



**BANK  
NEDERLANDSE  
GEMEENTEN**

## **PROSPECTUS**

N.V. Bank Nederlandse Gemeenten

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

as Issuer

### **Euro 70,000,000 Debt Issuance Programme**

#### **Issue of up to EUR 100,000,000 30 Year Callable Fixed Rate / EUR CMS Spread Notes due 23 February 2037 (the "Notes")**

This prospectus ("**Prospectus**" which expression shall include all information incorporated by reference herein) has been issued in compliance with the Prospectus Directive, Commission Regulation EC No. 809/2004 and the relevant implementing measures in The Netherlands and has been prepared for the purpose of providing disclosure information with regard to the Issuer and the Notes and has been approved by the Netherlands Authority for Financial Markets (*Stichting Autoriteit Financiële Markten*, the "**AFM**"), which is the Netherlands competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the Netherlands. The AFM has been requested to provide the Banking, Finance and Insurance Commission (*Comission bancaire, financière et des assurances*, the "**CBFA**"), in its capacity as the competent authority of Belgium, with a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Directive for the purposes of permitting an offer of the Notes to the public in Belgium.

Application has been made to admit the Notes to listing on the Eurolist by Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V. ("**Eurolist**") which is a regulated market for the purposes of Directive 93/22/EEC (the "**Investment Services Directive**").

Interest on the Notes is fixed for the first 7 years. For the remaining 23 years, the Notes bear interest at a variable interest rate based on the difference (or spread) between the 10 year EUR swap rate and the 2 year EUR swap rate. Information relating to the past and future performance of the underlying swap rates and their volatility can be obtained from Reuters Screen, page ISDAFIX2.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 10.

This Prospectus is available for inspection, upon the oral or written request of any persons, at the specified offices of the Paying Agent. A copy of this Prospectus may be obtained free of charge upon request at the specified offices of the Issuer, each Paying Agent and each Distributor or on the website of the Issuer at [www.bng.com](http://www.bng.com).

Save as disclosed in this Prospectus and the Supplemental Prospectus dated 28 November 2006, no significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus dated 21 July 2006 prepared by the Issuer in relation to its Debt Issuance Programme (the "**Base Prospectus**") has arisen since the publication of the Base Prospectus.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes are being offered outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**" and may not be offered, pledged or otherwise transferred in the United States or to U.S. persons (as defined in Regulation S) except in a transaction that is exempt from the registration requirements of the Securities Act and in compliance with any applicable state securities laws. In addition, Notes issued in reliance on Regulation S during the 40-day period

beginning on the date of the completion of the distribution of the Notes will only be issued to a person that is neither a U.S. person nor holding such Notes for the account or benefit of a U.S. person. Terms in the previous sentence have the meaning given to them in Regulation S.

The Notes are in bearer form and are subject to U.S. tax law requirements.

**Arranger and Manager**

**MERRILL LYNCH INTERNATIONAL**

14 February 2007

## IMPORTANT NOTICES

N.V. BANK NEDERLANDSE GEMEENTEN (the "**Issuer**" or "**BNG**") has confirmed that this Prospectus, including all information incorporated by reference herein, contains all information regarding the Issuer and the Notes which is 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 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 Prospectus, including all information incorporated by reference herein, is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information, if any, relating to the underlying has been accurately extracted from information available from the information source specified in the Final Terms. So far as the Issuer is aware and is able to ascertain from information available from such source, no facts has been omitted which would render the reproduced information inaccurate or misleading. The Issuer does not intend to provide post issuance information.

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 Prospectus 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 Dealer.

The delivery of this Prospectus and the offering, sale or delivery of the Notes shall not in any circumstances create any implication that there has been no material adverse change in the financial situation of the Issuer since the date hereof.

The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Dealer 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 Prospectus and other offering material relating to the Notes see "Plan of Distribution" set out on page 61 of the Base Prospectus, such information being incorporated by reference herein. In particular, Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

This 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 Dealer that any recipient of this 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 Eurolist to the effect that, so long as the Notes remains outstanding and listed Eurolist, in the event of any material adverse change in the financial condition of the Issuer which is not reflected in this Prospectus, including all information incorporated by reference herein, or if a significant new factor, material mistake or inaccuracy relating to information included in this Prospectus arises or is noticed, the Issuer will prepare a supplement to the Prospectus. If the terms of the Programme are modified or amended in a manner which would make the Prospectus, as supplemented, inaccurate or misleading, a new Prospectus or a supplement to the Prospectus will be prepared.

The Issuer has not been involved in 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 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.

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## SUMMARY NOTE

*This Summary must be read as an introduction to the Prospectus dated 14 February 2007, prepared by the Issuer in connection with the issue of 30 Year Callable Fixed Rate/EUR CMS Spread Notes due 23 February 2037 (the "Notes") issued under its EUR 70,000,000,000 Debt Issuance Programme (the "Programme"). Any decision to invest in any Notes should be based on a consideration by a prospective investor of the Prospectus, including any documents or information incorporated by reference in such Prospectus. No civil liability attaches to the Issuer in respect of this Summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the Prospectus. Where a claim relating to information contained in this Summary or the Prospectus is brought before a court in an European Economic Area member state (each, an "EEA State"), the claimant may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.*

*Words and expressions defined in the section headed "Terms and Conditions of the Notes" set out in the Prospectus shall have the same meanings in this Summary.*

### *Information about the Offer*

<b>Issuer:</b>	N.V. Bank Nederlandse Gemeenten was incorporated as a <i>naamloze vennootschap</i> (a public company with limited liability) under the laws of the Netherlands on 23 December 1914.
<b>Dealer:</b>	Merrill Lynch International
<b>Issuing and Paying Agent:</b>	Deutsche Bank AG, London Branch
<b>Amsterdam Paying Agent:</b>	ABN AMRO Bank N.V.
<b>Principal Amount:</b>	Up to EUR100,000,000
<b>Series number:</b>	637
<b>Currency:</b>	Euro ("EUR" or "€")
<b>Issue Date:</b>	23 February 2007
<b>Maturity Date:</b>	23 February 2037
<b>Issue Price:</b>	100.00 per cent. of the Principal Amount of the Notes.
<b>Offer Price:</b>	100.00 per cent. of the Principal Amount of the Notes.
<b>Total commission:</b>	The average commission expected to be paid to each Distributor in connection with the offer of Notes will be within a range of 1 to 2 per cent. of the aggregate Principal Amount of the Notes placed, payable on the Issue Date.
<b>Offer Period:</b>	From (and including) 15 February 2007 up to (and including) 21 February 2007 during the hours in which banks are generally open for business in Amsterdam, The Netherlands and in Brussels, Belgium.
<b>Distribution:</b>	Notes are to be publicly offered in The Netherlands and in Belgium and will be placed with banks and financial institutions in The Netherlands and in Belgium who are approached by institutional and private investors (each a " <b>Distributor</b> "). At the end of the Offer Period, a notice will be published detailing the names and addresses of the Distributors.

A prospective investor should contact his usual financial adviser prior to the end of the Offer Period. A prospective investor will acquire Notes in accordance with the arrangements existing between the

relevant Distributor and its customers relating to the subscription of securities generally and not directly from the Issuer related to the subscription for the Notes.

The Notes will not be underwritten by the Distributors. No undertakings have been made by third parties to guarantee the subscription of the Notes.

