

**INFORMATION MEMORANDUM**

**NIB Capital Bank N.V.**

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

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Euro 20,000,000,000

Programme for the Issuance of Debt Instruments

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*Under this Euro 20,000,000,000 Programme for the Issuance of Debt Instruments (the **Programme**), NIB Capital Bank N.V. (the **Issuer**) may from time to time issue Notes and/or Structured Notes (together referred to as the **Debt Instruments**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).*

*Applications have been made to admit the Debt Instruments issued under the programme during the period of 12 months after the date hereof to the Official List of the Financial Services Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the **FSMA**), the **UK Listing Authority**) and to trading on the London Stock Exchange plc (the **London Stock Exchange**). Application has also been made to list the Debt Instruments issued under the Programme during the period of 12 months after the date hereof on the Luxembourg Stock Exchange. The Programme also permits Instruments to be issued on an unlisted basis or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer. This Information Memorandum comprises listing particulars approved by the UK Listing Authority and issued in compliance with the listing rules made under Section 74 of the FSMA (the **Listing Rules**) for the purpose of giving information with regard to the issue during the period of 12 months after the date hereof of Instruments under the Programme. A copy of this Information Memorandum has been delivered for registration to the Registrar of Companies in England and Wales in accordance with Section 83 of the FSMA. A paragraph containing "Risk Factors" has been included in the Information Memorandum (please see page 14).*

**Arranger**

**MORGAN STANLEY**

**Dealers**

**DEUTSCHE BANK**

**CREDIT SUISSE FIRST BOSTON**

**DRESDNER KLEINWORT WASSERSTEIN**

**JPMORGAN**

**GOLDMAN SACHS INTERNATIONAL**

**LEHMAN BROTHERS**

**MERRILL LYNCH INTERNATIONAL**

**MIZUHO INTERNATIONAL PLC**

**MORGAN STANLEY**

**NIB CAPITAL BANK**

**NOMURA INTERNATIONAL**

**UBS INVESTMENT BANK**

**The date of this Information Memorandum is 29 December 2004**

## **IMPORTANT NOTICES**

The Issuer accepts responsibility for the information contained in this Information Memorandum and to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The applicable Pricing Supplement will (if applicable) specify the nature of the responsibility taken by the Issuer for the information relating to any underlying equity security, index, debt security or other item(s) (each a Reference Item) to which the relevant Debt Instruments relate and which is contained in such Pricing Supplement. However, unless otherwise expressly stated in a Pricing Supplement, any information contained therein relating to a Reference Item will only consist of extracts from, or summaries of, information contained in financial and other information released publicly by the issuer, owner or sponsor, as the case may be, of such Reference Item. The Issuer will, unless otherwise expressly stated in the applicable Pricing Supplement, accept responsibility for accurately reproducing such extracts or summaries (insofar as it is applicable) but the Issuer will not accept any further or other responsibility (express or implied) in respect of such information.

This Information Memorandum is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see Documents Incorporated by Reference below) provided, however, that such incorporated documents do not form part of the Listing Particulars. This Information Memorandum shall be read and construed on the basis that such documents are so incorporated and form part of this Information Memorandum, but not part of the Listing Particulars. Any reference in this Information Memorandum to Listing Particulars means this Information Memorandum excluding all information incorporated by reference. The Issuer has confirmed that any information incorporated by reference, including any such information to which readers of this document are expressly referred, has not been and does not need to be included in the Listing Particulars to satisfy the requirements of the Financial Services and Markets Act 2000 or the listing rules of the UK Listing Authority. The Issuer believes that none of the information incorporated in this Information Memorandum by reference conflicts in any material respect with the information included in the Listing Particulars.

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Dealer as to the accuracy or completeness of the information contained or incorporated in this Information Memorandum or any other information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Information Memorandum or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Information Memorandum or any other information supplied in connection with the Programme or the Debt Instruments and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any Dealer.

Neither this Information Memorandum nor any other information supplied in connection with the Programme or any Debt Instrument (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any Dealer

that any recipient of this Information Memorandum or any other information supplied in connection with the Programme or any Debt Instrument should purchase any Debt Instrument. Each investor contemplating purchasing any Debt Instruments should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Information Memorandum nor any other information supplied in connection with the Programme or the issue of any Debt Instruments constitutes an offer or invitation by or on behalf of the Issuer or any Dealer to any person to subscribe for or to purchase any Debt Instruments.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Debt Instruments shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Debt Instruments of any information coming to its attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Information Memorandum when deciding whether or not to purchase any Debt Instruments.

This Information Memorandum does not – and any Pricing Supplement does not – constitute an offer to sell or the solicitation of an offer to buy any Debt Instruments in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Information Memorandum and the offer or sale of Debt Instruments may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Information Memorandum may be lawfully distributed, or that any Debt Instruments may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or any Dealer which would permit a public offering of any Debt Instruments or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Debt Instruments may be offered or sold, directly or indirectly, and neither this Information Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Information Memorandum or any Debt Instruments may come must inform themselves about, and observe, any such restrictions on the distribution of this Information Memorandum and the offering and sale of Debt Instruments. (see Subscription and Sale on page 163).

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Debt Instruments being offered, including the merits and risks involved. See "Risk Factors relating to Structured Notes" on page 14. In addition any applicable Pricing Supplement may contain specific risk factors relating to the relevant issue of Debt Instruments.

Neither the Dealers nor the Issuer makes any representation to any investor in the Debt Instruments regarding the legality of its investment under any applicable laws. Any investor in the Debt Instruments should be able to bear the economic risk of an investment in the Debt Instruments for an indefinite period of time.

In connection with the issue and distribution of any Tranche of Debt Instruments, the Dealer (if any) disclosed as the stabilising manager in the applicable Pricing Supplement or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Debt Instruments of the Series (as defined below) of which such Tranche forms part at a

**level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the stabilising manager or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time and will in respect of Debt Instruments listed on Euronext Amsterdam, in any event be discontinued 30 days after the relevant issue date.**

#### **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

- (1) all amendments and supplements and supplements to this Information Memorandum prepared by the Issuer from time to time;
- (2) any Pricing Supplement prepared in respect of Debt Instruments which are listed on the Official List of the UK Listing Authority and admitted to trading by the London Stock Exchange, and/or listed on the Luxembourg Stock Exchange, or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system;
- (3) the most recent Articles of Association of the Issuer;
- (4) the most recently published audited annual report (including the financial statements therein) of the Issuer from time to time; and
- (5) the most recently published unaudited semi-annual report (if available) (including the financial statements therein) of the Issuer from time to time,

save that (i) any statement contained herein or any of the documents incorporated by reference in, and forming part of, this Information Memorandum shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement provided that in relation to the listing of the Debt Instruments on the Official List of the UK Listing Authority, any modifying or superseding statement does not form part of the listing particulars as contained in this document given in compliance with the Listing Rules and (ii) in relation to the listing of the Debt Instruments on the Official List of the UK Listing Authority, any documents incorporated by reference do not form part of the listing particulars as contained in this document given in compliance with the Listing Rules.

The Issuer and the Paying Agents (at their specified offices) will provide, without charge, to each person to whom a copy of this Information Memorandum has been delivered, upon the request of any such person, a copy of any or all of the documents incorporated herein by reference. Written or oral requests for such documents should be directed to the Issuer, the specified office of any Paying Agent or the specified office of the Listing Agent in Luxembourg set out at the end of this Information Memorandum.

The Issuer will, in connection with the listing of the Debt Instruments on the Luxembourg Stock Exchange and/or London Stock Exchange, in the event of any material change in the condition of the Issuer which is not reflected in this Information Memorandum, prepare a supplement to this Information Memorandum or publish a new Information Memorandum for use in connection with any subsequent issue of the Debt Instruments to be listed on the Luxembourg Stock Exchange and/or London Stock Exchange.

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## SUMMARY OF THE PROGRAMME

### 1. INTRODUCTION

The information set out below is a summary only and should be read in conjunction with the rest of the Information Memorandum. This summary is intended to give you an overview of details in relation to the Issuer and also details in relation to the types of Debt Instruments that the Issuer may issue under the Programme and does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Information Memorandum and, in relation to the terms and conditions of any particular Tranche of Debt Instruments, the applicable Pricing Supplement. Words and expressions defined in "Form of the Debt Instruments" and "General Terms and Conditions of the Debt Instruments" below shall have the same meanings in this summary.

Prospective investors should be aware that where a claim relating to the information contained in this Information Memorandum is brought before a court, the investor making the claim might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated.

Civil liability attaches to the Issuer who has tabled the summary including the translation thereof and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Information Memorandum.

### 2. INFORMATION ABOUT THE ISSUER

#### 2.1 History and Incorporation

NIB Capital Bank N.V. (**NIB Capital Bank** or the **Bank**), formerly known as De Nationale Investeringsbank N.V., was established by the Dutch Government after World War II to meet The Netherlands' need for investment.

NIB Capital Bank N.V., is a Netherlands public limited liability company, with statutory seat in The Hague, The Netherlands, NIB Capital Bank N.V. offers banking services and products to customers and businesses in The Netherlands and abroad. It's business activities historically have been lending, corporate and international finance and equity investments. The statutory objectives of NIB Capital Bank N.V. are general banking and financing activities (see for a detailed description article 2 of the Articles of Association).

#### 2.2 Group Structure

From its founding in 1945 and until 1999, the Bank was majority owned by the Dutch Government. In 1999, NIB Capital N.V. (**NIBCapital**), formerly known as ABP-PGGM Capital Holdings N.V., which is owned by the two largest pension funds in the Netherlands, namely Stichting Pensioenfonds ABP (**ABP**) and Stichting Pensioenfonds PGGM (**PGGM**), acquired an approximately 85 per cent. equity interest in the Bank along with 99.98 per cent. of the voting rights.

In May 2004 the Dutch Government has sold its remaining 15 per cent. holding of preference shares to NIB Capital in accordance to the agreement of May 1999. Since then NIB Capital holds 100 per cent. of the equity of the Bank.

## 2.3 Major Business Activities

Historically, the Bank's major business activities have been lending, corporate and institutional finance and equity investments. In recent years, the Bank has decreased its involvement in lending for its own account and increased its role of acting as an intermediary between corporate borrowers and investors such as pension funds, insurance companies, banks and asset managers.

The Bank aims to become the primary choice for its major clients in the areas of financing and financial advice by offering superior products, and to accelerate the turnover of its assets. Acceleration of the turnover of its assets and a further diversification of its income sources are important elements of the business model. The Bank intends to achieve these goals, amongst others, through strategic partnerships following a course similar to its successful cooperation with various current strategic partnerships.

## 3. THE PROGRAMME

Under the Programme, the Issuer may issue many different types of Debt Instruments such as conventional debt instruments (the **Notes**) or Debt Instruments whose repayment terms and /or other terms, including interest, may be linked to a number of different underlyings (**Structured Notes**). These underlyings may include funds, reference items, shares, baskets of shares, indices or other types of share or debt performance indicators, currencies and commodities or other underlyings.

<b>Issuer</b>	NIB Capital Bank N.V.
<b>Arranger</b>	Morgan Stanley & Co International Limited
<b>Dealers</b>	Credit Suisse First Boston (Europe) Limited, Dresdner Bank Aktiengesellschaft, Deutsche Bank AG London, Goldman Sachs International, J.P. Morgan Securities Ltd., Lehman Brothers International (Europe), Merrill Lynch International, Mizuho International plc, Morgan Stanley & Co. International Limited, NIB Capital Bank N.V., Nomura International plc and UBS Limited and any other dealer appointed from time to time by the Issuer.
<b>Fiscal and Principal Paying Agent</b>	Citibank, N.A. London. Additional paying agents may be appointed. The Issuer may act as fiscal and paying agent in respect of Debt Instruments held by Euroclear Netherlands or otherwise in the clearing system under the Dutch Securities Book-Entry Transfer Act ( <i>Wet giraal effectenverkeer</i> ).
<b>Listing</b>	The Debt Instruments may be (i) admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange; and/or (ii) listed on the Luxembourg Stock Exchange; and/or (iii) admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system (iv) or may be unlisted, all as may be agreed between the Issuer and the relevant Dealer and specified in the relevant Pricing

Supplement.

<b>Luxembourg Listing Agent</b>	Banque Générale du Luxembourg S.A.
<b>Programme Amount</b>	Up to Euro 20,000,000,000 (or its equivalent in other currencies) outstanding at any time. The Issuer may increase or decrease the amount of the Programme.
<b>Use of Proceeds</b>	The net proceeds from each issue of Debt Instruments will be applied by the Issuer for its general corporate purposes. A substantial portion of the proceeds from the issue of certain Debt Instruments may be used to hedge market risk with respect to such Debt Instruments.

## **ESSENTIAL CHARACTERISTICS OF THE DEBT INSTRUMENTS**

<b>Form of Debt Instruments</b>	The Debt Instruments will be issued in bearer form or in registered form as further described in "Form of the Debt Instruments.
<b>Status</b>	The Debt Instruments will either (i) constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, and will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations (other than subordinated obligations if any) of the Issuer, save for such obligation as may be preferred by provisions of law that are both mandatory and of general application or (ii) constitute direct, unsecured and subordinated obligations of the Issuer and will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured and subordinated obligations of the Issuer, save for such obligation as may be preferred by provisions of law that are both mandatory and of general application.
<b>Currencies</b>	The Debt Instruments may be denominated in any currency or currencies, subject to compliance with all applicable legal or regulatory requirements. Debt Instruments may, subject to compliance as aforesaid, be issued as multi-currency Debt Instruments .
<b>Redenomination</b>	The applicable Pricing Supplement may provide that certain Debt Instruments, may be redenominated in Euro pursuant to Condition 3 of Terms and Conditions of the Debt Instruments.
<b>Issue Price</b>	The Debt Instruments may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par as further described in the Pricing Supplement.



<b>Interest</b>	Interest in respect of the Debt Instruments may have a Fixed Rate or a Floating Rate, or may not bear interest (Zero Coupon), or may be calculated by reference to funds, reference items, shares, baskets of shares, indices or other types of share or debt performance indicators, currencies and commodities or other underlyings.
<b>Maturities</b>	The Debt Instruments may have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to a minimum maturity of one month and a maximum maturity of 30 years and such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
<b>Denominations</b>	The Debt Instruments will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note or Structured Note, as applicable, will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.
<b>Enforcement of Debt Instruments in Global Form</b>	In the case of Instruments in global form, investors' rights will be supported by a Deed of Covenant dated 29 December 2004 (as supplemented and/or amended from time to time) a copy of which will be available for inspection at the specified office of the Fiscal Agent and by their arrangements with Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.
<b>Taxation</b>	Payments in respect of Debt Instruments will be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Kingdom of The Netherlands or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes or duties is required by law or by the Administration or official interpretation thereof. In that event, the Issuer will (subject to customary exceptions) pay such additional amounts as will result in the holders of Debt Instruments or Coupons receiving such amounts as they would have received in respect of such Debt Instruments or Coupons had no such withholding or deduction been required.
<b>Clearing Systems</b>	The Debt Instruments may be cleared through Euroclear, Clearstream, Luxembourg and/or The Depository Trust Company or any other clearing system as may be specified in the relevant Pricing Supplement.
<b>Selling Restrictions</b>	For a description of certain restrictions on offers, sales and

deliveries of Debt Instruments and on the distribution of offering material see under "Subscription and Sale". Further restrictions may be specified in the relevant Pricing Supplement.

<b>Negative Pledge</b>	The Debt Instruments will have the benefit of a negative pledge provision as set out in Condition 2 of the General Terms and Conditions of the Debt Instruments.
<b>Cross Default</b>	The terms of the Debt Instruments will contain a cross default provision as provided in Condition 4(d) of the General Terms and Conditions of the Debt Instruments.
<b>Governing Law</b>	The Debt Instruments and all related contractual documentation will be governed by, and construed in accordance with, English law.

## **ESSENTIAL CHARACTERISTICS OF STRUCTURED NOTES**

<b>Equity Linked Interest Notes, Equity Linked Redemption Notes, Commodity Linked Interest Notes and Index Linked Interest Notes</b>	Payments of principal or interest in respect of Equity Linked Interest Notes, Equity Linked Redemption Notes and Index Linked Interest Notes will be calculated (i) by reference to a single equity security or a basket of equity securities or commodities or (ii) by reference to a single index or a basket of indices and/or such formula as may be specified by the Issuer and the relevant Dealer.
<b>Currency Linked Notes</b>	Payments (whether in respect of principal or interest and/or whether at maturity or otherwise) in respect of Currency Linked Notes will be made in such currencies, and by reference to such rates of exchange and/or such formulae as may be specified by the Issuer and the relevant Dealer (as indicated in the applicable Pricing Supplement).
<b>Credit Linked Notes</b>	Structured Notes with respect to which payment of principal and interest is linked to the credit of a specified entity or entities will be issued on such terms as may be specified by the Issuer and the relevant Dealer.
<b>Zero Coupon Notes</b>	Zero Coupon Notes will be issued at a discount to their nominal amount and will not bear interest.
<b>Other Structured Notes</b>	Structured Notes with respect to which payments of principal and/or interest is linked or relates to other Reference Item(s) may be issued on such terms as may be specified by the Issuer and the relevant Dealer (as indicated in the applicable

Pricing Supplement).

#### **Early Redemption**

The applicable Pricing Supplement will indicate either that the relevant Structured Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default or, in the case of Equity Linked Redemption Structured Notes, following certain corporate events as described herein) or that such Structured Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

The applicable Pricing Supplement may provide that Structured Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.

#### **Substitution of the Issuer**

The Issuer is entitled, subject to the Terms and Conditions of the Structured Notes, to substitute any other company as principal debtor in respect of all obligations arising from or in connection with any Series of Structured Notes. Upon a substitution of the Issuer, the issuer will give notice to the holders of the Debt Instrument in accordance with Condition 13 of the General Terms and Conditions and prepare a supplement to this Information Memorandum.

#### **Distribution**

Structured Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis. The method of distribution will be stated in the applicable Pricing Supplement.

### **4. RISK FACTORS**

Prospective investors should understand the risks of investing in any type of Debt Instrument before they make their investment decision. They should make their own independent decision to invest in any type of Debt Instrument and as to whether an investment in such Debt Instrument is appropriate or proper for them based upon their own judgment and upon advice from such advisors as they consider necessary.

There is a description of certain general risks involved in investing in the Debt Instruments being issued under the Programme on page 14 (see **Risk Factors in relation to the Debt Instruments**).

There is a description of certain specific risks involved in investing in the Structured Notes being issued under the Programme on page 15 (see **Risk Factors in relation to the Structured Notes**). These risk factors may be different for different types of Structured Notes. Consequently, investors who choose to invest in a variety of Structured Notes being issued under the Programme should not assume familiarity with risk factors relating to a specific type of Structured Note and should carefully consider the risk factors for different types of Structured Notes in which they invest.

Risk factors are designed both to protect investors from investments for which they are not suitable and to set out the financial risks associated with an investment in a particular type of Structured Note.

## 5. FINANCIAL INFORMATION

### 5.1 Consolidated Figures of NIB Capital Bank N.V.

	30th June 2004 <sup>3)</sup>	(as at 31st December) <sup>1)</sup>		
		2003	2002	2001
	(in millions of EUR where appropriate)			
Group Capital Base <sup>4)</sup>	2,128	2,164	1,902	2,006
Loan portfolio <sup>2)</sup>	11,128	9,796	11,989	11,742
Balance sheet total	23,989	20,985	20,310	17,519
Net profit	104	130	265	184
Net profit attributable to ordinary A shares	99	118	253	172
Return on Equity (A shares)	15,2%	9.1%	19.0%	14.2%
Net profit in EUR per A share	1.74	2.07	4.45	3.02
Dividend in EUR per A share	-	1.39	2.64	1.92
Number of A shares (*1,000)	56,907	56,907	56,907	56,907
Average number of employees	619	600	635	626

1. The consolidated figures in this table are derived from the annual accounts without material change (except for the 30 June 2004 figures)

2. Loans and guarantees, excluding bonds issued by foreign governments and financial institutions, advances against securities and irrevocable

3. Unaudited figures (which have been derived without material alteration from the Issuer's semi-annual interim report)

4. Relevant figures for 2002 and 2001 have not been adjusted to reflect the adoption of the revised Dutch Guidelines for Annual Reporting Par. 160.208 – 160.211 issued by the Dutch Council for Annual Reporting for the classification of dividend declared after the balance sheet date. In 2002 a proposed dividend amounting to €162 million is included in other liabilities. In 2001 a proposed dividend amounting to €121 million is included in other liabilities

### 5.2 Capitalisation and Indebtedness

The equity and total indebtedness as at 31st December 2001, as at 31st December 2002, as at 31st December 2003 and as at 30th June 2004 are presented in the table below:<sup>1)</sup>

	30th June 2004 <sup>2)</sup>	2003	2002	2001
Equity	1,392 <sup>3)</sup>	1,488	1,355 <sup>4)</sup>	1,260 <sup>4)</sup>
Subordinated liabilities <sup>5)</sup>	475	519	397	599
Senior debt <sup>5)</sup>				
- Banks <sup>6)</sup>	900	467	1,427	608
- Funds entrusted <sup>7)</sup>	2,780	2,652	2,764	2,271
- Debt securities <sup>8)</sup>	<u>16,597</u>	<u>14,259</u>	<u>12,894</u>	<u>11,307</u>
Total	<u>22,144</u>	<u>19,294</u>	<u>18,837</u>	<u>16,045</u>

1. The figures contained in this table have been taken from the annual accounts without material alteration (except for the 30 June 2004 figures) The figures are in millions of EUR
2. Unaudited figures (which have been derived without material alteration from the Issuer's semi-annual interim report)
3. Excluding profit for the year (EUR 104 million)
4. Relevant figures for 2002 and 2001 have not been adjusted to reflect the adoption of the revised Dutch Guidelines for Annual Reporting Par. 160.208 – 160.211 issued by the Dutch Council for Annual Reporting for the classification of dividend declared after the balance sheet date. In 2002 a proposed dividend amounting to €162 million is included in other liabilities. In 2001 a proposed dividend amounting to €121 million is included in other liabilities
5. All subordinated liabilities and senior debt are unguaranteed and unsecured
6. This includes non-subordinated, uncertified and non-transferable debt to credit institutions
7. This includes non-subordinated, uncertified and non-transferable debt not to credit institutions. Savings do not form a material part of this balance
8. This includes non-subordinated debentures and other negotiable bonds with fixed or floating interest, such as certificates of deposits

There has been no material change in the capitalisation of the issuer since 30<sup>th</sup> June 2004.

## 6. MANAGEMENT INFORMATION

The Articles of Association of the Bank provide for management to be carried out by the Management Board under the supervision of a Board of Supervisory Directors.

### *Supervisory Board*

W.F.C. Stevens	Chairman, Senior Partner at Baker & McKenzie
P.J. Groenenboom	Former Chairman of the Management Board of Internatio-Müller
M.J. Hulshoff	CEO Rodamco Europe N.V.
W.M. van den Goorbergh	Former Vice Chairman of the Board of Rabobank Nederland
C.A. Vrins	Former Chairman ABVA/KABO FNV
J.H.M. Lindenberg	Former Board Member of ING Group N.V. and ING Insurance

### *Management Board*

M. Enthoven	Chairman and Member of the Committee of Managing Directors
J.B.J. Stegmann	Vice Chairman and Member of the Committee of Managing Directors
A.L.V. Dijkstra	Member and Member of the Committee of Managing Directors
J.L. van Nieuwenhuizen	Member and Member of the Committee of Managing Directors

All members of the Board of Supervisory Directors are non Executive Directors. All members of the Committee of Managing Directors are Executive Directors and have no other principal occupation.

The business address of each of the above mentioned Directors is Carnegieplein 4, 2517 KJ The Hague, The Netherlands.

## **RISK FACTORS**

Set forth below are certain risk factors that could materially adversely affect the Issuer's future business, operating results or financial condition. You should carefully consider these risk factors and the other information in this document before making investment decisions involving the Debt Instruments. Additional risks not currently known or that the Issuer now deems immaterial may also harm the Issuer and affect your investment.

### ***The Issuer's results can be adversely affected by general economic conditions and other business conditions***

The Issuer's results are affected by general economic and other business conditions. These conditions include changing economic cycles that affect demand for investment and banking products. Such cycles are also influenced by global political events, such as terrorist acts, war and other hostilities as well as by market specific events, such as shifts in consumer confidence, industrial output, labour or social unrest and political uncertainty.

The Issuer's investment banking, securities trading and asset management and private banking services, as well as our investments in, and sales or products linked to, financial assets, particularly equity securities performance, continued to be adversely impacted in 2004 by the weaker financial markets. A protracted decline or further steep declines in the stock or bond markets would further adversely affect these activities and investments.

### ***The Issuer's performance is subject to substantial competitive pressures that could adversely affect its results of operations***

There is substantial competition for the types of banking and other products and services that the Issuer provides in the Netherlands and the other regions in which the Issuer conducts large portions of its business. Such competition is affected by consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors. If the Issuer is unable to provide attractive product and service offerings that are profitable, it may lose market share or incur losses on some or all activities.

### ***Regulatory changes could adversely affect the Issuer's business***

The Issuer is subject to banking and financial services laws and government regulation in each of the jurisdictions in which it conducts business. Regulatory agencies have broad administrative power over many aspects of the financial services business, which may include liquidity, capital adequacy and permitted investments, and marketing and selling practices. Banking and financial services laws, regulations and policies currently governing the Issuer and its subsidiaries may change at any time in ways which have an adverse effect on the Issuer and its subsidiaries business. Furthermore, the Issuer cannot predict the timing or form of any future regulatory initiatives. Changes in existing banking and financial services laws and regulations may materially affect the way in which the Issuer conducts its business, the products or services the Issuer may offer and the value of its assets.

### ***There is operational risk associated with the Issuer's industry which, when realised, may have an adverse impact on its results***

The Issuer, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud by employees or outsiders, unauthorized transactions by employees or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. Given the high volume of transactions at the Issuer certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, the

Issuer's dependence upon automated systems to record and process its transactions volume may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. Although the Issuer maintains a system of controls designed to keep operational risk at appropriate levels the Issuer has suffered losses from operational risk and there can be no assurance that it will not suffer losses from operational risks in the future.

**THE PURCHASE OF CERTAIN STRUCTURED NOTES MAY INVOLVE SUBSTANTIAL RISKS AND BE SUITABLE ONLY FOR INVESTORS WHO HAVE THE KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS NECESSARY TO ENABLE THEM TO EVALUATE THE RISKS AND THE MERITS OF AN INVESTMENT IN THE STRUCTURED NOTES. PRIOR TO MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY, IN LIGHT OF THEIR OWN FINANCIAL CIRCUMSTANCES AND INVESTMENT OBJECTIVES, (I) ALL THE INFORMATION SET FORTH IN THIS INFORMATION MEMORANDUM AND, IN PARTICULAR, THE CONSIDERATIONS SET FORTH BELOW AND (II) ALL THE INFORMATION SET FORTH IN THE APPLICABLE PRICING SUPPLEMENT. PROSPECTIVE PURCHASERS SHOULD MAKE SUCH INQUIRIES AS THEY DEEM NECESSARY WITHOUT RELYING ON THE ISSUER OR ANY DEALER.**

**AN INVESTMENT IN STRUCTURED NOTES LINKED TO ONE OR MORE REFERENCE ITEMS MAY ENTAIL SIGNIFICANT RISKS NOT ASSOCIATED WITH INVESTMENTS IN A CONVENTIONAL DEBT SECURITY, INCLUDING BUT NOT LIMITED TO THE RISKS SET OUT BELOW. THE AMOUNT PAID BY THE ISSUER ON REDEMPTION OF THE STRUCTURED NOTES MAY BE LESS THAN THE PRINCIPAL AMOUNT OF THE STRUCTURED NOTES, TOGETHER WITH ANY ACCRUED INTEREST, AND MAY IN CERTAIN CIRCUMSTANCES BE ZERO. WHERE THE STRUCTURED NOTES ARE REDEEMED BY THE ISSUER BY DELIVERY OF REFERENCE ITEM(S) THE VALUE OF THE REFERENCE ITEM(S) MAY BE LESS THAN THE PRINCIPAL AMOUNT OF THE STRUCTURED NOTES, TOGETHER WITH ANY ACCRUED INTEREST, AND MAY IN CERTAIN CIRCUMSTANCES BE ZERO.**

*Terms used in this section and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Structured Notes".*

### **Currency Linked Notes**

Currency Linked Redemption Notes may be redeemable by the Issuer by payment of either the par value amount or an amount determined by reference to the value of the Reference Item(s). Interest payable on Currency Linked Interest Notes may be calculated by reference to the value of one or more Reference Item(s). Currency Linked Interest Notes and Currency Linked Redemption Notes are referred to herein as "Currency Linked Notes".

### **Equity Linked Notes**

Equity Linked Redemption Notes may be redeemable by the Issuer by payment of the par value amount and/or by the physical delivery of a given number of the Reference Item(s) and/or by payment of an amount determined by reference to the value of the Reference Item(s). Accordingly, an investment in Equity Linked Redemption Notes may bear similar market risks to a direct equity investment and investors should take advice accordingly. Interest payable on Equity Linked Interest Notes may be calculated by reference to the value of one or more Reference Item(s). Equity Linked Interest Notes and Equity Linked Redemption Notes are referred to herein as "Equity Linked Notes".

