A.
(Rabobank International)**
Croeselaan 18
3521 CB Utrecht
The Netherlands

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
England

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
England

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
England

HSBC Bank plc
8 Canada Square
London E14 5HQ
England

ING Bank N.V.
Foppingadreef 7
1102 BD Amsterdam
The Netherlands

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
England

Landesbank Baden-Württemberg

Am Hauptbahnhof 2
70173 Stuttgart
Germany

Mizuho International plc

Bracken House
One Friday Street
London EC4M 9JA
England

Nomura International plc

1 Angel Lane
London EC4R 3AB
England

The Royal Bank of Scotland plc

135 Bishopsgate
London EC2M 3UR
England

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ
England

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
England

RBC Europe Limited

Riverbank House
2 Swan Lane
London EC4R 3BF
England

The Toronto-Dominion Bank

60 Threadneedle Street
London EC2R 8AP
England

UBS Limited

1 Finsbury Avenue
London EC2M 2PP
England

REGISTRATION AGENT**UBS AG**

Bahnhofstrasse 45
8098 Zurich
Switzerland

SWISS DEALERS**BNP Paribas (Suisse) SA**

2, place de Hollande
1204 Geneva
Switzerland

Credit Suisse AG

Paradeplatz 8
8001 Zurich
Switzerland

Deutsche Bank Aktiengesellschaft

Frankfurt am Main, Zurich Branch
Uraniastrasse 9
CH-8021 Zurich
Switzerland

Goldman Sachs Bank AG

Münsterhof 4
8001 Zurich
Switzerland

UBS AG

Bahnhofstrasse 45
8098 Zurich
Switzerland

ISSUING AND PAYING AGENT

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
England

**U.S. REGISTRAR, PAYING AGENT AND
TRANSFER AGENT**

Deutsche Bank Trust Company Americas

60 Wall Street
New York 10005
United States of America

**NON-U.S. PAYING AND TRANSFER
AGENT**

ABN AMRO Bank N.V.

Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

**NON-U.S. REGISTRAR, PAYING AGENT
AND TRANSFER AGENT**

Deutsche Bank Luxembourg S.A.

2, Boulevard Konrad Adenauer
L-1115 Luxembourg

LUXEMBOURG LISTING AGENT

Deutsche Bank Luxembourg S.A.

2, Boulevard Konrad Adenauer
L-1115 Luxembourg

LEGAL ADVISERS

To the Issuer

As to U.S. law

Davis Polk & Wardwell London LLP

99 Gresham Street
London EC2V 7NG
England

To the Issuer

As to Dutch law

NautaDutilh N.V.

Strawinskylaan 1999
1077 XV Amsterdam
The Netherlands

To the Dealers

As to U.S. law

Clifford Chance LLP

10 Upper Bank Street
London E14 5JJ
England

To the Dealers

As to Dutch law

Clifford Chance LLP

Droogbak 1A
1013 GE Amsterdam
The Netherlands

AUDITOR

Ernst & Young Accountants LLP

Antonio Vivaldistraat 150
1083 HP Amsterdam
The Netherlands