<b>Form of Notes:</b>	Bearer
<b>Interest payable on the Notes:</b>	Interest payable on the Notes is fixed at 7.00 per cent. per annum in arrear for the first 7 years. For the remaining 23 years, the Notes bear interest at a variable interest rate based on 5 times the difference (or spread) between the 10 year EUR swap rate and the 2 year EUR swap rate (as described more fully in the Final Terms set out in the Prospectus), subject to a maximum rate of 9.00 per cent. per annum and a minimum rate of 0.00 per cent. per annum.
<b>Denomination of Notes:</b>	EUR 1,000
<b>Redemption:</b>	The Notes will be redeemed at 100.00 per cent. of the Principal Amount on 23 February 2037.
<b>Optional Early Redemption:</b>	<p>The Issuer has the option to redeem the Notes at 100.00 per cent. of the Principal Amount on 23 February 2014 and on each anniversary thereof.</p> <p>Early Redemption will also be permitted for taxation reasons as mentioned in "Terms and Conditions of the Notes" subject to all applicable legal and/or regulatory requirements.</p>
<b>Taxation:</b>	Payments in respect of Notes will be made without withholding in respect of taxes imposed by or in The Netherlands and if such taxes are required to be withheld, will be increased, subject to the exceptions set out in "Terms and Conditions of the Notes - Taxation". Interest payments to Belgium resident individuals will be subject to a 15% Belgium withholding tax if the payment is made through a financial institution or other intermediary established in Belgium. The Issuer will not increase any payment in the event of such withholding.
<b>Status of the Notes:</b>	The Notes will constitute direct and unsecured obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the issuer save for those preferred by mandatory operation of law.
<b>Selling Restrictions:</b>	<p>Notes may be distributed outside the United States to persons other than U.S. persons (as such terms are defined in Regulation S under the United States Securities Act of 1933, as amended from time to time (the "<b>Securities Act</b>")) in accordance with the selling restrictions.</p> <p>The offer, sale and distribution of Notes is permitted in The Netherlands and Belgium, subject to each Distributor complying with all applicable laws and regulations of The Netherlands or Belgium, as the case may be, in connection with such offer, sale and distribution.</p> <p>With the exception of the Netherlands and Belgium, the offer, sale and distribution of Notes is not permitted in any country or jurisdiction where action for that purpose is required.</p> <p>The Prospectus may only be used in connection with and within the</p>

terms of this offer to the public. It does not authorise, and may not be used by any Distributor in connection with, the subsequent offer or sale of any Notes outside the terms of the offer or the Offer Period.

- Rating:** The senior outstanding public long-term debt of the Issuer is rated Aaa by Moody's Investors Service Limited. AAA by Standard & Poor's Ratings Services, a division of the McGraw Hill Companies Inc. and AAA by Fitch Ratings Limited.
- Listing Agent:** Rabobank International, Amstelplein 1, 1096 HA, Amsterdam, The Netherlands
- Listing:** Application has been made to admit the Notes to Listing on the Eurolist by Euronext Amsterdam, a regulated market of Euronext Amsterdam N.V.
- Governing Law:** The Notes will be governed by, and construed in accordance with, the laws of the Netherlands.

*Information about the Issuer*

- Background of the Issuer:** The Issuer is authorised by the Dutch Central Bank ('*De Nederlandsche Bank N.V.*' or 'DNB') to pursue the business of a credit institution ('*kredietinstelling*') in The Netherlands and is consequently supervised by the Dutch Central Bank. 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.

- Directors and senior management of the Issuer:** *Executive Board*  
P.O. Vermeulen, C. van Eykelenburg and J.J.A. Leenaars.
- Supervisory Board*  
H.O.C.R. Ruding, J.A.M. Hendriks, R.J.N. Abrahamsen, H.H. Apotheker, W.M. van den Goorbergh, R.J.J.M. Pans, W.K. Wiechers, A.G.J.M. Rombouts, and Mrs Y.C.M.T. van Rooy.
- Managing Directors*  
Mrs P.J.E. Bieringa, J.L.S.M. Hillen, P. van Holst, G.J.M. Langelaan, J.C.A. Polman, J.C. Reichardt, G.J. Thomas, P.H. Verloop and R. van Woerden.

- Auditors:** Ernst & Young Accountants, Drentestraat 20, 1083 HK Amsterdam, The Netherlands.

- Reasons for the offer and use of proceeds:** The net proceeds of the issue are to be used by the Issuer for general corporate purposes.

- Shareholders and Share Capital of the Issuer:** The authorised share capital of the Issuer is EUR 250,000,000 divided into EUR 100,000,000 shares of EUR 2.50 each. Half of the Issuer's share capital is held by the State of The Netherlands. The other half is mainly held by municipalities ('*gemeenten*') and furthermore by eleven of the total of twelve provinces ('*provincies*') as well as one water board ('*waterschap*'), all located in The Netherlands. Only the State of The Netherlands, provinces, municipalities, water boards and other public bodies may be shareholders of the Issuer.

- Business Overview:** The Issuer is a specialised bank for local, regional and functional authorities and government affiliated organisations that are involved in public utilities, public housing, public health, welfare, culture, education and recreation. The main business activities of the Issuer

include the granting of credit to its statutory counterparties, transfer of payments and the processing of flows between the central government and public entities.

**Articles of Association:** The Issuer's Articles of Association are unique and requests for copies should be directed to Paying Agent or the Listing Agent.

**Documents on display:** The Prospectus (and all information incorporated by reference therein) is available for inspection, upon the oral or written request of any persons, at the specified offices of the Paying Agent. A copy of this Prospectus may be obtained free of charge upon request at the specified offices of the Issuer and each Paying Agent. or on the website of the Issuer at [www.bng.com](http://www.bng.com).

**Selected financial information relating to the Issuer:** The Issuer's capitalisation amounted to EUR 81,086,000,000 as at 31 December 2005. The indebtedness of the Issuer as at 31 December 2005 amounted to EUR 80,213,000,000.

#### SELECTED FINANCIAL DATA 2005-2001

<i>In millions of euros</i>	2005 <sup>1</sup>	2004	2003	2002	2001
Balance Sheet Total	91,671	88,586	83,905	73,529	67,755
Loans and Advances	64,166	62,836	61,152	54,033	46,444
of which Granted to or Guaranteed by Public Authorities	58,287	56,407	53,951	47,334	40,429
Equity <sup>2</sup>	3,145	2,592	2,565	2,448	2,378
of which Unrealised Revaluation	354				
Equity per Share (in euros) <sup>3</sup>	50.09	46.55	46.06	43.97	42.71
Equity as a Percentage of Total Assets <sup>3</sup>	3.0%	2.9%	3.1%	3.3%	3.5%
BIS-Ratio (Tier 1)	32%	26%	25%	26%	25%
BIS-Ratio Total Capital (Tier 2)	33%	27%	27%	27%	26%
Profit before tax <sup>4</sup>	276	301	304	283	249
Net Profit after Tax <sup>5</sup>	311				
Profit per Share (in euros) <sup>4</sup>	5.58	5.40	5.45	5.08	4.47
Dividend (in Cash) <sup>4</sup>	134	129	274	122	107
Dividend as a percentage of Net Profit <sup>4</sup>	43	43	90	43	43
Dividend per Share (in euros) <sup>4</sup>	2.40	2.32	4.91	2.19	1.92
Employees (in FTE's) at Year End	376	412	413	407	398

<sup>1</sup> *In contrast to the years 2004-2001, the selected financial data for 2005 are based on the International Financial Reporting Standards (IFRS) as agreed upon within the European Union. The Figures up to 2005 are based on Dutch GAAP. As a consequence, the figures for 2005 are not entirely comparable.*

<sup>2</sup> *Beginning in 2005, Equity includes an unrealised revaluation reverse due to the adoption of IFRS.*

<sup>3</sup> *Excluding the revaluation reserve.*

<sup>4</sup> *BNG became liable to pay corporation tax effective 1 January 2005.*

<sup>5</sup> *The net profit after tax in 2005 is higher than the profit before tax as a consequence of the incorporation of the first fiscal valuation for corporation tax. This is a one-off adjustment.*

**Risk factors relating to the Issuer:** Risk factors which may affect the ability of the Issuer to fulfil its obligations under the Notes include:



- risks such as liquidity risks, market risk, operational risk, information and communications technology risk, integrity risk, outsourcing risk and credit risk;
- general risks related to the wider economy such as the impact on the Issuer of fluctuations in the exchange rate and interest rates;
- the impact of social, political, regulatory and environmental events on the Issuer; and
- the nature and any changes to the competitive environment experienced by the Issuer.