*The value of any Reference Item may depend on a number of interrelated factors, including economic, financial and political events in one or more jurisdictions, including factors affecting capital markets generally and the stock exchange(s) on which any Reference Item may be traded. The price at which a Noteholder will be able to sell Structured Notes prior to their maturity may be at a discount, which could be substantial, to the market value of the Structured Notes on the issue date, if, at such time the market price of the Reference Item(s) is below, equal to or sufficiently above the market price of the Reference Item(s) on the issue date. The historical market prices of any Reference Item should not be taken as an indication of such Reference Item's future performance during the term of the Structured Notes.*

### **Index Linked Notes**

Index Linked Redemption Notes may be redeemable by the Issuer by payment of either the par value amount or an amount determined by reference to the value of the Reference Item(s), which may be a single index or a basket of indices or commodities. Interest payable on Index Linked Interest Notes may be calculated by reference to the value of one or more Reference Item(s). The market value of the Structured Notes will be affected by a number of factors independent of the creditworthiness of the Issuer and the level of the Index, including, but not limited to, the volatility of the Index, the financial results and prospects of the companies the shares of which are comprising the Index, market interest, yield rates and the time remaining to the maturity date of the Structured Notes. In addition, the values of the Index depend on a number of interrelated factors, including economic, financial and political events and including factors affecting capital markets generally and the stock exchange(s) on which the shares comprising the Index are traded. The price at which a holder of a Structured Note will be able to sell the Structured Notes prior to maturity may be at a discount, which could be substantial from the principal amount thereof. The historical closing levels of the Index should not be taken as an indication for the Index' future performance during the term of the Structured Notes. Index Linked Interest Notes and Index Linked Redemption Notes are referred to herein as "Index Linked Notes".

### **Credit Linked Notes**

In the event of the occurrence of certain circumstances (which may include, amongst other things, Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring) in relation to a Reference Entity or Reference Entities, in each case, as specified in the applicable Pricing Supplement the Issuer's obligation to pay principal may be replaced by an obligation to pay other amounts calculated by reference to the value of the Reference Item(s) and/or to deliver the Reference Item(s). In addition interest bearing Credit Linked Notes may cease to bear interest on or prior to the date of occurrence of such circumstances. Accordingly, Noteholders will be exposed to the credit of the Reference Entities to the full extent of their investment in the Credit Linked Notes. The Issuer may issue Credit Linked Notes linked to the performance of two or more Reference Entities where the Issuer's obligation to pay principal may be replaced by an obligation to pay other amounts calculated by reference to the value of the Reference Item(s) and/or to deliver the Reference Item(s), in each case, in relation to the first Reference Entity in respect of which a Credit Event has occurred (**First to Default Credit Linked Notes**). The Issuer may issue Credit Linked Notes linked to the performance of a portfolio of Reference Entities where the amount of principal and interest (if any) payable by the Issuer pursuant to such Credit Linked Notes is dependent on whether a Credit Event in respect of one or more Reference Entities has occurred (**Basket Credit Linked Notes**).

The Issuer's obligations in respect of Credit-Linked Notes are irrespective of the existence or amount of the Issuer's and/or any Affiliates' credit exposure to a Reference Entity and the Issuer and/or any Affiliate need not suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.



## **Additional Risk Factors or Risk Factors relating to other Structured Notes**

Additional risk factors in relation to issues of Currency Linked Notes, Equity Linked Notes, Index Linked Notes, Commodity Linked Notes or Credit Linked Notes or specific risk factors in relation to Notes other than Currency Linked Notes, Equity Linked Notes, Index Linked Notes, Commodity Linked Notes or Credit Linked Notes may be included in the applicable Pricing Supplement.

## **Taxation**

Potential purchasers and sellers of Structured Notes should be aware that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Structured Notes are transferred and/or the Reference Item(s) are delivered.

Potential purchasers should consult their own independent tax advisers about their tax position. In addition, potential purchasers should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

## **No Claim against any Reference Item**

A Structured Note will not represent a claim against any Reference Item and, in the event that the amount paid by the Issuer on redemption of the Structured Notes is less than the Principal Amount of the Structured Notes, a holder of a Structured Note will not have recourse under a Structured Note to any Reference Item.

## **Disrupted Days**

Where the Structured Notes are Index Linked Redemption Structured Notes or Equity Linked Redemption Structured Notes and Disrupted Day is specified as applying in the applicable Pricing Supplement, the Calculation Agent may determine that an event giving rise to a Disrupted Day has occurred at any relevant time. Any such determination may have an effect on the timing of valuation and consequently the value of the Structured Notes and/or may delay settlement in respect of the Structured Notes. Prospective purchasers should review the Terms and Conditions of the Structured Notes and the applicable Pricing Supplement to ascertain whether and how such provisions apply to the Structured Notes.

## **Settlement Risk**

Where the Structured Notes provide for physical delivery, the Calculation Agent may determine that a Settlement Disruption Event is subsisting. Any such determination may affect the value of the Structured Notes and/or may delay settlement in respect of the Structured Notes.

## **Hedging**

In the ordinary course of its business, including without limitation in connection with its market making activities, the Issuer and/or any of its Affiliates may effect transactions for its own account or for the account of its customers and hold long or short positions in the Reference Item(s) or related derivatives. In addition, in connection with the offering of the Structured Notes, the Issuer and/or any of its Affiliates may enter into one or more hedging transactions with respect to the Reference Item(s) or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer and/or any of its Affiliates, the Issuer and/or any of its Affiliates may enter into transactions in the Reference Item(s) or related derivatives which may affect the market price, liquidity or value of the Structured Notes and which could be deemed to be adverse to the interests of the relevant Noteholders.

## **Secondary Market**

There can be no assurance as to how any Structured Notes will trade in the secondary market or whether such market will be liquid or illiquid. Application may be made to list the Structured Notes on a stock exchange, as indicated in the applicable Pricing Supplement. The fact that Structured Notes may be listed does not necessarily lead to greater liquidity. No assurance can be given that there will be a market for any Structured Notes. If any Structured Notes are not traded on any stock exchange, pricing information for such Structured Notes may be more difficult to obtain, and the liquidity and market prices of such Structured Notes may be adversely affected. The liquidity of the Structured Notes may also be affected by restriction on offers and sales of the Structured Notes in some jurisdictions.

## **Market Value of Structured Notes**

The market value of an issue of Structured Notes will be affected by a number of factors in addition to the creditworthiness of the Issuer, including, but not limited to:

- (i) the value and volatility of the Reference Item(s);
- (ii) in the case of Credit Linked Structured Notes, the creditworthiness of the specified entity or entities;
- (iii) where the Reference Item(s) is/are equity securities, the dividend rate on the Reference Item(s) and the financial results and prospects of the issuer of each Reference Item;
- (iv) market interest and yield rates;
- (v) fluctuations in exchange rates;
- (vi) liquidity of the Structured Notes or any Reference Item(s) in the secondary market;
- (vii) the time remaining to any redemption date or the maturity date; and

economic, financial and political events in one or more jurisdictions, including factors affecting capital markets generally and the stock exchange(s) on which any Reference Item may be traded.

The price at which a Noteholder will be able to sell any Structured Notes prior to maturity may be at a discount, which could be substantial, to the market value of such Structured Notes on the issue date, if, at such time, the market price of the Reference Item(s) is below, equal to or not sufficiently above the market price of the Reference Item(s) on the issue date. The historical market prices of any Reference Item should not be taken as an indication of such Reference Item's future performance during the term of any Structured Note.

## **Conflicts of Interest**

Where the Issuer acts as Calculation Agent or the Calculation Agent is an Affiliate of the Issuer, potential conflicts of interest may exist between the Calculation Agent and Noteholders, including with respect to certain determinations and judgments that the Calculation Agent may make pursuant to the Terms and Conditions that may influence the amount receivable upon redemption of the Structured Notes.

The Issuer and any Dealer may at the date hereof or at any time hereafter, be in possession of information in relation to a Reference Item that is or may be material in the context of the Structured

Notes and may or may not be publicly available to Noteholders. There is no obligation on the Issuer or any Dealer to disclose to Noteholders any such information.

The Issuer and/or any of its Affiliates may have existing or future business relationships with any Reference Item(s) (including, but not limited to, lending, depository, risk management, advisory and banking relationships), and will pursue actions and take steps that they or it deems necessary or appropriate to protect their and/or its interests arising therefrom without regard to the consequences for a Noteholder.

### **Suitability of Investment**

This Information Memorandum identifies in a general way, some of the information that a prospective investor should consider prior to making an investment in the Structured Notes. However, this Information Memorandum does not purport to provide all of the information or the comprehensive analysis necessary to evaluate the economic and other consequences of investing in the Structured Notes. Therefore, a prospective investor should conduct its own thorough analysis (including its own financial, accounting, legal and tax analysis) prior to deciding whether to invest in the Structured Notes. Any evaluation of whether an investment in the Structured Notes is suitable depends upon a prospective investor's particular financial and other circumstances, as well as on the specific terms of the Structured Notes. This Information Memorandum is not, and does not purport to be, investment advice. A prospective investor should make an investment in the Structured Notes only after it has determined that such investment is suitable for its financial investment objectives. Determining whether an investment in the Structured Notes is suitable is a prospective investor's responsibility. If a prospective investor does not have experience in financial, business and investment matters sufficient to permit it to make such a determination, the prospective investor should consult with its financial, tax, legal or accounting adviser, prior to deciding to make an investment in the Structured Notes. The applicable Pricing Supplement may contain additional information that a prospective investor should consider prior to making an investment in the Structured Notes.

Prospective investors who consider purchasing any Structured Notes should reach an investment decision only after carefully considering the suitability of such Structured Notes in light of their particular circumstances.

## GENERAL TERMS AND CONDITIONS OF THE DEBT INSTRUMENTS

*The following are the Terms and Conditions of the Notes and Structured Notes (together referred to as **Debt Instruments**) which (subject to completion and minor amendment) will be applicable to each Series of Notes or Structured Notes provided that the Terms and Conditions specified in "Terms and Conditions of the Structured Notes" will also be applicable to the Structured Notes and that the relevant Pricing Supplement in relation to any Series of Structured Notes may specify certain 2003 ISDA Credit Derivatives Definitions, 2002 ISDA Equity Derivatives Definition, 1993 ISDA Commodity Derivatives Definitions, 1998 ISDA FX and Currency Option Definitions, as applicable, or other Terms and Conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace the following Terms and Conditions for the purposes of such Series of Structured Notes.*

*Words and expressions defined in the Fiscal Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Fiscal Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.*

The Debt Instruments are issued in accordance with an amended and restated fiscal agency agreement (the "Fiscal Agency Agreement", which expression shall include any amendments or supplements thereto) dated 29 December 2004 and made between NIB Capital Bank N.V. (the **Issuer**), Citibank, N.A. in its capacities as fiscal agent (the **Fiscal Agent**, which expression shall include any successor to Citibank, N.A. in its capacity as such) and as principal registrar (the **Principal Registrar**, which expression shall include any successor to Citibank, N.A. in its capacity as such), Citibank, N.A. in its capacity as alternative registrar (the **Alternative Registrar**, which expression shall include any successor to Citibank, N.A. in its capacity as such) and the paying agents named therein (the **Paying Agents**, which expression shall include the Fiscal Agent and any substitute or additional paying agents appointed in accordance with the Fiscal Agency Agreement). Copies of the Fiscal Agency Agreement and the Deed of Covenant referred to in Condition 1 below are available for inspection at the specified office of each of the Paying Agents, the Principal Registrar and the Alternative Registrar. All persons from time to time entitled to the benefit of obligations under any Debt Instruments shall be deemed to have notice of all of the provisions of, the Fiscal Agency Agreement insofar as they relate to the relevant Debt Instruments.

As used herein, **Tranche** means Debt Instruments which are identical in all respects (including as to listing) and **Series** means a Tranche of Debt Instruments or together with any further Tranche or Tranches of Debt Instruments which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

A Structured Note may be a Fixed Rate Structured Note, a Floating Rate Structured Note, a Zero Coupon Structured Note, an Index Linked Interest Structured Note, an Equity Linked Interest Structured Note, a Currency Linked Interest Structured Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

A Structured Note may be an Index Linked Redemption Structured Note, an Equity Linked Redemption Structured Note, a Credit Linked Structured Note, an Instalment Structured Note, a Currency Linked Redemption Structured Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Bearer Debt Instruments are issued with Coupons and, if specified in the applicable Pricing Supplement, a talon (**Talon**) and, if applicable, Receipts attached, unless they are Zero Coupon Debt Instruments or non-interest bearing Debt Instruments in which case references to Coupons, Talons and Couponholders in these Terms and Conditions are not applicable.

As used herein, **Bearer Debt Instruments** means Bearer Notes or Bearer Structured Notes (as the context may require) and **Registered Debt Instruments** means Registered Notes or Registered Structured Notes (as the context may require).

The Debt Instruments are issued in series and each Series will be the subject of a pricing supplement (each a **Pricing Supplement**), a copy of which will be available for inspection at the specified office of each of the Fiscal Agent or, as the case may be, the Registrar (as defined in Condition 2 hereof), and a copy of which will, in the case of a Series in relation to which application has been made for admission to the Official List of the UK Listing Authority and to trading on the London Stock Exchange plc (the **London Stock Exchange**) and/or the Luxembourg Stock Exchange, be lodged with the UK Listing Authority and the London Stock Exchange and/or the Luxembourg Stock Exchange, as the case may be. In the case of a Series of Debt Instruments in relation to which application has not been made for listing with any competent listing authority or on any stock exchange, copies of the Pricing Supplement will only be available for inspection by a Holder or, as the case may be, a Relevant Account holder (as defined in the Deed of Covenant) in respect of such Debt Instruments.

## FORM OF THE DEBT INSTRUMENTS

### *Form of Bearer Debt Instruments*

Debt Instruments issued in bearer form (**Bearer Notes or Bearer Structured Notes**) will be represented upon issue by a temporary global Note (a **Temporary Global Note**) in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement. On or after the date (the **Exchange Date**) which is 40 days after the completion of the distribution of the Debt Instruments of the relevant Series and provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Note) has been received, interests in the Temporary Global Note may be exchanged for:

- (a) interests in a permanent global note (a **Permanent Global Note**) representing the Debt Instruments of that Series and in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement; or
- (b) if so specified in the relevant Pricing Supplement, definitive notes or definitive structured notes (**Definitive Notes or Definitive Structured Notes**) in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement.

If any date on which a payment of interest is due on the Debt Instruments of a Series occurs whilst any of the Debt Instruments of that Series are represented by a Temporary Global Note, the related interest payment will be made on the Temporary Global Note only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Note) has been received by Euroclear Bank S.A./N.V., as operator of the Euroclear System (**Euroclear**) or Clearstream Banking, société anonyme, Luxembourg (**Clearstream, Luxembourg**) or any other relevant clearing system. Payments of principal or interest (if any) on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.

Interests in a Permanent Global Note will, if so specified in the relevant Pricing Supplement, be exchangeable in whole (but not in part only), at the option of the Holder of such Permanent Global

Note, for Definitive Debt Instruments. In order to exercise such option the Holder must, not less than 45 days before the date on which delivery of Definitive Debt Instruments is required, deposit the relevant Permanent Global Note with the Fiscal Agent with the form of exchange notice endorsed thereon duly completed. Interests in a Permanent Global Note will, in any event, be exchangeable for Definitive Debt Instruments if any Note of the relevant Series becomes due and repayable following an Event of Default or if either Euroclear or Clearstream, Luxembourg should be closed for business for a continuous period of 14 days (other than by reason of public holidays) or should announce an intention permanently to cease business. If default is made by the Issuer in the required delivery of Definitive Debt Instruments and such default is continuing at 6.00 p.m. (London time) on the 13 day after the day on which the relevant notice period expires or such Permanent Global Note becomes so exchangeable, such Permanent Global Note will become void in accordance with its terms but without prejudice to the rights of the accountholders with Euroclear and Clearstream, Luxembourg or any other relevant clearing system in relation thereto under a deed of covenant (the **Deed of Covenant** which expression shall include any amendments or supplements thereto) dated 29 December, 2004 and executed and delivered by the Issuer in relation to the Debt Instruments.

Interest-bearing Definitive Debt Instruments will, if so specified in the relevant Pricing Supplement, have attached thereto at the time of their initial delivery coupons (**Coupons**), presentation of which will be a prerequisite to the payment of interest in certain circumstances specified below. Interest-bearing Definitive Debt Instruments will also, if so specified in the relevant Pricing Supplement, have attached thereto at the time of their initial delivery, a talon (**Talon**) for further coupons and the expression "Coupons" shall, where the context so permits, include Talons.

Debt Instruments, amounts in respect of which (other than interest) are repayable by instalments (**Instalment Notes or Instalment Structured Notes**), which are Definitive Notes or Definitive Structured Notes, will have endorsed thereon a grid for recording the repayment of principal.

#### ***Form of Registered Debt Instruments***

Debt Instruments issued in registered form (**Registered Notes or Registered Structured Notes**) will be in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement. Registered Debt Instruments will not be exchangeable for Bearer Debt Instruments. Debt Instruments purchased in a private placement in the United States will be Registered Notes or Registered Structured Notes.

Registered Debt Instruments denominated in United States Dollars will, if so specified in the relevant Pricing Supplement, be the subject of an application by the Issuer to The Depository Trust Company (**DTC**) for the acceptance of such Registered Debt Instruments into DTC's book-entry settlement system. If such application is accepted, one or more Registered Debt Instruments (each a **DTC Debt Instrument**) in denominations equivalent in aggregate to the aggregate principal amount of the relevant Registered Debt Instruments which are to be held in such system will be issued to DTC and registered in the name of Cede & Co., or such other person as may be nominated by DTC for the purpose, as nominee for DTC provided that no DTC Note may have a denomination of more than USD 400,000,000 and that, subject to such restriction, DTC Debt Instruments will always be issued in the largest possible denomination. Thereafter, such registered nominee will be the holder of record and entitled to rights in respect of each DTC Note.

Accordingly, each person having a beneficial interest in a DTC Note must rely on the procedures of the institutions having accounts with DTC to exercise any rights of such person. So long as Registered Debt Instruments are traded through DTC's book-entry settlement system, ownership of beneficial interest in the relevant DTC Note will (unless otherwise required by applicable law or regulatory requirement) be shown on, and transfers of such beneficial interest may be effected only through,

records maintained by (a) DTC or its registered nominee (as to Participant-interests) or (b) institutions having accounts with DTC.

## 1. FORM, DENOMINATION, TITLE AND TRANSFER

### 1.1 Form, denomination

Debt Instruments are issued in bearer form or in registered form, as specified in the relevant Pricing Supplement. Bearer Debt Instruments are serially numbered.

### 1.2 Title, transfer

Title to Bearer Debt Instruments and Coupons passes by delivery. References herein to the "Holders" of Bearer Debt Instruments or of Coupons are to the bearers of such Bearer Debt Instruments or such Coupons.

Title to Registered Debt Instruments passes by registration in the register which is kept by the Principal Registrar or the Alternative Registrar, as specified in the relevant Pricing Supplement. For the purposes of these Terms and Conditions, **Registrar** means, in relation to any Series of Registered Debt Instruments, the Principal Registrar or the Alternative Registrar. References herein to the "Holders" of Registered Debt Instruments are to the persons in whose names such Registered Debt Instruments are so registered in the relevant register.

The Holder of any Bearer Debt Instrument or Coupon or Registered Debt Instrument will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

A Registered Debt Instrument may, upon the terms and subject to the conditions set forth in the Fiscal Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum denomination specified in the relevant Pricing Supplement) upon the surrender of the Registered Debt Instrument to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Registered Debt Instrument will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Debt Instrument in respect of the balance not transferred will be issued to the transferor.

Each new Registered Debt Instrument to be issued upon the transfer of a Registered Debt Instrument will, within three London, Brussels or, as the case be, New York Banking Days of the effective receipt of such form of transfer by the Registrar at its specified office, be available for delivery at the specified office of the Registrar. For these purposes, a form of transfer received by the Registrar during the period of fifteen London or Brussels or, as the case may be, New York Banking Days ending on the due date for any payment on the relevant Registered Debt Instruments shall be deemed not to be effectively received by the Registrar until the day following the due date for such payment. For the purposes of these Terms and Conditions, **London Banking Day** means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London and **Brussels Banking Day** and **New York Banking Day** have the same meanings *mutatis mutandis*.

The issue of new Registered Debt Instruments on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment by the applicant of (or the giving

by the applicant of such Indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation thereto.

Upon the transfer, exchange or replacement of Registered Debt Instruments of any Series bearing the private placement legend (the **Private Placement Legend**) set forth in the form of Registered Debt Instrument scheduled to the Fiscal Agency Agreement, the Registrar shall deliver only Registered Debt Instruments of such Series that also bear such legend unless either (i) such transfer, exchange or replacement occurs three or more years after the later of (1) the original issue date of Debt Instruments of such Series or (2) the last date on which the Issuer or any affiliates (as defined below) of the Issuer as notified to the Registrar by the Issuer as provided in the following sentence, was the beneficial owner of such Debt Instrument (or any predecessor of such Note) or (ii) there is delivered to the Registrar an opinion reasonably satisfactory to the Issuer of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States to the effect that neither such legend nor the restrictions on transfer set forth therein are required in order to maintain compliance with the provisions of such laws. The Issuer covenants and agrees that it will not acquire any beneficial interest, and will cause its **affiliates** (as defined in paragraph (a)(1) of Rule 144 under the Securities Act) not to acquire any beneficial interest, in any Registered Debt Instrument bearing the Private Placement Legend unless it notifies the Registrar of such acquisition. The Registrar and all Holders of Debt Instruments shall be entitled to rely without further investigation on any such notification (or lack thereof).

For so long as any of the Registered Debt Instruments bearing the Private Placement Legend remain outstanding and are **restricted securities** within the meaning of Rule 144(a)(3) under the Securities Act and the relevant Pricing Supplement specifies that such Debt Instruments will be eligible for resale in the United States or to U.S. persons under Rule 144A under the Securities Act, the Issuer covenants and agrees that it shall, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934 nor exempt from reporting pursuant to Rule 12g3-2(b) under such Act, make available to any Holder of such Debt Instruments in connection with any sale thereof and any prospective purchaser of such Debt Instruments from such Holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

## **2. STATUS OF THE DEBT INSTRUMENTS AND NEGATIVE PLEDGE**

### **2.1 Status of Unsubordinated Debt Instruments**

This Condition 2.1 is applicable in relation to Debt Instruments specified in the Pricing Supplement as being unsubordinated or not specified as being unsubordinated (**Unsubordinated Debt Instruments**).

The Debt Instruments constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 2.3) unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other direct, unconditional, unsubordinated and unsecured obligations of the Issuer, present and future (save for certain exemptions provided by law).

### **2.2 Status of Subordinated Debt Instruments**

This Condition 2.2 is applicable in relation to Debt Instruments specified in the Pricing Supplement as being unsubordinated or not specified as being subordinated (**Subordinated Debt Instruments**).



The Subordinated Debt Instruments are direct, unsecured and subordinated obligations of the Issuer, ranking *pari passu* among themselves and equally with all other present and future unsecured Subordinated Indebtedness (as defined below) of the Issuer (other than those preferred by mandatory provisions of law).

In the event of the dissolution (*ontbinding*) of the Issuer or if the Issuer is declared bankrupt (*failliet*) or if a situation which requires special measures (*bijzondere voorzieningen*) in the interest of all creditors as referred to in Chapter X of the Act on the Supervision of the Credit System 1992 (Wet toezicht kredietwezen 1992) is declared in respect of the Issuer, then and in any such event the claims of the persons entitled to be paid amounts due in respect of the Subordinated Debt Instruments shall be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness (as defined below), to the extent that, in any such event, and provided as aforesaid, no amount shall be eligible for set-off (*verrekening*) or shall be payable to any or all the persons entitled to be paid amounts due in respect of the Subordinated Debt Instruments in respect of the obligations of the Issuer thereunder until (i) all other indebtedness of the Issuer which is admissible in any such dissolution (*ontbinding*), bankruptcy (*faillissement*) or special measures (*bijzondere voorzieningen*) (other than Subordinated Indebtedness) has been paid or discharged in full and (ii) the Netherlands Central Bank (De Nederlandsche Bank N.V.) has given its written approval.

**Subordinated Indebtedness** means any indebtedness of the Issuer, including any guarantee by the Issuer, under which the right of payment of the person(s) entitled thereto is, or is expressed to be, or is required by any present or future agreement of the Issuer to be, subordinated to the rights of all unsubordinated creditors of the Issuer in the event of the dissolution of the Issuer or if the Issuer is declared bankruptcy or if a situation which requires special measures (*bijzondere voorzieningen*) in the interest of all creditors as referred to in Chapter X of the Act on the Supervision of the Credit System 1992 (Wet toezicht kredietwezen 1992) is declared in respect of the Issuer.

For the purposes of the solvency guidelines of the Netherlands Central Bank (De Nederlandsche Bank N.V.) to which the Issuer is subject, Subordinated Debt Instruments may qualify as either tier 2 capital (**Tier 2 Debt Instruments**) or tier 3 capital (**Tier 3 Debt Instruments**), as referred to in such solvency guidelines as amended from time to time. The Tier 2 Debt Instruments and the Tier 3 Debt Instruments rank *pari passu* among themselves.

Tier 2 Debt Instruments consist of Subordinated Debt Instruments (i) in respect whereof the Issuer has the right to defer interest payments (ii) which may only be redeemed at the option of the Issuer with the prior approval of the Netherlands Central Bank and (iii) which have an original maturity of at least five years.

Tier 3 Debt Instruments consist of Subordinated Debt Instruments, (i) in respect whereof the Issuer has the right to defer interest payments (ii) which have an original maturity of at least two years and (iii) are not repayable before the agreed repayment date without the prior approval of the Netherlands Central Bank.

### 2.3 Negative Pledge

This Condition 2.3 applies only to Unsubordinated Debt Instruments.

So long as any of the Debt Instruments remains outstanding, the Issuer may not create or have outstanding any mortgage, pledge or other charge upon the whole or any part of the present or future revenues or assets of the Issuer to secure any Obligation without at the same time according to such Debt Instruments either, (i) the same security as is granted to or is

outstanding in respect of such Obligation or (ii) such other security as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Holders of the Debt Instruments.

For the purpose of these General Terms and Conditions, (a) **Obligation** means any present or future indebtedness represented by bonds or other securities of a type ordinarily dealt in on any stock exchange or other securities market, or any guarantee hereof, which (i) are denominated or contain a right or requirement for any payment in respect thereof to be made in any currency other than Netherlands Guilders or in euro (where, as at the date of issue, such bonds or securities were denominated in Netherlands Guilders or contained a right or requirement that any payment in respect thereof be made in Netherlands Guilders) and which (ii) have an original maturity of more than 24 months and (b) Outstanding shall have the meaning attributed to it in the Fiscal Agency Agreement.

### 3. **REDENOMINATION**

The Issuer may, without the consent of the Holders of the Debt Instruments or Coupons on giving at least 30 days' prior notice to the Holders, Euroclear, Clearstream, Luxembourg, any other relevant clearing system and the Paying Agents, and/or as the case may be, the Registrar, designate a redenomination date (the **Redenomination Date**), being a date for payment of interest under the Debt Instruments falling after the start of the third stage of economic and monetary union pursuant to the Treaty establishing the European Community, as amended (the **Treaty**) (or, if the country of origin of the relevant currency is not one of the countries then participating in such third stage, falling on or after such later date as it does so participate).

**Euro** means the currency introduced at the start of the third stage of economic and monetary union pursuant to the Treaty.

With effect from the Redenomination Date, notwithstanding the other provisions of these Terms and Conditions:

- (a) The Debt Instruments shall (unless already so provided by mandatory provisions of applicable law) be deemed to be redenominated in euro in the denomination of euro 0.01 with a principal amount for each Debt Instrument equal to the principal amount of that Debt Instrument in the relevant currency, converted into euro at the rate for conversion of the relevant currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations) provided that, if the Issuer determines, with the agreement of the Fiscal Agent, that the then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from the provision specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Holders, each listing authority, stock exchange and/or quotation system (if any) by which the Debt Instruments have then been admitted to listing, trading and/or quotation, any relevant clearing system, the Paying Agents and, as the case may be, the Registrar of such deemed amendments.
- (b) If Definitive Debt Instruments are required to be issued, they shall be issued at the expense of the Issuer in the denominations of euro 0.01, euro 1,000, euro 10,000, euro 100,000 and such other denominations as the Fiscal Agent shall determine and notify to the Holders.

- (c) If Definitive Debt Instruments have been issued, all unmatured Coupons denominated in the relevant currencies (whether or not attached to the Debt Instruments) will become void and no payments will be made in respect of them. New certificates in respect of euro-denominated Debt Instruments and Coupons will be issued in exchange for the relevant currency Debt Instruments and Coupons in such manner as the Fiscal Agent may specify and notify to the Holders.
- (d) All payments in respect of the Debt Instruments (other than, unless the Redenomination Date is on or after such date as the relevant currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro. Such payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or by cheque.
- (e) An Debt Instrument or Coupon may only be presented for payment on a day on which commercial banks and foreign exchange markets are open in the place of presentation and which is a TARGET Business Day.
- (f) The amount of interest in respect of Debt Instruments will be calculated by reference to the aggregate principal amount of Debt Instruments presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01.
- (g) If interest is required to be calculated in respect of an Debt Instrument bearing interest at a fixed rate for a period of less than one year, the applicable Day Count Fraction will be Actual/Actual (ISMA) as set out in Condition 4(a).
- (h) Following redenomination of Debt Instruments pursuant to this Condition 3 the amount of interest due in respect of such Debt Instruments represented by a Global Debt Instrument will be calculated by reference to the aggregate principal amount of such Debt Instruments and the amount of such payment shall be rounded down to the nearest euro 0.01.

#### 4. INTEREST

Debt Instruments may be interest-bearing or non-interest-bearing, as specified in the relevant Pricing Supplement.

(a) Interest on Fixed Rate Debt Instruments

Fixed Rate Debt Instruments shall bear interest from their date of issue (as specified in the relevant Pricing Supplement) or from such other date as may be specified in the relevant Pricing Supplement at the rate or rates per annum specified in the relevant Pricing Supplement. Such interest will be payable in arrear on such dates as are specified in the relevant Pricing Supplement and on the date of final maturity thereof.

