



## N.V. BANK NEDERLANDSE GEMEENTEN

having its corporate seat in The Hague, The Netherlands

**CHF 100,000,000**

**2.75% Bonds 2007 due July 3, 2015**

(Second Reopening of CHF 200,000,000 2.75% Bonds due July 3, 2015,  
Security Number: 1615309)

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. The Issuer has been awarded the highest Bank Financial Strength Rating by Moody's Investors Service Limited, being **A** and the highest Individual rating by Fitch Ratings Limited, being **A**. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

|                             |   |
|-----------------------------|---|
| <b>Issuer:</b>              | N.V. Bank Nederlandse Gemeenten, Koninginnegracht 2, 2514 AA The Hague, The Netherlands   |
| <b>Interest Rate:</b>       | 2.75% payable annually in arrear on July 3, for the first time on July 3, 2008  |
| <b>Issue Price:</b>         | 98.845% plus an amount corresponding to accrued interest for 103 days at the rate of 2.75% p.a.   |
| <b>Effective Yield:</b>     | 2.918% (calculated on an annual 30/360 unadjusted following method based on an Issue Price of 98.845 % (Zurich business days))            |
| <b>Placement Date:</b>      | October 16, 2007  |
| <b>Denominations:</b>       | CHF 5,000 and multiples thereof   |
| <b>Delivery:</b>            | <b>Permanent Global Certificate</b> (for details see page 13); Investors do not have the right to demand the printing of individual Bonds |
| <b>Redemption:</b>          | Final redemption on July 3, 2015  |
| <b>Early Redemption:</b>    | For tax reasons; at any time at par   |
| <b>Sales Restrictions:</b>  | <b>United States of America; United Kingdom; and other jurisdictions</b> (for details see page 9)   |
| <b>Reopening:</b>           | At any time   |
| <b>Law and Jurisdiction</b> | Swiss law and Zurich 2  |
| <b>Listing:</b>             | Application will be made to list the Bonds on the SWX Swiss Exchange and on Eurolist by Euronext Amsterdam N.V.                           |

ABN AMRO Bank N.V., Amsterdam, Zurich Branch has entered into a Public Bond Issue and Paying Agency Agreement dated October 11, 2007 (the "**Public Bond Issue and Paying Agency Agreement**") relating to the sale of the Bonds by the Issuer to ABN AMRO Bank N.V., Amsterdam, Zurich Branch.

**Lead Manager**  
**ABN AMRO Bank N.V., Amsterdam, Zurich Branch**

|                         | Until the Payment Date | After the Payment Date |
|-------------------------|------------------------|------------------------|
| Swiss Security No.:     | 3403421                | 1615309                |
| ISIN:                   | CH0034034212           | CH0016153097           |
| Common Code:            | 032154905              | 016990027              |
| Amsterdam Security No.: | 605721                 | 14480                  |

In accordance with the Articles of Association of N.V. Bank Nederlandse Gemeenten (hereinafter the "**Issuer**" or "**BNG**"), its internal regulations, and pursuant to authorizations by its Executive Board, dated September 11, 2007 and its Supervisory Board dated December 18, 1998 and the Public Bond Issue and Paying Agency Agreement with the Banks named therein, the Issuer has authorized the issue on the Swiss capital market of one series of bonds, designated as its 2.75% Bonds 2007 due July 3, 2015 of CHF 100,000,000.– (the "**Bonds**"). When issued the Bonds shall be fully fungible with the CHF 400,000,000.– 2.75% Bonds 2003 due July 3, 2015.

This prospectus (the "**Prospectus**") contains particulars for the purpose of giving information with regard to the Issuer and the Bonds.

References herein to "EUR" or "Euro" are to the lawful currency of The Netherlands and references to "CHF" or "Swiss Francs" are to the lawful currency of Switzerland.

The Financial Statements 2006 and the Auditor's Report thereto are included as Annex I and the Interim Report 2007 is included as Annex 2. Both Annexes form part of this Prospectus.

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## SUMMARY OF THIS PROSPECTUS

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

### **The Issuer**

N.V. Bank Nederlandse Gemeenten was incorporated as a *naamloze vennootschap* (a public company with limited liability) under the laws of the Netherlands on 23 December 1914. The Issuer is authorised by the Dutch Central Bank ('De Nederlandsche Bank N.V.' "**DNB**") to pursue the business of a bank 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' or "**AFM**") for the purpose of market conduct supervision.

### *Shareholders of the Issuer*

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.

### *The executive board*

The executive board of the Issuer consists of the president P.O. Vermeulen and the members J.J.A. Leenaars and C. van Eykelenburg. The supervisory board of the Issuer currently consists of nine members, who are listed in the section "**N.V. Bank Nederlandse Gemeenten**".

### *Funding of the Issuer*

The Issuer's need for funding generally varies between EUR 11 to 13 billion equivalent per annum. For raising funds on the international capital markets the Issuer established the Euro 70,000,000,000 debt issuance programme entered into by BNG on December 7, 1993 (as amended) (the 'Euro 70,000,000,000 Debt Issuance Programme') and in addition several other funding programmes. The Issuer can raise funds under the above mentioned programmes as well as on a stand-alone basis. The bonds issued under these programmes are mainly issued in Euros, US Dollars, Swiss Francs, Canadian Dollars and British Pounds.

### *Financial information relating to the Issuer*

Ernst & Young Accountants have audited the financial statements 2006, as included in this Prospectus as Annex 1, and the financial statements 2005, as incorporated by reference in the Prospectus, and issued an unqualified auditor's report thereto on 16 March 2007 and 17 March 2006, respectively. The Issuer's capitalisation amounts to EUR 80,056,000,000 as per 31 December 2006. The indebtedness of the Issuer as per 31 December 2006 amounts to EUR 80,763,000,000.

## Selected Financial Data 2006-2002

| <i>In millions of euros</i>                             | 2006 <sup>1</sup> | 2005 <sup>1</sup> | 2004   | 2003   | 2002   |
|---|-------------------|-------------------|--------|--------|--------|
| Total Assets  | 90,096            | 91,671            | 88,586 | 83,905 | 73,529 |
| Loans and Advances                                      | 65,003            | 64,166            | 62,836 | 61,152 | 54,033 |
| of which granted to or guaranteed by public authorities | 60,059            | 58,287            | 56,407 | 53,951 | 47,334 |
| Equity <sup>2,3</sup>                                   | 2,576             | 3,145             | 2,592  | 2,565  | 2,448  |
| of which unrealised revaluation                         | 220               | 354               |        |        |        |
| Equity per share (in euros) <sup>3,4</sup>              | 42.31             | 50.09             | 46.55  | 46.06  | 43.97  |
| Equity as a % of Total Assets <sup>3,4</sup>            | 2.6%              | 3.0%              | 2.9%   | 3.1%   | 3.3%   |
| BIS-Ratio Core Capital (Tier 1) <sup>3</sup>            | 24%               | 32%               | 26%    | 25%    | 26%    |
| BIS-Ratio Total Capital (Tier 2) <sup>3</sup>           | 26%               | 33%               | 27%    | 27%    | 27%    |
| Profit before Tax <sup>5</sup>                          | 255               | 276               | 301    | 304    | 283    |
| Net Profit after Tax <sup>6</sup>                       | 199               | 311               |        |        |        |
| Profit per Share (in euros) <sup>5</sup>                | 3.57              | 5.58              | 5.40   | 5.45   | 5.08   |
| Dividend (in Cash) <sup>5</sup>                         | 99                | 134               | 129    | 274    | 122    |
| Dividend as a % of Net Profit <sup>5</sup>              | 50%               | 43%               | 43%    | 90%    | 43%    |
| Dividend per Share (in euros) <sup>5</sup>              | 1.78              | 2.4               | 2.32   | 4.91   | 2.19   |
| Additional Payment (in euros)                           | 500               |                   |        |        |        |
| Additional Payment per Share (in euros)                 | 8.98              |                   |        |        |        |
| Employees (in FTE's) at Year-End                        | 346               | 376               | 412    | 413    | 407    |

<sup>1</sup> From 2005 onwards, the selected financial data are based on the International Financial Reporting Standards as agreed upon within the European Union. The figures up to 2005 are based on Dutch GAAP. Consequently, the figures from 2005 onwards are not entirely comparable with earlier years.

<sup>2</sup> Equity includes an unrealised revaluation reserve due to the adoption of IFRS.

<sup>3</sup> In December 2006, an additional payment of EUR 500 million was made to shareholders (EUR 8.98 per share). The payment was charged to the reserves.