**Risk factors relating to the Notes include:**

- The uncertainty of receiving variable interest payments on the Notes where such interest depends on the movement of swap rates, interest rates, exchange rates and/or the outcome of a particular formula and, in certain circumstances, the risk that little or no interest may be payable to Noteholders from the eighth year or the life of the Notes to their maturity;
- The risk that the rate of return on the Notes may be less than that which would have been achieved if the investor had opted for a more conventional investment, such as a bank deposit;
- The investors' ability to analyse the merits, risks and suitability of taking long-term exposure to a particular issuer in one particular industry and to speculate as to how circumstances may change and impact upon the Issuer and its ability to meet its obligations;
- The existence of inflation risk, meaning that the value of the principal amount of a Noteholder's investment on the maturity of the Notes may be worth less in real terms than the value of the same principal amount today;
- The existence of a call option in favour of the Issuer allowing the Notes to be redeemed early which may reduce the value of the Notes in the secondary market on, and for a period prior to, the dates on which the call option may be exercised;
- the Issuer may be more likely to redeem the Notes at a time when its costs of borrowing is lower than the interest rate on the Notes; and
- The value of the Notes in the secondary market going down as well as up and the uncertainty of a secondary market (and the liquidity of such secondary market) in the Notes ever developing following their issuance.

## **RISK FACTORS**

*Prospective investors should read the entire Prospectus, including all information incorporated by reference herein.*

*Words and expressions defined elsewhere in this Prospectus have the same meanings in this section, unless otherwise stated.*

*Investing in the Notes involves risks. They include the risks mentioned below:*

### **Risk Factors Relating to the Issuer and the Notes**

Investors should read the risk factors set out under the heading "Risk Factors" on pages 6-8 of the Base Prospectus, such information being incorporated by reference herein.

### **Specific Risk Factors Relating to the Notes**

#### *Variable Interest*

The Notes bear interest for their first 7 years at the rate of 7.00 per cent. per annum. For the remaining 23 years, the Notes bear interest at a variable interest rate determined by Merrill Lynch Capital Services, Inc. as Calculation Agent by taking the difference (or spread) between the 10 year EUR swap rate (the "**First Swap Rate**") and the 2 year EUR swap rate (the "**Second Swap Rate**") and multiplying that difference by 5, subject to a maximum rate of 9.00 per cent. per annum and a minimum rate of 0.00 per cent. per annum. Accordingly, as the difference between the First Swap Rate and the Second Swap Rate decreases, the rate of interest payable to Noteholders will reduce by 5 times the amount of that decrease.

In the event that the First Swap Rate equals or is less than the Second Swap Rate on a date which is relevant to the calculation of interest for an interest period, the interest rate on the Notes for that period will equal zero.

Calculation of the return on the Notes for the remaining 23 years is linked, in part, to the performance of the First Swap Rate and the Second Swap Rate and is designed for investors who believe that the First Swap Rate will appreciate, at a pace greater than the Second Swap Rate, over the term of the Notes. As such, an investment in the Notes may not be suitable for persons unfamiliar with the fixed rates on interest rate swaps, the factors (such as, without limitation, changes in interest rates) that affect movements in such rates or who are unwilling or unable to bear the risk attendant with this trade.

#### *Comparison of return of investments*

The Notes mature 30 years after their issue date. Each investor should be aware that it is possible that the amount of interest accruing on the Notes during their life may be substantially less than the return that would be payable over the same period on other investments including conventional investments like bank deposits and real property and other investments such as more conventional debt security with a fixed or floating rate of return.

#### *Long-term credit risk*

Investors should be aware that an investment in the Notes is a long-term investment. Over the course of 30 years the obligations and business needs of the Issuer may change. External factors, such as economic, financial, or political events over which the Issuer has no control, and the competitive environment in which the Issuer operates, may also change and affect the business and/or profitability of the Issuer and consequently, its ability to meet its obligations. Investors must be capable of assessing the merits and suitability of a long-term investment in the Notes and any long-term credit risk associated with the Issuer that such investment in the Notes entails. The credit ratings applied to the Issuer may go down as well as up depending on its performance against the criteria set by credit ratings agencies.

The return on the Notes may be subject to a high degree of risk, including, without limitation, interest rate, currency, credit, political, liquidity and market risk. Accordingly, the Notes are not suitable for all investors.

### *Effect of Inflation on long-term investment capital*

Investors should bear in mind that, whilst the terms of the Notes provide for the Issuer to repay the Notes when they mature, the principal amount of their investment is likely to have a higher value in the present day than the value of the same principal amount in 30 years time due to the devaluing effect of inflation, i.e. the rise in the general level of prices over time, has on currency.

### *Unknown Value of Notes in the Secondary Market*

The trading value of the Notes will be affected by factors that interrelate in complex ways. The Notes may trade at a discount to their initial offering price, depending upon, among other things, prevailing interest rates, the market for similar securities, general economic conditions, commissions paid by the Issuer and the financial condition of the Issuer. Accordingly, investors selling Notes in the secondary market may receive less than the redemption amount of the Notes (and therefore, depending on the price at which they purchased their Notes, less than their initial investment).

The following sub-paragraphs describe the expected impact on the trading value of the Notes given a change in a specific factor and assuming all other conditions remain constant.

(a) *Changes in the volatility or anticipated volatility are expected to affect the trading value of the Notes*

Volatility is the term used to describe the size and frequency of price and/or market fluctuations. If the volatility, or anticipated volatility, of the First Swap Rate or the Second Swap Rate increases or decreases, the trading value of the Notes may be adversely affected.

(b) *Credit Ratings*

The credit ratings assigned to the Issuer's Euro 70,000,000,000 Debt Issuance Programme are a reflection of the rating agencies' respective assessment of the Issuer's ability to pay its obligations and may not reflect the potential impact of all risks related to structure, market or other factors on the value of the Notes. In addition, real or anticipated changes in credit ratings will generally affect the market value of the Notes.

### *Illiquidity of the Notes*

The Issuer does not expect a trading market for the Notes to develop. The Notes are structured and not liquid. No assurances can be made that any meaningful secondary market will develop in the Notes. If an active public market for the Notes does not develop, the market prices and liquidity of the Notes may be adversely affected. Bid-offer spreads are expecting to be significantly higher than for more conventional fixed or floating rate bonds.

### *Optional Early Redemption of the Issuer and Reinvestment Risk*

The Issuer can redeem the Notes on any Interest Payment Date from 23 February 2014 onwards (each an "**Optional Redemption Date**"). This option of the Issuer to redeem the Notes early is likely to limit the market value of the Notes. On each Optional Redemption Date, the market value of the Notes generally will not rise above the price at which they can be redeemed. This may also be true prior to each Optional Redemption Date. The Issuer may be expected to redeem such 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. Conversely, the Issuer is not likely to redeem the Notes at a time when the interest rate payable under the Notes is less than the rates available on other investments. Potential investors should consider reinvestment risk in light of other investments available at that time.

### *Sophisticated product*

Investing in the Notes involves risks. As a consequence, prospective investors should be aware that the Notes are only suitable for highly sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks of an investment in the Notes. In purchasing the Notes, each investor will be deemed to represent that it is such an investor and has such knowledge and experience.

*Investors must rely on their own evaluation of the merits of an investment in the Notes*

In the ordinary course of its businesses, the Issuer, the Dealer or their affiliates from time to time may express views on expected movements in swap rates. However, these views, depending upon world-wide economic, political and other developments, may vary over differing time-horizons and are subject to change. Other professionals who deal in swap rates may at any time have significantly different views from those of the Issuer, Dealer or its affiliates. In connection with any purchase of the Notes, investors should investigate the swap markets and not rely on views which may be expressed by the Issuer, Dealer or their affiliates and should make such investigation as they deem appropriate as to the merits of an investment in the Notes.

**EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN FINANCIAL AND LEGAL ADVISORS AS TO THE RISKS ENTAILED BY AN INVESTMENT IN THE NOTES.**

## INCORPORATION BY REFERENCE

The following documents have been filed with the AFM and shall be deemed to be incorporated by reference in this Prospectus:

- the annual reports, including the audited annual accounts, of the Issuer for the years ended 31 December 2004 and 31 December 2005;
- the semi-annual unaudited financial statements for the six month period ended 30 June 2006 of the Issuer;
- the Articles of Association of the Issuer;
- the press releases dated 10 August 2006, 25 August 2006, 5 September 2006 and 15 November 2006 relating to the Issuer;
- the following information from the base prospectus relating to the Issuer's debt issuance programme (the "**Programme**") dated 21 July 2006 (the "**Base Prospectus**"):
  - the section headed "Risk Factors" on pages 6-8;
  - the section headed "Key Features of the Programme" on pages 11 - 15;
  - the section headed "Use of Proceeds" on page 33;
  - the section headed "N.V. Bank Nederlandse Gemeenten" on pages 43 - 54;
  - the section headed "Extract of the Articles of Association" on pages 55 - 58;
  - the section headed "Plan of Distribution" on pages 61 - 65; and
  - the section headed "General Information" on pages 66 - 67.

The Issuer will, at the specified offices of the Paying Agents for the Notes, provide, free of charge, to any person, upon the oral or written request of such person, a copy of any or all of the information incorporated herein by reference as well as the Issuing and Paying Agency Agreement and, where appropriate, English translations of any or all such documents. Written or oral requests for such documents should be directed to the specified office of any Paying Agent or the specified office of the Listing Agent in Amsterdam.

### **ADDITIONAL ISSUER INFORMATION**

H. Priemus stepped down as a member as the Supervisory Board of Directors in the general meeting of shareholders dated 17 May 2006.

Following his appointment as Minister of Public Housing on 26 September 2006, P. Winsemius stepped down as a member of the Supervisory Board of Directors.

## NETHERLANDS TAXATION

### General

The following is a 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. In view of its general nature, it should be treated with corresponding caution. This summary does not apply to a holder of Notes which has a substantial interest or deemed substantial interest (statutorily defined term; generally an interest of at least 5%, held alone or together with certain related individuals) in the Issuer. Holders should consult with their tax advisers with regard to the tax consequences of investing in the Notes. The discussion below is included for general information purposes only.

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

### Withholding tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

### Taxes on income and capital gains

A holder of 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 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 Dutch income tax act 2001 as they apply to residents of the Netherlands; and
- (ii) such holder does not have an interest in an enterprise 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 such holder is an individual, such holder does not carry out any activities in the Netherlands that go beyond ordinary active asset management ("*normaal vermogensbeheer*") and does not derive benefits from the Notes that are (otherwise) taxable as benefits from other activities ("*resultaat uit overige werkzaamheden*") in the Netherlands.

A holder of Notes will not become subject to Netherlands taxation on income or capital gains by reason only of the execution, delivery and/or enforcement of the Notes or the performance by the Issuer of its obligations under the Notes.

### Gift and estate taxes

No Netherlands gift, estate 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:

- (i) such holder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that, in whole or in part, is or was either effectively managed in the Netherlands or carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Notes are or were attributable; or
- (ii) in the case of a gift of a Note by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

For purposes of Netherlands gift, estate and inheritance taxes, amongst others, a person that holds the Netherlands nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. Additionally, for purposes of Netherlands gift tax, amongst others, a person not holding the Netherlands nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

#### **Turnover tax**

No Netherlands turnover tax will arise in respect of any payment in consideration for the issue of the Notes or with respect to any payment by the Issuer of principal, interest or premium (if any) on the Notes.

#### **Other taxes and duties**

No Netherlands registration tax, stamp duty or other similar documentary tax or duty, other than court fees, will be payable in the Netherlands by the holders of Notes in respect of or in connection with the subscription, issue, placement, over-allotment or delivery of the Notes.

#### **European Union Directive on the Taxation of Savings income**

The EU has adopted a Directive (2003/48/EC) regarding the taxation of savings income. From 1 July 2005 EU member states are required to provide to the tax authorities of other EU member states details of payments of interest and other similar income paid by a person within its jurisdiction to an individual in that other EU member state, except that Austria, Belgium and Luxembourg impose a withholding system for a transitional period (unless during such period they elect otherwise). A number of third countries and territories have adopted similar measures.



## BELGIUM TAXATION

### *General*

The following is a general description of certain Belgian tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes whether in Belgium or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Belgium of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

### **Individual investors**

Interest payments made to Belgian resident individuals will be subject to a 15% Belgian withholding tax if the payment is made through a financial institution or other intermediary established in Belgium. In that case the investors need not report the interest income in their annual tax return.

If the payment is not made through a Belgian intermediary and withholding tax is not withheld, the investors must report the interest income in their annual tax return and pay tax thereon at the rate of 15% plus additional local taxes.

Capital gains realised on the sale of Notes on the secondary market are not taxable; the accrued interest component included in the sale price, however, will be treated as interest income and taxed in accordance with the above two paragraphs. Gains realised upon a sale of the Notes to the Issuer are taxable as interest. Capital losses are not tax deductible.

### **Corporate investors**

Interest payments made to Belgian resident companies (or to Belgian branches of foreign companies) will be exempted from Belgian withholding tax provided that the investor delivers to its financial intermediary an appropriate affidavit.

Interest income, calculated on an accrual basis, as well as capital gains realised on secondary market sales of the Notes will be included in the taxable income of the investor. Conversely, capital losses may be deducted from its taxable income.

### **Non-profit investors**

In the case of Belgian resident investors subject to the non-profit legal entities tax (*impôt des personnes morales / rechtspersonenbelasting*), interest payments will be subject to a 15% Belgian withholding tax if the payment is made through a financial institution or other intermediary established in Belgium. If the payment is not made through a Belgian intermediary and withholding tax is not withheld, the investor must report the interest income within 15 days and pay tax thereon at the rate of 15%.

Capital gains realised on the sale of Notes on the secondary market are not taxable; the accrued interest component included in the sale price, however, will be treated as interest income and taxed in accordance with the above paragraph. Gains realised upon a sale of the Notes to the Issuer are taxable as interest.

### **Non-resident investors**

Interest payments made to investors who are not residents of Belgium (unless these investors have a permanent establishment in Belgium through which they hold the Notes) will not be subject to Belgian withholding tax if the payments are not collected through a Belgian financial intermediary. Interest collected through regulated financial intermediaries is exempt provided that the investor delivers to its financial intermediary an appropriate affidavit.

No Belgian inheritance duties will be due in respect of the Notes if the deceased holder of the Notes was not a Belgian resident at the time of his or her death, even if the Notes were held in custody in Belgium.

**Stamp duties**

A 0.07% tax (capped at EUR 500 per trade) will be payable on secondary market trades in the Notes effected through a financial intermediary in Belgium. This tax, however, is not payable by non-resident investors nor by various categories of institutional investors.

The physical delivery in Belgium of bearer Notes in definitive form will be subject to a tax of 0.6%, save if such delivery is made in connection with a primary market subscription to these Notes.

**Implementation of the EU Savings Tax Directive**

Belgium has implemented the EC Council Directive 2003/48/EC on the taxation of savings income. Interest paid through a paying agent in Belgium to individual investors resident in another EU member state or in certain third countries is subject to withholding tax at the rate of 15% until 30 June 2008, then 20% until 30 June 2011, and then 35%. This tax will not apply if the investor submits to the paying agent an appropriate certificate of the tax authorities of his jurisdiction of residence.

## TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Notes (the "**Terms and Conditions of the Notes**") shall consist of the base conditions set out below (the "**Base Conditions**") as amended or supplemented by the terms set out in the Final Terms (including the Annex (*Special Conditions*) thereto) (the "**Final Terms**") an extract of the relevant terms of which is set out below on page 37 (terms used in such provisions being deemed to be defined as such for the purposes of the Base Conditions).

Any references to "this document" in the Final Terms section of this Prospectus shall be deemed to refer to the Final Terms.