**Day Count Fraction:**

Interest in respect of a period of less than one year shall be calculated:

- (i) if **Actual/Actual (ISMA)** is so specified, means:

- (A) where the period in relation to which interest is to be calculated (the **Calculation Period**) is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (B) where the Calculation Period is longer than one Regular Period, the sum of:
    - I. the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - II. the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if "30/360" is specified, on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of the month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
  - (iii) if "Actual/365" or "Actual/Actual" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (a) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
  - (iv) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
  - (v) if "Actual/365 (Sterling)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
  - (vi) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
  - (vii) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall

not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

- (viii) if "30E/360" or "Eurobond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

**Interest Commencement Date** means the Issue Date of the Debt Instruments or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

**Regular Period** means:

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

Floating Rate Debt Instruments shall bear interest at the rates per annum determined in accordance with this Condition 4(b).

Such Debt Instruments shall bear interest from their date of issue (as specified in the relevant Pricing Supplement) or from such other date as may be specified in the relevant Pricing Supplement. Such interest will be payable on each Interest Payment Date (as defined below) and on the maturity date.

The Pricing Supplement in relation to each Series of Debt Instruments in relation to which this Condition 4(b) is specified as being applicable shall specify which of the following conventions shall be applicable, namely:

- (i) the FRN Convention, in which case interest shall be payable in arrear on each date (each an **Interest Payment Date**) which numerically corresponds to their date of issue or such other date as may be specified in the relevant Pricing Supplement or, as the case may be, the preceding Interest Payment Date in the calendar month which is the number of months specified in the relevant Pricing Supplement after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred provided that:
  - (A) if there is no such numerically corresponding day in the calendar month in which an Interest Payment Date should occur, then the relevant Interest Payment Date will be the last day which is a Business Day in that calendar month;
  - (B) if an Interest Payment Date would otherwise fall on a day which is not a Business Day, then the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (C) if such date of issue or such other date as aforesaid or the preceding Interest Payment Date occurred on the last day in a calendar month which was a Business Day, then all subsequent Interest Payment Dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred; or
- (ii) the "Modified Following Business Day Convention", in which case interest shall be payable in arrear on such dates (each an **Interest Payment Date**) as are specified in the relevant Pricing Supplement provided that, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date will be the first preceding day which is a Business Day; or
- (iii) such other convention as may be specified in the relevant Pricing Supplement.

Each period beginning on (and including) such date of issue or such other date as aforesaid and ending on (but excluding) the first Interest Payment Date and each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "Interest Period".

The Pricing Supplement in relation to each Series of Debt Instruments in relation to which this Condition 4(b) is specified as being applicable shall specify which page (the **Relevant Screen Page**) on the Reuters Screen or Telerate or any other information vending service shall be applicable. For these purposes, **Reuters Screen** means Reuters Markets 3000 and **Telerate** means Moneyline Telerate (or such other services or service as may be nominated as the information vendor for the purpose of displaying comparable rates in succession thereto).

The rate of interest (the **Rate of Interest**) applicable to such Debt Instruments for each Interest Period shall be determined by the Agent on the following basis:

- (i) the Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits (rounded, if necessary, to the ten thousandth of a percentage point, five one-hundred thousandth being rounded upwards)) in the relevant currency for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of 11.00 a.m. (London time) on the second London Banking Day (or in the case of Debt Instruments denominated in euro as of 11.00 a.m. (Brussels time) on the second TARGET Business Day (being a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer **TARGET** System is open) before (or, in the case of Debt Instruments denominated in Pounds Sterling, on) the first day of the relevant Interest Period (the **Interest Determination Date**);
- (ii) if, on any Interest Determination Date, no such rate for deposits so appears (or, as the case may require, if fewer than two such rates for deposits so appear) or if the Relevant Screen Page is unavailable, the Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the relevant currency are offered by four major banks in the London interbank market (in the case of LIBOR) or the Euro-zone (as defined below) interbank market (in the case of EURIBOR) (rounded as aforesaid), selected by the Agent, at approximately 11.00 a.m. (London time) (in the case of LIBOR) or 11.00 a.m. (Brussels time) (in the case of EURIBOR) on the Interest Determination Date to prime banks in the London interbank market (in the case of LIBOR) or the Euro-zone interbank market (in the case of EURIBOR) for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;
- (iii) if, on any Interest Determination Date, only two or three rates are so quoted, the Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; and
- (iv) if fewer than two rates are so quoted, the Agent will determine the arithmetic mean of the rates quoted by four major banks in the Relevant Financial Centre (as defined in Condition 9(c) below), selected by the Agent, at approximately 11.00 a.m. (Relevant Financial Centre) time on the first day of the relevant Interest Period for loans to leading European banks in the relevant currency for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time,

and the Rate of Interest applicable to such Debt Instruments during each Interest Period will be the sum of the relevant margin (the **Relevant Margin**) specified in the relevant Pricing Supplement and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid)) so determined provided that, if the Agent is unable to determine a rate (or, as the case may be, an arithmetic mean (rounded as aforesaid)) in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to such Debt Instruments during such Interest Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean) last determined in relation to such Debt Instruments in respect of the last preceding

Interest Period Provided always that if there is specified in the relevant Pricing Supplement a minimum interest rate or a maximum interest rate then the Rate of Interest shall in no event be less than or, as the case may be, exceed it.

As used herein **Euro-zone** means the zone comprising the Member States of the European Union which have adopted the euro as their lawful currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union.

The Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the amount of interest (the **Interest Amount**) payable in respect of the principal amount of the smallest or minimum denomination of such Debt Instruments specified in the relevant Pricing Supplement for the relevant Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to such principal amount, multiplying the product by the actual number of days in the Interest Period concerned divided by 360 (or, in the case of Debt Instruments denominated in Pounds Sterling, 365) or by such other number as may be specified in the relevant Pricing Supplement and rounding the resulting figure to the nearest sub-unit of the currency in which such Debt Instruments are denominated or, as the case may be, in which such interest is payable (one half of any such sub-unit being rounded upwards).

(c) Interest based on ISDA Rate Indices

Debt Instruments in relation to which this 4(c) is specified in the relevant Pricing Supplement as being applicable shall bear interest at the rates per annum determined in accordance with this Condition 4(c).

Each such Note shall bear interest from its date of issue (as specified in the relevant Pricing Supplement) or from such other date as may be specified in the relevant Pricing Supplement. Such interest will be payable on such dates and in such amounts as would have been payable (regardless of any event of default or termination event or tax event thereunder) by the Issuer had it entered into a swap transaction (to which an Interest Rate and Currency Exchange Agreement (the **Agreement**) and the 2000 ISDA Definitions (the **ISDA Definitions**) (as amended and updated from time to time), each as published by the International Swaps and Derivatives Association (formerly the International Swap Dealers Association, Inc.) applied) with the Holder of such Debt Instruments under which:

- the Fixed Rate Payer or, as the case may be, the Floating Rate Payer was the Issuer;
- the Calculation Agent was the Agent (as defined in Condition 4(e));
- the Effective Date was such date of issue or such other date as may be specified in the relevant Pricing Supplement;
- the Calculation Amount was the principal amount of such Note; and
- all other terms were as specified in the relevant Pricing Supplement.

(d) Interest based on Other Rates



Debt Instruments in relation to which this Condition 4(d) is specified in the relevant Pricing Supplement as being applicable shall bear interest at the rates per annum or be calculated on the basis specified in, and be payable in the amounts and in the manner determined in accordance with the relevant Pricing Supplement.

(e) Interest Supplemental Provision

This Condition shall be applicable (as appropriate) in relation to all Debt Instruments which are interest-bearing.

The Agent will cause each Rate of Interest, floating rate, Interest Payment Date, final day of a calculation period, Interest Amount, floating amount or other item, as the case may be, determined or calculated by it to be notified to the Fiscal Agent who will cause them to be notified to the other Paying Agents and, in the case of Registered Debt Instruments, the Registrar (from whose respective specified offices such information will be available) and each listing authority, stock exchange and/or quotation system (if any) by which the Debt Instruments have then been admitted to listing, trading and/or quotation, as soon as practicable after such determination or calculation but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the Relevant Interest Period. The Agent will be entitled to amend any Interest Amount, floating amount, Interest Payment Date or last day of a calculation period (or to make appropriate alternative arrangements by way of adjustment) without prior notice in the event of the extension or abbreviation of any relevant Interest Period or calculation period.

The determination by the Agent of all items falling to be determined by it shall, in the absence of manifest error, be final and binding on all parties.

(f) Accrual of Interest

Interest shall accrue on the principal amount of each Note or, in the case of an Instalment Note, on each instalment of principal or, in the case of a partly paid Note, on the paid up principal amount of such Note or otherwise as indicated in the relevant Pricing Supplement. Interest will cease to accrue as from the due date for redemption therefor (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment thereof) unless upon due presentation and (except in the case of payment of an instalment of principal other than the final instalment) surrender thereof, payment in full of the principal amount or the relevant instalment or, as the case may be, redemption amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue thereon until the date on which, upon due presentation of the relevant Note, the relevant payment is made or, if earlier, the seventh day after the date on which, the Fiscal Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Debt Instruments in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments of that circumstance (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

(g) Deferral of Interest on Tier 3 Debt Instruments

Interest on Tier 3 Debt Instruments will not be payable on the due date thereof if and to the extent that at the time, or as a result of such payment, the Issuer's actual Own Funds (as defined below) would amount to less than 100 per cent. of the Issuer's total required amount of Own Funds under the solvency guidelines issued from time to

time by the Netherlands Central Bank (De Nederlandsche Bank N.V.). Any interest in respect of Tier 3 Debt Instruments not paid on a date on which such interest would otherwise be payable will be paid by the Issuer if and to the extent that the Issuer will meet the solvency test referred to in the previous sentence. Any arrears of interest will also become fully payable on the date of the dissolution of the Issuer, the date on which the Issuer is declared bankrupt or the date on which a situation which requires special measures (*bijzondere voorzieningen*) in the interest of all creditors as referred to in Chapter X of the Act on the Supervision of the Credit System 1992 (Wet toezicht kredietwezen 1992) is declared in respect of the Issuer. Where any amount of interest is paid in part, each part payment shall be made *pro rata* to the Holder of a Tier 3 Note and shall be in respect of the interest accrued furthest from the date of payment. Any arrears of interest shall not themselves bear interest.

**Own Funds** means the amount of shareholders' and other funds which qualify as actual own funds (*toetsingsvermogen*) under the applicable solvency guidelines (as amended from time to time) of the Netherlands Central Bank (De Nederlandsche Bank N.V.).

## 5. EVENTS OF DEFAULT

Unless otherwise specified in the relevant Pricing Supplement, the following events or circumstances (each an **Event of Default**) shall be acceleration events in relation to the Debt Instruments of any Series, namely:

- (a) the Issuer defaults in any payment of principal or interest in respect of the Debt Instruments of the relevant Series or any of them when and as the same shall become due and payable and such default shall not have been cured within 15 days after written notice requiring such default to be remedied shall have been given by the Holder of any such Debt Instrument to the Issuer; or
- (b) the Issuer defaults in the performance of any provision of the Fiscal Agency Agreement or of the Debt Instruments of the relevant Series (other than the payment of principal or interest) and such default is not cured within 30 days after written notice requiring such default to be remedied shall have been given by the Holder of any such Debt Instrument to the Issuer; or
- (c) the Issuer is dissolved or wound up or if the Issuer enters into a composition with its creditors, files a petition for a suspension of payments, admits in writing that it cannot pay its debts generally as they become due, initiates a proceeding in bankruptcy, or is adjudicated bankrupt; or
- (d) the Issuer defaults in the payment of the principal of or interest on any obligations in respect of borrowed moneys of or assumed by the Issuer, or if default is made by the Issuer in making any payment due under any guarantee and/or indemnity given by it in relation to obligations in respect of borrowed moneys (other than guarantees given in the ordinary course of carrying on its banking business), when and as the same shall become due and payable, if such default shall continue for more than the period of grace, if any, applicable thereto and the time for payment of such interest or principal or amount due under any guarantee and/or indemnity as aforesaid has not been effectively extended or if any such obligations in respect of borrowed moneys of or assumed by the Issuer shall have become repayable before the due date thereof as a result of acceleration of maturity by reason of the occurrence of an event of default thereunder. In this subparagraph (d) **borrowed moneys** means

borrowed moneys of an original maturity of 24 months or more, which have an outstanding principal amount of the equivalent of Euro 10 million or more; or

- (e) the Issuer becomes or is found bankrupt or an order was made or an effective resolution was passed for the statutory merger (*juridische fusie*), de-merger (*splitsing*), winding-up or liquidation (*vereffening*) of the Issuer (except for the purposes of a reconstruction or merger, the terms of which have previously been approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Holders of the Debt Instruments of the relevant Series) or becomes the subject of a filing for a declaration (which is not revoked within a period of 30 days), or a declaration was made, under Chapter X of the Act on the Supervision of the Credit System 1992 (*Wet toezicht kredietwezen 1992*), as modified or re-enacted from time to time, of the Netherlands in respect of the Issuer or the Issuer compromises with the creditors generally or such measures are officially decreed.

If any Event of Default shall occur in relation to any Series of Debt Instruments, any Holder of an Debt Instrument of the relevant Series may, by written notice to the Issuer, effective when deemed validly given and received in accordance with Condition 1.3, (the **Notification Date**), declare that such Debt Instrument and (if the Debt Instrument is interest-bearing) all interest then accrued on such Debt Instrument shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its principal amount (or at such other amount as may be specified in or determined in accordance with the relevant Pricing Supplement) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable in respect of such Debt Instrument prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Debt Instruments to the contrary notwithstanding, unless, prior to such Notification Date, all Events of Default in respect of the Debt Instruments of the relevant Series shall have been cured.

## 6. TAXATION

All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Debt Instruments will be made free and clear of and without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Netherlands or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes or duties is required by law or by the administration or official interpretation thereof. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by the Holder of any Debt Instrument or Coupon after such withholding or deduction shall equal the respective amounts which would have been receivable by such Holder in the absence of such withholding or deduction; except that no such additional amounts shall be payable in respect of payment in respect of any Debt Instrument or Coupon presented for payment:

- (a) by, or by a third party on behalf of, a Holder of a Bearer Debt Instrument who is liable to such taxes or duties in respect of such Debt Instrument or Coupon by reason of his having some connection with the Netherlands other than the mere holding of such Bearer Debt Instrument or Coupon; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union savings directive

implementing the conclusions of the ECOFIN Council meeting of 26th and 27th November, 2000 or any law implementing or complying with, or introduced on order to conform to, such directive; or

- (c) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Debt Instrument or Coupon to another Paying Agent in a Member State of the European Union; or
- (d) more than 30 days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of 30 days.

and except that no such additional amounts shall be payable in respect of payment in respect of any Registered Debt Instrument the Holder of which is liable to such taxes or duties by reason of his having some connection with the Netherlands other than the mere holding of such Registered Debt Instrument or who is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority.

For the purposes of these Terms and Conditions, the **Relevant Date** means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Fiscal Agent or, as the case may be, the Registrar on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Holders of Debt Instruments and Coupons, notice to that effect shall have been duly given to the Holders of the Debt Instruments of the relevant Series in accordance with Condition 11.

If the Issuer becomes subject at any time to any taxing jurisdiction other than or in addition to the Netherlands references herein to **the Netherlands** shall be read and construed as references to the Netherlands and/or to such other jurisdiction.

Any reference in these Terms and Conditions to principal, redemption amount and/or interest in respect of the Debt Instruments shall be deemed also to refer to any additional amounts which may be payable under this Condition 6.

## 7. PAYMENTS

### 7.1 Payments on Bearer Debt Instruments

This Condition 7.1 is applicable in relation to Debt Instruments in bearer form.

Payment of amounts (whether principal, redemption amount or otherwise and including accrued interest other than interest due against surrender of matured Coupons) due in respect of Bearer Debt Instruments will be made against presentation and (save in the case of a partial redemption which includes, in the case of an Instalment Note, payment of any instalment other than the final instalment) surrender of the relevant Bearer Debt Instruments at the specified office of any of the Paying Agents.

Subject as provide above, payment of amounts due in respect of interest on Bearer Debt Instruments will be made:

- (a) in the case of a Temporary Global Note or Permanent Global Note, against presentation of the relevant Temporary Global Note or Permanent Global Note at

the specified office of any of the Paying Agents outside the United States and, in the case of a Temporary Global Note, upon due certification as required therein;

- (b) in the case of Definitive Debt Instruments without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Debt Instruments at the specified office of any of the Paying Agents outside the United States; and
- (c) in the case of Definitive Debt Instruments delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons at the specified office of any of the Paying Agents outside the United States.

Payments of amounts due in respect of interest on the Debt Instruments will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code of 1986 and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Debt Instruments when due at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions, and (b) such payment is permitted by applicable United States law. If payment of interest is so illegal or precluded, the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

If the due date for payment of any amount due (whether in respect of principal, redemption amount, interest or otherwise) in respect of any Bearer Debt Instrument is not a Relevant Financial Centre Day and a local banking day, then the Holder thereof will not be entitled to payment thereof until the next day which is a local banking day and, if such payment is to be made by transfer to a designated account rather than by cheque, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Terms and Conditions. For the purpose of this Condition 7.1, **Relevant Financial Centre Day** means a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre and in any other place specified in the relevant Pricing Supplement and a **local banking day** means a day (other than a Saturday and Sunday) on which commercial banks are open for business in the place of presentation of the relevant Debt Instrument or, as the case may be, Coupon.

Each Definitive Debt Instrument initially delivered with Coupons attached thereto should be presented and, save in the case of partial payment which includes, in the case of an Instalment Note, payment of any instalment other than the final instalment, surrendered for final redemption together with all unmatured Coupons appertaining thereto, failing which:

- (i) in the case of Definitive Debt Instruments which bear interest at a fixed rate or rates, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the redemption amount paid bears to the total redemption amount due) (excluding, for this purpose, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time prior to the tenth anniversary of the due date of such final redemption or, if later, the fifth anniversary of the date of maturity of such Coupon;
- (ii) in the case of Definitive Debt Instruments which bear interest at, or at a margin above or below, a floating rate, all unmatured Coupons (excluding, for the purpose, Talons) relating to such Definitive Debt Instruments (whether or not

surrendered therewith) shall become void and no payment shall be made thereafter in respect of them; and

- (iii) in the case of Definitive Debt Instruments initially delivered with Talons attached thereto, all unmatured Talons shall become void and no exchange for Coupons shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 7.1 notwithstanding, if any Definitive Debt Instruments which bear interest at a fixed rate or rates should be issued with a maturity date and a fixed rate or fixed rates such that, on the presentation for payment of any such Definitive Debt Instrument without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Note, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Debt Instrument to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

In relation to Definitive Debt Instruments initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 7 below. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the due date for the payment of interest on which the final Coupon comprised in the relative Coupon sheet matures.

## **7.2 Payments on Registered Debt Instruments**

This Condition 7.2 is applicable in relation to Debt Instruments in registered form.

Payment of amounts (whether principal, redemption amount or otherwise and including accrued interest) due in respect of Registered Debt Instruments on the final redemption of Registered Debt Instruments will be made against presentation and, save in the case of a partial payment of the amount due upon final redemption by reason of insufficiency of funds, surrender of the relevant Registered Debt Instruments at the specified office of the Registrar. If the due date for payment of the final redemption amount of Registered Debt Instruments is not a Relevant Financial Centre Day and a local banking day, then the Holder thereof will not be entitled to payment thereof until the next day which is a local banking day and, if such payment is to be made by transfer to a designated account rather than by cheque, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment should be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Terms and Conditions. For the purpose of this Condition 7.2, **Relevant Financial Centre Day** means a day on which commercial banks and foreign markets settle payments in the Relevant Financial Centre and in any other place specified in the relevant Pricing Supplement and a **local banking day** means a day (other than a Saturday and Sunday) on which commercial banks are open for business in the place of presentation of the relevant Registered Note.

Payment of amounts (whether principal, redemption amount, interest or otherwise) due (other than in respect of the final redemption of Registered Debt Instruments) in respect of Registered Debt Instruments will be paid to the Holders thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar as at opening of business (London, Brussels or, as the case may be, New York time) on the fifteenth London, Brussels or, as the case may be, New York Business Day before the due date for such payment (the **Record Date**).

Notwithstanding the provisions of Condition 7.3, payment of amounts (whether principal, redemption amount, interest or otherwise) due (other than in respect of a final redemption of Registered Debt Instruments) in respect of Registered Debt Instruments will be made by cheque and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof (or, in the case of joint-Holders, the first-named) on the London, Brussels or, as the case may be, New York Business Day immediately preceding the relevant date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account in the relevant currency.

### 7.3 General Provisions applicable to payments

Save as otherwise specified herein, this Condition 7.3 is applicable in relation to Debt Instruments whether in bearer or in registered form.

Payments of amounts due (whether principal, redemption amount, interest or otherwise) in respect of Debt Instruments will be made by (a) transfer to an account in the relevant currency specified by the payee or (b) cheque. Payments will, without prejudice to the provisions of Condition 8, be subject in all cases to any applicable fiscal or other laws and regulations.

For the purposes of these Terms and Conditions:

- (a) **Business Day** means a day:
- in relation to Debt Instruments payable in euro, a TARGET Business Day;
  - in relation to Debt Instruments payable in any other currency, on which commercial banks are open for business and foreign exchange markets settle payments in the Relevant Financial Centre in respect of the relevant Debt Instruments; and, in either case;
  - on which commercial banks are open for business and foreign exchange markets settle payments in any place specified in the relevant Pricing Supplement;
- (b) **Relevant Financial Centre** means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of **Business Day** in the ISDA Definitions and in the case of Debt Instruments denominated in euro, the financial centre of any country forming part of the Euro-zone (being the region comprised of the countries whose lawful currency is the euro) and London;

and, in the case of (a) or (b), as the same may be modified in the relevant Pricing Supplement.

## **7.4 Interpretation of principal and interest**

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

- (a) any additional amounts which may be payable with respect to principal under Condition 6;
- (b) the Final Redemption Amount of the Debt Instruments;
- (c) the Early Redemption Amount of the Debt Instruments;
- (d) the Optional Redemption Amount(s) (if any) of the Debt Instruments;
- (e) in relation to Debt Instruments redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Debt Instruments, the Amortised Face Amount; and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Debt Instruments.

Any reference in these Terms and Conditions to interest in respect of the Debt Instruments shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 6.

## **8. REDEMPTION AND PURCHASE**

### **8.1 Redemption at Maturity**

Unless previously redeemed, or purchased and cancelled, Debt Instruments (unless it is an Index Linked Redemption Note, an Equity Linked Redemption Note, a Credit Linked Note or a Currency Linked Redemption Note,) shall be redeemed at their principal amount (or at such other redemption amount as may be specified in or determined in accordance with the relevant Pricing Supplement (or, in the case of Instalment Debt instruments, in such number of instalments and in such amounts as may be specified in the relevant Pricing Supplement) on the date or dates (or, in the case of Debt Instruments which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the relevant Pricing Supplement.

### **8.2 Early Redemption for Taxation Reasons**

If, in relation to any Series of Debt Instruments, (i) as a result of any change in the laws or regulations of The Netherlands (the **Netherlands**) or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the date of issue of such Debt Instruments or any earlier date specified in the relevant Pricing Supplement, on the occasion of the next payment due in respect of such Debt Instruments the Issuer would be required to pay additional amounts as provided in Condition 6 and (ii) such circumstances are evidenced by the delivery by the Issuer to the Fiscal Agent of a certificate signed by two directors of the Issuer stating that the said circumstances prevail and describing the facts leading thereto and an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail, the Issuer may, at its option (but, in the case of Subordinated Debt Instruments subject to consent thereto having been obtained from the Netherlands Central Bank (De Nederlandsche Bank N.V.) and having given no less than thirty



nor more than sixty days' notice (ending, in the case of Debt Instruments which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of the Debt Instruments in accordance with Condition 13 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Debt Instruments comprising the relevant Series at their principal amount (or at such other redemption amount as may be specified in or determined in accordance with the relevant Pricing Supplement) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable in respect of such Debt Instrument prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon Provided, however, (and except in the case of Debt Instruments which bear interest at a floating rate) that no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Debt Instruments then due.

### **8.3 Optional Early Redemption (Issuer Call)**

If this Condition is specified in the relevant Pricing Supplement as being applicable, then the Issuer may, subject, in the case of Subordinated Debt Instruments to the prior written consent of the Netherlands Central Bank (De Nederlandsche Bank N.V.) upon the expiry of the appropriate notice and subject to such conditions as may be specified in the relevant Pricing Supplement, redeem all (but not, unless and to the extent that the relevant Pricing Supplement specifies otherwise, some only), of the Debt Instruments of the relevant Series at their principal amount (or such other redemption amount as may be specified in or determined in accordance with the relevant Pricing Supplement) less, in the case of any Instalment Debt Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Debt Instrument prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon.

The appropriate notice is a notice given by the Issuer to the Fiscal Agent, the Registrar (in the case of Registered Debt Instruments) and the Holders of the Debt Instruments of the relevant Series, which notice shall be signed by two directors of the Issuer and shall specify:

- the Series of Debt Instruments subject to redemption;
- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Debt Instruments of the relevant Series which are to be redeemed;
- the due date for such redemption which shall be a Business Day (as defined in Condition 7), which shall be not less than 30 days (or such lesser period as may be specified in the relevant Pricing Supplement) after the date on which such notice is validly given and which is, in the case of Debt Instruments which bear interest at a floating rate, a date upon which interest is payable; and
- the amount at which such Debt Instruments are to be redeemed, which shall be their principal amount (or such other redemption amount as may be specified in or determined in accordance with the relevant Pricing Supplement) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable in respect of such Note prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) therein.

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

#### **8.4 Partial Redemption**

If the Debt Instruments of a Series are to be redeemed in part only on any date in accordance with Condition 8.3:

- in the case of Bearer Debt Instruments, the Debt Instruments to be redeemed shall be drawn by lot in such European city as the Fiscal Agent may specify, or identified in such other manner or in such other place as the Fiscal Agent may approve and deem appropriate and fair, subject always to compliance with all applicable laws and the requirements of each listing authority, stock exchange and/or quotation system (if any) by which the Debt Instruments have then been admitted to listing, trading and/or quotation, and the notice to the Holders of the Debt Instruments referred to in Condition 8.3 shall specify the serial numbers of the Debt Instruments so to be redeemed; and

in the case of Registered Debt Instruments, the Debt Instruments shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, subject always as aforesaid and provided always that the amount redeemed in respect of each Debt Instrument shall be equal to the minimum denomination thereof or an integral multiple thereof.

#### **8.5 Optional Early Redemption (Investor Put)**

If this Condition is specified in the relevant Pricing Supplement as being applicable, then the Issuer shall subject, in the case of Subordinated Debt Instruments, to the prior written consent of the Netherlands Central Bank (De Nederlandsche Bank N.V.), upon the exercise of the relevant option by the Holder of any Debt Instrument of the relevant Series, redeem such Debt Instrument on the date or the next of the dates specified in the relevant Pricing Supplement at its principal amount (or such other redemption amount as may be specified in or determined in accordance with the relevant Pricing Supplement) less, in the case of any Instalment Debt Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Debt Instrument prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than 45 days before the date so specified (or such other period as may be specified in the relevant Pricing Supplement), deposit the relevant Debt Instrument (together, in the case of an interest-bearing Definitive Debt Instrument, with any unmatured Coupons appertaining thereto) with, in the case of a Bearer Debt Instrument, any Paying Agent or, in the case of a Registered Debt Instrument, the Registrar together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar.

#### **8.6 Redemption for Illegality**

In the event that the Calculation Agent determines in good faith that the performance of the Issuer's obligations under the Debt Instruments or that any arrangements made to hedge the Issuer's obligations under the Debt Instruments has or will become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, the Issuer having given not less than 10 nor more than 30 days' notice to Noteholders in accordance with Condition 13 (which notice shall be irrevocable), may, on expiry of such

notice redeem all, but not some only, of the Debt Instruments, each Note being redeemed at the Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### **8.7 Early Redemption Amounts**

For the purpose of Condition 8.2, Condition 8.3, Condition 5 and, in the case of Equity Linked Redemption Notes, Condition 9 of the Terms and Conditions of the Structured Notes, each Debt Instrument will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Debt Instrument with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Debt Instrument (other than a Zero Coupon Debt Instrument but including an Instalment Debt Instrument and a Partly Paid Debt Instrument) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Debt Instrument Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount;
- (c) in the case of a Zero Coupon Debt Instrument, at the Amortised Face Amount; or
- (d) in the case of an Index Linked Interest Note, an Index Linked Redemption Note, an Equity Linked Interest Note, an Equity Linked Redemption Note, a Credit Linked Note, a Currency Linked Interest Note or a Currency Linked Redemption Note, the Early Redemption Amount in respect of each nominal amount of such Structured Notes equal to the lowest Specified Denomination will be determined by reference to the provisions in the applicable Pricing Supplement.

### **8.8 Instalments**

Instalment Debt Instruments will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 8.7 above.

### **8.9 Purchase of Debt Instruments**

The Issuer or any of its consolidated subsidiaries may (but, in the case of Subordinated Debt Instruments, subject to the prior written consent thereto having been obtained from the Netherlands Central Bank (De Nederlandsche Bank N.V.) at any time purchase Debt Instruments in the open market or otherwise and at any price provided that, in the case of interest-bearing Definitive Debt Instruments, any unmatured Coupons appertaining thereto are purchased therewith.

### **8.10 Cancellation of Redeemed and Purchased Debt Instruments**

All unmatured Debt Instruments redeemed or purchased in accordance with this Condition 8 (provided, in the case of interest-bearing Debt Instruments, that all unmatured Coupons appertaining thereto are attached or surrendered therewith) will be cancelled and may not be reissued or resold. References in this Condition 8 to the purchase of Debt Instruments by the Issuer or any of its consolidated subsidiaries shall not include the purchase of Debt Instruments in the ordinary course of business of dealing in securities.