<sup>4</sup> Excluding the revaluation reserve.

<sup>5</sup> BNG became liable to pay corporation tax effective January 1, 2005.

<sup>6</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.

## Essential characteristics of the Bonds

Application will be made for the Bonds to be admitted to trading on the regulated market of the SWX Swiss Exchange and Euronext Amsterdam N.V. The Bonds are represented by a Permanent Global Certificate held in safekeeping with SIS SegalInterSettle AG, or any other collective safe custody organisation approved by the Swiss Admission Board. The Bonds will constitute direct and unsecured obligations of the Issuer and rank pari passu without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer and will have the benefit of a negative pledge and the events of default set out in the "Terms of the Bonds".

## Risk Factors

Investing in Bonds involves certain risks. The risk factors that may affect the ability of the Issuer to fulfil its obligations under the Bonds are set out under "Risk Factors" on page 5 below and include:

- factors which may affect the Issuer's ability to fulfil its obligations under the Bonds such as liquidity risk, market risk, operational risk, ICT risk, integrity risk, outsourcing risk and credit risk;
- general risks related to the market generally such as liquidity risk, exchange rate risk, interest rate risk and market risk; and
- risks affecting an investor's ability to make an informed assessment of the risks associated with Bonds such as lack of sufficient knowledge and experience to make a meaningful evaluation of the Bonds and the merits of investing in them.

## RISK FACTORS

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*Prospective investors should read the entire Prospectus.*

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

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

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

The risks specific to the situation of BNG that are material for taking investment decisions and that may affect BNG's ability to fulfil its obligations under the Bonds are limited. BNG pursues a prudent risk policy, and risk management and control are important elements of its business operations. In accordance with the risk classification outlined by the Dutch Central Bank ('De Nederlandsche Bank N.V.', "DNB"), credit institutions such as BNG may be subject to liquidity risk, market risk, operational risk, information and communications technology ("ICT") risk, integrity risk, outsourcing risk and credit risk. With respect to BNG's exposure to credit risk the following is noted. The vast majority of the loans and advances are extended to public authorities or are directly or indirectly government-guaranteed. BNG only accepts financial institutions with high creditworthiness as counterparties. The types of risks referred to above and the manner in which BNG aims to manage these risks are explained in the section Risk Management of the excerpt annual report 2006, attached as Annex 1 to this Prospectus.

### **Risks related to the market generally**

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

#### *The secondary market generally*

The Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

#### *Exchange rate risks and exchange controls*

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

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

#### *Interest rate risks*

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

#### *Credit Rating Risks*

Credit or corporate ratings may not reflect all risks. One or more independent rating agencies may assign ratings to the Bonds and/or the Issuer. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this paragraph, and other factors that may affect the value of the Bonds or the standing of the Issuer. A credit rating and/or a corporate rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

### **Factors which might affect an investor's ability to make an informed assessment of the risks associated with the Bonds**

Each potential investor in the Bonds must be able to make an informed assessment of the Bonds, based upon full knowledge and understanding of the facts and risks. Each potential investor must determine the suitability of that investment in light of its own circumstances. The following factors might affect a potential investor's ability to

appreciate the risk factors outlined below, placing such potential investor at a greater risk of receiving a lesser return on his investment:

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

### **Risks related to Bonds generally**

The value of the Bonds may be influenced by national and international political, economic, social, environmental circumstances and developments.

#### *Modification and waiver*

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

#### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”), each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non- EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information of transitorial withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information arrangements or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

For the avoidance of doubt, should the Issuer or the Principal Paying or any institution where the Bonds are deposited be required to withhold any amount as a consequence of the EU Savings Directive or the agreements between the European Union and Switzerland, other non-EU countries or dependent or associated territories providing for measures equivalent to those laid down in the EU Savings Directive, then there is no obligation for the Issuer and the Principal Paying or any other paying agent to pay any additional amounts relating to such withholding.

#### *Tax consequences of holding the Bonds*

Any potential investor should consult its own independent tax adviser for more information about the tax consequences of acquiring, owning and disposing of Bonds in its particular circumstances.

#### *Bonds held in global form*

For as long as the Bonds are represented by a Permanent Global Certificate held in safekeeping with SIS SegalInterSettle AG, or any other collective safe custody organisation approved by the Swiss Admission Board, payments of principal, interest (if any) and any other amounts on a Permanent Global Certificate will be made through the Principal Paying Agent against presentation or surrender (as the case may be) of the relevant Permanent Global Certificate, and certification as to non-U.S. beneficial ownership. The bearer of the Permanent Global Certificate, shall be treated by the Issuer and any Paying Agent as the sole holder of the Bonds represented by the Permanent Global Certificate with respect to the payment of principal, interest (if any) and any other amounts payable in respect of the Bonds.

*Change of law and jurisdiction*

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

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



## IMPORTANT NOTICE

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The Issuer confirms that this Prospectus contains all information regarding the Issuer and the Bonds which is (in the context of the issue of the Bonds) 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 is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is authorized to give any information or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Issuer or ABN AMRO Bank N.V., Amsterdam, Zurich Branch. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

This document does not constitute an offer or an invitation by or on behalf of the Issuer or ABN AMRO Bank N.V., Amsterdam, Zurich Branch to subscribe for or to purchase any of the Bonds. The distribution of this Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer to inform themselves about and to observe any such restrictions. This Prospectus does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken in any jurisdiction that would permit a public offering of the Bonds or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. For a further description of certain restrictions on offerings and sales of the Bonds and on distribution of this Prospectus, see "Sales Restrictions" below.



## SALES RESTRICTIONS

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### GENERAL

The Issuer and ABN AMRO Bank N.V., Amsterdam, Zurich Branch ("**ABN AMRO**") have acknowledged that, with the exception of the approval by the AFM of this Prospectus as a prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in The Netherlands, no action has been or will be taken in any country or jurisdiction by the Issuer that would permit a public offering of the Bonds, or possession or distribution of any offering material in relation thereto, in any such country or jurisdiction where action for that purpose is required.

Each of the Issuer and ABN AMRO has confirmed that it will comply with all applicable laws and regulations in each country or jurisdiction as in force from time to time in which it purchases, offers, sells or delivers Bonds or has in its possession or distributes such offering material, in all cases at its own expense.

The Issuer and ABN AMRO have confirmed that, in relation to the issue of the Bonds, they will comply with all applicable laws and regulations as are in force from time to time which are relevant in the context of the issue of such Bonds, including, without limitation, in the case of the Issuer, any relevant maturity requirements and minimum denomination requirements applicable to such issue, and the Issuer has agreed that it will submit (or procure the submission on its behalf of) such reports or information as may from time to time be required for compliance with such laws, regulations and market or other regulatory guidelines.

### UNITED STATES OF AMERICA

The Bonds have not been and will not be registered under the United States Securities Act of 1933 as amended (the "Securities Act") and may not be offered or sold within the United States of America (the "United States") or to or for the account or benefit of U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

ABN AMRO has represented and agreed that it has not offered or sold, and will not offer or sell, the Bonds (i) as part of their distribution at any time and (ii) otherwise until forty days after the completion of the distribution of the Bonds, only in accordance with Rule 903 of Regulation S or Rule 144A under the Securities Act.

Accordingly, ABN AMRO further has represented and agreed that neither it, its affiliates (if any) nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to Bonds, and ABN AMRO, its affiliates (if any) and any person acting on its or their behalf have complied and will comply with the offering restrictions requirements of Regulation S. ABN AMRO has agreed that, at or prior to confirmation of sale of Bonds (other than sale of Bonds pursuant to Rule 144A), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Bonds from it or through it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Bonds covered hereby have not been registered under the United States Securities Act of 1933 as amended (the "Securities Act") and may not be offered and sold within the United States or to or for the account or benefit of U.S. persons (i) as part of their distribution at any time or (ii) otherwise until forty days after the completion of the distribution of the series of Bonds of which such Bonds are a part, as determined and certified by ABN AMRO, except in either case in accordance with Regulation S or Rule 144A under the Securities Act. Terms used above have the meaning given to them by Regulation S."

Terms used in the above paragraph have the meanings given to them by Regulation S.

The Bonds will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)2(i)(C) (the "C Rules"). Under the C Rules, the Bonds must be issued and delivered outside the United States and its possessions in connection with their original issuance.

ABN AMRO has represented and agreed in addition that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, Bonds within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of Bonds, ABN AMRO has represented and agreed that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Bonds. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

ABN AMRO has agreed that it has not entered and will not enter into any contractual arrangements with respect to the distribution or delivery of the Bonds except with its affiliates or with the prior written consent of the Issuer.

## EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), ABN AMRO has represented and agreed, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of the Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Terms of the Bonds to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Bonds to the public in that Relevant Member State:

- (a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than € 43,000,000 and (3) an annual net turnover of more than € 50,000,000, as shown in its last annual or consolidated accounts;
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of ABN AMRO nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

Provided that no such offer of Bonds referred to in (a) to (d) above shall require the Issuer or ABN AMRO to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

## UNITED KINGDOM

In relation to the issue of the Bonds, ABN AMRO subscribing for or purchasing the Bonds has represented, warranted and agreed that:

- (a) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Service and Markets Act ("FSMA") received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not, or in the case of the Issuer would not, if it was not an authorised person, apply to the Issuer; and
- (b) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Bonds in, from or otherwise involving the United Kingdom.

## JAPAN

ABN AMRO has confirmed its understanding that the Bonds have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, undertakes that it will not offer or sell any Bonds, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph,

"**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## REPUBLIC OF ITALY

The offering of the Bonds has not been registered pursuant to Italian securities legislation. ABN AMRO has represented and agreed that it has not offered or sold, and will not offer or sell, any Bonds in the Republic of Italy unless in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

ABN AMRO has represented and agreed that it will not offer, sell or deliver any Bonds or distribute copies of this Prospectus or any other document relating to the Bonds in the Republic of Italy except: (1) to **"Professional Investors"**, as defined in Article 31.2 of CONSOB Regulation No. 11522 of 2 July 1998, as amended (**"Regulation No. 11522"**), pursuant to Articles 30.2 and 100 of Legislative Decree No. 58 of 24 February 1998, as amended (**"Decree No. 58"**), and/or to **"Qualified Investors"** pursuant to Decree No. 58 and to Article 2(e) of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003; or

(2) in any other circumstances where an express exemption from compliance with the public offering restrictions applies, as provided under Decree No. 58 or Regulation No. 11971 of 14 May 1999, as amended.

Any such offer, sale or delivery of the Bonds or distribution of copies of this Prospectus or any other document relating to the Bonds in the Republic of Italy must be:

(1) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended (**"Decree No. 385"**), Decree No. 58, CONSOB Regulation No. 11522 and any other applicable laws and regulations; and

(2) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

### Provisions relating to the secondary market in Italy

Investors should also note that, in any subsequent distribution of the Bonds in Italy, Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Bonds are placed solely with professional investors and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Bonds who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Bonds were purchased, unless an exemption provided for under Decree No. 58 applies.

## REPUBLIC OF FRANCE

ABN AMRO has represented and agreed, that it has not offered or sold, and will not offer or sell, directly or indirectly, Bonds to the public in France and that offers and sales of Bonds in France will be made only to providers of investment services relating to portfolio management for the account of third parties and/or to qualified investors (*'investisseurs qualifiés'*), as defined in Articles L.411-2 and D.411-1 to D.411-3 of the French Code monétaire et financier, but excluding individuals referred to in Article D.411-1 II 2°.

In addition, ABN AMRO has represented and agreed, that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in France this Prospectus or any other offering material relating to the Bonds other than to investors to whom offers and sales of Bonds in France may be made as described above.

## SPAIN

ABN AMRO has represented and agreed that it has only made and will only make an offer of Bonds to the public (*'oferta pública'*) in Spain in the period beginning on the date of notification of the approval of this Prospectus in relation to the Bonds by the AFM in The Netherlands to the *'Comisión Nacional del Mercado de Valores'* (*'CNMV'*) in Spain, in accordance with the Spanish Securities Market Act (*'Ley 24/1988 de 28 de julio, del Mercado de Valores'*), as amended, Royal Decree 1310/2005, of 4 November, developing partially the Spanish Securities Market Law as regards admission to listing on official secondary markets, public offers and the prospectus required thereto and the regulations made thereunder, and ending at the latest on the date which is 12 months after the date of the approval of this Prospectus.

## **AUTHORIZATION AND USE OF PROCEEDS**

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The issuance of the Bonds has been duly authorized pursuant to authorizations by the Issuer's Executive Board dated September 11, 2007 and the Issuer's Supervisory Board dated December 18, 1998.

The net proceeds of the issue of the Bonds in the amount of CHF 98,581,805.55 will be used by the Issuer for general corporate purposes.

## TERMS OF THE BONDS

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The Terms of the Bonds (the "Terms"), established pursuant to the Public Bond Issue and Paying Agency Agreement (the "Agreement") concluded as of October 11, 2007 between N.V. BANK NEDERLANDSE GEMEENTEN (the "Issuer") on the first part and ABN AMRO Bank N.V., Amsterdam, Zurich Branch ("ABN AMRO") on the second part, by virtue of which a second reopening in the aggregate principal amount of one hundred million Swiss Francs (CHF 100,000,000.--) 2.75% Bonds 2007 due July 3, 2015, of the Issuer are constituted, are as follows (as of October 16, 2007, the Bonds shall be fully fungible with the CHF 400,000,000.- - 2.75% Bonds 2003 due July 3, 2015, issued by the Issuer on July 3, 2003 (Security Number: 1615309) pursuant to a public bond issue and paying agency agreement dated July 1, 2003 and 2.75% bonds 2003 due July 3, 2015 issued by the Issuer on September 11, 2003 (Security Number: 1615309) pursuant to a public bond issue and paying agency agreement dated September 5, 2003, respectively, entered into by the Issuer, ABN AMRO and certain other institutions named therein):

### 1. Amount/Form of Deed/Denomination/Custodianship/Printing and Delivery of the Bonds and Coupons

- a) The bonds and coupons (hereinafter called individually the "Bond" and the "Coupon" and collectively the "Bonds" and the "Coupons") and all rights in connection therewith are documented solely in the form of a Permanent Global Certificate (the "Permanent Global Certificate") as per Annex B to the Agreement. Each Bondholder and Couponholder, as defined below, retains a co-ownership in the Permanent Global Certificate to the extent of his claim against the Issuer. **Except as provided below, no printing of Bonds (in the form of Annex A-2 to the Agreement) and Coupons (as per Annex A-3 to the Agreement) will occur. Bondholders and Couponholders, therefore, do not have the right to request the printing and delivery of individual Bonds and Coupons.** The Bonds are issued in the aggregate principal amount of one hundred million Swiss Francs (CHF 100,000,000.--).
- b) The Permanent Global Certificate will remain in safekeeping with SIS SegalInterSettle AG, or any other collective safecustody organisation approved by the Swiss Admission Board, during the entire duration of the issue and until the complete redemption of the Bonds.
- c) Should the definitive Bonds and Coupons be printed, the Bonds shall be evidenced by bearer Bonds with Coupons attached in the denomination of Swiss Francs 5,000.-- nominal and Swiss Francs 100,000.-- nominal.
- d) Should ABN AMRO deem the printing of the Bonds with Coupons attached to be necessary or useful, or if the presentation of definitive Bonds and Coupons is required by Swiss or foreign laws in connection with the enforcement of rights (e.g. in cases of bankruptcy, consolidation or reorganization of the Issuer), ABN AMRO will provide for such printing without cost for the Bondholders and Couponholders. Should the definitive Bonds and Coupons be printed, ABN AMRO will then exchange the Permanent Global Certificate (deposited as above provided) as soon as possible against the definitive Bonds and Coupons. The Issuer has irrevocably authorized ABN AMRO to provide for the printing of the definitive Bonds and Coupons on its behalf.
- e) Until such time as and if and when the definitive Bonds and Coupons have been issued, the expressions "Bonds" and "Coupons" mean and include co-ownership under the Permanent Global Certificate and the expressions "Bondholder" and "Couponholder" shall mean and include any person entitled to co-ownership and any further benefit under the Permanent Global Certificate.

### 2. Interest

The Bonds bear interest from July 3, 2007 at the rate of 2.75% per annum, payable annually on July 3 (the "Interest Payment Date") in arrear. Each Bond is furnished with annual Coupons, the first of which will become due and payable on July 3, 2008. When interest is required to be calculated for a period of less than one year, it shall be calculated on the basis of a 360 day year consisting of 12 months of 30 days each.