The Notes are to be issued fully paid up and delivered on the Issue Date (as defined below). No expenses and taxes were charged to the initial purchaser.

The issuance of the Notes was approved pursuant to a Board Resolution of the Issuer on 23 January 2007.

The address of Euroclear Bank S.A./N.V. ("**Euroclear**") is 1 Boulevard du Roi Albert II, 1120 Brussels, Belgium. The address of Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") is 42 Avenue JF Kennedy, L-1855 Luxembourg.

### BASE CONDITIONS

*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 Note in global form and which will be attached to or endorsed upon each definitive Note in K-form and will be applicable to each definitive Note in CF-form, 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 and definitive Note in K-form and will be applicable to each definitive Note in CF-form.*

The Notes are issued in accordance with an issuing and paying agency agreement (the "**Issuing and Paying Agency Agreement**"), (which expression shall include any amendments or supplements thereto) dated 7 December 1993 and amended and restated on 5 December 2001 and further amended and restated on 21 July 2006 and made between N.V. Bank Nederlandse Gemeenten (the "**Issuer**"), Deutsche Bank AG, London Branch (formerly Bankers Trust Company) (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) and certain other financial institutions named therein in their capacities as paying agents (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). 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 ("**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 54 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 SIS SegInterSettle AG, the Swiss Securities Services Corporation in Olten, Switzerland ("**SIS**"), 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 Eurolist by Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V. ("**Eurolist**"), 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) Notes are issued in bearer form. A Note is a Fixed Rate Note, a Floating Rate 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 an amount that is equal to or higher than the principal amount and 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 9(g) has been applied, in which case payments shall be made on the basis stated in the relevant Final Terms.

(b) Unless otherwise specified in the Final Terms, Notes will be represented upon issue by a temporary global instrument (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 is expected to be, but shall not be less than, 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 US 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 instrument (a "**Permanent Global Note**") representing the Notes in that Series 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 Notes ("**Definitive Notes**") in substantially the form (subject to amendment and completion) scheduled to the Issuing and Paying Agency Agreement.

(c) If any date on which a payment of interest is due on the 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 US Treasury regulations (in the form set out in the Temporary Global Note) has been received by Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") or Clearstream Banking, société anonyme, Luxembourg ("**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.

(d) 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. 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.

If so specified in the Final Terms, the Notes may be represented upon issue by one or more Permanent Global Notes.

*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 Admission Board of the SWX Swiss Exchange. The Permanent Global Note will be exchangeable for definitive Notes only if the Swiss Principal Paying Agent should deem, after consultation with the Issuer, the printing of definitive notes to be necessary or useful, or if the presentation of definitive notes is required by Swiss or other applicable laws and regulations in connection with the enforcement of the rights of noteholders, or if the Swiss Principal Paying Agent at any time at its discretion determines to have definitive Notes issued. Holders of Swiss Franc Notes will not have the right to request delivery of definitive notes.*

(e) 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 either in K-form (with Coupons) and/or in CF-form (with Coupon sheets). Definitive Notes and Global Notes will be bearer instruments. Notes in K-form may, if applicable, have talons ("**Talons**") for further Coupons attached, but will not be issued with receipts ("**Receipts**") attached. Notes in CF-form will have neither Talons nor Receipts attached on issue and will be governed by the rules of the Algemeen Obligatiekantoor van het Centrum voor Fondsenadministratie B.V. in Amsterdam. References in these Terms and Conditions to "**Coupons**" will include references to "**Coupon Sheets**".

(f) 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**"). 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. Notes of one denomination will not be exchangeable after their initial delivery for Notes of any other denomination.

(g) Notes may be denominated in any currency (including, without limitation, the Australian Dollar, the Euro, the Japanese Yen, the New Zealand Dollar, the Pound Sterling, the Swiss Franc and the United States Dollar) subject to compliance with all applicable legal or regulatory requirements.

(h) 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.

## **2. TITLE**

(a) Subject as set out below, title to Notes and Coupons passes inter alia by delivery. References herein to the "**Holders**" of Notes or of Coupons or "**Noteholders**" or "**Couponholders**" signify the bearers of such Notes or such Coupons.

(b) The Holder of any Note or Coupon will (except as otherwise required or allowed by applicable law, stock exchange regulation or regulatory requirement) 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 interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

### **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 one only) of Conditions 5A, 5B, 5C or 5D shall be applicable, provided that Condition 5E 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 Specified Denomination.

*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 principal amount 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). 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 – Floating Rate**

*5B.(1)* 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 and "**Telerate**" means the Bridge's Telerate Service (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 Pounds Sterling, 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 principal amount of the smallest or minimum denomination 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 principal amount, multiplying the product by the relevant Day Count Fraction.

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

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

5C.(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 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.

### **5D. Interest – Other Rates**

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 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.

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

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

5E.(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 the listing on the Luxembourg Stock Exchange and/or Eurolist, 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.

5E.(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.

5E.(4) In the case of partly-paid Notes (other than partly-paid Notes which are non-interest-bearing) interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as indicated in the applicable Final Terms.

5E.(5) In relation to Notes in relation to which Condition 5E.(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.

#### **5E.(6) 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;

**"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/365**" or "**Actual/Actual (ISDA)**" 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, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if "**30E/360**" or "**Eurobond Basis**" is so specified means, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

"**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) (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;

**"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, Notes shall be redeemed at their principal amount (or at such higher 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 occurs 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 principal amount (or at such other early higher 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.

### **(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 signed by one member of the Executive Board 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), 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.

**(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 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 Chapter X of The Netherlands Act on the Supervision of the Credit System 1992 (Wet toezicht kredietwezen 1992) 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 presented for payment:

- (i) by or on behalf of a Holder who is liable to such taxes, duties, assessments or charges in respect of such Note or Coupon by reason of his having some connection with The Netherlands other than the mere holding of the Note or Coupon; or
- (ii) by or on behalf of a Holder to the extent that he would not be liable or subject to such withholding or deduction by making a declaration of non-residence or other similar claim for exemption or reduction as foreseen in the laws of The Netherlands or in the relevant treaties for the avoidance of double taxation to the relevant tax authorities; or
- (iii) 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; or
- (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; or
- (v) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member state of the EU.

(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 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 principal and/or interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 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

(a) Payment of amounts (including accrued interest) due on the redemption of Notes (other than Definitive Notes in CF-form) will be made against presentation and, save in the case of a partial redemption by reason of insufficiency of funds, surrender of the relevant Notes at the specified office of any of the Paying Agents.

Payments of principal in respect of Definitive Notes in CF-form will be made through the Paying Agent(s) as specified in the relevant Final Terms against surrender of Definitive Notes in CF-form together with the Coupon Sheet attached.

(b) Payment of amounts due in respect of interest on 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;
- (iii) in the case of Definitive Notes, other than Definitive Notes in CF-form, 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; and
- (iv) in the case of Definitive Notes in CF-form, in accordance with the agreement concluded between the Issuer and the Algemeen Obligatiekantoor van het Centrum voor Fondsenadministratie B.V. in Amsterdam, under which agreement the Issuer has accepted the rules and regulations of the Obligatiekantoor.

(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) in the case of Definitive Notes which bear interest at a fixed rate or rates, the amount of any missing 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.

For Swiss Franc Notes, payments will be made without taking account of any future transfer restrictions and/or outside any bilateral or multilateral payment or clearing agreement (which for the avoidance of doubt means without regard to 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 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 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 fulfilment of any other formality.

- (f) 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) "**Euro-Zone**" means the region comprised of the countries whose lawful currency is the Euro;
- (iii) "**Payment Business Day**" means:
- (i) if the currency of payment is euro, any day which is:
- (A) 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
- (B) in the case of payment by transfer to an account, 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
- (ii) if the currency of payment is not euro, any day which is:
- (A) 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
- (B) in the case of payment by transfer to an account, 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;
- (iv) "**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, Wellington;
  - in relation to Notes denominated in Pounds Sterling, 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 centre or centres as may be specified in relation to the relevant currency and for the purposes of the definition of "**Business Day**" in the 2000 ISDA Definitions (as amended and updated from time to time), as published by the International Swaps and Derivatives Association, Inc.;
- (v) "**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System; and
- (vi) "**TARGET Business Day**" means a day on which the TARGET System is operating, and, in all cases, as the same may be modified in the relevant Final Terms.