### **8.11 Late payment on Zero Coupon Debt Instruments**

If the amount payable in respect of any Zero Coupon Debt Instrument upon redemption of such Zero Coupon Debt Instrument pursuant to Condition 8.1, 8.2, 8.3 or 8.4 above or upon its becoming due and repayable as provided in Condition 4, is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Debt Instrument shall be the amount calculated as provided in the definition of Amortised Face Amount (as defined in the Terms and Conditions of the debt Instruments) as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Debt Instrument becomes due and payable were replaced by references to the date which is the earlier of:

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

## **9. PRESCRIPTION**

Bearer Debt Instruments and Coupons will become void unless presented for payment within 10 years (or, in the case of Coupons and save as provided in Condition 7.1, five years) after the Relevant Date (as defined in Condition 6) for payment thereof.

In relation to Definitive Debt Instruments initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 7.1 or the due date for the payment of which would fall after the due date for the redemption of the relevant Debt Instrument or which would be void pursuant to this Condition 9.

Claims against the Issuer in respect of Registered Debt Instruments (other than in respect of the final redemption amount of Registered Debt Instruments) will be prescribed unless made within 10 years (or, in the case of claims in respect of interest, five years) after the due date for payment. Claims against the Issuer in respect of the final redemption amount of Registered Debt Instruments will be prescribed unless made within 10 years after the Relevant Date (as defined in Condition 6) for payment thereof.

## **10. THE PAYING AGENTS AND THE REGISTRARS**

The initial Paying Agents and Registrars and their respective initial specified offices are specified below.

The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent) or the Registrar and to appoint additional or other Paying Agents or another Registrar, provided that it will at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Paying Agent with a specified office in continental Europe (but outside the United Kingdom), (iv), if, and for so long as the Debt Instruments are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and a Registrar in any particular place, a Paying Agent and a Registrar each with a specified office in the place required by such listing authority, stock exchange and/or quotation system, (v) in the circumstances described in Condition 7.1, a Paying Agent with a specified office in New York City and (vi) a Paying

Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any European Union Savings Directive implementing the conclusions of the ECOFIN Council Meeting of 26 and 27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive. The Paying Agents and the Registrar reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Paying Agents or the Registrar will be notified promptly to the Holders of the Debt Instruments.

The Paying Agents and Registrars act solely as agents of the Issuer and, save as provided in the Fiscal Agency Agreement, do not assume any obligations towards or relationship of agency or trust for any Holder of any Debt Instrument or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon them in the Fiscal Agency Agreement or incidental thereto.

## **11. REPLACEMENT OF DEBT INSTRUMENTS**

If any Debt Instrument or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent (in the case of Bearer Debt Instruments and Coupons) or of the Registrar (in the case of Registered Debt Instruments) (and, if the Debt Instruments are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in a particular place, the Paying Agent having its specified office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and the requirements of any listing authority, stock exchange and/or quotation system (if any) on which the relevant Debt Instruments have then been admitted to listing, trading and/or quotation, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Fiscal Agent or, as the case may be, the Registrar may require. Mutilated or defaced Debt Instruments and Coupons must be surrendered before replacements will be delivered therefor.

## **12. MEETINGS OF HOLDERS**

The Fiscal Agency Agreement contains provisions (which shall have effect as if incorporated herein) for convening meetings of the Holders of Debt Instruments of any Series to consider any matter affecting their interest, including (without limitation) the modification by Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of these Terms and Conditions. An Extraordinary Resolution passed at any meeting of the Holders of Debt Instruments of any Series will be binding on all Holders of the Debt Instruments of such Series, whether or not they are present at the meeting, and on all Couponholders (if any).

## **13. NOTICES**

### **13.1 To Holders of Bearer Debt Instruments**

Notices to Holders of Bearer Debt Instruments will, save where another means of effective communication has been specified in the relevant Pricing Supplement, be deemed to be validly given if published in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times) or, if such publication is not practicable, if published in a leading English-language daily newspaper having general circulation in Europe and, in relation to the Debt Instruments which are listed on the Luxembourg Stock Exchange, a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or, in the case of a Temporary Global Note or Permanent Global Note, if

delivered to Euroclear and Clearstream Luxembourg for communication by them to the persons shown in their respective records as having interests therein provided that, in the case of Debt Instruments admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange and/or the Luxembourg Stock Exchange, the requirements of the UK Listing Authority and the London Stock Exchange, and/or the Luxembourg Stock Exchange, as the case may be, have been complied with. Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the date of first such publication) or, as the case may be, on the fourth Business Day after the date of such delivery to Euroclear and Clearstream, Luxembourg. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Debt Instruments in accordance with this Condition.

### **13.2 To Holders of Registered Debt Instruments**

Notices to Holders of Registered Debt Instruments will be deemed to be validly given if published in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times) or, if such publication is not practicable, if published in a leading English-language daily newspaper having general circulation in Europe and, in relation to the Debt Instruments which are listed on the Luxembourg Stock Exchange, a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort) and if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth Business Day after the date of such mailing or, if posted from another country, on the fifth such Business Day.

### **13.3 To the Issuer**

Notices to the Issuer will be deemed to be validly given and received if delivered (by courier or other form of registered mail or by hand) at Carnegieplein 4, 2517 KJ, The Hague, The Netherlands and clearly marked on their exterior "Urgent Attention: Head of Treasury Department" (or at such other principal office and for such other attention as may have been notified to the Holders of Debt Instruments in accordance with this Condition 11) or at the specified office of the Fiscal Agent or, in the case of Registered Debt Instruments, the Registrar and will be deemed to have been validly given and received when delivered, or if delivered otherwise than during business hours or on a day on which the Issuer's principal office or, as the case may be, the specified office of the Fiscal Agent or the Registrar is not open for business, at the opening of business on the next day on which the Issuer's principal office or, as the case may be, the specified office of the Fiscal Agent or the Registrar is open for business.

## **14. FURTHER ISSUES**

The Issuer may, from time to time without the consent of the Holders of any Debt Instruments of any Series, create and issue further Debt Instruments, bonds or debentures having the same terms and conditions as the Debt Instruments of such Series in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Debt Instruments of such Series.

## **15. CURRENCY INDEMNITY**

The Issuer will indemnify the Holder of any Debt Instrument or Coupon against any loss incurred by such Holder as a result of any judgment or order by any court for the payment of any amount due in respect of the Debt Instruments or the filing of any proof or proofs in the

winding-up or liquidation of the Issuer being given or made and such judgment, order or filing being expressed in a currency other than the currency in which the Debt Instruments are payable and as a result of any variation having occurred in rates of exchange between the date as of which the amount in the currency in which the Debt Instruments are payable is converted for such judgment, order or filing and the date of actual payment thereof.

This indemnity shall constitute a separate and independent obligation from the other obligations contained herein, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by the Holder of any Debt Instrument or Coupon from time to time and shall continue in full force and effect notwithstanding any judgment, order or filing. Any such loss as aforesaid shall be deemed to constitute a loss suffered by the Holder of the relevant Debt Instrument or Coupon and no proof or evidence of any actual loss shall be required by the Issuer. Nothing in this Condition shall prevent the Issuer from discharging its obligations in respect of any Debt Instrument or Coupon by making payment in accordance with Condition 7.

#### **16. WAIVER AND REMEDIES**

No failure to exercise, and no delay in exercising, on the part of the holder of any Debt Instrument, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

#### **17. EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Debt Instrument to which it appertains) a further Talon, subject to the provisions of Condition 9.

#### **18. GOVERNING LAW AND JURISDICTION**

The Debt Instruments, the Fiscal Agency Agreement and the Deed of Covenant are governed by, and shall be construed in accordance with, English law, save that the subordinated provisions applicable to Subordinated Debt Instruments described in Condition 2.2 shall be governed by and construed in accordance with the laws of The Netherlands.

The Issuer irrevocably agrees for the benefit of the Holders of the Debt Instruments that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Debt Instruments (respectively, **Proceedings** and **Disputes**) and, for such purposes, irrevocably submits to the jurisdiction of such courts. The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agrees not to claim that any such court is not a convenient or appropriate forum. The Issuer agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to NIB Capital Bank N.V. London branch office at 7 Bishopsgate, London EC2N 3BX or any other registered office it may have from time to time at which service of process may be served on it in accordance with Part XXIII of the Companies Act 1985. If the appointment of the person mentioned in this Condition 13 ceases to be effective, the Issuer shall forthwith appoint a

person in England to accept service of process on its behalf in England and notify the name and address of such person to the Fiscal Agent and, failing such appointment within 15 days, the Fiscal Agent shall be entitled to appoint such a person by notice to the Issuer and to the Holders in accordance with Condition 13. Notice shall be given directly to the Issuer by the relevant Holder of Debt Instruments of any process served by it in accordance with this Condition 14. Failure to give such notice shall not affect the validity of service of process hereunder. Nothing contained herein shall affect the right to serve process in any other manner permitted by law. The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of the Holders of the Debt Instruments or any of them to take Proceedings or settle Disputes in any other court of competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of Proceedings or the settling of Disputes in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law. To the extent that the Issuer may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that in any such jurisdiction there may be attributed to itself or its assets such immunity (whether or not claimed), the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

#### **19. RIGHTS OF THIRD PARTIES**

No person shall have any right to enforce any term or condition of the Debt Instruments under the Contracts (Rights of Third Parties) Act 1999.



**Pro Forma Pricing Supplement** for an issue by NIB Capital Bank N.V. under its Euro 20,000,000,000 Programme for the Issuance of Debt Instruments

Pricing Supplement dated ●

**NIB Capital Bank N.V.**

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

Issue of [Aggregate Principal Amount of Tranche] [Title of Debt Instruments] under the Euro 20,000,000,000 Programme for the Issuance of Debt Instruments

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions of the Notes set forth in the Information Memorandum dated 29 December 2004. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Information Memorandum.

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

Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions of the Notes (the **Conditions**) set forth in the Information Memorandum dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Information Memorandum dated [current date] [and the supplemental Information Memorandum dated ●], save in respect of the Conditions which are extracted from the Information Memorandum dated [original date] and are attached hereto.]

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]*

1. Issuer: NIB Capital Bank N.V.
2. (a) Series Number: [●]  
(b) [Tranche Number: [●]  
(If fungible with an existing Series, [●]  
details of that Series, including the date  
on which the Notes become fungible).]
3. Specified Currency or Currencies: [●]
4. Aggregate Principal Amount:  
(a) Series: [●]  
(b) [Tranche: [●]]
5. (a) Issue Price: [ ] per cent. of the Aggregate Principal Amount  
[plus accrued interest from [insert date] (in the  
case of fungible issues only, if applicable)]

- (b) [Net proceeds: ] (*Required only for listed issues*)
- (c) Other terms related to the method of calculating the Issue Price:  [N/A / Insert]
6. Specified Denominations:
7. (a) Issue Date:
- (b) [Interest Commencement Date:
8. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in or the nearest to the relevant month and year]*
9. Interest Basis:  per cent. Fixed Rate]
- [[specify reference rate ] +/-  per cent. Floating Rate]*
- [Zero Coupon]
- [Index Linked Interest]
- [Other (*specify*)]
- (further particulars specified below)*
10. Redemption/Payment Basis:  [Redemption at par]
- [Index Linked Redemption]
- [Dual Currency]
- [Other (*specify*)]
11. Change of Interest Redemption/Payment Basis: or *[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12. Put/Call Options:  [Investor Put]
- [Issuer Call]
- [(further particulars specified below)]*
13. Status of the Notes:  [Unsubordinated/[Tier 2/Tier 3]/Subordinated]
14. Listing:  [Applications have been made for the Notes to be admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange/Application has been made for the Notes to be listed on the Luxembourg Stock

Exchange/Other (*specify*)/None].

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

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

16. **Fixed Rate Note Provisions** [Applicable/Not Applicable]

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

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

(b) Interest Payment Date(s): [●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Financial Centre(s) for the definition of "Business Day"*]/not adjusted]

(c) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]  
*(Consider if day count fraction, particularly for Euro denominated issues, should be on an Actual/Actual (ISMA) basis)*

(d) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/*other (give details)*]

(e) Business Day: [●]

17. **Floating Rate Note Provisions** [Applicable/Not Applicable]

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

(a) Interest Period(s)/Specified Interest Payment Dates: [●]

(b) Business Day Convention: [Floating Rate Convention/Modified Following Business Day Convention/*other (give details)*]

(c) Business Day: [●]

(d) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/*other (give details)*]

(e) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]): [●]

(f) Screen Rate Determination:

• Reference Rate: [●]

- Interest Determination Date(s):
  - Relevant Screen Page:
- (g) ISDA Determination:
- Floating Rate Option:
  - Designated Maturity:
  - Reset Date:
- (h) Relevant Margin(s):  [+/-]  per cent. per annum
- (i) Minimum Rate of Interest:  per cent. per annum
- (j) Maximum Rate of Interest:  per cent. per annum
- (k) Day Count Fraction:
- (Check if any modification required to Condition 4(e))*
- (l) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:
18. **Zero Coupon Note Provisions**  [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) [Amortisation/Accrual] Yield:  per cent. per annum
- (b) Reference Price:
- (c) Any other formula/basis of determining amount payable:
19. **Dual Currency Note Provisions**  [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate of Exchange/method of calculating Rate of Exchange:  [give details]
- (b) Agent, if any, responsible for calculating the principal and/or

interest due:

- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (d) Person at whose option Specified Currency(ies) is/are payable: [●]

## PROVISIONS RELATING TO REDEMPTION

20. **Call Option** [Applicable/Not Applicable]

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

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

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

21. **Put Option** [Applicable/Not Applicable]

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

- (a) Optional Early Redemption Date(s): [●]
- (b) Optional Early Redemption [●] per Note of [●] specified denomination

Amount(s) of each Note and method, if any, of calculation of such amount(s):

- (c) Notice period (if other than as set out in the Conditions): [●]

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

22. **Final Redemption Amount of each Note** [[●] per Note of [●] specified denomination/other/see Appendix]

23. **Early Redemption Amount**

Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): [●]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:

#### **Bearer Notes:**

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]

[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice.]

[Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note].

[Registered Notes]

25. Relevant Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates]

26. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition 3 of the General Terms and Conditions of the Debt Instruments] [annexed to this Pricing

- Supplement] apply]
27. Consolidation provisions: [Not Applicable] [As annexed to this Pricing Supplement]
28. Other terms or special conditions: [Not Applicable/give details]
29. Cost of Issue
- (i) Costs borne by purchasers of the Notes: [give details]
- (ii) Commission paid to intermediaries: [give details]
- (iii) Other Costs: [give details]
30. Effective yield of the Notes [[●] per cent./method of calculating effective yield]

### **DISTRIBUTION**

31. (a) If syndicated, names of Managers: [Not Applicable/give names]
- (b) Stabilising Manager (if any): [Not Applicable/give name]
32. If non-syndicated, name of Dealer: [Not Applicable/give name]
33. Netherlands Selling Restriction: [Select *appropriate Dutch selling restriction from alternatives*]
34. Additional selling restrictions: [Not Applicable/give details]
35. Subscription Period [Beginning on ● and ending on ●/Not Applicable]

### **OPERATIONAL INFORMATION**

36. ISIN Code: [●]
37. Common Code: [●]
38. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [not applicable/give name(s) and number (s)]
39. Delivery: Delivery [against/free of] payment
40. Additional Paying Agent(s) (if any): [●]

### **LISTING APPLICATION**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the Euro 20,000,000,000 Programme for the Issuance of Debt Instruments.

## **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:

Duly authorised



## TERMS AND CONDITIONS OF THE STRUCTURED NOTES

*The following are the Terms and Conditions of the Structured Notes which (subject to completion and minor amendment) will be supplemental to the General Terms and Conditions of the Debt Instruments and be applicable to each Series of Structured Notes provided that the relevant Pricing Supplement in relation to any Series of Structured Notes may specify certain 2003 ISDA Credit Derivatives Definitions, 2002 ISDA Equity Derivatives Definition, 1993 ISDA Commodity Derivatives Definitions, 1998 ISDA FX and Currency Option Definitions, as applicable, or other Terms and Conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace the following Terms and Conditions for the purposes of such Series of Structured Notes.*

*Words and expressions defined in the General Terms and Conditions of the Debt Instruments, the Fiscal Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Fiscal Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.*

In these Terms and Conditions:

### **General Definitions**

**Affiliate** means, in relation to any entity (the **First Entity**), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes **control** means ownership of a majority of the voting power of an entity.

**Amortised Face Amount** means an amount calculated in accordance with the following formula:

$$RP \times (1 + AY)^y$$

where:

**RP** means the Reference Price; and

**AY** means the Accrual Yield expressed as a decimal; and

**y** is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Structured Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Structured Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

**Day Count Fraction** means:

- (a) if "Actual/Actual (ISMA)" is specified in the applicable Pricing Supplement:
  - (i) in the case of Structured Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the

Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

- (ii) in the case of Structured Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
  - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
  - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if "Actual/365" or "Actual/Actual" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (a) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (c) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (d) if "Actual/365 (Sterling)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (e) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (f) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (g) if "30E/360" or "Eurobond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

**Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register.

**Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

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

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

**Established Rate** means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

**EURIBOR** means the Euro-zone inter-bank offered rate.

**euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty.

**Intervening Period** means such period of time as any person other than the relevant Noteholder shall continue to be registered as the legal owner of any securities or other obligations comprising the Asset Amount.

**LIBOR** means the London inter-bank offered rate.

**London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

**Long Maturity Structured Note** is a Fixed Rate Structured Note (other than a Fixed Rate Structured Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Structured Note shall cease to be a Long Maturity Structured Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Structured Note.

**Notice Delivery Business Day** means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the Notice Delivery Business Day Centre specified in the applicable Pricing Supplement.

**Register** means the register of holders of the Registered Structured Notes maintained by the Registrar.

**Registrar** means Citibank, N.A. London.

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

**TARGET System** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (**TARGET**) System.

**Treaty** means the Treaty establishing the European Community, as amended.

## **1. FORM, DENOMINATION, TITLE AND TRANSFER**

The provisions specified in Condition 1 of the General Terms and Conditions of the Debt Instruments are applicable.

## **2. STATUS OF THE STRUCTURED NOTES AND NEGATIVE PLEDGE**

The provisions specified in Condition 2 of the General Terms and Conditions of the Debt Instruments are applicable.

## **3. REDENOMINATION**

The provisions specified in Condition 3 of the General Terms and Conditions of the Debt Instruments are applicable.

## **4. INTEREST**

### **4.1 Interest on Fixed Rate Structured Notes**

The provisions specified in Condition 4 of the General Terms and Conditions of the Debt Instruments are applicable.

### **4.2 Interest on Floating Rate Structured Notes**

The provisions specified in Condition 4 of the General Terms and Conditions of the Debt Instruments are applicable.

### **4.3 Index Linked Interest Notes, Equity Linked Interest Notes and Currency Linked Interest Notes**

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

Each Index Linked Interest Note, Equity Linked Note and Currency Linked Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Structured Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the

preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

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

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 4.3(i)(ii) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Index Linked Interest Structured Notes, Equity Linked Interest Structured Notes and Currency Linked Interest Structured Notes will be determined in the manner specified in the applicable Pricing Supplement.

(i) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the manner specified in the applicable Pricing Supplement is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the manner specified in the applicable Pricing Supplement is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(ii) Determination of Rate of Interest and calculation of Interest Amounts

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Index Linked Interest Structured Notes, Equity Linked Interest Structured Notes and Currency Linked Interest Structured Notes, in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

(iii) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Index Linked Interest Structured Notes, Equity Linked Interest Structured Notes or Currency Linked Interest Structured Notes, are for the time being listed (if applicable) and will cause notice thereof to be published in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes or Currency Linked Interest Notes, are for the time being listed and to the holders of Debt Instruments in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments.

(iv) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.3, whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions. As used herein the **Agent** means the Fiscal Agent or such other agent as may be specified in the relevant Pricing Supplement.

(c) Interest on Partly Paid Structured Notes

In the case of Partly Paid Structured Notes (other than Partly Paid Structured Notes which are Zero Coupon Notes), interest will accrue as set out in Condition 4(a) or 4(b) above as

applicable on the paid-up nominal amount of such Structured Notes and otherwise as specified in the applicable Pricing Supplement.

(d) Accrual of interest

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

- (i) the date on which all amounts due in respect of such Structured Note have been paid and/or all assets deliverable in respect of such Structured Note have been delivered; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Structured Note has been received by the Agent and/or all assets in respect of such Structured Note have been received by any agent appointed by the Issuer to deliver such assets to Structured Note holders and notice to that effect has been given to the Structured Note holders in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments,

provided that if Condition 10.2 or Condition 10.3 applies in respect of the Structured Structured Notes; and

- (A) "Accrual of Interest upon Credit Event" is specified as Not Applicable in the applicable Pricing Supplement, each Structured Note shall cease to bear interest from the Interest Payment Date (or, if none, the Interest Commencement Date) immediately preceding the Credit Event Determination Date, or if the Credit Event Determination Date is an Interest Payment Date (or, as the case may be, the Interest Commencement Date) such Interest Payment Date (or, as the case may be, the Interest Commencement Date); or
- (B) "Accrual of Interest upon Credit Event" is specified as being Applicable in the applicable Pricing Supplement, each Structured Note shall cease to bear interest from the Credit Event Determination Date; and

provided further that, if

- (C) Condition 10.4 or Condition 10.5 applies in respect of the Structured Notes and a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date or a Failure to Pay has not occurred on or prior to the Grace Period Extension Date, as the case may be; and/or
- (D) Condition 10(f) applies in respect of the Structured Notes and the Scheduled Maturity Date, the Grace Period Extension Date or the Repudiation/Moratorium Evaluation Date, as the case may be, is postponed as provided therein, then interest will accrue as provided in Condition 10.4, Condition 10.5 or Condition 10.6, as the case may be.

## 5. PAYMENTS

The provisions specified in Condition 7 of the General Terms and Conditions of the Debt Instruments are applicable.

## 6. REDEMPTION AND PURCHASE – GENERAL PROVISIONS

The provisions specified in Condition 8 of the General Terms and Conditions of the Debt Instruments are applicable.

## 7. CURRENCY LINKED REDEMPTION NOTES

Provisions relating to the redemption of Currency Linked Redemption Structured Notes will be set out in the applicable Pricing Supplement.

## 8. INDEX LINKED REDEMPTION NOTES

### 8.1 Redemption of Index Linked Redemption Notes

Unless previously redeemed or purchased and cancelled, each nominal amount of the Index Linked Redemption Structured Notes equal to the lowest Specified Denomination set out in the applicable Pricing Supplement (the **Specified Amount**) will be redeemed by the Issuer at the Redemption Amount specified in, or determined in the manner specified in the applicable Pricing Supplement on the Maturity Date.

### 8.2 Adjustments to an Index

#### (a) Successor Index Sponsor Calculates and Reports an Index

If a relevant Index is (A) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then in each case that index (the **Successor Index**) will be deemed to be the Index.

#### (b) Modification and Cessation of Calculation of an Index

If (A) on or prior to the Valuation Date the relevant Index Sponsor makes or announces that it will make a material change in the formula for or the method of calculating a relevant Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation, contracts or commodities and other routine events) (an **Index Modification**) or permanently cancels the Index and no Successor Index exists (an **Index Cancellation**), or (B) on the Valuation Date, the Index Sponsor or (if applicable) the successor Index Sponsor fails to calculate and announce a relevant Index (an **Index Disruption** and, together with an Index Modification and an Index Cancellation, each an **Index Adjustment Event**), then:

- (i) the Calculation Agent shall determine if such Index Adjustment Event has a material effect on the Structured Notes and, if so, shall calculate the Reference Price using, in lieu of a published level for that Index, the level for that Index as at the Valuation Time on the Valuation Date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those securities/commodities that comprised that Index immediately prior to that Index Adjustment Event; or
- (ii) on giving notice to the Noteholders in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments, redeem all, but not some



only, of the Structured Notes, each nominal amount of Structured Notes equal to the Specified Denomination being redeemed at the Early Redemption Amount.

(c) Notice

Upon the occurrence of an Index Adjustment Event, the Calculation Agent shall give notice as soon as practicable to Noteholders in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments giving details of the action proposed to be taken in relation thereto.

### 8.3 Definitions applicable to Index Linked Redemption Notes

**Disrupted Day** means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

**Exchange** means, in relation to an Index, each exchange or quotation system specified as such for such Index in the applicable Pricing Supplement, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the securities/commodities comprising such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the securities/commodities comprising such Index on such temporary substitute exchange or quotation system as on the original Exchange).

**Exchange Business Day** means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time.

**Indices** and **Index** mean, subject to adjustment in accordance with Condition 8.2, the indices or index specified in the applicable Pricing Supplement and related expressions shall be construed accordingly.

**Index Sponsor** means, in relation to an Index, the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any related to such Index and (b) announces (directly or through an agent) the level of such Index on a regular basis during each Scheduled Trading Day, which as of the Issue Date is the index sponsor specified for such Index in the applicable Pricing Supplement.

**Market Disruption Event** means, in respect of an Index:

- (a) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:
  - (i) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
    - (A) on any relevant Exchange(s) relating to securities/commodities that comprise 20 per cent. or more of the level of the relevant Index; or
    - (B) in futures or options contracts relating to the relevant Index on any relevant Related Exchange; or

- (ii) any event (other than an event described in (b) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, on any relevant Exchange(s) securities/commodities that comprise 20 per cent. or more of the level of the relevant Index, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index on any relevant Related Exchange,

which in either case the Calculation Agent determines is material; or

- (b) the closure on any Exchange Business Day of any relevant Exchange(s) relating to securities/commodities that comprise 20 per cent. or more of the level of the relevant Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to the earlier of (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or, if earlier, (B) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

For the purposes of determining whether a Market Disruption Event in respect of an Index exists at any time, if a Market Disruption Event occurs in respect of a security/commodity included in the Index at any time, then the relevant percentage contribution of that security/commodity to the level of the Index shall be based on a comparison of (i) the portion of the level of the Index attributable to that security/commodity and (ii) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event.

**Redemption Amount** means the Redemption Amount specified in the applicable Pricing Supplement or, if no such amount is specified in the applicable Pricing Supplement, an amount equal to:

- (a) in the case of a Call Index Linked Redemption Note

$$\frac{\text{Reference Price}}{\text{Strike Price}} \times \text{Specified Amount}; \text{ or}$$

- (b) in the case of a Put Index Linked Redemption Note

$$\frac{\text{Strike Price}}{\text{Reference Price}} \times \text{Specified Amount},$$

provided always that the Redemption Amount shall in no event be less than zero. The Redemption Amount will be rounded to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit), in the Specified Currency, 0.005 (or, in the case of Japanese Yen, half of one unit) being rounded upwards.

**Reference Price** means:

- (a) where the Structured Notes are specified in the applicable Pricing Supplement to relate to a single Index, an amount (which shall be deemed to be an amount of the Specified Currency) equal to the official closing level of the Index as determined by the Calculation Agent (or if a Valuation Time other than the Scheduled Closing Time is specified in the applicable Pricing Supplement, the level of the Index determined

by the Calculation Agent at such Valuation Time) on the Valuation Date (as defined below), without regard to any subsequently published correction; and

- (b) where the Structured Notes are specified in the applicable Pricing Supplement to relate to a Basket of Indices, an amount (which shall be deemed to be an amount of the Specified Currency) equal to the sum of the values calculated for each Index as the official closing level of each Index as determined by the Calculation Agent (or if a Valuation Time other than the Scheduled Closing Time is specified in the applicable Pricing Supplement, the level of each Index determined by the Calculation Agent at such Valuation Time) on the Valuation Date, without regard to any subsequently published correction, multiplied by the relevant Multiplier specified in the applicable Pricing Supplement.

**Related Exchange** means, in relation to an Index, each exchange or quotation system specified as such for such Index in the applicable Pricing Supplement, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where "All Exchanges" is specified as the Related Exchange in the applicable Pricing Supplement, **Related Exchange** shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.

**Scheduled Closing Time** means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

**Scheduled Trading Day** means any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

**Scheduled Valuation Date** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

**Valuation Date** means the date specified as such in the applicable Pricing Supplement or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless Disrupted Day is specified as applying in the applicable Pricing Supplement and, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disruption Day then:

- (a) where the Structured Notes are specified in the applicable Pricing Supplement to relate to a single Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (i) the eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Reference Price in the manner set out in the applicable Pricing Supplement or, if not set out or not practicable, determine the Reference Price by determining the level of the Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the relevant Exchange traded or quoted price as of the Valuation Time on that eighth

Scheduled Trading Day of each security/commodity comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security/commodity as of the Valuation Time on that eighth Scheduled Trading Day); or

- (b) where the Structured Notes are specified in the applicable Pricing Supplement to relate to a Basket of Indices, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Index affected by the occurrence of a Disrupted Day (each an **Affected Index**) shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Index, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Index. In that case (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Index, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Reference Price using, in relation to the Affected Index, the level of that Index determined in the manner set out in the applicable Pricing Supplement or, if not set out or if not practicable, using the level of that Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security/commodity comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security/commodity as of the Valuation Time on that eighth Scheduled Trading Day).

**Valuation Time** means the Valuation Time specified in the applicable Pricing Supplement or, if no Valuation Time is specified, the Scheduled Closing Time on the relevant Exchange on the Valuation Date in relation to each Index to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

## 9. REDEMPTION OF EQUITY LINKED REDEMPTION NOTES

### 9.1 Redemption of Equity Linked Redemption Structured Notes

Unless previously redeemed or purchased and cancelled, each nominal amount of Equity Linked Redemption Structured Notes equal to the lowest Specified Denomination set out in the applicable Pricing Supplement (the **Specified Amount**) will be redeemed by the Issuer (A) if Cash Settlement is specified in the applicable Pricing Supplement, by payment of the Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement on the Maturity Date or (B) if Physical Delivery is specified in the applicable Pricing Supplement, by delivery of the Asset Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement on the Maturity Date (subject as provided below) or (C) if Cash Settlement and/or Physical Delivery is specified in the applicable Pricing Supplement, by payment of the Redemption Amount and/or by delivery of the Asset Amount on the terms set out in the applicable Pricing Supplement, in each case on the Maturity Date (subject as provided below).