### 3. Redemption

- a) At maturity  
Unless previously redeemed as provided below the Issuer will redeem the Bonds at their principal amount on July 3, 2015, without any previous notice.
- b) For taxation reasons  
If, as the result of the introduction of or change in any law of The Netherlands or any political subdivision thereof or the application or interpretation of such laws, the Issuer would be required on the occasion of any payment due in respect of the Bonds to pay additional amounts in accordance with Section 5, the Issuer may, at its option, at any time, upon not less than 60 days prior notice to ABN AMRO Bank N.V., Amsterdam, Zurich Branch as principal paying agent ("ABN AMRO" or the "Principal Paying Agent")

(which notice shall be irrevocable), redeem all (but not less than all) of the outstanding Bonds at par plus the interest accrued until the date of redemption. Notice of redemption given by the Issuer to the Principal Paying Agent pursuant to this Section 3 shall constitute a good and sufficient notice to the holders of the Bonds and/or Coupons and shall be binding upon them, regardless of who they may be or where they may be located. ABN AMRO shall promptly publish such notice of redemption in accordance with Section 11.

The Bonds called for redemption shall cease to bear interest from the date fixed for such redemption. They must be presented for repayment, with all unmatured Coupons attached; the amount of missing Coupons will be deducted (in accordance with the last paragraph of Section 4 of the Terms) from the amount due for repayment, but such Coupons shall be paid upon subsequent presentation provided they have not become unenforceable in accordance with Swiss law as specified in Section 8 of the Terms.

c) Purchase

The Issuer may at any time purchase Bonds in the open market or otherwise and at any price. Provided that, all unmatured Coupons relating thereto are purchased therewith. Bonds so purchased by the Issuer may be held or resold or surrendered for cancellation.

4. Payments

The amounts required for the maturing payments on the Bonds and/or Coupons or the Permanent Global Certificate, as the case may be will be made available in good time in freely disposable Swiss Francs which will be placed at the free disposal of ABN AMRO on behalf of the Bondholders and/or the Couponholders, irrespective of any present or future transfer restrictions and outside of any bilateral or multilateral payment or clearing agreement which may be applicable at the time of such payments. If the due date for any payment by the Issuer does not fall on a Business Day (as defined below), the Issuer undertakes to effect payment for value the Business Day (as defined below) immediately following such due date.

"Business Day" means a day on which commercial banks are open during the entire day for domestic business and foreign exchange (including dealings in Swiss Francs) in Zurich.

In the event, however, that it is impossible for the Issuer to make payment in such manner without violating laws or mandatory regulations, then:

- a) at the option of ABN AMRO and as ABN AMRO shall specify to the Issuer not less than ten Business Days prior to the relevant payment date, the Issuer shall make payment either
  - (i) in Swiss Francs at such place as ABN AMRO shall have specified or
  - (ii) in any other currency such as EUR or U.S. Dollars (the "Currency") at such place as ABN AMRO shall have specified,in either case in such manner as shall not involve violation of any law or mandatory regulation, or
- b) if ABN AMRO shall fail to exercise its option under clause a) or if none of the alternatives under clause a) are available without violation of any law or mandatory regulation, the Issuer shall make payment in any Currency to the respective branch or affiliate of ABN AMRO for its benefit.

The amount of any payment in the respective Currency pursuant to the foregoing sentence shall be determined by converting the amount of the payment in Swiss Francs into the respective Currency at the rate of exchange in effect at the close of business in Zurich on the Business Day prior to the payment date for wholesale purchases of the respective Currency with Swiss Francs at ABN AMRO.

The receipt by ABN AMRO in Zurich of the due and punctual payment of the funds in Swiss Francs as above provided shall release the Issuer of its obligations under the Bonds and Coupons for the payment of principal and interest due on the respective payment dates to the extent of such payments.

Upon receipt of the funds in Switzerland and under the same conditions as received, ABN AMRO will arrange for payment to Bondholders and/or Couponholders.

The Bonds and the relevant Coupons shall be payable, if the definitive Bonds and Coupons have been printed, upon their surrender in freely disposable Swiss Francs without collection costs to the Bondholders and Couponholders without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the Bondholders or Couponholders and without requiring any certification, affidavit or the fulfilment of any other formality at the counters in Switzerland of ABN AMRO, ABN AMRO Bank (Schweiz) AG, UBS AG, Credit Suisse First Boston, Credit Suisse, Bank Coop AG, Schweizerischer Verband der Raiffeisenbanken, Bank von Ernst & Cie AG, BNP PARIBAS (SUISSE) SA, Rüd, Blass & Cie AG and in The Netherlands of ABN AMRO Bank N.V. (the "Paying Agents").

Bonds presented for redemption shall be delivered together with all unmatured Coupons. Unmatured Coupons so delivered will be cancelled without payment. The face amount of missing Coupons shall be deducted from the amount otherwise repayable, but the amount so deducted shall be paid upon subsequent presentation of the unmatured Coupons provided such amount is still enforceable in accordance with Swiss law.

5. Taxation

All payments of principal and interest, plus additional amounts (if any), in respect of the Bonds by the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") imposed or levied by or on behalf of The Netherlands (or any political subdivision thereof), or any authority therein or thereof (a "Taxing Jurisdiction") having power to tax, unless the withholding or deduction of such Taxes is required or permitted by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Bondholders and Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Bonds or, as the case may be, the Coupons in the absence of such Taxes.

The Issuer's obligation to remit such additional amounts shall not be subject to the fulfilment of any disclosure or certification requirement with respect to the nationality, residence, status or identity of the recipient of the payment or the beneficial owner of the Bond and/or Coupon in question.

However, no such additional amounts shall be payable with respect to any payment in respect of any Bond or Coupon (i) to, or to any person on behalf of, a Bondholder and/or Couponholder who is subject to such Taxes by reason of his being connected with a Taxing Jurisdiction otherwise than by the mere holding of the Bond or Coupon, (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting on June 3, 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive, or (iii) where such withholding or deduction is imposed on a payment and is required to be made pursuant to a bilateral treaty EU/Switzerland implementing any European Union Directive on the taxation of savings in Switzerland.

If, as the result of the introduction of or change in any law of The Netherlands or any political subdivision thereof or the application or interpretation of such laws, the Issuer would be required on the occasion of the next payment due in respect of the Bonds to pay additional amounts in accordance with this Section 5, the Issuer may, at its option, at any time, upon not less than 60 day's prior notice to ABN AMRO as Principal Paying Agent (which notice shall be irrevocable), redeem all (but not less than all) of the outstanding Bonds at par plus the interest accrued until the date of redemption provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be required to withhold such Taxes or prohibited from performing any obligation under this Section 5. Notice of redemption given by the Issuer to the Principal Paying Agent pursuant to this Section 5 shall constitute a good and sufficient notice to the Bondholders and/or Couponholders and shall be binding upon them, regardless of who they may be or where they may be located. ABN AMRO shall promptly publish such notice of redemption in accordance with Section 11.

The Bonds called for redemption cease to bear interest from the date fixed for such redemption. They must be presented for repayment, with all unmatured Coupons attached; the amount of missing Coupons will be deducted (in accordance with the last paragraph of Section 4 of the Terms) from the amount due for repayment, but such Coupons shall be paid upon subsequent presentation provided they have not become unenforceable in accordance with Swiss law as specified in Section 8 of the Terms.

In accordance with Swiss law in force at the date of the publication of the prospectus offering the Bonds interest on the Bonds is not subject to Swiss Federal withholding Tax.

In accordance with Dutch law in force at the date of the publication of the prospectus offering the Bonds, interest on the Bonds is not subject to any Dutch withholding Tax.

6. Status of the Bonds and Negative Pledge

The Bonds and Coupons are direct, unsubordinated and unsecured obligations of the Issuer and shall rank *pari passu* without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer save for those preferred by mandatory provisions of law.

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



## 7. Events of Default

ABN AMRO shall have the right but not the obligation, on behalf of the Bondholders, to declare all the outstanding Bonds, plus accrued interest to the date of such payment, to be immediately due and payable at 100% of their principal amount if any or more of the following events (hereinafter referred to as "Events of Default") shall have occurred and be continuing, or to take any other measures to protect the interests of the Bondholders if:

- a) default is made in the payment of any interest due on the Bonds or any of them and such default continues for a period of 30 days; or
- b) the Issuer fails to perform or observe any of its other obligations under the Bonds and (except where such failure is incapable of remedy when no 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
- c) any order shall be made by any competent court or other authority or resolution passed for the dissolution or winding-up of the Issuer or for the appointment of a liquidator or receiver of the Issuer or of all or substantially all of its respective assets or if the Issuer enters into a composition with its creditors, becomes subject to the provisions of chapter 3 of the Act on Financial Supervision (*Wet op het financieel toezicht*), admits in writing that it cannot pay its debts generally as they become due, initiates a proceeding in bankruptcy, or is adjudicated bankrupt.