(g) Notes denominated in the currency of a member state of the European Union in relation to which this Condition 9(g) is specified in the relevant Final Terms as being applicable shall, be redenominated into Euro in accordance with this Condition 9(g).

(i) 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.

With effect from the Redenomination Date:

- (a) 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);
- (b) 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;
- (c) 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 unmaturing at the date so specified become void and replaced by new Coupons;
- (d) 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);
- (e) if the Notes are Floating Rate Notes, any applicable changes to the provisions relating to interest will be specified in the Final Terms; and
- (f) 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 the TARGET System 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.

As used in these Terms and Conditions:

"**Redenomination Date**" means a date which:

- (a) in relation to interest-bearing Notes, shall be an Interest Payment Date;
- (b) is specified by the Issuer in the notice given to the Holders pursuant to this Condition 9(g); and



- (c) 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.

- (g) Condition 9(g) notwithstanding, Notes issued in the national currency of one of the countries of the Euro-Zone 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 schuldredenominatie**")
- (h) In connection with any such redenomination as set out in paragraph (i) above, 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. THE PAYING AGENTS**

The initial Paying 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 Paying Agent (including the Issuing and Paying Agent) and to appoint additional or other Paying Agents, provided that it will at all times maintain (i) an Issuing and Paying Agent, (ii) a Paying Agent with a specified office in continental Europe, (iii) so long as any Notes are listed on the Luxembourg Stock Exchange, a Paying Agent with a specified office in Luxembourg, (iv) so long as any Notes are listed on Eurolist, a Paying Agent with a specified office in Amsterdam and (v) 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 Paying 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 Paying Agents will be notified promptly to the Holders.

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**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent, subject to all applicable laws and the requirements of any stock exchange on which the relevant Notes are listed, upon payment by the claimant of all expenses incurred in such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Issuing and Paying Agent may require. Mutilated or defaced Notes and Coupons must be surrendered before replacements will be delivered therefor.

## **13. 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.

## 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 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 or, in the case of a Temporary Global Note or Permanent Global Note, if delivered to Euroclear, Clearstream, Luxembourg and any other agreed clearing system for communication by them to the persons shown in their respective records as having interests therein, provided that, in the case of Notes admitted to listing on Eurolist, all notices to the Holders of Notes or Coupons will be validly given if published (in the English language) in at least one daily newspaper having general circulation in The Netherlands and in the Euronext Amsterdam Daily Official List ("**Officiële Prijscourant**") of Euronext Amsterdam N.V., and provided that, 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 d'Wort). Any notice so given 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, as the case may be, on the second Business Day after the date of such delivery.

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 SWX Swiss Exchange (www.swx.com), or (ii) in a daily newspaper in Zurich (which is expected to be the "**Neue Zürcher Zeitung**"), or (iii) otherwise in accordance with the regulations of the SWX 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.

## 16. ADDITIONAL OBLIGATIONS

If Notes have been admitted to listing on Euronext Amsterdam, the Issuer will, as long as the Notes are listed on Eurolist, 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 favour 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 favour of each Noteholder the payment of all sums payable by the Substituted Debtor as such principal debtor (such guarantee of the Issuer herein referred to as the "**Guarantee**").

(b) In connection with any substitution effected pursuant to this Condition, neither the Issuer nor the Substituted Debtor need have any regard to the consequences of any such substitution for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and no Noteholder or Couponholder, except as provided in Condition 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.

## **18. LAW AND JURISDICTION**

(a) The Notes and the Issuing 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 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 private and 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 purpose 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.

**N.V. BANK NEDERLANDSE GEMEENTEN**

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

**Euro 70,000,000,000 Debt Issuance Programme**

**Series number: 637**

***Issue of up to EUR100,000,000 30 Year Callable Fixed Rate/EUR CMS Spread Notes due 23 February 2037(the "Notes")***

The date of these Final Terms is 14 February 2007

These Final Terms relate to the Notes issued under the Euro 70,000,000,000 Debt Issuance Programme of N.V. Bank Nederlandse Gemeenten. Terms defined in the Prospectus have the same meaning in these Final Terms. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (the "**Prospectus Directive**") and must be read in conjunction with the 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 Prospectus (including all information incorporated by reference therein). The Prospectus is available for inspection, upon the oral or written request of any persons, at the specified offices of the Paying Agent. A copy of the Prospectus may be obtained free of charge upon request at the specified offices of the Issuer, each Paying Agent and each Distributor or on the website of the Issuer at [www.bng.com](http://www.bng.com).

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 other than as set out in the Prospectus.

The terms of the Notes are as follows:

- |    |  |   |
|----|--|---|
| 1. | (i) If syndicated, names and addresses of Managers and underwriting commitments: | Not Applicable  |
|    | (ii) Date of Subscription Agreement:   | Not Applicable  |
|    | (iii) If non-syndicated, name and address of Dealer                              | Merrill Lynch International of Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ, United Kingdom  |
| 2. | Series number:   | 637   |
| 3. | Principal Amount:  | Up to EUR100,000,000 in aggregate principal amount. The final Principal Amount will be published following the Offer Period and prior to the Issue Date at the offices of the Issuer, each Paying Agent and each Distributor. |
| 4. | Temporary Global Note exchangeable for Definitive Notes:                         | No  |
| 5. | (a) Temporary Global Note exchangeable for                                       | No. The Notes will be represented upon issue by a permanent global note (the " <b>Permanent Global Note</b> ") in bearer form without interest coupons attached. The  |

	Permanent Global Note:	Permanent Global Note will be exchangeable for definitive notes (" <b>Definitive Notes</b> ") but only as set out in Condition 1(d)(i) and 1(d)(ii).
(b)	New Global Note form:	Yes
6.	Permanent Global Note exchangeable for Definitive Notes:	Yes, but only as set out in Condition 1(d)(i) and 1(d)(ii).
7.	Coupons attached to interest bearing Definitive Notes:	Yes.
8.	Form and Denomination(s):	The Notes will be issued in denomination of EUR1,000.
9.	Specified Currency/Currencies:	Euro (" <b>EUR</b> ").
10.	Issue Price:	100.00 per cent. of the Principal Amount of the Notes.
11.	Effective Yield to maturity of the Notes:	Not Applicable
12.	(i) Issue Date:	23 February 2007.
	(ii) Interest Commencement Date:	23 February 2007.

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

13.	Interest-bearing:	Yes.
14.	In the case of interest-bearing Notes, applicable Condition:	Condition 5A ( <i>Interest Rate-Fixed Rate</i> ) from (and including) 23 February 2007 up to (but excluding) 23 February 2014, and thereafter Condition 5D ( <i>Interest-Other Rates</i> ) as specified in Item 19.
15.	Day count fraction:	30/360 unadjusted.
16.	Fixed Rate Note Provisions (Condition 5A)	Applicable in respect of the period from and including the Issue Date to but excluding 23 February 2014.
	(i) Rate(s) of Interest:	7.00 per cent. per annum.
	(ii) Interest Payment Dates:	In respect of the period from (and including) the Issue Date up to (but excluding) 23 February 2014, interest will be payable annually in arrear on 23 February in each year with the first interest payment payable on 23 February 2008.
	(iii) Fixed Coupon Amount(s):	In respect of the period from (and including) the Issue Date up to (but excluding) 23 February 2014, EUR 70 per annum for each Note in a denomination of EUR 1,000.
	(iv) Broken Amount(s):	Not Applicable.
17.	Floating Rate Note Provisions (Condition 5B)	Not Applicable.
18.	Swap Related Note Provisions (Condition 5C)	

	Relevant swap terms:	Not Applicable.
19.	Provisions for other Notes (Condition 5D)	Applicable
	Relevant interest provisions (including determination of dates and periods, calculation of rates and amounts (e.g. EURIBOR determination), maximum/minimum rates etc.):	See the Annex ( <i>Special Conditions</i> ) hereto.
20.	Calculation Agent, if not the Issuing and Paying Agent:	Merrill Lynch Capital Services, Inc. or its successor, whose determinations and calculations shall be binding in the absence of manifest error.