## **9.2 Potential Adjustment Events, De-listing, Merger Event, Tender Offer, Nationalisation and Insolvency and Adjustments for Equity Linked Redemption Structured Notes in respect of Underlying Equities quoted in European Currencies**

- (a) If Potential Adjustment Events are specified as applying in the applicable Pricing Supplement, then following the declaration by an Equity Issuer of the terms of any Potential Adjustment Event, the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting, concentrative or other effect on the theoretical value of the Underlying Equities and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Redemption Amount and/or the Asset Amount and/or the Strike Price and/or the Multiplier and/or any of the other terms of these Terms and Conditions and/or the applicable Pricing Supplement as the Calculation Agent in its sole and absolute discretion determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Underlying Equity) and (ii) determine the effective date of that adjustment. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Underlying Equities traded on that options exchange.

Upon making any such adjustment, the Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments, stating the adjustment to the Redemption Amount and/or the Asset Amount and/or the Strike Price and/or the Multiplier and/or any of the other terms of these Terms and Conditions and/or the applicable Pricing Supplement and giving brief details of the Potential Adjustment Event.

- (b) If (x) De-listing, Merger Event, Nationalisation and Insolvency is specified as applying in the applicable Pricing Supplement and/or (y) Tender Offer is specified as applying in the applicable Pricing Supplement, if (in the case of (x)) a De-listing, Merger Event, Nationalisation or Insolvency occurs or (in the case of (y)) a Tender Offer occurs, in each, in relation to an Underlying Equity, the Issuer in its sole and absolute discretion may:
- (i) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any one or more of the Redemption Amount and/or the Asset Amount and/or the Strike Price and/or the Multiplier and/or any of the other terms of these Terms and Conditions and/or the applicable Pricing Supplement to account for the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment; or
  - (ii) by giving notice to the Noteholders in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments, redeem all, but not some only, of the Structured Notes, each nominal amount of Structured Notes equal to the Specified Denomination being redeemed at the Early Redemption Amount.

If the provisions of Condition 92(b)(i) apply the Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, made by an options exchange to options on the Underlying Equities traded on that options exchange.

Upon the occurrence (if applicable) of a De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, the Calculation Agent shall give notice as soon as practicable

to the Noteholders in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments stating the occurrence of the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

- (c) In respect of Equity Linked Redemption Structured Notes relating to Underlying Equities originally quoted, listed and/or dealt as of the Trade Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the Treaty, if such Underlying Equities are at any time after the Trade Date quoted, listed and/or dealt exclusively in euro on the relevant Exchange or, where no Exchange is specified in the applicable Pricing Supplement, the principal market on which those Underlying Equities are traded, then the Calculation Agent will adjust any one or more of the Redemption Amount and/or the Asset Amount and/or the Strike Price and/or the Multiplier and/or any of the other terms of these Terms and Conditions and/or the applicable Pricing Supplement as the Calculation Agent determines in its sole and absolute discretion to be appropriate to preserve the economic terms of the Structured Notes. The Calculation Agent will make any conversion necessary for purposes of any such adjustment as of the Valuation Time at an appropriate mid-market spot rate of exchange determined by the Calculation Agent prevailing as of the Valuation Time. No adjustments under this Condition 9.2(c) will affect the currency denomination of any payment obligation arising out of the Structured Notes.

### 9.3 Physical Delivery

- (a) If any Equity Linked Redemption Note, is to be redeemed by delivery of the Asset Amount, in order to obtain delivery of the Asset Amount(s) in respect of such Note:
- (i) if such Note is represented by a Global Note or evidenced by a Global Certificate or held within the Euroclear Netherlands system, the relevant Noteholder must deliver to Euroclear, Clearstream, Luxembourg or Euroclear Netherlands, (as applicable), with a copy to the Issuer not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice substantially in the form set out in the Fiscal Agency Agreement (the **Asset Transfer Notice**); and
- (ii) if such Note is in definitive form, the relevant Noteholder must deliver to any Paying Agent and the Registrar (if applicable) with a copy to the Issuer not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice.

Forms of the Asset Transfer Notice may be obtained during normal business hours from the specified office of any Paying Agent and the Registrar (if applicable).

An Asset Transfer Notice may only be delivered (i) if such Note is represented by a Global Note or evidenced by a Global Certificate, in such manner as is acceptable to Euroclear, Clearstream, Luxembourg, or Euroclear Netherlands, as the case may be, or (ii) if such Note is in definitive form or evidenced by a Certificate, in writing or by tested telex.

If this Note is in definitive form, this Note must be delivered together with the duly completed Asset Transfer Notice.

An Asset Transfer Notice must:

- (A) specify the name and address of the relevant Noteholder, the person from whom the Issuer may obtain details for the delivery of the Asset Amount and any details

required for delivery of the Asset Amount set out in the applicable Pricing Supplement;

- (B) in the case of Structured Notes represented by a Global Note , specify the nominal amount of Structured Notes which are the subject of such notice and the number of the Noteholder's account at Euroclear or Clearstream, Luxembourg to be debited with such Structured Notes and irrevocably instruct and authorise Euroclear, or Clearstream, Luxembourg to debit the relevant Noteholder's account with such Structured Notes on or before the Delivery Date;
- (C) include an undertaking to pay all Delivery Expenses and, in the case of Structured Notes represented by a Global Note an authority to debit a specified account of the Noteholder at Euroclear or Clearstream, Luxembourg in respect thereof and to pay such Delivery Expenses;
- (D) specify an account to which dividends (if any) payable pursuant to this Condition 9.3 or any other cash amounts specified in the applicable Pricing Supplement as being payable are to be paid; and
- (E) authorise the production of such notice in any applicable administrative or legal proceedings.

No Asset Transfer Notice may be withdrawn after receipt thereof by Euroclear or Clearstream, Luxembourg, or a Paying Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice, the relevant Noteholder may not transfer the Structured Notes which are the subject of such notice.

In the case of Structured Notes represented by a Global Note , upon receipt of such notice, and in the case of Structured Notes in definitive form, the relevant Note, the relevant Paying Agent, Euroclear or Clearstream, Luxembourg or the Registrar as the case may be, shall verify that the person specified therein as the accountholder or registered holder, as the case may be, is the holder of the specified nominal amount of Structured Notes according to its books or the Register, as the case may be.

Failure properly to complete and deliver an Asset Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided in these Terms and Conditions shall be made, in the case of Structured Notes represented by a Global Note or held, by Euroclear or Clearstream, Luxembourg after consultation with the Issuer and shall be conclusive and binding on the Issuer and the relevant Noteholder and, in the case of Structured Notes in definitive form, by the relevant Paying Agent or Registrar, as applicable, after consultation with the Issuer, and shall be conclusive and binding on the Issuer and the relevant Noteholder.

Delivery of the Asset Amount in respect of each Note shall be made at the risk of the relevant Noteholder in such commercially reasonable manner as the Calculation Agent shall in its sole discretion determine and notify to the person designated by the Noteholder in the relevant Asset Transfer Notice or in such manner as is specified in the applicable Pricing Supplement.

In relation to each Note which is to be redeemed by delivery of the Asset Amount, the Asset Amount will be delivered at the risk of the relevant Noteholder, in the manner provided above on the Maturity Date (such date, subject to adjustment in accordance with this Condition the **Delivery Date**), provided that the Asset Transfer Notice is duly delivered to Euroclear, or Clearstream, Luxembourg a Paying Agent or the Registrar as the case may be, with a copy to

the Issuer, as provided above, not later than the close of business in each place of receipt on the Cut-Off Date specified in the applicable Pricing Supplement.

If a Noteholder fails to give an Asset Transfer Notice as provided herein with a copy to the Issuer, later than the close of business in each place of receipt on the Cut-Off Date, then the Asset Amount will be delivered as soon as practicable after the Maturity Date (in which case, such date of delivery shall be the Delivery Date) at the risk of such Noteholder in the manner provided above. For the avoidance of doubt, in such circumstances such Noteholder shall not be entitled to any payment, whether of interest or otherwise, as a result of such Delivery Date falling after the originally designated Delivery Date and no liability in respect thereof shall attach to the Issuer.

- (b) All Delivery Expenses arising from the delivery of the Asset Amount in respect of such Structured Notes shall be for the account of the relevant Noteholder and no delivery of the Asset Amount shall be made until all Delivery Expenses have been paid to the satisfaction of the Issuer by the relevant Noteholder.

After delivery of the Asset Amount and for the Intervening Period, none of the Issuer, the Calculation Agent nor any other person shall at any time (i) be under any obligation to deliver or procure delivery to any Noteholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of such securities or obligations, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to such securities or obligations or (iii) be under any liability to a Noteholder in respect of any loss or damage which such Noteholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of such securities or obligations.

If, prior to the delivery of the Asset Amount in accordance with this Condition, a Settlement Disruption Event is subsisting, then the Delivery Date in respect of such Note shall be postponed until the date on which no Settlement Disruption Event is subsisting and notice thereof shall be given to the relevant Noteholder, in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments. Such Noteholder shall not be entitled to any payment, whether of interest or otherwise, on such Note as a result of any delay in the delivery of the Asset Amount pursuant to this paragraph. Where delivery of the Asset Amount has been postponed as provided in this paragraph the Issuer shall not be in breach of these Terms and Conditions and no liability in respect thereof shall attach to the Issuer.

For so long as delivery of the Asset Amount in respect of any Note is not practicable by reason of a Settlement Disruption Event, then in lieu of physical settlement and notwithstanding any other provision hereof, the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Note by payment to the relevant Noteholder of the Disruption Cash Settlement Price not later than on the third Business Day following the date that the notice of such election (the **Election Notice**) is given to the Noteholders in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments. Payment of the Disruption Cash Settlement Price will be made in such manner as shall be notified to the Noteholders in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments.

Where the Asset Amount is, in the determination of the Issuer, an amount other than an amount of Relevant Assets capable of being delivered, the Noteholders will receive an Asset Amount comprising of the nearest number (rounded down) of Relevant Assets capable of being delivered by the Issuer (taking into account that a Noteholder's entire holding may be aggregated at the Issuer's discretion for the purpose of delivering the Asset Amounts), and an amount in the Specified Currency which shall be the value of the amount of the Relevant



Assets so rounded down, as calculated by the Calculation Agent in its sole discretion from such source(s) as it may select (converted if necessary into the Specified Currency by reference to such exchange rate as the Calculation Agent deems appropriate). Payment will be made in such manner as shall be notified to the Noteholders in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments.

For the purposes of the Structured Notes (i) the Issuer shall be under no obligation to register or procure the registration of any Noteholder or any other person as the registered shareholder in the register of members of any Equity Issuer, (ii) the Issuer shall not be obliged to account to any Noteholder or any other person for any entitlement received or that is receivable in respect of any Underlying Equities comprising the Asset Amount in respect of any Note if the date on which the Underlying Equities are first traded on the relevant Exchange ex such entitlement is on or prior to the Maturity Date and (iii) any interest, dividend or other distribution in respect of any Asset Amount will be payable to the party that would receive such interest, dividend or other distribution according to market practice for a sale of the relevant Underlying Equity executed on the Delivery Date and to be delivered in the same manner as the Asset Amount. Any such interest, dividend or other distribution to be paid to a Noteholder shall be paid to the account specified in the relevant Asset Transfer Notice.

#### **9.4 Definitions applicable to Equity Linked Redemption Structured Notes**

**Asset Transfer Notice** means a duly completed asset transfer notice substantially in the form set out in the Fiscal Agency Agreement.

**Asset Amount** has the meaning given in the applicable Pricing Supplement.

**De-Listing** means, in respect of any relevant Underlying Equities, the Exchange announces that pursuant to the rules of such Exchange, such Underlying Equities cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union).

**Delivery Expenses** means all costs, taxes, duties and/or expenses, including stamp duty, stamp duty reserve tax and/or other costs, duties or taxes arising from the delivery of the Asset Amount.

**Disruption Cash Settlement Price** means an amount equal to the fair market value of the relevant Note (but not taking into account any interest accrued on such Note as such interest shall be paid pursuant to Conditions 5 and 6) on such day as shall be selected by the Issuer in its sole and absolute discretion provided that such day is not more than 15 days before the date that the Election Notice is given as provided above adjusted to take account fully for any losses, expenses and costs to the Issuer and/or any Affiliate of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any options or selling or otherwise realising any Relevant Asset or other instruments of any type whatsoever which the Issuer and/or any of its Affiliates may hold as part of such hedging arrangements), all as calculated by the Calculation Agent in its sole and absolute discretion.

**Disrupted Day** means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

**Exchange** means, in respect of an Underlying Equity, each exchange or quotation system specified as such for such Underlying Equity in the applicable Pricing Supplement, any

successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Underlying Equity has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Underlying Equity on such temporary substitute exchange or quotation system as on the original Exchange).

**Exchange Business Day** means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

**Insolvency** means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting, an Equity Issuer (a) all the Underlying Equities of that Equity Issuer are required to be transferred to a trustee, liquidator or other similar official or (b) holders of the Underlying Equities of that Equity Issuer become legally prohibited from transferring them.

**Market Disruption Event** means, in respect of an Underlying Equity:

- (a) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:
  - (i) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
    - (A) relating to the Underlying Equity on the Exchange; or
    - (B) in futures or options contracts relating to the Underlying Equity on any relevant Related Exchange; or
  - (ii) any event (other than as described in (b) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions, in or obtain market values for, the Underlying Equities on the Exchange or (B) to effect transactions in, or obtain market values for, futures or options contracts on or relating to the Underlying Equity on any relevant Related Exchange,  
which in either case the Calculation Agent determines is material; or
- (b) the closure on any Exchange Business Day of the relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or if earlier (B) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

**Merger Date** means, the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

**Merger Event** means, in respect of any relevant Underlying Equities, any (i) reclassification or change of such Underlying Equities that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Equities outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of an Equity Issuer, with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Equity Issuer is the continuing entity and which does not result in a reclassification or change of all of such Underlying Equities outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Equities of the Equity Issuer that results in a transfer of or an irrevocable commitment to transfer all such Underlying Equities (other than such Underlying Equities owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Equity Issuer or its subsidiaries with or into another entity in which the Equity Issuer is the continuing entity and which does not result in a reclassification or change of all such Underlying Equities outstanding but results in the outstanding Underlying Equities (other than Underlying Equities owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Equities immediately following such event (a **Reverse Merger**), in each case if the Merger Date is on or before the Valuation Date or, if the Structured Notes are to be redeemed by delivery of Underlying Equities, the Maturity Date.

**Nationalisation** means that all the Underlying Equities or all or substantially all the assets of an Equity Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

**Potential Adjustment Event** means any of the following:

- (a) a subdivision, consolidation or reclassification of relevant Underlying Equities (unless resulting in a Merger Event), or a free distribution or dividend of any such Underlying Equities to existing holders by way of bonus, capitalisation or similar issue;
- (b) a distribution, issue or dividend to existing holders of the relevant Underlying Equities of (i) such Underlying Equities or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of an Equity Issuer equally or proportionately with such payments to holders of such Underlying Equities, or (iii) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Equity Issuer as a result of a spin-off or other similar transaction or (iv) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an extraordinary dividend as determined by the Calculation Agent;
- (d) a call by an Equity Issuer in respect of relevant Underlying Equities that are not fully paid;
- (e) a repurchase by an Equity Issuer or any of its subsidiaries of relevant Underlying Equities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (f) in respect of an Equity Issuer, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Equity Issuer, pursuant to a shareholder rights plan or

arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; and

- (g) any other event having, in the opinion of the Calculation Agent, a diluting, concentrative or other effect on the theoretical value of the relevant Underlying Equities.

**Redemption Amount** means the Redemption Amount specified in the applicable Pricing Supplement or, if no such amount is specified in the applicable Pricing Supplement, an amount calculated by the Calculation Agent equal to:

- (a) in the case of a Call Equity Linked Redemption Note

$$\frac{\text{Reference Price}}{\text{Strike Price}} \times \text{Specified Amount}; \text{ or}$$

- (b) in the case of a Put Equity Linked Redemption Note

$$\frac{\text{Strike Price}}{\text{Reference Price}} \times \text{Specified Amount},$$

provided always that the Redemption Amount shall in no event be less than zero. The Redemption Amount will be rounded to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the Specified Currency, 0.005 (or, in the case of Japanese Yen, half of one unit) being rounded upwards.

**Reference Price** means:

- (a) where the Structured Notes are specified in the applicable Pricing Supplement to relate to a single Underlying Equity, the price at the Valuation Time on the Valuation Date of the Underlying Equity quoted on the relevant Exchange without regard to any subsequently published correction as determined by or on behalf of the Calculation Agent (or if, in the opinion of the Calculation Agent, no such price (or, as the case may be, no such official closing price) can be determined at such time and, if Disrupted Day is specified as applying in the applicable Pricing Supplement and the Valuation Date is not a Disrupted Day, an amount determined by the Calculation Agent in good faith to be equal to the arithmetic mean of the fair market buying price at the Valuation Time on the Valuation Date and the fair market selling price at the Valuation Time on the Valuation Date for the Underlying Equity based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or the middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Underlying Equity or on such other factors as the Calculation Agent shall decide). The amount determined pursuant to the foregoing shall be converted, if Exchange Rate is specified as applying in the applicable Pricing Supplement, into the Specified Currency at the Exchange Rate and such converted amount shall be the Reference Price; and
- (b) where the Structured Notes are specified in the applicable Pricing Supplement to relate to a Basket of Underlying Equities, an amount equal to the sum of the values

calculated for each Underlying Equity as the price at the Valuation Time on the Valuation Date of the Underlying Equity quoted on the relevant Exchange as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction (or if, in the opinion of the Calculation Agent, no such price (or, as the case may be, any such official closing price) can be determined at such time and, if Disrupted Day is specified as applying in the applicable Pricing Supplement, and the Valuation Date is not a Disrupted Day, an amount determined by the Calculation Agent in good faith to be equal to the arithmetic mean of the fair market buying price at the Valuation Time on the Valuation Date and the fair market selling price at the Valuation Time on the Valuation Date for the Underlying Equity based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or the middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Underlying Equity or on such other factors as the Calculation Agent shall decide), multiplied by the relevant Multiplier. Each value determined pursuant to the foregoing shall be converted, if the Exchange Rate is specified as applying in the applicable Pricing Supplement, into the Specified Currency at the Exchange Rate and the sum of such converted amounts shall be the Reference Price.

**Related Exchange** means, in relation to an Underlying Equity, each exchange or quotation system specified as such in relation to such Underlying Equity in the applicable Pricing Supplement, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Underlying Equity has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Underlying Equity on such temporary substitute exchange or quotation system as on the original Related Exchange), Provided That where "All Exchanges" is specified as the Related Exchange in the applicable Pricing Supplement, **Related Exchange** shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Underlying Equity.

**Scheduled Closing Time** means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

**Scheduled Trading Day** means any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

**Scheduled Valuation Date** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

**Settlement Disruption Event** means an event beyond the control of the Issuer as a result of which, in the opinion of the Calculation Agent, delivery of the Asset Amount by or on behalf of the Issuer in accordance with these Terms and Conditions and/or the applicable Pricing Supplement is not practicable.

**Tender Offer** means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Equity Issuer, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

**Valuation Date** means the date specified as such in the applicable Pricing Supplement or, if such date is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless Disrupted Day is specified as applying in the applicable Pricing Supplement and, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day:

- (a) where the Structured Notes are specified in the applicable Pricing Supplement to relate to a single Underlying Equity, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (i) the eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall, where practicable, determine the Reference Price in the manner set out in the applicable Pricing Supplement or, if not set out or not so practicable, determine the Reference Price in accordance with its good faith estimate of the Reference Price as of the Valuation Time on that eighth Scheduled Trading Day; or
- (b) where the Structured Notes are specified in the applicable Pricing Supplement to relate to a Basket of Underlying Equities the Valuation Date for each Underlying Equity not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Underlying Equity affected (each an **Affected Equity**) by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Equity unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Equity. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Equity, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine, where practicable, the Reference Price using, in relation to the Affected Equity, a price determined in the manner set out in the applicable Pricing Supplement or, if not set out or if not practicable, using its good faith estimate of the value for the Affected Equity as of the Valuation Time on that eighth Scheduled Trading Day and otherwise in accordance with the above provisions.

**Valuation Time** means the Valuation Time specified in the applicable Pricing Supplement or, if no Valuation Time is specified, the Scheduled Closing Time on the relevant Exchange on the Valuation Date in relation to each Underlying Equity to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

## 10. CREDIT LINKED NOTES

### 10.1 Redemption of Credit Linked Structured Notes

Unless previously redeemed or purchased and cancelled and subject as provided in Condition 10.2 and Condition 10.3 each nominal amount of Credit Linked Structured Notes equal to the lowest Specified Denomination set out in the applicable Pricing Supplement will be redeemed by the Issuer by payment of the Redemption Amount on the Maturity Date.

## 10.2 Cash Settlement

If Cash Settlement is specified in the applicable Pricing Supplement and Conditions to Settlement are satisfied during the Notice Delivery Period (such date of satisfaction, the **Credit Event Determination Date**), the Issuer shall give notice (such notice a **Settlement Notice**) to the Noteholders in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments and redeem all but not some only of the Structured Notes, each nominal amount of Credit Linked Structured Notes equal to the lowest Specified Denomination being redeemed by the Issuer at the Credit Event Redemption Amount on the Credit Event Redemption Date.

If Conditions to Settlement are satisfied and the Structured Notes become redeemable in accordance with this Condition 10.2, upon payment of the Credit Event Redemption Amount in respect of the Structured Notes the Issuer shall have discharged its obligations in respect of the Structured Notes and shall have no other liability or obligation whatsoever in respect thereof. The Credit Event Redemption Amount may be less than the principal amount of a Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.

## 10.3 Physical Settlement

If Physical Delivery is specified in the applicable Pricing Supplement and Conditions to Settlement are satisfied during the Notice Delivery Period (such date of satisfaction, the **Credit Event Determination Date**), the Issuer shall give notice (such notice a **Notice of Physical Settlement**) to the Noteholders in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments and redeem all but not some only of the Structured Notes, each nominal amount of Credit Linked Structured Notes equal to the lowest Specified Denomination being redeemed by Delivery of the Deliverable Obligations comprising the Asset Amount, subject to and in accordance with Conditions 10.7 and 10.8.

In the Notice of Physical Settlement the Issuer shall specify the Deliverable Obligations comprising the Asset Amount that it reasonably expects to Deliver. For the avoidance of doubt, the Calculation Agent shall be entitled to select any of the Deliverable Obligations to constitute the Asset Amount, irrespective of their market value.

If "Restructuring Maturity Limitation and Fully Transferable Obligation" is specified as applying in the applicable Pricing Supplement and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may be included in the Asset Amount only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the Restructuring Maturity Limitation Date.

If "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applying in the applicable Pricing Supplement and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may be included in the Asset Amount only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date.

If Conditions to Settlement are satisfied and the Structured Notes become redeemable in accordance with this Condition 10.3, upon Delivery of the Deliverable Obligations Deliverable and/or payment of the Cash Settlement Amount, as the case may be, the Issuer shall have discharged its obligations in respect of the Structured Notes and shall have no other liability or obligation whatsoever in respect thereof. The value of such Deliverable Obligations and/or the Cash Settlement Amount may be less than the principal amount of a

Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.

#### **10.4 Repudiation/Moratorium Extension**

Where Conditions to Settlement have not been satisfied on or prior to the Scheduled Maturity Date but the Repudiation/Moratorium Extension Condition has been satisfied on or prior to the Scheduled Maturity Date and the Repudiation/Moratorium Evaluation Date in respect of such Potential Repudiation Moratorium will in the sole determination of the Calculation Agent, fall after the Scheduled Maturity Date, then the Calculation Agent shall notify the Noteholders in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments that a Potential Repudiation/Moratorium has occurred and:

- (a) where a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date:
- (b) each nominal amount of Credit Linked Structured Notes equal to the lowest Specified Denomination will be redeemed by the Issuer by payment of the Redemption Amount on the second Business Day following the Repudiation/Moratorium Evaluation Date; and
- (c) in the case of interest bearing Structured Notes, the Issuer should be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the second Business Day following the Repudiation/Moratorium Evaluation Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; and
- (d) where a Repudiation/Moratorium has occurred on or prior to the Repudiation/Moratorium Evaluation Date and Conditions to Settlement are satisfied in the Notice Delivery Period the provisions of Condition 10.2 or Condition 10.3 as applicable shall apply to the Structured Notes.

#### **10.5 Grace Period Extension**

If "Grace Period Extension" is specified as applying in the applicable Pricing Supplement, the provisions of this Condition 10.5 shall apply:

Where Conditions to Settlement have not been satisfied on or prior to the Scheduled Maturity Date but a Potential Failure to Pay has occurred with respect to one or more Obligation(s) in respect of which a Grace Period is applicable on or prior to the Scheduled Maturity Date (and such Grace Period(s) is/are continuing as at the Scheduled Maturity Date), then:

- (a) where a Failure to Pay has not occurred on or prior to the Grace Period Extension Date:
  - (i) each nominal amount of Credit Linked Structured Notes equal to the lowest Specified Denomination will be redeemed by the Issuer by payment of the Redemption Amount on the Grace Period Extension Date; and



- (ii) in the case of interest bearing Structured Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the Grace Period Extension Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; and
- (b) where a Failure to Pay has occurred on or prior to the Grace Period Extension Date and Conditions to Settlement are satisfied in the Notice Delivery Period the provisions of Condition 10.2 or Condition 10.3 as applicable shall apply to the Structured Notes.

## 10.6 Maturity Date Extension

If on (A) the Scheduled Maturity Date or, (B) the Repudiation/Moratorium Evaluation Date, or (C) if Grace Period Extension is specified as applying in the applicable Pricing Supplement, the Grace Period Extension Date, as the case may be, Conditions to Settlement have not been satisfied but, in the opinion of the Calculation Agent, a Credit Event may have occurred, the Calculation Agent may notify the Noteholders in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments and inform the Luxembourg Stock Exchange that the Scheduled Maturity Date, the Grace Period Extension Date or the Repudiation/Moratorium Evaluation Date, as the case may be, has been postponed to a date (such date the **Postponed Maturity Date**) specified in such notice falling 15 calendar days after the Scheduled Maturity Date, the Grace Period Extension Date or the Repudiation/Moratorium Evaluation Date, as the case may be, and:

- (a) where Conditions to Settlement are not satisfied on or prior to the Postponed Maturity Date:
  - (i) subject as provided below each nominal amount of Credit-Linked Structured Notes equal to the Specified Denomination will be redeemed by the Issuer by payment of the Redemption Amount on the Postponed Maturity Date; and
  - (ii) in the case of interest bearing Structured Notes, the Issuer shall be obliged to pay interest calculated as provided herein accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the Postponed Maturity Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; and
- (b) where Conditions to Settlement are satisfied on or prior to the Postponed Maturity Date, the provisions of Condition 10.2 or 10.3 as applicable shall apply to the Structured Notes.

## 10.7 Physical Delivery

- (a) If any Credit Linked Note, is to be redeemed by delivery of the Asset Amount, in order to obtain delivery of the Asset Amount(s) in respect of any Note:

- (i) if such Note is represented by a Global Note or the relevant Noteholder must deliver to Euroclear or Clearstream, Luxembourg, with a copy to the Issuer not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice; and
- (ii) if such Note is in definitive form the relevant Noteholder must deliver to any Paying Agent and the Registrar (if applicable) with a copy to the Issuer not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice.

Forms of the Asset Transfer Notice may be obtained during normal business hours from the specified office of any Paying Agent and the Registrar (if applicable).

An Asset Transfer Notice may only be delivered (i) if such Note is represented by a Global Note in such manner as is acceptable to Euroclear or Clearstream, Luxembourg, or if such Note is in definitive form in writing or by tested telex.

If this Note is in definitive form this Note must be delivered together with the duly completed Asset Transfer Notice.

An Asset Transfer Notice must:

- (A) specify the name and address of the relevant Noteholder, the person from whom the Issuer may obtain details for the delivery of the Asset Amount and any details required for delivery of the Asset Amount set out in the applicable Pricing Supplement;
- (B) in the case of Structured Notes represented by a Global Note specify the nominal amount of Structured Notes which are the subject of such notice and the number of the Noteholder's account at Euroclear or Clearstream, Luxembourg, to be debited with such Structured Notes and irrevocably instruct and authorise Euroclear or Clearstream, Luxembourg to debit the relevant Noteholder's account with such Structured Notes on or before the Settlement Date;
- (C) include an undertaking to pay all Delivery Expenses and, in the case of Structured Notes represented by a Global Note an authority to debit a specified account of the Noteholder at Euroclear or Clearstream, Luxembourg in respect thereof and to pay such Delivery Expenses;
- (D) specify an account to which any amounts payable pursuant to Condition 10(h) or any other cash amounts specified in the applicable Pricing Supplement as being payable are to be paid;
- (E) authorise the production of such notice in any applicable administrative or legal proceedings.

No Asset Transfer Notice may be withdrawn after receipt thereof by Euroclear or Clearstream, Luxembourg, or a Paying Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice, the relevant Noteholder may not transfer the Structured Notes which are the subject of such notice.

In the case of Structured Notes represented by a Global Note upon receipt of such notice, and in the case of Structured Notes in definitive form the relevant Note, the relevant Paying Agent, Euroclear or Clearstream, Luxembourg or the Registrar as the case may be, shall

verify that the person specified therein as the accountholder or registered holder, as the case may be, is the holder of the specified nominal amount of Structured Notes according to its books or the Register, as the case may be.

Failure properly to complete and deliver an Asset Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided in these Terms and Conditions shall be made, in the case of Structured Notes represented by a Global Note or evidenced by a Global Certificate or if the Structured Notes are held within the Euroclear Netherlands system, by Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or the Registrar, as the case may be, after consultation with the Issuer and shall be conclusive and binding on the Issuer and the relevant Noteholder and, in the case of Structured Notes in definitive form, by the relevant Paying Agent after consultation with the Issuer, and shall be conclusive and binding on the Issuer and the relevant Noteholder.