In any action hereunder, ABN AMRO may rely on information received from the Issuer. ABN AMRO shall not be bound to take any steps to ascertain whether any event has happened which causes, or which with the lapse of time and/or upon the giving of notice would cause, the principal amount of the Bonds to become repayable.

## 8. Prescription

Coupons, by virtue of the Swiss Statute of Limitations at the date of the prospectus offering these Bonds, shall become time-barred after a period of five years and the Bonds after a period of ten years, calculated from their respective due dates.

## 9. Replacement of Bonds and Coupons

Bonds or Coupons which are mutilated, lost or destroyed may be replaced at the head office of ABN AMRO on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and ABN AMRO may require pursuant to the instructions of ABN AMRO and, in the case of mutilation, upon surrender of the Bond or Coupons.

## 10. Listing

The Issuer will use its best endeavours to have the Bonds listed on the SWX Swiss Exchange and Eurolist by Euronext Amsterdam N.V. („Euronext Amsterdam“) and to maintain such listing during the whole life of the Bonds.

## 11. Notices

All notices regarding the Bonds and/or the Coupons shall be published (i) so long as the Bonds are listed on the SWX Swiss Exchange in two newspapers regularly published in Zurich and Geneva and (ii) so long as the Bonds are listed on Euronext Amsterdam, in the Euronext Amsterdam Daily Official List ("Officiële Prijscourant") and in a newspaper of general circulation in The Netherlands.

## 12. Bondholders' Meeting

- a) ABN AMRO or the Issuer may at any time convene a meeting of the Bondholders (a "Bondholders' Meeting").

In case of any event mentioned in Section 7 above and as long as ABN AMRO has not exercised its rights thereunder, the Bondholders who wish that a Bondholders' Meeting should be convened and who represent at least 10% (ten per cent.) of the aggregate principal amount then outstanding and who are entitled to vote in accordance with paragraphs f) and h) below may at any time require ABN AMRO to convene a Bondholders' Meeting which shall convene such a meeting as soon as commercially possible upon receipt of such request.

- b) The costs for such Bondholders' Meeting shall be borne by the Issuer, or, in the case the Issuer is prohibited by law to pay these costs, by the Bondholders convening such meeting (each of these Bondholders shall bear such costs in relation to its respective holding of Bonds at the time such Bondholders' request to ABN AMRO to convene a Bondholders Meeting).

- c) Only in the event of the occurrence of an Event of Default under the Terms a Bondholders' Meeting may consider any matter affecting the interests of the Bondholders (other than matters on which ABN AMRO has previously exercised its rights contained in Section 7 above and Section 17 below), including any modification of, or arrangement in respect to the Terms.
- d) Notice convening a Bondholders' Meeting shall be given at least 45 days prior to the proposed date thereof. Such notice shall be given by way of one announcement in accordance with Section 11 above, at the expense of the Issuer. It shall state generally the nature of the business to be transacted at such meeting. If an Extraordinary Resolution (as defined below) is being proposed, the wording of the proposed resolution or resolutions shall be indicated. The notice shall specify the day, hour and place of the meeting and also the formal requirements referred to in paragraph f) below. The Issuer and each of the Paying Agents will make a copy of such notice available for inspection of the Bondholders during normal business hours at each of their respective head offices.

Notice of any resolution passed at a Bondholders' Meeting will be published by ABN AMRO on behalf and at the expense of the Issuer in compliance with Section 11 above not less than ten days after the date of the meeting. Non-publication of such notice shall not invalidate such resolution.

- e) All Bondholders' Meetings shall be held in Zurich or Amsterdam. A chairman (the "Chairman") shall be nominated by ABN AMRO in writing. If no person has been so nominated or if the nominated person shall not be present at the Bondholders' Meeting within 30 minutes after the time fixed for holding the meeting, the Bondholders present shall choose the Chairman.

The Chairman shall lead and preside over the Bondholders' Meeting. Among others, it shall be his duty to determine the presence of persons entitled to vote and to inquire if the necessary quorum (as set forth below) is present. He shall instruct the Bondholders as to the procedure of the Bondholders' Meeting and the resolutions to be considered. He shall sign the minutes referred to in paragraph m) below.

In the case of any equality of votes, the Chairman shall have a casting vote.

A declaration by the Chairman that a resolution has been supported or supported by a particular majority in accordance with paragraphs g) and i) below or lost or not supported by a particular majority in accordance with paragraphs g) and i) below shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

- f) Each person who produces a Bond or Bonds or a certificate by a bank in respect of such Bond relating to that Bondholders' Meeting is entitled to attend and to vote on the resolutions proposed at such Bondholders' Meeting. Couponholders are not entitled to attend or vote at Bondholders' Meetings. Said certificate shall be dated before the date of the Bondholders' Meeting and confirm that the Bond is deposited with that bank and will remain deposited with it until and including the date of the Bondholders' Meeting and that it has not issued any other such certificate with respect to such Bond.
- g) The quorum necessary in order to vote on resolutions proposed at a Bondholders' Meeting shall be persons entitled under paragraph f) above and h) below holding or representing in the aggregate percentages (or more) of the aggregate principal amount of all outstanding Bonds:

each Ordinary Resolution: 25%

each Extraordinary Resolution: 66%

The terms "Ordinary Resolution" and "Extraordinary Resolution" will be defined below.

If within thirty minutes after the time appointed for any Bondholders' Meeting a sufficient quorum is not present, the meeting shall be dissolved.

- h) Bondholders' voting rights shall be determined according to the principal amount of outstanding Bonds held. Each Bond representing a claim of CHF 5,000.-- shall be entitled to one vote.

Bonds held by or on behalf of the Issuer or any other natural person or legal entity,

- (aa) which directly or indirectly owns or controls more than 50% of the equity share capital of the Issuer, or
- (bb) of which in the case of a legal entity more than 50% of the equity share capital is controlled by the Issuer directly or indirectly, or
- (cc) where the Issuer is in a position to exercise, directly or indirectly, a control over the decisions or actions of such natural person or legal entity or representative thereof, irrespective of whether or not the latter is affiliated to the Issuer,

shall not be entitled to vote at such Bondholders' Meeting.

- i) A resolution shall be validly passed if approved by the following percentages (or more) of votes cast at a duly convened Bondholders' Meeting held in accordance with this Section 12:

each Ordinary Resolution: 51%

each Extraordinary Resolution: 66%

Every proposal submitted to a Bondholders' Meeting shall be decided upon a poll.

- j) Any resolution which is not an Extraordinary Resolution (as defined below) shall be deemed to be an Ordinary Resolution.

- k) An Extraordinary Resolution shall be necessary to decide on the following matters at a Bondholders' Meeting:

- to postpone the maturity beyond the stated maturity of the principal of any Bond, or
- to reduce the amount of principal payable on any Bond, or
- to change the date of interest payment on any Bond, or
- to change the rate of interest or the method of computation of interest on any Bond, or
- to change any provision for payment contained in the Terms or the place or the currency of repayment of the principal or payment of any Bond or interest on any Bond, or
- to amend or modify or waive the whole or any parts of Sections 6 or 7 above or paragraphs f), g), h), i) or k) of this Section 12, or
- to create unequal treatment between Bondholders of the same class of an issue, or
- to convert the Bonds into equity, or
- to change the choice of law and the jurisdiction clause contained in Section 13 below.

The above mentioned list of issues for which an Extraordinary Resolution shall be necessary is exclusive.

- l) Any director or officer of the Issuer and its lawyers and any other person authorized on that behalf by it may attend and speak at any Bondholders' Meeting.

- m) Any resolution approved at a Bondholders' Meeting held in accordance with this Section 12 shall be conclusive and binding on the Issuer and on all present or future Bondholders, whether present or not, and on all the Couponholders. The Bondholders shall not be entitled to any improvement of their position vis-à-vis the Issuer pursuant to a resolution approved at a Bondholders' Meeting without prior written approval of the Issuer. Any resolution approved at a Bondholders' Meeting which increased the obligations of the Issuer under the Terms shall become effective only after written approval of the Issuer.

Minutes of all resolutions and proceedings at a Bondholders' Meeting shall be made and signed by the Chairman pursuant to paragraph e) above.

- n) If no Bondholder or an insufficient number of Bondholders shall attend a Bondholders' Meeting, the right to decide on the early repayment of the Bonds or any other measures to protect the interests of the Bondholders shall revert to the absolute discretion of ABN AMRO. Any such decision of ABN AMRO shall be final and binding upon the Issuer, the Bondholders and Couponholders. Notice of any such decision shall be published in accordance with Section 11 above.