#### **PROVISIONS RELATING TO REDEMPTION**

21.	Higher redemption amount (if not principal amount):	Not Applicable.
22.	Redemption dates:	23 February 2037. See also Item 26.
23.	Date after which change in tax will trigger Issuer's early redemption option:	23 January 2007. Condition 6(b) applies
24.	Additional redemption provisions (e.g. for Notes to be redeemed in instalments):	Not Applicable.
25.	Higher redemption amount on early termination for taxation reasons:	100.00 per cent. of the Principal Amount of the Notes, together with accrued interest (if any)
26.	Issuer's optional early redemption:	Condition 6(c) applies. The Issuer may redeem all of the Notes at 100.00 per cent. of their principal amount on any Interest Payment Date from (and including) 23 February 2014 up to (and including) 23 February 2036 (each an " <b>Optional Redemption Date</b> ").
27.	Notice period for Issuer's optional early redemption (if not 30 days):	Not less than five (5) TARGET Business Days (as defined below) prior to the Optional Redemption Date.  " <b>TARGET Business Day</b> " means a day on which the TARGET System is open.
28.	Higher redemption amount on Issuer's optional early redemption (if not principal amount):	Not Applicable.
29.	Holder's optional early redemption:	Not Applicable.
30.	Redemption amount on Holder's optional early redemption (if not principal amount):	Not Applicable.
31.	In the case of Definitive Notes in CF-Form, payment of principal will be made through	Not Applicable.

	the following Paying Agent(s):	
32.	In the case of non-interest bearing Notes, redemption amount on Event of Default:	Not Applicable.
33.	Special tax consequences (if any):	Not Applicable.
34.	Modification of definition of " <b>Relevant Financial Centre</b> " (if applicable):	Not Applicable.
35.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	Not Applicable.
36.	Alternative means of effective communication (if any):	Not Applicable.
37.	(c) Details of any other additions or variations to the Terms and Conditions: (including whether Condition 9(g)(i) (Redenomination) is applicable for Notes denominated in the currency of a member state not yet participating in Euro)	Not Applicable.
	(d) Details of provisions relating to Consolidation if Condition 9(g)(ii) is applicable:	Not Applicable.
38.	Managers' Commission:	The average commission expected to be paid in connection with the offer of Notes will be within a range of 1 to 2 per cent. of the aggregate principal amount of the Notes placed, payable on the Issue Date.
39.	Net price payable to the Issuer:	Depending on the finalised Principal Amount, up to EUR 100,000,000.
40.	Applicable selling restrictions:	As set out in the section headed "Plan of Distribution" on pages 61-65 of the Base Prospectus, such information being incorporated by reference herein.
41.	Listing:	Eurolist by Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V. (" <b>Euronext Amsterdam</b> ")
42.	Admission to trading:	Application has been made for the Notes to be admitted to trading on Euronext Amsterdam with effect on or about the Issue Date.



43.	Listing Agent:	Rabobank International of Amstelplein 1, 1096 HA, Amsterdam
44.	ISIN:	XS0284967881
45.	Amsterdam Security Code:	15984/ XS
46.	Common Code:	028496788
47.	New Global Note intended to be held in a manner which would allow Eurosystem eligibility:	<p>Yes.</p> <p>Note that the designation "Yes" simply means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.</p>
48.	Clearing System (if not Euroclear/Clearstream Banking, société anonyme, Luxembourg):	Not Applicable.
49.	Applicable TEFRA Rules:	TEFRA C
50.	Other relevant Terms and Conditions	<p><b>Market-making.</b></p> <p>Merrill Lynch International (whether acting alone or through one or more of its affiliates or other appointed third parties) may (but shall at no time be obliged to) purchase, and re-sell Notes from time to time. No assurance is made that the Notes may be purchased by the Dealer or the Issuer at any time. Any such purchase will be at the Dealer's or the Issuer's discretion and subject to various factors including, without limitation, then prevailing market conditions and applicable local laws and regulations.</p> <p><b>Dutch Financial Supervision Act.</b></p> <p>The reference to "Chapter X of The Netherlands Act on the Supervision of the Credit System 1992 (Wet toezicht kredietwezen 1992)" in Condition 7(iii) (<i>Events of Default</i>) of the Base Conditions is deleted and replaced with "Paragraph 3.5.5.1 of The Dutch Financial Markets Supervision Act".</p>
51.	Date of the Resolution of the Executive Board:	23 January 2007
52.	Ratings:	<p>The Programme under which the Notes are to be issued has been rated:</p> <p>S &amp; P: AAA</p> <p>Moody's: Aaa</p> <p>Fitch: AAA</p> <p>Standard &amp; Poor's Ratings Services, a division of The</p>

McGraw-Hill Companies Inc.: AAA

An obligor rated "AAA" has extremely strong capacity to meet its financial commitments. "AAA" is the highest issuer credit rating assigned by Standard & Poor's.

Moody's Investors Service, Inc.: Aaa

Obligations rated "Aaa" are judged to be of the highest quality with minimal credit risk.

Fitch Ratings: AAA

"AAA" ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for payment of financial commitments. This capacity is highlight unlikely to be adversely affected by foreseeable events.

The information regarding ratings above has been extracted from the websites of Fitch Ratings ("**Fitch**"), Moody's Investors Service, Inc. ("**Moody's**") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**") as applicable. 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 Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, no facts have been omitted which would render the reproduced inaccurate or misleading

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

Not Applicable.

## Annex

### Special Conditions

#### 1. Additional Interest Provisions

For the purpose of the Notes Condition 5D (*Interest-Other Rates*) shall be replaced in its entirety with the following:

"5D.1 The Notes shall bear interest in accordance with the provisions of this Condition 5D from (and including) 23 February 2014 up to (but excluding) 23 February 2037. Such interest will be payable annually in arrear on 23 February in each year (each such date an "**Interest Payment Date**") with the first Interest Payment Date falling on 23 February 2015. 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).

5D.2 The rate of interest (the "Rate of Interest") applicable to such Notes for each Interest Period ending after February 2014 shall be determined by the Calculation Agent in accordance with the following formula:

$$\text{Rate of Interest} = 5 \times (10 \text{ Year EUR Swap} - 2 \text{ Year EUR Swap})$$

subject to a minimum Rate of Interest of 0.00 per cent. per annum and a maximum Rate of Interest of 9.00 per cent. per annum, where:

"**10 Year EUR Swap**" means the "mid" annual swap rate for Euro swap transactions with a maturity of ten years as determined in accordance with Condition 5D.3 below; and

"**2 Year EUR Swap**" means the "mid" annual swap rate for Euro swap transactions with a maturity of two years as determined in accordance with Condition 5D.3 below.

5D.3 For the purposes of Condition 5D.2 above the annual swap rate for Euro swap transactions in respect of an Interest Period shall be determined by the Calculation Agent on the following basis:

- (i) the "mid" annual swap rate for Euro swap transactions, shall be the "mid" annual swap rate for Euro swap transactions with a maturity of ten years, in respect of the 10 Year EUR Swap, or two years, in respect of the 2 Year EUR Swap, which appears, expressed as a percentage, as quoted on an annual 30/360 day basis versus 6 month EURIBOR-BBA which appears on the Reuters Screen ISDAFIX 2 page under the heading "EURIBOR BASIS-EUR" and above the caption "11.00 AM FRANKFURT" as of 11:00 am (Frankfurt time) on the second TARGET Business Day (as defined in Condition 9)) before the first day of the relevant Interest Period (the "Interest Determination Date");
- (ii) if no such annual swap rate for Euro swap transaction so appears, the rate shall be determined by reference to "EUR-Annual Swap Rate-Reference Banks" as defined in the Annex to the 2000 ISDA Definitions (at the date of this Prospectus in Section 7.1(e)(xxii) of the Annex to the 2000 ISDA Definitions (June 2000 version)) with a Designated Maturity equivalent to ten years, in respect of the 10 Year EUR Swap, or

two years, in respect of the 2 Year EUR Swap, as if "EUR-Annual Swap Rate-11:00" had been elected.