Delivery of the Asset Amount in respect of each Note shall be made at the risk of the relevant Noteholder in such commercially reasonable manner as the Calculation Agent shall in its sole discretion determine and notify to the person designated by the Noteholder in the relevant Asset Transfer Notice or in such manner as is specified in the applicable Pricing Supplement.

If a Noteholder fails to give an Asset Transfer Notice as provided herein on or prior to the Cut-Off Date specified in the applicable Pricing Supplement, the Issuer will, subject as provided above, deliver the Deliverable Obligations constituting the Asset Amount in respect of the relevant Structured Notes as soon as practicable after the receipt of the duly completed Asset Transfer Notice, Provided That if, in respect of a Note, a Noteholder fails to give an Asset Transfer Notice prior to the day falling 180 calendar days after the Cut-Off Date, the Issuer's obligations in respect of such Structured Notes shall be discharged and the Issuer shall have no liability in respect thereof.

- (b) All Delivery Expenses arising from the delivery of the Asset Amount in respect of such Structured Notes shall be for the account of the relevant Noteholder and no delivery of the Asset Amount shall be made until all Delivery Expenses have been paid to the satisfaction of the Issuer by the relevant Noteholder.

After delivery of the Asset Amount and for the Intervening Period, none of the Issuer, the Calculation Agent nor any other person shall at any time (i) be under any obligation to deliver or procure delivery to any Noteholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of such securities or obligations, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to such securities or obligations or (iii) be under any liability to a Noteholder in respect of any loss or damage which such Noteholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of such securities or obligations. In relation to each Deliverable Obligation constituting the Asset Amount the Issuer will Deliver or procure the Delivery of the relevant Deliverable Obligation as provided below on the Settlement Date Provided That if all or some of the Deliverable Obligations included in the Asset Amount are Undeliverable Obligations and/or Hedge Disruption Obligations, then the Issuer shall continue to attempt to Deliver all or a portion of such Undeliverable Obligations or Hedge Disruption Obligations, as the case may be, on or before the 30th Business Day following the Settlement Date (the **Final Delivery Date**),

Provided further that if all or a portion of such Undeliverable Obligations or Hedge Disruption Obligations, as the case may be, are not Delivered by the Final Delivery Date the provisions of Condition 10.8 shall apply.

## 10.8 Partial Cash Settlement

If all or a portion of the Undeliverable Obligations or Hedge Disruption Obligations comprising the Asset Amount are not Delivered by the Final Delivery Date, the Issuer shall give notice (a **Cash Settlement Notice**) to the Noteholders in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments and the Issuer shall pay in respect of each Undeliverable Obligation or Hedging Disruption Obligation, as the case may be, the Cash Settlement Amount on the Cash Settlement Date.

In the Cash Settlement Notice the Issuer must give details of why it is unable to deliver the relevant Undeliverable Obligations or Hedging Disruption Obligation, as the case may be.

Unless otherwise specified in the applicable Pricing Supplement, for the purposes of this Condition 10(8) the following terms are deemed to have the meanings:

**Cash Settlement Amount** is deemed to be, for each Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, an amount calculated by the Calculation Agent equal to the greater of (i) (A) the Outstanding Principal Balance, Due and Payable Amount or Currency Amount, as applicable, of each Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, multiplied by (B) the Final Price with respect to such Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, less (C) Unwind Costs, if any (but excluding any Unwind Costs already taken into account in calculating the relevant Asset Amount), and (ii) zero.

**Cash Settlement Date** is deemed to be the date falling three Business Days after the calculation of the Final Price.

**Indicative Quotation** means, in accordance with the Quotation Method, each quotation obtained from a Quotation Dealer at the Valuation Time for (to the extent reasonably practicable) an amount of the Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, equal to the Quotation Amount, which reflects such Quotation Dealer's reasonable assessment of the price of such Undeliverable Obligation based on such factors as such Quotation Dealer may consider relevant, which may include historical prices and recovery rates.

**Market Value** means, with respect to an Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, on a Valuation Date, (i) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the same highest and lowest values (and, if more than one such Full Quotations have the same highest or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (ii) if exactly three Full Quotations are obtained, the Full Quotations remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (iii) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; (iv) if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation; (v) if Indicative Quotations are specified as applying in the applicable Pricing Supplement and exactly three Indicative Quotations are obtained, the Indicative Quotation remaining after disregarding the highest and lowest Indicative Quotations (and, if more than one such Indicative Quotations have the same highest or lowest value, then one of such highest or lowest Indicative Quotations shall be disregarded); (vi) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are obtained) then, subject to paragraph (b) of the definition of "Quotation" below, an amount as determined by the Calculation Agent on

the next Business Day on which at least two Full Quotations or a Weighted Average Quotation or, if applicable, three Indicative Quotations are obtained; and (vii) if the Quotations are deemed to be zero, the Market Value shall be zero.

**Quotation** means each Full Quotation, the Weighted Average Quotation and, if Indicative Quotations are specified as applying in the applicable Pricing Supplement, each Indicative Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

- (a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers, and, if two or more Full Quotations are not available, a Weighted Average Quotation. If two or more such Full Quotations or a Weighted Average Quotation are not available on any such Business Day and Indicative Quotations are specified as applying in the applicable Pricing Supplement, the Calculation Agent shall attempt to obtain three Indicative Quotations from five or more Quotation Dealers.
- (b) If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation (or, if Indicative Quotations are specified as applying in the applicable Pricing Supplement, three Indicative Quotations) on the same Business Day on or prior to the tenth Business Day following the Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day of, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.
- (c) The Calculation Agent shall determine, based on the then current market practice in the market of the relevant Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.
- (d) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the Outstanding Principal Balance for purposes of determining the Final Price.

**Quotation Amount** is deemed to be, with respect to each type or issue of Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, an amount equal to the Outstanding Principal Balance or Due and Payable Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained), as applicable, of such Undeliverable Obligation or Hedge Disruption Obligations, as the case may be.

**Quotation Method** is deemed to be Bid.

**Reference Obligation** is deemed to be each Undeliverable Obligation or Hedge Disruption Obligations, as the case may be.

**Valuation Method** is deemed to be Highest unless fewer than two Full Quotations are obtained or a Weighted Average Quotation applies (or, if applicable, Indicative Quotations), in which case "Valuation Method" is deemed to be Market.

**Valuation Time** is the time specified as such in the applicable Pricing Supplement, or, if no time is so specified, 11.00 a.m. in the principal trading market for the Undeliverable Obligation or Hedge Disruption Obligations, as the case may be.

**Weighted Average Quotation** means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, with an Outstanding Principal Balance of as large a Amount as available but less than the Quotation Amount that in aggregate are approximately equal to the Quotation Amount.

#### **10.9 Redemption following a Merger Event**

In the event that in the determination of the Calculation Agent a Merger Event has occurred, the Issuer may give notice to the Noteholders in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments and redeem the Structured Notes at the Early Redemption Amount on the Merger Event Redemption Date.

#### **10.10 Definitions applicable to Credit Linked Notes**

**Accreted Amount** means, with respect to an Accreting Obligation, an amount equal to (a) the sum of (i) the original issue price of such obligation and (ii) the portion of the amount payable at maturity that has accreted in accordance with the terms of the obligation (or as otherwise described below), less (b) any cash payments made by the obligor thereunder that, under the terms of such obligation, reduce the amount payable at maturity (unless such cash payments have been accounted for in (a)(ii) above), in each case calculated as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Delivery Date or applicable Valuation Date, as the case may be. Such Accreted Amount shall include any accrued and unpaid periodic cash interest payments (as determined by the Calculation Agent in its sole and absolute discretion) only if "Include Accrued Interest" is specified as being applicable in the applicable Pricing Supplement. If an Accreting Obligation is expressed to accrete pursuant to a straight-line method or if such Obligation's yield to maturity is not specified in, nor implied from, the terms of such Obligation, then, for the purposes of (a)(ii) above, the Accreted Amount shall be calculated using a rate equal to the yield to maturity of such Obligation. Such yield shall be determined on a semi-annual bond equivalent basis using the original issue price of such obligation and the amount payable at the scheduled maturity of such obligation, and shall be determined as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Delivery Date or applicable Valuation Date, as the case may be. The Accreted Amount shall exclude, in the case of an Exchangeable Obligation, any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

**Accreting Obligation** means any obligation (including, without limitation, a Convertible Obligation or an Exchangeable Obligation), the terms of which expressly provide for an

amount payable upon acceleration equal to the original issue price (whether or not equal to the face amount thereof) plus an additional amount or amounts (on account of original issue discount or other accruals of interest or principal not payable on a periodic basis) that will or may accrete, whether or not (a) payment of such additional amounts is subject to a contingency or determined by reference to a formula or index, or (b) periodic cash interest is also payable.

**Asset Amount** means, in respect of each nominal amount of Structured Notes equal to the lowest Specified Denomination, Deliverable Obligations, as selected by the Calculation Agent in its sole and absolute discretion, with:

- (a) in the case of Deliverable Obligations that are Borrowed Money, an Outstanding Principal Balance (including accrued but unpaid interest (as determined by the Calculation Agent) if "Include Accrued Interest" is specified as applying in the applicable Pricing Supplement, but excluding accrued but unpaid interest if "Exclude Accrued Interest" is specified as applying in the applicable Pricing Supplement, and if neither "Include Accrued Interest" nor "Exclude Accrued Interest" is specified as applying in the applicable Pricing Supplement, excluding accrued but unpaid interest); or
- (b) in the case of Deliverable Obligations that are not Borrowed Money, a Due and Payable Amount,

(or, in the case of either (i) or (ii), the equivalent Currency Amount of any such amount), in an aggregate amount as of the relevant Delivery Date equal to the lowest Specified Denomination less, if Unwind Costs are specified as applying in the applicable Pricing Supplement, Deliverable Obligations with a market value determined by the Calculation Agent in its sole and absolute discretion on the Business Day selected by the Calculation Agent falling during the period from and including the Credit Event Determination Date to and including the Delivery Date equal to Unwind Costs.

If an obligation by its terms represents or contemplates an obligation to pay an amount greater than the Outstanding Principal Balance of such obligation as of the Delivery Date as a result of the occurrence or non-occurrence of an event or circumstance, the Outstanding Principal Balance of such obligation shall not include any additional amount that would be payable upon the occurrence or non-occurrence of such event or circumstance.

**Asset Transfer Notice** means a duly completed asset transfer notice substantially in the form set out in the Fiscal Agency Agreement.

**Bankruptcy** means a Reference Entity:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or

liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within 30 calendar days of the institution or presentation thereof or before the Maturity Date, whichever is earlier;

- (e) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 calendar days thereafter or before the Maturity Date, whichever is earlier; or
- (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has any analogous effect to any of the events specified in clauses (a) to (g) (inclusive).

**Best Available Information** means:

- (a) in the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes unconsolidated, pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such information to its shareholders, creditors or other persons whose approval of the Succession Event is required, that unconsolidated, pro forma financial information and, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Calculation Agent makes its determination for the purposes of the definition of "Successor", other relevant information that is contained in any written communication provided by the Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or
- (b) in the case of a Reference Entity which does not file with its primary securities regulators or primary stock exchange, or which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in (i) above, the best publicly available information at the disposal of the Calculation Agent to allow it to make a determination for the purposes of the definition of "Successor".

Information which is made available more than 14 calendar days after the legally effective date of the Succession Event shall not constitute "Best Available Information".

**Calculation Agent City Business Day** means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the Calculation Agent City.

**Conditionally Transferable Obligation** means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified



Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds, provided, however, that a Deliverable Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Deliverable Obligation other than Bond (or the consent of the relevant obligor if a Reference Entity is guaranteeing such Deliverable Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Deliverable Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to be a requirement for consent for purposes of this definition of "Conditionally Transferable Obligation".

For purposes of determining whether a Deliverable Obligation satisfies the requirements of the definition of Conditionally Transferable Obligation, such determination shall be made as of the Delivery Date for the Deliverable Obligation, taking into account only the terms of the Deliverable Obligation and any related transfer or consent documents which have been obtained by the Issuer.

**Conditions to Settlement** means the delivery by the Calculation Agent to the Issuer of a Credit Event Notice that is effective and if notice of Publicly Available Information is specified as applying in the applicable Pricing Supplement, a Notice of Publicly Available Information, that is effective, in each case, during the Notice Delivery Period.

**Convertible Obligation** means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the Issuer or of (or for the benefit of) the holders of such obligation).

**Credit Event** means the occurrence during the Notice Delivery Period of any one or more of the Credit Events specified in the applicable Pricing Supplement which may include Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring, or any additional Credit Event specified in the applicable Pricing Supplement, as determined by the Calculation Agent.

If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defense based upon:

- (a) any lack or alleged lack of authority or capacity of a Reference Entity to enter into any Obligation or, as applicable, an Underlying Obligor to enter into any Underlying Obligation;
- (b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation, however described;
- (c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described; or

- (d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

**Credit Event Notice** means an irrevocable notice from the Calculation Agent (which may be by telephone) to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Credit Event that occurred at or after 12.01 a.m. Greenwich Mean Time on the Trade Date and at or prior to 11.59 p.m., Greenwich Mean Time, the latest of:

- (a) the Scheduled Maturity Date;
- (b) where "Grace Period Extension" is specified as applying in the applicable Pricing Supplement, the Grace Period Extension Date if (i) the Credit Event that is the subject of the Credit Event Notice is a Failure to Pay that occurs after the Scheduled Maturity Date; and (ii) the Potential Failure to Pay with respect to such Failure to Pay occurs at or prior to 11.59 p.m., Greenwich Mean Time, on the Scheduled Maturity Date; and
- (c) the Repudiation/Moratorium Evaluation Date if:
  - (i) the Credit Event that is the subject of the Credit Event Notice is a Repudiation/Moratorium that occurs after the Scheduled Maturity Date;
  - (ii) the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs at or prior to 11.59 p.m., Greenwich Mean Time, on the Scheduled Maturity Date; and
  - (iii) the Repudiation/Moratorium Extension Condition is satisfied.

A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective. A Credit Event Notice shall also be delivered to the Luxembourg Stock Exchange and must be subject to the requirements regarding notices set out in Condition 10.13.

**Credit Event Redemption Amount** means the amount specified as such in the applicable Pricing Supplement or if no such amount is specified in the applicable Pricing Supplement, an amount calculated by the Calculation Agent equal to:

$$(A \times B) - C$$

where:

"A" is the lowest Specified Denomination;

"B" is the Final Price; and

"C" is Unwind Costs,

provided that in no event shall the Credit Event Amount be less than zero.

**Credit Event Redemption Date** means the day falling the number of Business Days specified in the applicable Pricing Supplement after the calculation of the Final Price.

**Currency Amount** means, whenever an amount is denominated in a currency other than the Settlement Currency and is specified to be determined by reference to a Currency Amount, such amount converted to the relevant Settlement Currency using the Currency Rate.

**Currency Rate** means:

- (a) the rate determined by the Calculation Agent equal to the rate of conversion of the currency of the Deliverable Obligation into the Settlement Currency by reference to:
  - (i) if the Settlement Currency is U.S. Dollars, the Federal Reserve Bank of New York 10.00 a.m. (New York time) mid-point rate as displayed on Reuters page FEDSPOT on the date that the Notice of Physical Settlement is deemed given, or in such other commercially reasonable manner as it shall determine; or
  - (ii) if the Settlement Currency is euro, the MEAN price as displayed on Reuters Page EUROFX/1 as of 12.00 p.m. (London time) on the date that the Notice of Physical Settlement is deemed given, or in such other commercially reasonable manner as it shall determine; or
- (b) if the Settlement Currency is not U.S. Dollars or euro, the rate determined by the Calculation Agent in its sole and absolute discretion in a commercially reasonable manner.

**Default Requirement** means the amount specified as such in the applicable Pricing Supplement or its equivalent in the relevant Obligation Currency or, if a Default Requirement is not specified in the applicable Pricing Supplement, USD10,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case, as of the occurrence of the relevant Credit Event.

**Deliver** means to deliver, novate, transfer (including, in the case of a Qualifying Guarantee, transfer of the benefit of the Qualifying Guarantee), assign or sell, as appropriate, in the manner customary for the settlement of the applicable Deliverable Obligations (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title and interest in the Asset Amount to the relevant Noteholder free and clear of any and all liens, charges, claims or encumbrances (including without limitation any counterclaim, defence (other than a counterclaim or defense based on the factors set out in (a) to (d) in the definition of "Credit Event" above or right of set-off by or of the Reference Entity or, as applicable, an Underlying Obligor) provided that if all or a portion of the Asset Amount consists of Direct Loan Participations, **Deliver** means to create (or procure the creation) of a participation in favour of the relevant Noteholder and to the extent that the Deliverable Obligations consist of Qualifying Guarantees, **Deliver** means to Deliver both the Qualifying Guarantee and the Underlying Obligation. "Delivery" and "Delivered" will be construed accordingly. In the case of a Loan, Delivery shall be effected using documentation substantially in the form of the documentation customarily used in the relevant market for Delivery of such Loan at that time.

**Deliverable Obligation** means, subject as provided in Condition 10.3:

- (a) any obligation of a Reference Entity (either directly, as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Pricing Supplement, as provider of any Qualifying Guarantee) determined pursuant to the method described in "(A) Method for Determining Deliverable Obligations" below (but excluding any Excluded Deliverable Obligation specified in the applicable

Pricing Supplement) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defense (other than a counterclaim or defense based on the factors set forth in paragraphs (a) to (d) of the definition of "Credit Event" above) or right of set-off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Delivery Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement;

- (b) subject to the second paragraph of the definition of "Not Contingent" in "(A) Method for Determining Deliverable Obligations" below, each Reference Obligation, unless specified in the applicable Pricing Supplement as an Excluded Deliverable Obligation;
- (c) solely in relation to a Restructuring Credit Event applicable to a Sovereign Reference Entity, any Sovereign Restructured Deliverable Obligation (but excluding any Excluded Deliverable Obligation) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defense (other than a counterclaim or defense based on the factors set forth in paragraphs (a)-(d) of the definition of "Credit Event" above) or right of set-off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Delivery Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement; and
- (d) any Additional Deliverable Obligation of a Reference Entity specified as such in the applicable Pricing Supplement.

**(A) Method for Determining Deliverable Obligations.**

For the purposes of this definition of "Deliverable Obligation", the term "Deliverable Obligation" may be defined as each obligation of each Reference Entity described by the Deliverable Obligation Category specified in the applicable Pricing Supplement, and, subject to (B)(3) below, having each of the Deliverable Obligation Characteristics, if any, specified in the applicable Pricing Supplement, in each case, as of the Delivery Date. The following terms shall have the following meanings:

- (a) **Deliverable Obligation Category** means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan (each as defined in the definition of "Obligation" below, except that, for the purpose of determining Deliverable Obligations, the definition of "Reference Obligations Only" shall be amended to state that no Deliverable Obligation Characteristics shall be applicable to Reference Obligations Only).
- (b) **Deliverable Obligation Characteristics** means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency,

Not Domestic Law, Listed, Not Domestic Issuance (each as defined in the definition of **Obligation** below), Not Contingent, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer where:

- (i) **Not Contingent** means any obligation having as of the Delivery Date and all times thereafter an Outstanding Principal Balance or, in the case of obligations that are not Borrowed Money, a Due and Payable Amount, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall constitute Deliverable Obligations that are Not Contingent if such Deliverable Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (A) to convert or exchange such obligation or (B) to require the issuer to purchase or redeem such obligation (if the issuer has exercised the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the Delivery Date.

If a Reference Obligation is a Convertible Obligation or an Exchangeable Obligation, then such Reference Obligation may be included as a Deliverable Obligation only if the rights referred to in clauses (A) and (B) of paragraph (i) above have not been exercised (or such exercise has been effectively rescinded) on or before the Delivery Date.

- (ii) **Assignable Loan** means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction or organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent;
- (iii) **Consent Required Loan** means a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such loan) or any agent;
- (iv) **Direct Loan Participation** means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of, a contractual right in favour of each Noteholder that provides each Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between each Noteholder and either (A) the Issuer (to the extent that the Issuer is then a lender or a member of the relevant lending syndicate), or (B) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);
- (v) **Transferable** means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction,

provided that none of the following shall be considered contractual, statutory or regulatory restrictions:

- (A) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or
- (B) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds;
- (vi) **Maximum Maturity** means an obligation that has a remaining maturity from the Settlement Date of not greater than the period specified in the applicable Pricing Supplement;
- (vii) **Accelerated or Matured** means an obligation under which the total amount owed, whether at maturity, by reason of acceleration, upon termination or otherwise (other than amounts in respect of default interest, indemnities, tax gross-ups and other similar amounts), is, or on or prior to the Delivery Date will be, due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws; and
- (viii) **Not Bearer** means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via Euroclear, Clearstream, Luxembourg or any other internationally recognised clearing system.

**(B) Interpretation of Provisions.**

- (a) If the Obligation Characteristic "Listed" is specified in the applicable Pricing Supplement, the Pricing Supplement shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Obligation Category;
- (b) if (i) either of the Deliverable Obligation Characteristics "Listed" or "Not Bearer" is specified in the applicable Pricing Supplement, the Pricing Supplement shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Deliverable Obligation Category; (ii) the Deliverable Obligation Characteristic "Transferable" is specified in the applicable Pricing Supplement, the Pricing Supplement shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Deliverable Obligations that are not Loans (and shall only be relevant to the extent that obligations other than Loans are covered by the selected Deliverable Obligation Category); or (iii) any of the Deliverable Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan Participation" is specified in the applicable Pricing Supplement, the Pricing Supplement shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans and shall only be relevant if Loans are covered by the selected Deliverable Obligation Category;

- (c) if any of Payment, Borrowed Money, Loan or Bond or Loan is specified as the Deliverable Obligation Category and more than one of Assignable Loan, Consent Required Loan and Direct Loan Participation are specified as Deliverable Obligation Characteristics, the Deliverable Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics specified and need not satisfy all such Deliverable Obligation Characteristics; and
- (d) in the event that an Obligation or a Deliverable Obligation is a Qualifying Guarantee, the following will apply:
  - (i) For purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Qualifying Guarantee shall be deemed to be described by the same category or categories as those that describe the Underlying Obligation.
  - (ii) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the applicable Pricing Supplement from the following list: Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified in the applicable Pricing Supplement, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.
  - (iii) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Qualifying Guarantee must satisfy on the relevant date the Obligation Characteristic or the Deliverable Obligation Characteristic of Not Subordinated, if specified in the applicable Pricing Supplement.
  - (iv) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the applicable Pricing Supplement from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.
  - (v) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
  - (vi) The terms "Outstanding Principal Balance" and "Due and Payable Amount" (as they are used in the Terms and Conditions, including without limitation, the definitions of "Cash Settlement Amount" and "Quotation Amount" in Condition 10(h)), when used in connection with Qualifying Guarantees are to be interpreted to be the then "Outstanding Principal

Balance" or "Due and Payable Amount", as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee.

For the avoidance of doubt the provisions of this paragraph (B) apply in respect of the definitions of Obligation and Deliverable Obligation as the context admits.

**Delivery Date** means, with respect to a Deliverable Obligation, the date such Deliverable Obligation is Delivered.

**Delivery Expenses** means all costs, taxes, duties and/or expenses, including stamp duty, stamp duty reserve tax and/or other costs, duties or taxes arising from the Delivery of the Asset Amount.

**Domestic Currency** means the currency specified as such in the applicable Pricing Supplement and any successor currency. If no currency is specified in the applicable Pricing Supplement, the Domestic Currency shall be the lawful currency and any successor currency of (a) the relevant Reference Entity, if the Reference Entity is a Sovereign, or (b) the jurisdiction in which the relevant Reference Entity is organised, if the Reference Entity is not a Sovereign. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro (or any successor currency to any such currency).

**Downstream Affiliate** means an entity, at the date of the event giving rise to the Credit Event which is the subject of the Credit Event Notice, the Delivery Date or the time of identification of a Substitute Reference Obligation (as applicable), whose outstanding Voting Shares are more than 50 per cent. owned, directly or indirectly, by the Reference Entity. "Voting Shares" shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

**Due and Payable Amount** means, subject as provided in sub-paragraph (d)(vi) of paragraph (B) (Interpretation of Provisions) in the definition of Deliverable Obligation, the amount that is due and payable under (and in accordance with the terms of) a Deliverable Obligation on the Delivery Date, whether by reason of acceleration, maturity, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts).

**Eligible Transferee** means each of the following:

- (a)
  - (i) any bank or other financial institution;
  - (ii) an insurance or reinsurance company;
  - (iii) a mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in sub-paragraph (c)(i) below); and
  - (iv) a registered or licensed broker or dealer (other than a natural person or proprietorship), provided, however, in each case that such entity has total assets or at least U.S.\$500 million;
- (b) an Affiliate of an entity specified in the preceding sub-paragraph (a);
- (c) each of a corporation, partnership, proprietorship, organisation, trust or other entity:



- (i) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special purpose vehicle) that (1) has total assets of at least U.S.\$100 million or (2) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least U.S.\$100 million;
  - (ii) that has total assets of at least U.S.\$500 million; or
  - (iii) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support, or other agreement by an entity described in sub-paragraphs (a), (b), (c)(ii) or (d); and
- (d) a Sovereign, Sovereign Agency or Supranational Organisation;

All references in this definition to U.S.\$ include equivalent amounts in other currencies.

**Equity Securities** means:

- (a) in the case of a Convertible Obligation, equity securities (including options and warrants) of the issuer of such obligation or depositary receipts representing equity securities of the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time; and
- (b) in the case of an Exchangeable Obligation, equity securities (including options and warrants) of a person other than the issuer of such obligation or depositary receipts representing those equity securities of a person other than the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time.

**Exchangeable Obligation** means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

**Excluded Deliverable Obligation** means any obligation of a Reference Entity specified as such or of a type described in the applicable Pricing Supplement.

**Excluded Obligation** means any obligation of a Reference Entity specified as such or of a type described in the applicable Pricing Supplement.

**Failure to Pay** means after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations in accordance with the terms of such Obligations at the time of such failure.

**Final Price** means the price of the Reference Obligation, expressed as a percentage, determined in accordance with the Valuation Method specified in the applicable Pricing Supplement. The Calculation Agent shall as soon as practicable after obtaining all Quotations for a Valuation Date, make available for inspection by Noteholders at the specified office of the Fiscal Agent and, for so long as the Structured Notes are listed on the Luxembourg Stock

Exchange at the office of the Paying Agent in Luxembourg (i) each such Quotation that it receives in connection with the calculation of the Final Price and (ii) a written computation showing its calculation of the Final Price.

**Full Quotation** means, in accordance with the Quotation Method each firm quotation obtained from a Quotation Dealer at the Valuation Time, to the extent reasonably practicable, for an amount of the Reference Obligation with an Outstanding Principal Balance equal to the Quotation Amount.

**Fully Transferable Obligation** means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required in the case of any Deliverable Obligation other than Bonds. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered as a requirement for consent for purposes of this definition of "Fully Transferable Obligation". For purposes of determining whether a Deliverable Obligation satisfies the requirements of this definition of "Fully Transferable Obligation", such determination shall be made as of the Delivery Date for the relevant Deliverable Obligation, taking into account only the terms of the Deliverable Obligation and any related transfer or consent documents which have been obtained by the Issuer.

**Governmental Authority** means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a Reference Entity or of the jurisdiction of organisation of a Reference Entity.

**Grace Period** means:

- (a) subject to paragraphs (b) and (c) below, the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the later of the Trade Date and the date as of which such Obligation is issued or incurred;
- (b) if Grace Period Extension is specified as applying in the applicable Pricing Supplement, a Potential Failure to Pay has occurred on or prior to the Scheduled Maturity Date and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Maturity Date, the Grace Period shall be deemed to be the lesser of such grace period and the period specified as such in the applicable Pricing Supplement or, if no period is specified in the applicable Pricing Supplement, 30 calendar days; and
- (c) if, at the later of the Trade Date and the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; provided that, unless Grace Period Extension is specified as applying in the applicable Pricing Supplement, such deemed Grace Period shall expire no later than the Scheduled Maturity Date.

**Grace Period Business Day** means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified

for that purpose in the relevant Obligation and if a place or places are not so specified, in the jurisdiction of the Obligation Currency.

**Grace Period Extension Date** means, if:

- (a) Grace Period Extension is specified as applying in the applicable Pricing Supplement; and
- (b) a Potential Failure to Pay occurs on or prior to the Scheduled Maturity Date,

the day that is five Business Days following the day falling the number of days in the Grace Period after the date of such Potential Failure to Pay.

**Hedge Disruption Event** means in the opinion of the Calculation Agent any event as a result of which the Issuer and/or any of its Affiliates has not received the relevant Deliverable Obligations under the terms of any transaction entered into by the Issuer and/or such Affiliate to hedge the Issuer's obligations or position in respect of the Structured Notes.

**Hedge Disruption Obligation** means a Deliverable Obligation included in the Asset Amount which, on the Settlement Date for such Deliverable Obligation, the Calculation Agent determines cannot be Delivered as a result of a Hedge Disruption Event.

**Market Value** means, with respect to a Reference Obligation on a Valuation Date:

- (a) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (b) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (c) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations;
- (d) if fewer than two Full Quotations and a Weighted Average Quotation is obtained, such Weighted Average Quotation;
- (e) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained, subject as provided in the definition of Quotation, an amount as determined by the Calculation Agent on the next Business Day on which two or more Full Quotations or a Weighted Average Quotation is obtained; and
- (f) if two or more Full Quotations or a Weighted Average Quotation are not obtained on or prior to the tenth Business Day following the applicable Valuation Date the Market Value shall be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

**Merger Event** means that at any time during the period from (and including) the Trade Date to (but excluding) the Maturity Date the Issuer or a Reference Entity consolidates or amalgamates with, or merges into, or transfers all or substantially all of its assets to, a Reference Entity or the Issuer, as applicable, or the Issuer and a Reference Entity become Affiliates.