### 13. Governing Law and Jurisdiction

The form, construction and interpretation of the Bonds and Coupons shall be subject to and governed by Swiss law.

Any dispute which might arise between Bondholders or Couponholders on the one hand and the Issuer on the other hand regarding the Bonds and/or the Coupons shall be settled in accordance with Swiss law and falls within the jurisdiction of the ordinary courts of the Canton of Zurich, the place of jurisdiction being Zurich 2, with the right to appeal to the Swiss Federal Court of Justice in Lausanne, where the law permits, the decision of which will be final.

Only for that purpose and only for the purpose of enforcement in Switzerland, the Issuer undertakes, as long as the Bonds are outstanding, to elect legal and special domicile in Switzerland and in

implementation of this undertaking hereby empowers ABN AMRO at its address of Beethovenstrasse 33, 8002 Zurich, to act as its agent for receiving service of process.

The above-mentioned jurisdiction is also exclusively competent for the declaration of invalidity of Bonds and Coupons. The Issuer shall be discharged by and to the extent of any payment made to a holder recognized as creditor by an enforceable judgement of a Swiss court.

The Issuer will not plead immunity before any court in which claims in connection with these Bonds can be pursued against it, or before any authority competent for the enforcement of judicial decrees and judgements on such claims; the Issuer irrevocably waives immunity from legal proceedings and expressly submits to the jurisdiction of such courts and authorities to the fullest extent permitted by the laws of the relevant jurisdiction.

The Bondholders and Couponholders are at liberty to enforce their rights and to take legal action before the competent courts of the Netherlands, in which case Swiss law shall be applicable with respect to the terms, conditions and form of the Bonds and/or Coupons.

14. Currency Indemnity

If any payment obligation of the Issuer under the Bonds has to be changed from Swiss Francs into a currency other than Swiss Francs (to obtain a judgement, execution or for any other reason), the Issuer undertakes to indemnify the Bondholders and Couponholders, for any shortfall caused by fluctuations of the exchange rates applied for such conversions, provided, however, that if the result of any such fluctuation of the exchange rate is to give rise to a surplus, the Issuer shall be entitled thereto.

The rates of exchange to be applied in calculating such shortfall shall be ABN AMRO's spot rates of exchange prevailing between Swiss Francs and the currency other than Swiss Francs on the dates on which such conversions are necessary.

15. Additional Obligations

So long as the Bonds are listed on Euronext Amsterdam, the Issuer will comply with the provisions set forth in Chapter 6 of the Euronext Rule Book, Book I, Chapter A - 2.7 of the General Rules for the Euronext Amsterdam Stock Market (*Algemeen Reglement Euronext Amsterdam Stock Market*) (Euronext Rule Book, Book II) and the Rules Governing Handling, Admission and Annual Listing Charges (*Reglement Tarieven Toelating en Notering*) in so far as applicable and the notices relating thereto all as may be amended from time to time of Euronext Amsterdam as in force at the date of the issue of the Bonds.

16. Substitution of the Issuer

The Issuer (or any previous substitute of the Issuer under this Section) may, without the consent of the Bondholders, at any time be substituted in respect of all rights and obligations arising under or in connection with the Bonds and Coupons for itself by any non-Swiss Issuer controlling, controlled by or under common control with the Issuer as the principal debtor in respect of the Bonds (the "New Issuer"), provided that

- (i) the New Issuer is in the opinion of ABN AMRO in a position to fulfil all payment obligations arising from or in connection with the Bonds and Coupons in freely convertible and transformable legal tender of Switzerland without any need to deduct or withhold any taxes or duties at source and to transfer without restriction all amounts required to be paid under the Bonds and Coupons to ABN AMRO and the interests of the Bondholders and Couponholders are adequately protected in the opinion of ABN AMRO,
- (ii) the New Issuer has obtained to this effect all necessary authorizations of the country of its domicile or its deemed residence for tax purposes, and
- (iii) the Issuer has issued its irrevocable and unconditional indemnity as per Art. 111 of the Swiss Federal Code of Obligations in respect to the obligations of the New Issuer under the Bonds and Coupons in form and content satisfactory to ABN AMRO.

Any substitution shall be published in accordance with Section 11.

For the purposes of this Section 16 the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether by contract or through the ownership, directly or indirectly, of voting shares in such company which, in the aggregate, entitle the holder thereof to elect a majority of its directors, and includes any company in like relationship to such first mentioned company, and for this purpose "voting shares" means shares in the capital of a company having the right to elect the directors thereof, and "controlling", "controlled" and "under common control" shall be construed accordingly.

In the event of such substitution, any reference in the Agreement plus Annexes and Terms to the Issuer shall be deemed to refer to the New Issuer and the Issuer shall thereby be released from its obligations in respect of the Bonds and any reference to The Netherlands (as far as made in connection with the Issuer) shall be deemed to refer to the country in which the New Issuer has its domicile or is deemed resident for tax purposes.

17. Amendment to the Terms

The Terms may be amended from time to time by agreement between the Issuer and ABN AMRO on behalf of the Bondholders and Couponholders provided that in the sole opinion of ABN AMRO such amendment is of a formal, minor or technical nature, is made to correct a manifest error or is not materially prejudicial to the interests of the Bondholders and/or the Couponholders.

Notice of any such amendment shall be transmitted as per Section 11 above.

Any such amendment shall be binding on the Bondholders and Couponholders in accordance with its terms.

18. Reopening

The Issuer reserves the right to reopen (the "Reopening") and increase the aggregate principal amount of this bond-issue at any time without the prior consultation of or permission of the Bondholders through the issuance of further bonds which will be fungible with the Bonds (i.e. identical especially in respect of the Terms, security number, final maturity and interest rate).

At the time of subscribing to a Reopening a subscriber shall pay the Issuer an amount equal to the interest accrued during the period from the Interest Payment Date (as defined in Section 2 of the Terms) immediately preceding the date of the Reopening to the date of such Reopening on each Bond it has subscribed to.

The Bonds are issued in bearer form in the denominations of CHF 5,000.-- (numbered 11'601-13'600) and CHF 100,000.-- (numbered 13'601-14'500) principal amount each and may in the case of a Reopening also be issued in the denomination of Swiss Francs 1,000,000.-- principal amount.

# N.V. BANK NEDERLANDSE GEMEENTEN

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## Incorporation and Duration

BNG was incorporated as a '*naamloze vennootschap*' (a public company with limited liability) under the laws of The Netherlands on 23 December 1914 and is operating under the laws of the Netherlands. The duration of BNG is unlimited. It is registered in the Commercial Register of the Delft – The Hague Chamber of Commerce and Industry under No. 27008387.

## Registered Office

The Issuer's registered office is at Koninginnegracht 2, 2514 AA The Hague, The Netherlands. The Issuer has no branch offices and its telephone number is +31 70 - 3750750.

## Regulatory Status

BNG qualifies as a credit institution within the meaning of EU directive 2006/48/EC. BNG is authorised by the Dutch Central Bank ('De Nederlandsche Bank N.V.', "**DNB**") to pursue the business of a bank in The Netherlands, in accordance with article 2:11 of the Dutch Financial Supervision Act ('Wet op het financieel toezicht'), and is consequently supervised by the Dutch Central Bank. In addition BNG is supervised by The Netherlands Authority for the Financial Markets ('Stichting Autoriteit Financiële Markten'; "**AFM**") for the purposes of market conduct supervision.

## Purpose

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

The main business activities of BNG include the granting of credit to its statutory counterparties, making of payment and the processing of flows between the central government and the public authorities listed below.