For the purpose of determining EUR-Annual Swap Rate-Reference Banks the ISDA Definitions shall be construed as if each reference to "Reset Date" were a reference to "the day which is two TARGET Settlement Days after the Interest Determination Date" and each reference to "on the day that is two TARGET Settlement Days preceding that Reset Date" were a reference to "on that Interest Determination Date".

5D.3 The Calculation Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period ending after February 2014, calculate the amount of interest (the "Interest Amount") payable in respect of the principal amount of the smallest or minimum denomination 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 principal amount, multiplying the product by the Day Count Fraction.

### **Responsibility**

The Issuer accepts responsibility for the information contained in these Final Terms which, when read together with the Prospectus, contain all information that is material in the context of the issue of the Notes. Information relating to the underlying has been accurately extracted from information available from the information source specified therein. The Issuer confirms that, so far as it is aware and is able to ascertain from information available from such source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Confirmed

**N.V. BANK NEDERLANDSE GEMEENTEN**

By: .....

Date: .....

## Further information relating to the Notes

### REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- |       |                         |   |
|-------|-------------------------|---|
| (i)   | Reasons for the offer   | The net proceeds of the issue of Notes will be used by the Issuer for general corporate purposes. |
| (ii)  | Estimated net proceeds: | Depending on the finalised Principal Amount, up to EUR 100,000,000.                               |
| (iii) | Estimated expenses:     | total EUR10,000   |

### NOTIFICATION

The Netherlands Authority for Financial Markets (*Stichting Autoriteit Financiële Markten*, the "AFM"), which is the Netherlands competent authority for the purposes of Directive 2003/71/EC has been requested to provide the Banking, Finance and Insurance Commission (*Comission bancaire, financière et des assurances*, the "CBFA"), in its capacity as the competent authority of Belgium, with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.

### INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

### YIELD

Indication of yield: The yield applicable to the Notes when sold at par will be 7.00 per cent. per annum for the first 7 years.

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

### HISTORIC INTEREST RATES

Details of historic annual swap rates for Euro transactions can be obtained from Reuters Screen ISDAFIX 2 page under the heading "EURIBOR BASIS-EUR".

The return on the Notes during the period from (and including) 23 February 2014 up to (but excluding) 23 February 2037 is linked to the performance of the 10 year EUR Swap rate and the 2 year EUR Swap rate. An explanation of the additional risk factors related to, among other matters, the 10 year EUR Swap rate and the 2 year EUR Swap rate is set forth above under the heading "*Risk Factors*".

#### 10 year EUR Swap rate

The 10 year EUR Swap rate means the "mid" rate for EUR swaps with a maturity of 10 years expressed as a percentage, as quoted on an annual 30/360 day basis versus 6 month EURIBOR-BBA which appears on the Reuters Screen ISDAFIX2 Page under the heading "EURIBOR BASIS-EUR". The rate is normally determined as an average of eight quotes, assuming every dealer reports. The rate provided by the dealer should be the mean of where that dealer would itself offer and bid a swap in the relevant maturity for an equivalent notional amount or whatever amount is deemed market size in that currency for that tenor to an acknowledged dealer of good credit in the swap market.

	Low	High
2004	3.6070	4.5440

2005	3.1235	3.8572
2006	3.3921	4.3510
July 2006	4.1620	4.3510
August 2006	3.8951	4.2362
September 2006	3.8951	4.0615
October 2006	3.9360	4.1169
November 2006	3.9115	4.0035
December 2006	3.8890	4.1986
January 2007	4.2000	4.2000

***10 year EUR Swap rate***

29 January, 2007	4.319
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Source: Bloomberg

**2 year EUR Swap rate**

The 2 year EUR Swap rate means the "mid" rate for EUR swaps with a maturity of 10 years expressed as a percentage, as quoted on an annual 30/360 day basis versus 6 month EURIBOR-BBA which appears on the Reuters Screen ISDAFIX2 Page under the heading "EURIBOR BASIS-EUR". The rate is normally determined as an average of eight quotes, assuming every dealer reports. The rate provided by the dealer should be the mean of where that dealer would itself offer and bid a swap in the relevant maturity for an equivalent notional amount or whatever amount is deemed market size in that currency for that tenor to an acknowledged dealer of good credit in the swap market.

	<b>Low</b>	<b>High</b>
2004	2.2250	2.9930
2005	2.1470	3.0489
2006	2.9339	4.1220
July 2006	3.7250	3.8559
August 2006	3.7050	3.9550
September 2006	3.7050	3.9100
October 2006	3.7910	3.9550
November 2006	3.8400	3.9545
December 2006	3.8100	4.1220
January 2007	4.1250	4.1250

***2 year EUR Swap rate***

29 January, 2007	4.199
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*Source: Bloomberg*

### Historical development of 5 x (10 year EUR Swap – 2 year EUR Swap)



*Source: Bloomberg*

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### INFORMATION IN RESPECT OF PUBLIC OFFERS OF NOTES

The Notes will be offered to the public in the Netherlands in accordance with the arrangements listed below.

- |   |  |
|---|--|
| (i) Arrangements for publication of final size of issue/offer:                            | A notice of the final aggregate principal amount of the Notes will be filed with the AFM in The Netherlands and with the CBFA in Belgium, and published on or about the Issue Date.  |
| (ii) Time period, including any possible amendments, during which the offer will be open: | From (and including) 15 February 2007 up to (and including) 21 February 2007 (the " <b>Offer Period</b> "), during the hours in which banks are generally open for business in the Netherlands.  |
| (iii) Description of the application process:   | The Notes will be publicly offered through the Distributor, as defined hereinafter, to both institutional investors and private individuals at 100.00 per cent. of their aggregate principal amount.<br><br>There are no allotment criteria. The Dealer will adopt allotment criteria that ensure equal treatment of prospective investors. All of the Notes requested by the Distributor during the Offer Period will be assigned until reaching the maximum amount of the offer destined to prospective Noteholders (up to the amount of EUR 100,000,000). |

Any investor not located in the Netherlands or in Belgium should contact its financial advisor for more information, and may only purchase the Notes from its financial advisor, bank or financial intermediary.

A prospective Noteholder should contact the Distributor prior to the end of the Offer Period. A prospective Noteholder will subscribe for the Notes in accordance with the arrangements existing between the Distributor and its customers relating to the subscription of securities generally. Noteholders will not be required to enter into any contractual arrangements directly with the Issuer or the Dealer related to the subscription for the Notes. For the avoidance of doubt, no dealings in the Notes may take place prior to the Issue Date. If an investor in any jurisdiction other than the Netherlands or Belgium wishes to purchase Notes, such investor should (a) be aware that sales in the relevant jurisdiction may not be permitted; and (b) contact its financial advisor, bank or financial intermediary for more information.

The Notes will be sold on a delivery versus payment basis on the Issue Date.

(iv) Name and addresses of distributors:

Notes are to be placed with banks, financial institutions who are approached by investors (each a "**Distributor**") and, at the end of the Offer Period, a notice will be published detailing the names and addresses of the known Distributors.

The Prospectus may only be used in connection with and within the terms of this offer to the public. It does not authorise, and may not be used by any Distributor in connection with, the subsequent offer or sale of any Notes outside the terms of the offer or the Offer Period.

With the exception of The Netherlands and Belgium, no action has been or will be taken in any jurisdiction, by the Issuer that would permit a public offering of the Notes, or possession or distribution of any offering material in connection with the issue of the Notes, in any country or jurisdiction where action for that purpose is required. Each Distributor must comply with all applicable laws and regulations of The Netherlands and Belgium in connection with the offer and sale of Notes at its own expense.



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