**Minimum Quotation Amount** means the amount specified as such in the applicable Pricing Supplement (or its equivalent in the relevant Obligation Currency) or, if no amount is so specified, the lower of (a) USD1,000,000 (or its equivalent in the relevant Obligation Currency) and (b) the Quotation Amount.

**Modified Eligible Transferee** means any bank, financial institution or other entity which is regularly engaged in an established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

**Modified Restructuring Maturity Limitation Date** means, with respect to a Deliverable Obligation, the date that is the later of (x) the Scheduled Maturity Date and (y) 60 months following the Restructuring Date in the case of a Restructured Bond or Loan, or 30 months following the Restructuring Date in the case of all other Deliverable Obligations.

**Notice Delivery Period** means the period from and including the Trade Date to and including (a) the Scheduled Maturity Date; (b) the Grace Period Extension Date if (i) "Grace Period Extension" is specified as applying in the applicable Pricing Supplement, (ii) the Credit Event that is the subject of the Credit Event Notice is a Failure to Pay that occurs after the Scheduled Maturity Date, and (iii) the Potential Failure to Pay with respect to such Failure to Pay occurs on or prior to the Scheduled Maturity Date; or (c) the Repudiation/Moratorium Evaluation Date if (i) the Credit Event that is the subject of the Credit Event Notice is a Repudiation/Moratorium that occurs after the Scheduled Maturity Date, (ii) the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date and (iii) the Repudiation/Moratorium Extension Condition is satisfied.

**Notice of Publicly Available Information** means an irrevocable notice from the Calculation Agent (which may be by telephone) to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that cites Publicly Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium, as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. In relation to a Repudiation/Moratorium Credit Event, the Notice of Publicly Available Information must cite Publicly Available Information confirming the occurrence of both clauses (i) and (ii) of the definition of Repudiation/Moratorium. The notice given must contain a copy or description in reasonable detail, of the relevant Publicly Available Information. If Notice of Publicly Available Information is specified as applying in the applicable Pricing Supplement and a Credit Event Notice or Repudiation/Moratorium Extension Notice, as applicable, contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information. A Notice of Publicly Available Information shall be subject to the requirements regarding notices in Condition 10(m).

**Obligation** means:

- (a) any obligation of a Reference Entity (either directly, as a provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Pricing Supplement, as provider of any Qualifying Guarantee) determined pursuant to

the method described in "Method for Determining Obligations " below (but excluding any Excluded Obligation);

- (b) each Reference Obligation specified in the applicable Pricing Supplement, unless specified as an Excluded Obligation; and
- (c) any Additional Obligation of a Reference Entity specified as such in the applicable Pricing Supplement.

Method for Determining Obligations. For the purposes of paragraph (a) of this definition of "Obligation", the term "Obligation" may be defined as each obligation of each Reference Entity described by the Obligation Category specified in the applicable Pricing Supplement, and having each of the Obligation Characteristics (if any) specified in the applicable Pricing Supplement, in each case, as of the date of the event which constitutes the Credit Event which is the subject of the Credit Event Notice. The following terms shall have the following meanings:

- (a) **Obligation Category** means Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in the applicable Pricing Supplement, where:
  - (i) **Payment** means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;
  - (ii) **Borrowed Money** means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);
  - (iii) **Reference Obligations Only** means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;
  - (iv) **Bond** means any obligation of a type included in the "Borrowed Money" Obligation Category that is in the form of, or represented by, a bond, note (other than Structured notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money;
  - (v) **Loan** means any obligation of a type included in the "Borrowed Money" Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money; and
  - (vi) **Bond or Loan** means any obligation that is either a Bond or a Loan.
- (b) **Obligation Characteristics** means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance specified in the applicable Pricing Supplement, where:

- (i) (A) **Not Subordinated** means an obligation that is not Subordinated to the most senior Reference Obligation in priority of payment or, if no Reference Obligation is specified in the applicable Pricing Supplement, any unsubordinated Borrowed Money obligation of the Reference Entity. For purposes of determining whether an obligation satisfies the "Not Subordinated" Obligation Characteristic or Deliverable Obligation Characteristic, the ranking in priority of payment of each Reference Obligation shall be determined as of the later of (1) the Trade Date specified in the applicable Pricing Supplement and (2) the date on which such Reference Obligation was issued or incurred and shall not reflect any change to such ranking in priority of payment after such later date;
- (B) **Subordination** means, with respect to an obligation (the **Subordinated Obligation**) and another obligation of the Reference Entity to which such obligation is being compared (the **Senior Obligation**), a contractual, trust or other similar arrangement providing that (i) upon the liquidation, dissolution, reorganisation or winding up of the Reference Entity, claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (ii) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. "Subordinated" will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign;
- (C) **Specified Currency** means an obligation that is payable in the currency or currencies specified as such in the applicable Pricing Supplement (or, if Specified Currency is specified in the applicable Pricing Supplement and no currency is so specified, any of the lawful currencies of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies, which currencies shall be referred to collectively in the applicable Pricing Supplement as the **Standard Specified Currencies**);
- (D) **Not Sovereign Lender** means any obligation that is not primarily owned to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as "Paris Club debt";
- (E) **Not Domestic Currency** means any obligation that is payable in any currency other than the Domestic Currency;
- (F) **Not Domestic Law** means any obligation that is not governed by the laws of (a) the relevant Reference Entity, if such Reference Entity is

a Sovereign, or (b) the jurisdiction of organisation of the relevant Reference Entity, if such Reference Entity is not a Sovereign;

- (G) **Listed** means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and
- (H) **Not Domestic Issuance** means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the relevant Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the relevant Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity.

**Obligation Acceleration** means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event or default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

**Obligation Currency** means the currency or currencies in which the Obligation is denominated.

**Obligation Default** means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default, or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

**Outstanding Principal Balance** means, subject as provided in sub-paragraph (d)(vi) of paragraph (B) (Interpretation of Provisions) in the definition of Deliverable Obligation:

- (a) with respect to any Accreting Obligation, the Accreted Amount thereof; and
- (b) with respect to any other obligation, the outstanding principal balance of such obligation,

Provided That with respect to any Exchangeable Obligation that is not an Accreting Obligation, "Outstanding Principal Balance" shall exclude any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

**Payment Requirement** means the amount specified as such in the applicable Pricing Supplement or its equivalent in the relevant Obligation Currency or, if a Payment Requirement is not specified in the applicable Pricing Supplement, USD1,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case, as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

**Permitted Currency** means (a) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership), or (b) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Co-operation and Development and has a local currency long term debt rating of either AAA or higher assigned to it by Standard & Poor's, a division of the McGraw-Hill Companies, Inc. or any successor to the rating business thereof, Aaa or higher assigned to it by Moody's Investors Service or any successor to the rating business thereof or AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.

**Physical Settlement Period** means the number of Business Days specified as such in the applicable Pricing Supplement or, if a number of Business Days is not so specified, then, with respect to a Deliverable Obligation comprising the Asset Amount, the longest number of Business Days for settlement in accordance with then current market practice of such Deliverable Obligation, as determined by the Calculation Agent.

**Potential Failure to Pay** means the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations, in accordance with the terms of such Obligations at the time of such failure.

**Potential Repudiation/Moratorium** means the occurrence of an event described in paragraph (a) of the definition of Repudiation/Moratorium.

**Publicly Available Information** means:

- (a) information that reasonably confirms any of the facts relevant to the determination that the Credit Event or a Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or Repudiation/Moratorium Extension Notice has occurred and which:
  - (i) has been published in or not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information provided that, if either the Calculation Agent or the Issuer or any of their respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless either the Calculation Agent or the Issuer or any of their Affiliates is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation;
  - (ii) is information received from or published by (A) a Reference Entity or, as the case may be, a Sovereign Agency in respect of a Reference Entity which is a Sovereign or (B) a trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation; or
  - (iii) is information contained in any petition or filing instituting a proceeding described in paragraph (d) of the definition of Bankruptcy against or by a Reference Entity; or
  - (iv) is information contained in any order, decree, notice or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.



- (b) In the event that the Calculation Agent is (i) the sole source of information in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation and (ii) a holder of the Obligation with respect to which a Credit Event has occurred, the Calculation Agent shall be required to deliver to the Issuer a certificate signed by a Managing Director (or other substantially equivalent title) of the Calculation Agent, which shall certify the occurrence of a Credit Event with respect to a Reference Entity.
- (c) In relation to any information of the type described in paragraphs (a) (ii), (iii) and (iv) above, the Calculation Agent may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the entity disclosing such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to third parties.
- (d) Publicly Available Information need not state:
  - (i) in relation to the definition of "Downstream Affiliate", the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity; and
  - (ii) that such occurrence:
    - (A) has met the Payment Requirement or Default Requirement;
    - (B) is the result of exceeding any applicable Grace Period; or
    - (C) has met the subjective criteria specified in certain Credit Events.

**Public Source** means each source of Publicly Available Information specified as such in the applicable Pricing Supplement (or if a source is not specified in the applicable Pricing Supplement, each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian Financial Review (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

**Qualifying Affiliate Guarantee** means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity.

**Qualifying Guarantee** means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the **Underlying Obligation**) for which another party is the obligor (the **Underlying Obligor**) and that is not at the time of the Credit Event Subordinated to any unsubordinated Borrowed Money obligation of the Underlying Obligor (with references in the definition of Subordination to the Reference Entity deemed to refer to the Underlying Obligor). Qualifying Guarantees shall exclude any arrangement structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement. The benefit of a Qualifying Guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation.

**Qualifying Participation Seller** means any participation seller that meets the requirements specified in the applicable Pricing Supplement. If no such requirements are specified, there shall be no Qualifying Participation Seller.

**Quotation** means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

- (a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation. If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the tenth Business Day following the applicable Valuation Date the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.
- (b)
  - (i) If "Include Accrued Interest" is specified in the applicable Pricing Supplement in respect of Quotations, such Quotations shall include accrued but unpaid interest;
  - (ii) if "Exclude Accrued Interest" is specified in the applicable Pricing Supplement in respect of Quotations, such Quotations shall not include accrued but unpaid interest; and
  - (iii) if neither "Include Accrued Interest" nor "Exclude Accrued Interest" is specified in the applicable Pricing Supplement in respect of Quotations, the Calculation Agent shall determine based on then current market practice in the market of the Reference Obligation, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.
- (c) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the Outstanding Principal Balance for the purposes of determining the Final Price.

**Quotation Amount** means the amount specified as such in the applicable Pricing Supplement (which may be specified by reference to an amount in a currency or by reference to a Representative Amount) or, if no amount is specified in the applicable Pricing Supplement, the Aggregate Nominal Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained).

**Quotation Dealer** means a dealer in obligations of the type of Obligation(s) for which Quotations are to be obtained other than the Issuer including each Quotation Dealer specified in the applicable Pricing Supplement. If no Quotation Dealers are specified in the applicable Pricing Supplement, the Calculation Agent shall select the Quotation Dealers in its sole and absolute discretion. Upon a Quotation Dealer no longer being in existence (with no successors), or not being an active dealer in the obligations of the type for which Quotations are to be obtained, the Calculation Agent may substitute any other Quotation Dealer(s) for such Quotation Dealer(s).

**Quotation Method** means the applicable Quotation Method specified in the applicable Pricing Supplement by reference to one of the following terms:

- (a) **Bid** means that only bid quotations shall be requested from Quotation Dealers;
- (b) **Offer** means that only offer quotations shall be requested from Quotation Dealers; or
- (c) **Mid-market** means that bid and offer quotations shall be requested from Quotation Dealers and shall be averaged for purposes of determining a relevant Quotation Dealer's quotation.

If a Quotation Method is not specified in the applicable Pricing Supplement, Bid shall apply.

**Reference Entity** means the entity or entities specified as such in the applicable Pricing Supplement. Any Successor to a Reference Entity identified pursuant to the definition of "Successor" in this Condition 10.10 shall be the Reference Entity for the purposes of the relevant Series.

**Reference Obligation** means each obligation specified or of a type described as such in the applicable Pricing Supplement (if any are so specified or described) and any Substitute Reference Obligation.

**Relevant Obligations** means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Calculation Agent. The Calculation Agent will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case.

**Representative Amount** means an amount that is representative for a single transaction in the relevant market and at the relevant time, such amount to be determined by the Calculation Agent.

**Repudiation/Moratorium** means the occurrence of both of the following events:

- (a) an authorised officer of a Reference Entity or a Governmental Authority:
  - (i) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement; or

- (ii) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement; and
- (b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

**Repudiation/Moratorium Evaluation Date** means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date, (i) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the date that is 60 days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period in respect of such payment date) and (ii) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is 60 days after the date of such Potential Repudiation/Moratorium.

**Repudiation/Moratorium Extension Condition** means the delivery of a Repudiation/Moratorium Extension Notice and, if specified as applicable in the applicable Pricing Supplement, Notice of Publicly Available Information by the Calculation Agent to the Issuer that is effective during the period from and including the Trade Date to and including the Scheduled Maturity Date.

**Repudiation/Moratorium Extension Notice** means an irrevocable notice (which may be by telephone) from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Potential Repudiation/Moratorium that occurred on or after the Trade Date and on or prior to the Scheduled Maturity Date. A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not be continuing on the date the Repudiation/Moratorium Extension Notice is effective.

**Restructuring** means, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between a Reference Entity or a Governmental Authority and a sufficient number of holders of the Obligation to bind all the holders of such Obligation or is announced (or otherwise decreed) by a Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Trade Date and the date as of which such Obligation is issued or incurred:

- (a) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
- (b) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;
- (c) a postponement or other deferral of a date or dates for either (i) the payment or accrual of interest or (ii) the payment of principal or premium;

- (d) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
- (e) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency.

Notwithstanding the above provisions, none of the following shall constitute a Restructuring:

- (i) the payment in euro of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
- (ii) the occurrence of, agreement to or announcement of any of the events described in (i) to (v) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
- (iii) the occurrence of, agreement to or announcement of any of the events described in (i) to (v) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.

For purposes of the definition of Restructuring and Condition 10.12, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Pricing Supplement, as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in the definition of Restructuring and the definition of Subordination shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in the second paragraph of this definition of Restructuring shall continue to refer to the Reference Entity.

**Restructured Bond or Loan** means an Obligation which is a Bond or Loan and in respect of which the Restructuring that is the subject of a Credit Event Notice has occurred.

**Restructuring Date** means, with respect to a Restructured Bond or Loan, the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

**Restructuring Maturity Limitation Date** means the date that is the earlier of (a) 30 months following the Restructuring Date and (b) the latest final maturity date of any Restructured Bond or Loan, provided, however, that under no circumstances shall the Restructuring Maturity Limitation Date be earlier than the Scheduled Maturity Date or later than 30 months following the Scheduled Maturity Date.

**Settlement Currency** means the currency specified as such in the applicable Pricing Supplement, or if no currency is specified in the applicable Pricing Supplement, the Specified Currency of the Structured Notes.

**Settlement Date** means the last day of the longest Physical Settlement Period following the satisfaction of Conditions to Settlement (the **Scheduled Settlement Date**) Provided That if a Hedge Disruption Event has occurred and is continuing on the second Business Day immediately preceding the Scheduled Settlement Date, the Settlement Date shall be the earlier

of (a) the second Business Day following the date on which no Hedge Disruption Event subsists and (b) the day falling 60 Business Days following the Scheduled Settlement Date.

**Sovereign** means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority (including without limiting the foregoing, the central bank) thereof.

**Sovereign Agency** means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign.

**Sovereign Restructured Deliverable Obligation** means an Obligation of a Sovereign Reference Entity (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice has occurred and (b) described by the Deliverable Obligation Category specified in the applicable Pricing Supplement, and, subject to paragraph (c) of "(B) Interpretation of Provisions" in the definition of "Deliverable Obligation", having each of the Deliverable Obligation Characteristics, if any, specified in the applicable Pricing Supplement, in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the Obligation would satisfy such Deliverable Obligation Category or Deliverable Obligation Characteristics after such Restructuring.

**Specified Number** means the number of Public Source(s) specified in the applicable Pricing Supplement, or if no number is specified in the applicable Pricing Supplement, two.

**Substitute Reference Obligation** means one or more obligations of the Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Pricing Supplement, as provider of any Qualifying Guarantee) that will replace one or more Reference Obligations, identified by the Calculation Agent in accordance with the following procedures:

- (a) In the event that:
  - (i) a Reference Obligation is redeemed in whole; or
  - (ii) in the opinion of the Calculation Agent (A) the aggregate amounts due under any Reference Obligation have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortisation or prepayments), (B) any Reference Obligation is an Underlying Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms or (C) for any other reason, other than due to the existence or occurrence of a Credit Event, any Reference Obligation is no longer an obligation of a Reference Entity, the Calculation Agent shall identify one or more Obligations to replace such Reference Obligation.
- (b) Any Substitute Reference Obligation or Substitute Reference Obligations shall be an Obligation that (1) ranks *pari passu* (or, if no such Obligation exists, then, at the Issuer's option, an Obligation that ranks senior) in priority of payment with such Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the later of (A) the Trade Date and (B) the date on which such Reference Obligation was issued or incurred and not reflecting any change to such ranking in priority of payment after such later date), (2) preserves the economic equivalent, as closely as practicable as determined by the Calculation

Agent of the delivery and payment obligations of the Issuer and (3) is an obligation of a Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Pricing Supplement, as provider of any Qualifying Guarantee). The Substitute Reference Obligation or Substitute Reference Obligations identified by the Calculation Agent shall, without further action, replace such Reference Obligation or Reference Obligations.

- (c) If more than one specific Reference Obligation is identified as a Reference Obligation in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to one or more but not all of the Reference Obligations, and the Calculation Agent determines that no Substitute Reference Obligation is available for one or more of such Reference Obligations, each Reference Obligation for which no Substitute Reference Obligation is available shall cease to be a Reference Obligation.
- (d) If more than one specific Reference Obligation is identified as a Reference Obligation in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to all of the Reference Obligations, and the Calculation Agent determines that at least one Substitute Reference Obligation is available for any such Reference Obligation, then each such Reference Obligation shall be replaced by a Substitute Reference Obligation and each Reference Obligation for which no Substitute Reference Obligation is available will cease to be a Reference Obligation.
- (e) If:
  - (i) more than one specific Reference Obligation is identified as a Reference Obligation in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to all of the Reference Obligations and the Calculation Agent determines that no Substitute Reference Obligation is available for any of the Reference Obligations; or
  - (ii) only one specific Reference Obligation is identified as a Reference Obligation in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to such Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for that Reference Obligation, then the Calculation Agent shall continue to attempt to identify a Substitute Reference Obligation until the later of (A) the Scheduled Maturity Date, (B) the Grace Period Extension Date (if any) and (C) the Repudiation/Moratorium Evaluation Date (if any). If (i) either Cash Settlement is specified in the applicable Pricing Supplement and the Cash Settlement Amount is determined by reference to a Reference Obligation or Physical Delivery is specified in the applicable Pricing Supplement and the Reference Obligation is the only Deliverable Obligation and (ii) on or prior to the later of (A) the Scheduled Maturity Date, (B) the Grace Period Extension Date or (C) the Repudiation/Moratorium Evaluation Date, a Substitute Reference Obligation has not been identified, the Issuer's obligations under the Structured Notes shall cease as of the later of (A) the Scheduled Maturity Date, (B) the Grace Period Extension Date or (C) the Repudiation/Moratorium Evaluation Date.
- (f) For the purposes of identification of a Reference Obligation, any change in the Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, convert such Reference Obligation into a different Obligation.

- (g) The Luxembourg Stock exchange will be informed on any Substitution of a Reference Obligation.

**Succession Event** means an event such as a merger, de-merger, consolidation, amalgamation, transfer of assets or liabilities, spin off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement. Notwithstanding the foregoing, "Succession Event" shall not include an event in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, demerger, consolidation, amalgamation, transfer of assets or liabilities, spin-off or other similar event.

**Successor** means:

- (a) in relation to a Reference Entity that is not a Sovereign, the entity or entities, if any, determined as set forth below:
- (i) if one entity directly or indirectly succeeds to seventy-five per cent. or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor;
  - (ii) if only one entity directly or indirectly succeeds to more than twenty-five per cent. (but less than seventy-five per cent.) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than twenty-five per cent. of the Relevant Obligations will be the sole Successor;
  - (iii) if more than one entity each directly or indirectly succeed to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with Reference Entity, the entities that succeed to more than twenty-five per cent. of the Relevant Obligations will each be a Successor and these Terms and Conditions and/or the applicable Pricing Supplement will be adjusted as provided below;
  - (iv) if one or more entity each directly or indirectly succeed to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will each be a Successor and these Terms and Conditions and/or the applicable Pricing Supplement will be adjusted as provided below;
  - (v) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity will not be changed in any way as a result of the Succession Event; and
  - (vi) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist,



the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor; and

- (b) in relation to a Sovereign Reference Entity, any direct or indirect successor(s) to that Reference Entity irrespective of whether such successor(s) assumes any of the obligations of such Reference Entity.

In the case of (a) above, the Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than fourteen calendar days after the legally effective date of the Succession Event), and with effect from the legally effective date of the Succession Event, whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable, the Calculation Agent shall use, in respect of each applicable Relevant Obligation included in such calculation, the amount of the liability in respect of such Relevant Obligation listed in the Best Available Information and shall, as soon as practicable after such calculation, make such calculation available for inspection by Noteholder(s) at the specified office of the Fiscal Agent and, for so long as the Structured Notes are listed on the Luxembourg Stock Exchange, at the office of the Paying Agent in Luxembourg.

Where pursuant to paragraph (a)(iii) or (a)(iv) above, more than one Successor has been identified, the Calculation Agent shall adjust such of the Terms and Conditions and/or the applicable Pricing Supplement as it in its sole and absolute discretion acting in a commercially reasonable manner shall determine to be appropriate to reflect that the relevant Reference Entity has been succeeded by more than one Successor and shall determine the effective date of that adjustment. The Calculation Agent shall be deemed to be acting in a commercially reasonable manner if it adjusts such of the Terms and Conditions and/or the applicable Pricing Supplement in such a manner as to reflect the adjustment to and/or division of any credit derivative transaction(s) related to or underlying the Structured Notes under the provisions of the 2003 ISDA Credit Derivatives Definitions.

Upon the Calculation Agent making such adjustment, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments, stating the adjustment to the Terms and Conditions and/or the applicable Pricing Supplement and giving brief details of the relevant Succession Event.

For the purposes of this definition of **Successor, succeed** means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (i) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (ii) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations (or, as applicable, obligations). The determinations required pursuant to paragraph (a) of this definition of "Successor" shall be made, in the case of an exchange offer, on the basis of the Outstanding Principal Balance of Relevant Obligations tendered in the exchange and not on the basis of the Outstanding Principal Balance of Bonds for which Relevant Obligations have been exchanged.

Where:

- (i) a Reference Obligation is specified in the applicable Pricing Supplement; and
- (ii) one or more Successors to the Reference Entity have been identified; and
- (iii) any one or more such Successors have not assumed the Reference Obligation,

a Substitute Reference Obligation will be determined in accordance with the definition of "Substitute Reference Obligation" above.

**Supranational Organisation** means any entity or organisation established by treaty or other arrangement between two or more Sovereigns or the Sovereign Agencies of two or more Sovereigns, and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and the European Bank for Reconstruction and Development.

**Swap Transaction** means a notional credit default swap transaction between the Issuer and a counterparty (the **Swap Counterparty**) with the following terms:

- (a) the Issuer pays amounts equal to and on the same dates as the interest payments under the Structured Notes;
- (b) the Issuer receives an interest amount on each Interest Payment Date calculated on the basis of a reasonable commercial funding rate as determined by the Calculation Agent in its sole and absolute discretion on the basis of the Day Count Fraction and a swap notional amount equal to the Aggregate Nominal Amount of the Structured Notes for the period from the Issue Date to the Scheduled Maturity Date;
- (c) upon the occurrence of Conditions to Settlement, the swap terminates; and:
  - (i) if Physical Settlement is specified as applying in the applicable Pricing Supplement, the Swap Counterparty pays to the Issuer an amount equal to the Aggregate Nominal Amount of the Structured Notes and receives the aggregate Asset Amounts relating to such Structured Notes; or
  - (ii) if Cash Settlement is specified as applying in the applicable Pricing Supplement, the Swap Counterparty pays to the Issuer the Aggregate Nominal Amount of the Structured Notes and receives the Final Price (determined as provided in Condition 10) multiplied by the Aggregate Nominal Amount of the Structured Notes.

**Swap Unwind Amount** means an amount determined by the Calculation Agent equal to the amount (if any) which would be paid by the Issuer (expressed as a positive amount) or to the Issuer (expressed as a negative amount) in consideration of a counterparty of equal creditworthiness to that of the Issuer entering into a swap transaction with the Issuer with the same terms as the Swap Transaction.

**Trade Date** means the date specified as such in the applicable Pricing Supplement.

**Undeliverable Obligation** means a Deliverable Obligation included in the Asset Amount which, on the Settlement Date for such Deliverable Obligation, the Calculation Agent determines for any reason (including without limitation, failure of the relevant clearance system or due to any law, regulation, court order or market conditions or the non-receipt of any requisite consents with respect to the Delivery of Loans) it is impossible or illegal to Deliver on the Settlement Date.

**Unwind Costs** means:

- (a) in the case of redemption pursuant to Condition 10, the amount specified in the applicable Pricing Supplement or if "Standard Unwind Costs" are specified in the applicable Pricing Supplement, an amount determined by the Calculation Agent equal to the sum of (without duplication) all costs, expenses (including loss of funding), tax and duties incurred by the Issuer in connection with the redemption of the Structured Notes and the related termination, settlement or re-establishment of any hedge or related trading position; and
- (b) in the case of redemption for taxation reasons or on an event of default or following a Merger Event, the amount specified in the applicable Pricing Supplement or if "Standard Unwind Costs" are specified in the applicable Pricing Supplement, an amount determined by the Calculation Agent equal to the sum of (without duplication) all costs, expenses (including loss of funding), tax and duties incurred by the Issuer in connection with the early redemption of the Structured Notes, and the related termination, settlement or reestablishment of any hedge or related trading position plus the greater of (i) the Swap Unwind Amount and (ii) zero, such amount to be apportioned *pro rata* amongst each nominal amount of Structured Notes in the Specified Denomination.

**Valuation Date** means (a) where Physical Delivery is specified as applying in the applicable Pricing Supplement the day falling three Business Days after the Final Delivery Date, or (b) where Cash Settlement is specified as applying in the applicable Pricing Supplement, if "Single Valuation Date" is specified in the applicable Pricing Supplement, the date that is the number of Business Days specified in the Pricing Supplement after the Credit Event Determination Date or, if the number of Business Days is not so specified, five Business Days after the Credit Event Determination Date, and if "Multiple Valuation Dates" is specified in the applicable Pricing Supplement, each of the following dates:

- (a) the date that is the number of Business Days specified in the applicable Pricing Supplement after the Credit Event Determination Date (or, if the number of Business Days is not specified, five Business Days); and
- (b) each successive date that is the number of Business Days specified in the applicable Pricing Supplement (or if the number of Business Days is not so specified, five Business Days) after the date on which the Calculation Agent obtains a Market Value with respect to the immediately preceding Valuation Date.

When "Multiple Valuation Dates" is specified in the applicable Pricing Supplement, the total number of Valuation Dates shall be equal to the number of Valuation Dates specified in the applicable Pricing Supplement (or, if the number of Valuation Dates is not so specified, five Valuation Dates).

If neither Single Valuation Date nor Multiple Valuation Dates is specified in the applicable Pricing Supplement, Single Valuation Date shall apply.

**Valuation Method:**

- (a) The following Valuation Methods may be specified in the applicable Pricing Supplement for a Series with only one Reference Obligation and only one Valuation Date:

- (i) **Market** means the Market Value determined by the Calculation Agent with respect to the Valuation Date; or
- (ii) **Highest** means the highest Quotation obtained by the Calculation Agent with respect to the Valuation Date.

If no such Valuation Method is specified in the applicable Pricing Supplement, the Valuation Method shall be highest.

- (b) The following Valuation Methods may be specified in the applicable Pricing Supplement for a Series with only one Reference Obligation and more than one Valuation Date:

- (i) **Average Market** means the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each Valuation Date; or
- (ii) **Highest** means the highest Quotation obtained by the Calculation Agent with respect to any Valuation Date; or
- (iii) **Average Highest** means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent with respect to each Valuation Date.

If no such Valuation Method is specified in the applicable Pricing Supplement, the Valuation Method shall be Average Highest.

- (c) The following Valuation Methods may be specified in the applicable Pricing Supplement for a Series with more than one Reference Obligation and only one Valuation Date:

- (i) **Blended Market** means the unweighted arithmetic mean of the Market Value for each Reference Obligation determined by the Calculation Agent with respect to the Valuation Date; or
- (ii) **Blended Highest** means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent for each Reference Obligation with respect to the Valuation Date.

If no such Valuation Method is specified in the applicable Pricing Supplement, the Valuation Method shall be Blended Highest.

- (d) The following Valuation Methods may be specified in the applicable Pricing Supplement for a Series with more than one Reference Obligation and more than one Valuation Date:

- (i) **Average Blended Market** means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Market Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date; or
- (ii) **Average Blended Highest** means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the

Blended Highest Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date.

If no such Valuation Method is specified in the applicable Pricing Supplement, the Valuation Method shall be Average Blended Highest.

- (e) Notwithstanding paragraphs (a) to (d) above, if Quotations include Weighted Average Quotations or fewer than two Full Quotations, the Valuation Method shall be Market, Average Market, Blended Market or Average Blended Market, as the case may be.

**Valuation Time** means the time specified as such in the applicable Pricing Supplement or, if no time is so specified, 11.00 a.m. in the principal trading market for the Reference Obligation.