Pursuant to Article 2 of its Articles of Association, the object of the Issuer, is to carry on the business of banker on behalf of public authorities (as described below). Accordingly, the Issuer may engage, inter alia, in taking in and lending moneys, granting credits in other ways, providing guarantees, arranging the flow of payments, conducting foreign exchange transactions, acting as adviser and broker in the issue of and trade in securities, and keeping, managing and administering securities and other assets for third parties, as well as to incorporate and to participate in other enterprises and/or legal persons, whose object is connected with or conducive to any of the foregoing. The Issuer shall be empowered to perform all acts which may be directly or indirectly conducive to its object. The term public authorities as referred to above means:

- (a) Municipalities and other legal persons in The Netherlands under public law as referred to in article 1, paragraphs 1 and 2, of Book 2 of the Dutch Civil Code;
- (b) the European Communities and other bodies possessing legal personality to which part of the function of the European Communities has been entrusted pursuant to the treaties establishing the European Communities;
- (c) Member states of the European Communities and other bodies possessing legal personality to which part of the administrative function of such a member state has been entrusted pursuant to the law of that member state;
- (d) legal persons under private law;
  - half or more of whose managing directors are appointed directly or indirectly by one or more of the bodies referred to at a, b and c above; and/or
  - half or more of whose share capital is provided directly or indirectly by one or more of the bodies referred to at a, b and c above; and/or – half or more of the income side of whose operating budget

is provided or secured directly or indirectly by one or more of the bodies referred to at a, b and c on the basis of a scheme, bye-law or law adopted by one or more of such bodies; and/or

- whose operating budget is adopted or approved directly or indirectly by one or more of the bodies referred to at a, b and c above on the basis of a scheme, bye-law or law adopted by one or more of such bodies; and/or
- whose obligations towards the Issuer are guaranteed directly or indirectly by one or more of the bodies referred to at a, b and c above or will be guaranteed pursuant to a scheme, bye-law or law adopted by one or more of such bodies, for which purpose obligations include non-guaranteed obligations resulting from prefinancing or other financing which, after novation, will create obligations that will be guaranteed by one or more of such bodies pursuant to a scheme, bye-law or law adopted by one or more of such bodies; and/or
- who execute a part of the governmental function pursuant to a scheme, bye-law or law adapted by one or more of the bodies referred to at a, b and c above.

## **Subsidiaries of BNG**

BNG has a number of wholly owned subsidiaries that perform services that are ancillary to activities of BNG as the 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.

These subsidiaries are:

- *BNG Capital Management B.V.*

Provides and develops specialised financial services in the fields of securities brokerage, consultancy, the management of investment funds with a FIDO hallmark and customised asset management services to public authorities and public interest institutions.

- *BNG Consultancy Services B.V.*

Delivers high-quality advisory services in financial-economic and strategic fields as well as training services in the field of treasury management and other aspects of financial-economic management.

- *Ontwikkelings- en Participatiebedrijf Publieke sector B.V.*

Directly or indirectly provides (venture) capital to public authorities and directly or indirectly participates in and/or co-operates with projects, either with or on behalf of public authorities.

- *Hypotheekfonds voor Overheidspersoneel B.V.*

Finances mortgage loans being taken out by civil servants in the employ of a public or municipal organisation with which a co-operation agreement has been reached.

- *BVG (BNG Vastgoedontwikkeling) B.V.*

Directly or indirectly participates in and/or co-operate with real estate projects together with and on behalf of public authorities and/or directly or indirectly provides (venture) capital to such public authorities.

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

BNG is a statutory limited company under Dutch law (*structuurvennootschap*). Half of BNG's share capital is held by the State of The Netherlands. The other fifty per cent is mainly held by municipalities and furthermore by eleven of the twelve provinces as well as one district water authority (*waterschap*) in The Netherlands.

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

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

The authorised capital of BNG is two hundred and fifty million euro (EUR 250,000,000) divided into one hundred million (100,000,000) shares of two euro and fifty cents (EUR 2.50) each. The issued capital is one hundred and thirty nine million and two hundred and twenty six thousand and eight hundred euro (EUR 139,226,800) divided into fifty five million, six hundred and ninety thousand and seven hundred and twenty (55,690,720) shares which are all fully paid up.

Each share carries the right to cast one (1) vote. Voting by proxy is permissible provided that a proxy may not represent more than one shareholder.



No changes in the share capital of BNG have occurred during the years 1999, 2000, 2002, 2003, 2004, 2005 and 2006. The Issuer does not own any of its shares.

## **SUPERVISORY BOARD AND EXECUTIVE BOARD**

All members of the Supervisory Board and the Executive Board have their address at the registered office of BNG.<sup>1</sup>

### **Executive Board**

P.O. Vermeulen, *President:*

Mr Vermeulen is a member of the Supervisory Board of the Healthcare Guarantee Fund.

C. van Eykelenburg, *Member:*

Mr. Van Eykelenburg is a member of the Supervisory Board of Codarts.

J.J.A. Leenaars, *Member:*

Mr Leenaars is a member of the Supervisory Board of N.V. Trustinstelling Hoevelaken and a member of the Supervisory Board of the Higher Vocational Education Guarantee Fund.

### **Supervisory Board**

H.O.C.R. Ruding:

Former Vice Chairman of the Executive Board Citicorp/Citibank, New York and Former Minister of Finance of The Netherlands, *Chairman*. Mr Ruding is a member of the Supervisory Board of Corning Inc. (U.S.), RTL Group (Luxembourg), Holcim A.G. (Zürich), Alcan Inc. (Montreal) and Fondor sicav (Luxembourg).

Ms. S.M. Dekker:

Former Minister for Housing, Spatial Planning and Environment, *member*. Ms. Dekker is Chairwoman of the TNO Strategic Advisory Body on Construction and the Underground and chairwoman of the Antillean Joint Financing Organisation.

R.J.N. Abrahamsen:

Former Managing Director and Chief Financial Officer of KLM Dutch Airlines N.V., *Member*.

Mr. Abrahamsen is a member of the Supervisory Board of TNT Post Group and Koninklijke BAM Groep N.V.

H.H. Apotheke:

Mayor of the Municipality of Steenwijkerland, *Member*. Mr Apotheke is Chairman of the Supervisory Board of N.V. Rendo and a member of the Executive Committee of the Owner-Occupied Housing Guarantee Fund.

W.M. van den Goorbergh:

Former vice-chairman of the Executive Board of Rabobank Nederland, *Member*. Mr Van den Goorbergh is a member of the Supervisory Board of Athlon Holding N.V. and NIBC Bank N.V., TIAS Business School and De Welten Groep Holding N.V. Additionally, he is a member of the Board of the Catholic University of Nijmegen.

R.J.J.M. Pans:

General Director of the Association of Netherlands Municipalities, *Member*. Mr Pans is also Chairman of the Supervisory Board of Zorggroep Almere.

A.G.J.M. Rombouts:

Mayor of the Municipality of 's-Hertogenbosch, *Member*.

Mrs Y.C.M.T. van Rooy:

President of the Governing Board of the University of Utrecht, *Member*. Mrs Van Rooy is a member of the Advice Committee of Deloitte.

W.K. Wiechers:

Former Chairman of the Executive Board of Essent N.V., *Member*.

Mr. Wiechers is Vice Chairman of the Supervisory Board of Koninklijke BAM Groep N.V. and OPTAS NV

### **Managing Directors**

Mrs P.J.E. Bieringa, *Managing Director Account Organisation*

J.L.S.M. Hillen, *Managing Director Legal Department*

G.J.M. Langelaan, *Managing Director Internal Audit*

J.C. Reichardt, *Managing Director Reporting and Control*

G.J. Thomas, *Managing Director Company Secretary*

P.H. Verloop, *Managing Director Treasury*

R. van Woerden, *Managing Director Funds Transfers and e-Banking*

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<sup>1</sup> Supervisory board memberships and additional positions are mentioned insofar these are held with listed companies and/or are deemed to be relevant to the performance of the tasks as a member of BNG's Supervisory- or Executive Board. All members of BNG's Supervisory- and Executive Board are Dutch nationals.

## **Conflicts of Interest**

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

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

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

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

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

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

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

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

## **CORPORATION TAX**

As from 1 January 2005, BNG is no longer exempted from corporation tax. This decision was taken as part of the general policy of the Dutch government to create a level playing field for companies in which public sector entities hold participating interests. In 2006, general agreement was reached with the tax authorities concerning the first-time fiscal valuation of assets and liabilities.

## **DIVIDEND**

The long-term dividend policy was presented at the Special General Meeting of Shareholders on August 25, 2006, and the shareholders of BNG approved the proposal to make an additional payment of EUR 500 million in mid-December 2006. For 2007 the Executive Board and the Supervisory Board of BNG announced their intention to distribute another extra pay out of EUR 500 million from the Reserve Retained Profit to their shareholders. The proposal for this additional payment in 2007 has been approved at the General Meeting of Shareholders on May 24, 2007.

A condition to this proposition is that the strong funding position of the bank in the international capital markets will not be affected in any manner whatsoever by the extra dividend. This implies that all ratings assigned to the bank will be retained.

## **FUNDING**

Since the liberalisation and deregulation of the Dutch financial markets in 1986 and the election of credit institution status by the Issuer in 1988 under the Act on the supervision of the credit system 1978 (*'Wet Toezicht Kredietwezen 1978'*, replaced by *'Wet Toezicht Kredietwezen, 1992'* and now replaced by the Dutch Finance Supervision Act, the (*'Wet op het financieel toezicht'*)) new funding instruments have been developed. BNG established a domestic AUD 5 billion Medium Term Note Programme of which approximately AUD 1.4 billion is currently outstanding. As an issuer on the Japanese domestic market, BNG has been recognised since 1996 as a “**sovereign**” issuer by the Japanese government.

### **Short term funding**

The short-term funding strategy of BNG has resulted in growth in deposits originating from its customers and from the global financial markets. BNG has also established a EUR Commercial Paper Programme. Its current size is EUR 10 billion of which approximately EUR 4.8 billion is currently outstanding. Average short-term funding also showed volume growth, particularly due to the financing of the increase in short-term loans and advances.

### **Long term funding**

A significant portion of the long-term funds required by BNG is drawn from the eurobond market. In 2006, EUR 13.4 billion in long-term funding was raised (in 2005, EUR 12.2 billion was raised). Apart from the funding of loans and advances, these funds were used to finance redemptions. In 2006, BNG once again almost entirely met its long-term funding requirement through the issuance of bonds under the Euro 70,000,000,000 Debt Issuance Programme. The weighted average maturity of the issued paper was 6.7 years, the same as in 2005. Under the Euro 70,000,000,000 Debt Issuance Programme currently approximately EUR 66 billion is outstanding.

The portfolio of long-term borrowings measured at redemption value and at the spot rate as of 31 December 2006 decreased with EUR 2.2 billion to EUR 67.0 billion. Of this decrease EUR 1.8 billion related to the decline of the US dollar against the Euro. Of the outstanding debt, 44% (2005: 42%) is EUR-denominated. As far as the remaining debt is concerned, bonds are mainly issued in US Dollars, Swiss Francs, Japanese Yen, Canadian Dollars and British Pounds. BNG's funding policy is designed to respond as flexibly as possible to the needs of its investors. In doing so, BNG raises capital at competitive rates, thereby strengthening its relationship with investors.

### **Interest Rate and Currency risk**

The level of short-term funding, in conjunction with a higher volume of off-balance sheet products can be seen to represent BNG's strategy of hedging interest rate risk. BNG is also an important participant in the interbank market of interest rate swaps, forward rate agreements and exchange listed futures to hedge exposures and increase the overall flexibility of BNG. Derivative transactions are concluded mainly as hedges against BNG's own exposure to interest rate and currency risks.

## **RISK MANAGEMENT**

BNG pursues a prudent risk policy, and risk management and control are key elements of its business operations. In accordance with the risk classification outlined in the Dutch Central Bank's Regulations on Organisation and Control (ROC), credit institutions such as BNG may be subject to liquidity risk, market risk, operational risk, information and communication technology ("ICT") risk, integrity risk, outsourcing risk and credit risk. The ROC contains regulations that set out guidelines and recommendations for the organisation and control by credit institutions of business processes and of the aforementioned risks. It has been established that BNG complies with the ROC. The types of risks referred to above and the manner in which BNG aims to manage these risks are further explained in the section Risk Management of the annual report 2006, which is incorporated by reference into this Prospectus (see page 29).

With respect to BNG's exposure to credit risk the following is noted. The vast majority of the loans and advances are extended to public authorities or are directly or indirectly government-guaranteed. BNG's credit risk policy is aimed at minimising potential losses from lending operations. BNG only accepts financial institutions with a high creditworthiness as counterparties.

## **BASEL II**

In 2005, BNG decided on the most appropriate method of implementing the European regulations based on the new Basel Capital Accord: Basel II. BNG has opted for the so-called 'Standardised Approach' for credit risk. Among the arguments underlying this decision were BNG's equity position and the expected impact of the new regulations on this portion as well as the absence of relevant databases with information on defaults and cost aspects. In 2006, the preparations surrounding Basel II were brought to a successful conclusion. In 2007, BNG started to report in conformity with the new standards for the first time. The 'Basic Indicator Approach' (BIA) has been chosen for operational risk, as other methods currently offer no additional advantages.

## GENERAL INFORMATION

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### AVAILABILITY OF THIS PROSPECTUS IN THE NETHERLANDS

Copies of this Prospectus will be filed at the offices of N.V. Bank Nederlandse Gemeenten, attn. Transactions, Support and Administration Dealing Room, Koninginnegracht 2, 2514 AA, The Hague, The Netherlands, as the Issuer and ABN AMRO Bank N.V., HQ6032, Gustav Mahlerlaan 10, 1082 pp Amsterdam, The Netherlands, as the Amsterdam listing agent, where such documents may be examined and can be freely obtained.

### NO MATERIAL ADVERSE CHANGE

There has been no material adverse change in the prospects of the Issuer since December 31, 2006, nor has there been any significant change in the financial position of the Issuer or its subsidiaries, taken as a whole, since June 30, 2007.

### OUTLOOK FOR 2007

Other than information disclosed in the Annual Report 2006 of BNG, there have been no significant changes or developments in BNG's activities, strategy or business environment experienced, and BNG does not expect any significant changes in the near future.

### AUDITORS

The financial statements of the Issuer for years ended on 31 December 2005 and 31 December 2006 have been audited by Ernst & Young Accountants, chartered accountants (registeraccountants). Ernst & Young Accountants is located in Amsterdam at the Drentestraat 20 (1083 HK), The Netherlands. The auditors (registeraccountants) of Ernst & Young Accountants are member of the Netherlands Institute of Registeraccountants (NIVRA). Ernst & Young Accountants have consented to the inclusion of their unqualified auditor's report dated March 16, 2007 and to the incorporation by reference of their unqualified auditor's report dated March 17, 2006 relating to the financial statements 2006 and 2005 of the Issuer, respectively.

The Interim Report 2007, included as Annex 2, is unaudited.

### LEGAL PROCEEDINGS

The Issuer is not and 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.

### DOCUMENTS ON DISPLAY

For the life of the Prospectus and for so long as any Bonds are outstanding, copies and, where appropriate, English translations of the following documents may be inspected to the extent available at the website of BNG (<http://www.bng.com>) or alternatively during normal business hours at the specified office of the Paying Agent in Breda and the Principal Paying Agent in Zurich, and be obtained free of charge, namely:

- (a) the Deed of Incorporation and the Articles of Association (*'statuten'*) of the Issuer;
- (b) the Public Bond Issue and Paying Agency Agreement;
- (c) the audited financial statements for the two financial years preceding the date of the Prospectus and the latest audited financial statements and unaudited semi-annual financial statements of the Issuer;
- (d) a copy of this Prospectus and any further prospectus or prospectus supplement prepared by the Issuer for the purpose of updating or amending any information contained herein or therein;
- (e) any press releases that are published in relation to the Issuer or to issues of Bonds.

## **ADDITIONAL INFORMATION**

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### **LEAD MANAGER**

ABN AMRO Bank N.V., Amsterdam, Zurich Branch  
Beethovenstrasse 33  
P.O. Box 5239  
CH-8022 Zurich  
Switzerland

### **PRINCIPAL PAYING AGENT (“HAUPTZAHLSTELLE”) AND LISTING AGENT IN SWITZERLAND**

The principal paying agent for the payments of principal and/or interest on the Bonds and listing agent in Switzerland is ABN AMRO Bank N.V., Amsterdam, Zurich Branch, Beethovenstrasse 33, P.O. Box 5239, CH-8022 Zurich, Switzerland. The banks referred to in Section 4 of the Terms of the Bonds are paying agents.

### **PAYING AGENT AND LISTING AGENT IN THE NETHERLANDS**

The paying agent for the payments of principal and/or interest on the bonds in The Netherlands is ABN AMRO Bank N.V., Kemelstede 2, 4817 ST Breda, The Netherlands. The listing agent for the Bonds in The Netherlands is ABN AMRO Bank N.V., Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- The annual reports, including the audited annual accounts, of the Issuer for the years ended 31 December 2005 and 31 December 2006.
- The Articles of Association of the Issuer.

The Issuer will, at the specified offices of the Principal Paying Agent and the paying agent in Breda for the Bonds, provide, without charge, to any person, upon the oral or written request of such person, a copy of any or all of the documents incorporated herein by reference as well as the Public Bond Issue and Paying Agency Agreement and a copy of this Prospectus 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 the Principal Paying Agent and the paying agent in Breda or the specified office of the Listing Agent in Amsterdam.

**Financial Statements 2006 and Auditor's report thereto (pages 37-94 of the Annual Report)**



**Interim Report 2007**