**Weighted Average Quotation** means in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Reference Obligation with an Outstanding Principal Balance of as large a size as available but less than the Quotation Amount (but, if a Minimum Quotation Amount is specified in the applicable Pricing Supplement, of a size equal to the Minimum Quotation Amount or, if quotations of a size equal to the Minimum Quotation Amount are not available, quotations as near in size as practicable to the Minimum Quotation Amount) that in aggregate are approximately equal to the Quotation Amount.

#### **10.11 Credit Event Notice after Restructuring Credit Event**

If Condition 10.11 is specified as applicable in the applicable Pricing Supplement, then, notwithstanding anything to the contrary in these Terms and Conditions, upon the occurrence of a Restructuring Credit Event during the Notice Delivery Period:

- (a) the Calculation Agent may deliver a Credit Event Notice in respect of an amount (the **Partial Redemption Amount**) that is less than the principal amount outstanding of each Note immediately prior to the delivery of such Credit Event Notice. In such circumstances the provisions of Condition 10 shall be deemed to apply to the Partial Redemption Amount only and each such Note shall be redeemed in part (such redeemed part being equal to the Partial Redemption Amount).
- (b) For the avoidance of doubt (i) the principal amount of each such Note not so redeemed in part shall remain outstanding and interest shall accrue on the principal amount outstanding of such Note as provided in Condition 4 (adjusted in such manner as the Calculation Agent in its sole and absolute discretion determines to be appropriate), (ii) the provisions of Condition 10 shall apply to such principal amount outstanding of such Note in the event that subsequent Credit Event Notices are delivered in respect of the Reference Entity that was the subject of the Restructuring Credit Event and (iii) once a Credit Event Notice with respect to Restructuring Credit Event has been delivered in respect of a Reference Entity, no further Credit Event Notices may be delivered in respect of any Reference Entity other than the Reference Entity that was the subject of the Restructuring Credit Event.
- (c) If the provisions of this Condition 10.11 apply in respect of the Structured Notes, on redemption of part of each such Note the relevant Note or, if the Structured Notes are represented by a Global Note or Global Certificate, such Global Note or Global Certificate, shall be endorsed to reflect such part redemption.

## **10.12 Provisions relating to Multiple Holder Obligation**

If Condition 10.12 is specified as applicable in the applicable Pricing Supplement, notwithstanding anything to the contrary in the definition of Restructuring and related provisions, the occurrence of, agreement to, or announcement of, any of the events described in sub-paragraphs (i) to (v) of the definition of "Restructuring" shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.

**Multiple Holder Obligation** means an Obligation that (a) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates of each other and (b) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six and two-thirds is required to consent to the event which constitutes a Restructuring Credit Event.

## **10.13 Calculation Agent and Calculation Agent Notices**

The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent pursuant to this Condition 10 shall (in the absence of manifest error) be final and binding on the Issuer and the Noteholders. In performing its duties pursuant to the Structured Notes, the Calculation Agent shall act in its sole and absolute discretion. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its obligations or its discretion under the Structured Notes including, without limitation, the giving of any notice by it to any person, shall not affect the validity or binding nature of any later performance or exercise of such obligation or discretion, and neither the Calculation Agent nor the Issuer shall, in the absence of wilful misconduct and gross negligence, bear any liability in respect of, or consequent upon, any such delay, deferral or forbearance.

In relation to the delivery by the Calculation Agent to the Issuer of any notice pursuant to this Condition 10, a notice delivered on or prior to 4.00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day will be effective on such Calculation Agent City Business Day. A notice delivered after 4.00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day will be deemed effective on the next following Calculation Agent City Business Day, regardless of the form in which it is delivered. For purposes of the two preceding sentences, a notice given by telephone will be deemed to have been delivered at the time the telephone conversation takes place. If the notice is delivered by telephone, a written confirmation will be executed and delivered confirming the substance of that notice within one Calculation Agent City Business Day of that notice. Failure to provide that written confirmation will not affect the effectiveness of that telephonic notice.

## **11. TAXATION**

The provisions specified in Condition 6 of the General Terms and Conditions of the Debt Instruments are applicable.

## **12. EVENTS OF DEFAULT**

The provisions specified in Condition 5 of the General Terms and Conditions of the Debt Instruments are applicable.

**13. REPLACEMENT OF STRUCTURED NOTES**

The provisions specified in Condition 11 of the General Terms and Conditions of the Debt Instruments are applicable.

**14. SUBSTITUTION OF THE ISSUER**

The Issuer (or any previously substituted company from time to time) shall, without the consent of the Noteholders, be entitled at any time to substitute for the Issuer any other company (the **Substitute**) as principal debtor in respect of all obligations arising from or in connection with the Structured Notes provided that (i) at the time of the substitution the Substitute would be able to fulfil all payment obligations arising from or in connection with the Structured Notes without any taxes or duties being imposed on such payments; (ii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Structured Notes represent valid, legally binding and enforceable obligations of the Substitute have been taken, fulfilled and done and are in full force and effect; (iii) the Substitute shall have assumed all obligations arising from or in connection with the Structured Notes and shall have become a party to the Fiscal Agency Agreement, with any consequential amendments; (iv) the obligations of the Substitute in respect of the Structured Notes shall be unconditionally and irrevocably guaranteed by the Issuer; (v) each stock exchange or listing authority on which the Structured Notes are listed shall have confirmed that following the proposed substitution by the Substitute the Structured Notes would continue to be listed on such stock exchange; and (vi) the Issuer shall have given at least 30 days' prior notice of the date of such substitution to the Noteholders in accordance with Condition 13 of the General Terms and Conditions of the Debt Instruments.

**15. THE PAYING AGENTS AND REGISTRARS**

The provisions specified in Condition 10 of the General Terms and Conditions of the Debt Instruments are applicable.

**16. EXCHANGE OF TALONS**

The provisions specified in Condition 17 of the General Terms and Conditions of the Debt Instruments are applicable.

**17. NOTICES**

The provisions specified in Condition 13 of the General Terms and Conditions of the Debt Instruments are applicable.

**18. MEETINGS OF HOLDERS**

The provisions specified in Condition 12 of the General Terms and Conditions of the Debt Instruments are applicable.

**19. FURTHER ISSUES**

The provisions specified in Condition 14 of the General Terms and Conditions of the Debt Instruments are applicable.

**20. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

The provisions specified in Condition 18 of the General Terms and Conditions of the Debt Instruments are applicable.

**21. RIGHTS OF THIRD PARTIES**

The provisions specified in Condition 19 of the General Terms and Conditions of the Debt Instruments are applicable.



**Pro Forma Pricing Supplement** for an issue by NIB Capital Bank N.V. under its Euro 20,000,000,000 Programme for the Issuance of Debt Instruments

Pricing Supplement dated ●

**NIB CAPITAL BANK N.V.**

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

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Debt Instruments]  
under the Euro 20,000,000,000 Debt Issuance Programme**

This document constitutes the Pricing Supplement relating to the issue of Structured Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Structured Notes set forth in the Information Memorandum dated 29 December 2004. This Pricing Supplement is supplemental to and must be read in conjunction with such Information Memorandum.

*The purchase of Structured Notes involves substantial risks and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Structured Notes. Before making an investment decision, prospective purchasers of Structured Notes should ensure that they understand the nature of the Structured Notes and the extent of their exposure to risks and that they consider carefully, in the light of their own financial circumstances, financial condition and investment objectives, all the information set forth in the Information Memorandum (including "Risk Factors relating to Structured Notes" on page 15 thereof) and this Pricing Supplement.*

*The Issuer has not requested any rating agency to give a separate credit rating for the Structured Notes. The rating of the Issuer itself, as may be given and amended from time to time by any rating agency should not be regarded as a rating applicable to the Structured Notes.*

*[Insert any specific additional risk factors]*

*No person has been authorised to give any information or make any representation not contained in or not consistent with this Pricing Supplement, or any other information supplied in connection with the Structured Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Dealers.*

*By investing in the Structured Notes each investor represents that:*

- (a) Non-Reliance. It is acting for its own account, and it has made its own independent decisions to invest in the Structured Notes and as to whether the investment in the Structured Notes is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer or the Dealer as investment advice or as a recommendation to invest in the Structured Notes, it being understood that information and explanations related to the terms and conditions of the Structured Notes shall not be considered to be investment advice or a recommendation to invest in the Structured Notes. No communication (written or oral) received from the Issuer or the Dealer shall be deemed to be an assurance or guarantee as to the expected results of the investment in the Structured Notes.*
- (b) Assessment and Understanding. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and*

*understands and accepts the terms and conditions and the risks of the investment in the Structured Notes. It is also capable of assuming, and assumes, the risks of the investment in the Structured Notes.*

- (c) *Status of Parties. Neither the Issuer nor any of the Dealers is acting as a fiduciary for or adviser to it in respect of the investment in the Structured Notes.]*

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

1. Issuer: NIB Capital Bank N.V.
2. (i) Series Number: [●]  
(ii) Tranche Number: [●]  
*(If fungible with an existing Series, details of that Series, including the date on which the Structured Notes become fungible )]*
3. Specified Currency or Currencies: [●]
4. (i) Aggregate Nominal Amount: [●]  
(ii) Series: [●]  
(iii) Tranche: [●]
5. (i) Issue Price of Tranche: [●] per cent. of the Aggregate Nominal Amount *[plus accrued interest from [insert date] [in the case of fungible issues only, if applicable].*  
(ii) Net Proceeds: [●] *(Required only for listed issues)*  
(iii) Other terms related to the method of calculating the Issue Price [N.A./insert]
6. Specified Denominations: [●]
7. (i) Issue Date [and Interest Commencement Date]): [●]  
(ii) Interest Commencement Date (if different from the Issue Date): [●]
8. Maturity Date: *[Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month]] [(the **Scheduled Maturity Date**) [subject as provided in Condition 10.4 [./and] [Condition 10.5] [./and] [Condition 10.6] [and] [Condition 10.7] (Include for Credit Linked*

*Structured Notes*]]

9. Interest Basis: [[●] per cent. Fixed Rate]  
[[LIBOR/EURIBOR/other reference date] +/-  
[●] per cent.  
Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Equity Linked Interest]  
[Currency Linked Interest]  
[Non-interest bearing]  
[specify other]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Equity Linked Redemption]  
[Credit Linked]  
[Currency Linked Redemption]  
[Instalment]  
[specify other]
11. Change of Interest Basis or Redemption/Payment Basis: [*Specify details of any provision for change of Structured Notes into another Interest Basis or Redemption/Payment Basis*]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. Status of the Structured Notes: [Unsubordinated/Subordinated]
14. Listing: [Application has been made to list the Structured Notes on •/None]
15. Method of distribution: [Syndicated/Non-syndicated]

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Structured Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate(s) of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
- (If payable other than annually, consider amending Condition 4)*
- (ii) Interest Payment Date(s): [●] in each year up to and including the Maturity Date]/[specify other]
- (NB: This will need to be amended in the case of long or short coupons)*
- (iii) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]/Not Applicable]
- (NB: Insert Not Applicable if Interest Periods are unadjusted)*
- (iv) Fixed Coupon Amount(s): [[●] per [●] in nominal amount/Not Applicable]
- (NB: Insert Fixed Coupon Amounts only if Interest Periods are unadjusted)*
- (v) Broken Amount(s): [Insert particulars of any initial or final broken interest amount(s) which do not correspond with the Fixed Coupon Amount and the Interest Payment Date(s) to which they relate]
- (vi) Day Count Fraction: [30/360 or Actual/Actual (ISMA) or Actual/360 or 30E/360 or specify other]
- [(NB: Actual/Actual (ISMA) is normally appropriate for Fixed Rate Structured Notes except for Fixed Rate Structured Notes denominated in U.S. dollars for which 30/360 is normally appropriate)]*
- (vii) Determination Date(s): [●] in each year
- [Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.*
- NB: This will need to be amended in the case of*

*regular interest payment dates which are not of equal duration.*

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

- (viii) Other terms relating to the method of calculating interest for Fixed Rate Structured Notes: [Not Applicable/Give details]

17. Floating Rate Structured Note Provisions [Applicable/Not Applicable]

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

- (i) Specified Period(s)/Specified Interest Payment Dates: [●]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (iii) Additional Business Centre(s): [●]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [●]
- (vi) Screen Rate Determination:
- Reference Rate: [●]  
*(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*
  - Interest Determination Date(s): [●]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
  - Relevant Screen Page: [●]

*(In the case of EURIBOR, if not Telerate Page 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*

- (vii) ISDA Determination:
- Floating Rate Option:
  - Designated Maturity:
  - Reset Date:
- (viii) Margin(s):  [+/-]  per cent. per annum
- (ix) Minimum Rate of Interest:  per cent. per annum
- (x) Maximum Rate of Interest:  per cent. per annum
- (xi) Day Count Fraction:  [Actual/365  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
Other]
- (See General Definitions for alternatives)*
- (xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Structured Notes, if different from those set out in the Conditions:
18. Zero Coupon Structured Note Provisions  [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Accrual Yield:  per cent. per annum
- (ii) Reference Price:
- (iii) Any other formula/basis of determining amount payable:

*(Consider applicable day count fraction if not euro denominated)*

- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 6.6 (c) and 6.10 apply/specify other]
19. Index Linked Interest Structured Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula: [Give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: [●]
- (iii) Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [●]
- (iv) Specified Period(s)/Specified Interest Payment Dates: [●]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (vi) Additional Business Centre(s): [●]
- (vii) Minimum Rate of Interest: [●] per cent. per annum
- (viii) Maximum Rate of Interest: [●] per cent. per annum
- (ix) Day Count Fraction: [●]
- (x) Others terms or special conditions: [●]
20. Equity Linked Interest Structured Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete remaining subparagraphs of this paragraph)*
- (i) Formula for calculating interest rate including back up provisions: [Give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: [●]

- (iii) Specified Period(s)/Specified Interest Payment Dates: [●]
  - (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
  - (v) Additional Business Day Centre(s): [●]
  - (vi) Minimum Rate of Interest: [●]
  - (vii) Maximum Rate of Interest: [●]
  - (viii) Day Count Fraction: [●]
  - (ix) Other terms or special conditions: [●]
21. Currency Linked Interest Structured Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Relevant Currency: [●]
  - (ii) Formula for calculating interest rate including back up provisions: [Give or annex details]
  - (iii) Calculation Agent responsible for calculating the interest due: [●]
  - (iv) Specified Period(s)/Specified Interest Payment Dates: [●]
  - (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
  - (vi) Additional Business Day Centre(s): [●]
  - (vii) Minimum Rate of Interest: [●]
  - (viii) Maximum Rate of Interest: [●]
  - (ix) Day Count Fraction: [●]
  - (x) Other terms or special conditions: [●]



## PROVISIONS RELATING TO REDEMPTION

22. Issuer Call: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
  - (ii) Optional Redemption Amount of each Structured Note and method, if any, of calculation of such amount(s): [●]
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount: [●]
    - (b) Maximum Redemption Amount: [●]
  - (iv) Notice period (if other than as set out in the Conditions): [●]
23. Investor Put: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
  - (ii) Optional Redemption Amount of each Structured Note and method, if any, of calculation of such amount(s): [●]
  - (iii) Notice period (if other than as set out in the Conditions): [●]
24. Final Redemption Amount of each Structured Note [Nominal Amount/specify other/Not Applicable]
- (Where Structured Notes are Currency Linked Redemption Structured Notes, Index Linked Redemption Structured Notes, Equity Linked Redemption Structured Notes or Credit Linked Structured Notes specify "Not Applicable" and complete Items 28, 29 or 30 below as applicable)*
25. Early Redemption Amount of each Structured Note payable on redemption for taxation reasons, redemption for illegality or on event of default (or, in the [●]
- (N.B. for all Structured Notes attention should be given as to how accrued interest should be included in the computation of the Early*

<p>case of Index Linked Redemption Structured Notes, following an Index Adjustment Event in accordance with Condition 8.2(b)(i) or, in the case of Equity Linked Redemption Structured Notes, following certain corporate events in accordance with Condition 9.2(b)(ii) or, in the case of Credit Linked Structured Notes, following a Merger Event (if applicable) and/or the method of calculating the same (if required or if different from that set out in Condition 7.6):</p>	<p><i>Redemption Amount (if at all)</i></p>
<p>26. Currency Linked Redemption Structured Notes:</p>	<p>[Applicable/Not Applicable]</p> <p><i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i></p>
<p>(i) Relevant Currency:</p>	<p>[●]</p>
<p>(ii) Calculation Agent responsible for making calculations pursuant to Condition 7:</p>	<p>[●]</p>
<p>(iii) Relevant provisions for determining amount of principal payable:</p>	<p>[●]</p>
<p>27. Index Linked Redemption Structured Notes:</p>	<p>[Applicable/Not Applicable]</p> <p><i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i></p>
<p>(i) Whether the Structured Notes relate to a basket of indices or a single index and the identity of the relevant Index/Indices and details of the relevant sponsors:</p>	<p>[Basket of Indices/Single Index]</p> <p>[[Give or annex details]]</p>
<p>(ii) Calculation Agent responsible for making calculations pursuant to Condition 8:</p>	<p>[●]</p>
<p>(iii) Exchange(s):</p>	<p>[●]</p>
<p>(iv) Related Exchange(s):</p>	<p>[●/All Exchanges]</p>
<p>(v) Redemption Amount:</p>	<p>[Express per lowest Specified Denomination/Not Applicable]</p>
<p>[if Not Applicable:</p>	<p>[Call Index Linked Redemption Structured Notes/Put Index Linked Redemption Structured Notes]]</p>

- (vi) Valuation Date: [●]
- (vii) Valuation Time: [●]
- (viii) Strike Price: [●]
- (ix) Disrupted Day: [Applicable/Not Applicable]
- [If Applicable consider provisions for calculation of the Reference Price if a Disrupted Day occurs included in Condition 8(b)) and if not appropriate insert appropriate provisions]*
- (x) Multiplier for each Index comprising the basket: [Insert details/Not Applicable]
- (xi) Other terms or special conditions: [●]
28. Equity Linked Redemption Structured Notes: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Whether the Structured Notes relate to a basket of equity Underlying securities or a single equity security (each an **Underlying Equity**) and the identity of the relevant issuer(s) of the Underlying Equity/Equities) (each an **Equity Issuer**): [Basket of Underlying Equities/Single Equity]  
[Give or annex details]
- (ii) Whether redemption of the Structured Notes will be by (a) Cash Settlement or (b) Physical Delivery or (c) Cash Settlement and/or Physical Delivery: [Cash Settlement/Physical Delivery/Cash Settlement and/or Physical Delivery]  
*(If Cash Settlement and/or Physical Delivery is specified, specify details for determining in what circumstances Cash Settlement or Physical Delivery will apply)*
- (iii) Calculation Agent responsible for making calculations and deliveries pursuant to Condition 9: [●]
- (iv) Exchange(s): [●]
- (v) Related Exchange(s): [●/All Exchanges]
- (vi) Potential Adjustment Events: [Applicable/Not Applicable]

- (vii) De-listing, Merger Event, Nationalisation and Insolvency: [Applicable/Not Applicable]
- (viii) Tender Offer: [Applicable/Not Applicable]
- (ix) Redemption Amount: [*Express per lowest Specified Denomination/Not Applicable*]  
 [If Not Applicable: [Call Equity Linked Redemption Structured Notes/Put Equity Linked Redemption Structured Notes]]
- (x) Valuation Date: [●]
- (xi) Valuation Time: [Condition 9(d) applies/*other*]
- (xii) Strike Price: [●]
- (xiii) Exchange Rate: [Applicable/Not Applicable]  
 [*Insert details*]
- (xiv) Disrupted Day: [Applicable/Not Applicable]  
 [*If applicable consider provisions for calculation of the Reference Price if a Disrupted Day occurs included in Condition 9(d) and if not appropriate insert appropriate provisions*]
- (xv) Multiplier for each Underlying Equity comprising the basket (which is subject to adjustment as set out in Condition 9(b)): [*Insert details/Not Applicable*]
- (xvi) Relevant Assets: [*Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery*]
- (xvii) Asset Amount: [*Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery*]
- (xviii) Cut-off Date: [*Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery*]
- (xix) Delivery provisions for Asset Amount (including details of who is to make such delivery) if different from Terms and Conditions: [*Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery*]
- (xx) Trade Date: [●]
- (xxi) Other terms or special conditions: [●]

29. Credit Linked Structured Notes: [Applicable/Not Applicable]
- [NB: Consider whether definitions included in Conditions are up-to-date] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Redemption Amount: [Express per lowest Specified Denomination]
- (ii) Trade Date: [●]
- (iii) Calculation Agent responsible for making calculations and determinations pursuant to Condition 10: [●]
- (iv) Calculation Agent City: [●]
- (v) Reference Entity(ies): [●]
- (vi) Reference Obligation(s): [●]
- [The obligation[s] identified as follows:
- Primary Obligor: [●]
- Guarantor: [●]
- Maturity: [●]
- Coupon: [●]
- ISIN: [●]
- (vii) All Guarantees: [Applicable/Not Applicable]
- (viii) Credit Events: [Bankruptcy]
- [Failure to Pay]
- [Grace Period Extension [Applicable/Not Applicable]
- [If Applicable:
- Grace Period: [●]
- [Obligation Default]
- [Obligation Acceleration]
- [Repudiation/Moratorium]
- [Restructuring]

- Provisions relating to Multiple Holder Obligation: Condition 10(l) [Applicable/Not Applicable]
  - Provisions relating to Restructuring Credit Event: Condition 10(k) [Applicable/Not Applicable]
  - [Restructuring Maturity Limitation and Fully Transferable Obligation [Applicable/Not Applicable]]
  - [Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation [Applicable/Not Applicable]]
- [*other*]
- Default Requirement:
- Payment Requirement:
- (ix) Conditions to Settlement: Notice of Publicly Available Information [Applicable/Not Applicable]
- [If Applicable:
- Public Source(s):
- Specified Number:
- (x) Obligation(s):
- Obligation Category [Payment]
- [*select one only*]: [Borrowed Money]
- [Reference Obligations Only]
- [Bond]
- [Loan]
- [Bond or Loan]
- Obligation Characteristics [Not Subordinated]
- [*select all of which apply*]: [Specified Currency:
- [*specify currency*] [Standard Specified Currencies]]
- [Not Sovereign Lender]

[Not Domestic Currency]

[Domestic Currency means: *[specify currency]*]

[Not Domestic Law]

[Listed]

[Not Domestic Issuance]

- Additional Obligation(s):
- (xi) Excluded Obligation(s):
- (xii) Whether redemption of the Structured Notes will be by (a) Cash Settlement or (b) Physical Delivery:  [Cash Settlement/Physical Delivery]
- (xiii) Accrual of Interest upon Credit Event:  [Applicable/Not Applicable]
- (xiv) Merger Event Redemption Date:
- (xv) Provisions relating to Restructuring Credit Event:  Condition 10.11 [Applicable/Not Applicable]
- (xvi) Unwind Costs:  [Standard Unwind Costs/other/Not Applicable]

*(N.B. If Standard Unwind Costs is specified, ensure that the definitions of Swap Unwind Amount and Swap Transaction correctly reflect Issuer's hedging arrangements)*

#### *Terms relating to Cash Settlement*

- (xvii) Credit Event Redemption Amount:  *[Express per lowest Specified Denomination]*
- (xviii) Credit Event Redemption Date:  Business Days
- (xix) Valuation Date:  [Single Valuation Date:  
 Business Days]  
 [Multiple Valuation Dates:  
 Business Days; and each   
Business Days thereafter.  
Number of Valuation Dates:

- (xx) Valuation Time:
- (xxi) Quotation Method: [Bid/Offer/Mid-market]
- (xxii) Quotation Amount: [/Representative Amount]
- (xxiii) [Minimum Quotation Amount: ]
- (xxiv) Quotation Dealers:
- (xxv) Quotations: [Include Accrued Interest/Exclude Accrued Interest]
- (xxvi) Valuation Method: [Market/Highest]  
[Average Market/Highest/Average Highest]  
[Blended Market/Blended Highest]  
[Average Blended Market/Average Blended Highest]
- (xxvii) Other terms or special conditions:

*Terms relating to Physical Delivery*

- (xxviii) Physical Settlement Period:  Business Days
- (xxix) Asset Amount: [Include Accrued Interest/Exclude Accrued Interest]
- (xxx) Settlement Currency:
- (xxxi) Deliverable Obligations:  
Deliverable Obligation Category [Payment]  
[*select one only*]: [Borrowed Money]  
[Reference Obligations Only]  
[Bond]  
[Loan]  
[Bond or Loan]  
Deliverable Obligation Characteristics [Not Subordinated]



[select all of which apply]:

[Specified Currency:

[specify currency] [Standard Specified Currencies]

[Not Sovereign Lender]

[Not Domestic Currency]

**[Domestic Currency** means: [specify currency]]

[Not Domestic Law]

[Listed]

[Not Contingent]

[Not Domestic Issuance]

[Assignable Loan]

[Consent Required Loan]

[Direct Loan Participation]

[Qualifying Participation Seller: – insert details]

[Transferable]

[Maximum Maturity:

[●]]

[Accelerated or Matured]

[Not Bearer]

Additional Deliverable [●]  
Obligation(s):

(xxxii) Excluded Deliverable [●]  
Obligation(s):

(xxxiii) Indicative Quotations: [Applicable/Not Applicable]

(xxxiv) Cut-off Date: [●]

(xxxv) Delivery provisions for Asset [●]  
Amount

(including details of who is to make such delivery) if different

from Terms and Conditions:

(xxxvi) Other terms or special conditions: [●]

(xxxvii) Calculation Agent responsible for making the calculations and deliveries referred to in Condition 10.3, 10.7 and/or 10.8, as applicable: [●]

## GENERAL PROVISIONS APPLICABLE TO THE STRUCTURED NOTES

30. Form of Structured Notes: [Temporary [Bearer] [Registered]Global Structured Note exchangeable for a Permanent [Bearer] [Registered] Global Structured Note/Certificate which is exchangeable for Definitive Structured Notes/Certificate [on 30 days' notice given at any time/only upon an Exchange Event]]
- [Temporary [Bearer] [Registered]Global Structured Note/Certificate exchangeable for Definitive Structured Notes/Certificate on and after the Exchange Date]
- [Permanent [Bearer] [Registered]Global Structured Note exchangeable for Definitive Structured Notes [on 30 days' notice given at any time/only upon an Exchange Event]]
31. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]
- ([Structured] Note that this item relates to the place of payment and not Interest Period end dates to which item 17(iii) relates)*
32. Talons for future Coupons or Receipts to be attached to Definitive Structured Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
33. Details relating to Partly Paid Structured Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Structured Notes and interest due on late payment: [Not Applicable/give details. NB: new forms of Global Structured Note may be required for Partly Paid issues.]
34. Details relating to Instalment Structured Notes:

- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
35. Redenomination applicable: Redenomination [not] applicable  
*[(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)]*
36. Notices to the Issuer: *[Insert notice details for delivery of notices to the Issuer if specific notice details are required]*  
 [Notice Delivery Business Day Centre:
37. Other terms or special conditions: [Not Applicable/give details]
38. Costs of Issue
- (i) Costs borne by purchasers of Structured Notes: [give details]
- (ii) Commission paid to intermediaries: [give details]
- (iii) Other costs: [give details]
39. Effective yield of the Structured Notes: [] per cent./method of calculating effective yield]

## **DISTRIBUTION**

40. (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilising Manager (if any): [Not Applicable/give name]
41. If non-syndicated, name of relevant Dealer:
42. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]
43. Netherlands Selling Restriction: *[Select appropriate Dutch selling restriction from alternatives]*
44. Additional selling restrictions: [Not Applicable/give details]
45. Subscription Period [Beginning on  and ending on /Not Applicable]

## OPERATIONAL INFORMATION

46. Any clearing system(s) other than Euroclear/Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
47. Delivery: Delivery [against/free of] payment
48. Additional Paying Agent(s) (if any): [●]
49. ISIN: [●]
50. Common Code: [●]

## [LISTING APPLICATION]

This Pricing Supplement comprises the details required to list the issue of Structured Notes described herein pursuant to the Euro 20,000,000,000 Debt Issuance Programme of NIB Capital Bank N.V.]

## RESPONSIBILITY

[Subject as provided below, the]1 [The] Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: \_\_\_\_\_  
*Duly authorised*

By: \_\_\_\_\_  
*Duly authorised*

[The information (the **Reference Information**) on the Reference Item(s) is more particularly described in the Annex hereto. The Reference Information consists only of extracts from, or summaries of, information which is publicly available. Information about the identity of the Reference Item, the stock exchange where such Reference Item is listed or if not listed the financial statements of such Reference Item should be available with the Paying Agent in Luxembourg. The Issuer accepts responsibility that the Reference Information has been correctly extracted or summarised. No further or other responsibility (express or implied) in respect of the Reference Information is accepted by the Issuer.]<sup>1</sup>

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<sup>1</sup> To be deleted if the annex does not contain Reference Information as appropriate in relation to each Tranche

## ANNEX

### INFORMATION CONCERNING THE UNDERLYING

**1. The exercise price or the final reference price of the underlying**

[                    ]

**2. Type of the underlying and details of where information of the underlying can be obtained**

To be included here:

- an indication where information about the past and the further performance of the underlying and its volatility can be obtained
- where the underlying is a security
  - the name of the issuer of the security
  - the ISIN ( International Security Identification Number) or other such security identification code
- where the underlying is an index
  - the name of the index and a description of the index if it is composed by the issuer. If the index is not composed by the issuer, where information about the index can be obtained
- where the underlying is an interest rate
  - a description of the interest rate
- others

Where the underlying does not fall within the categories specified above the securities note shall contain equivalent information.

- where the underlying is a basket of underlyings
  - disclosure of the relevant weightings of each underlying in the basket.

## **USE OF PROCEEDS**

The net proceeds from each issue of Debt Instruments will be applied by the Issuer for its general corporate purposes. A substantial portion of the proceeds from the issue of certain Structured Notes may be used to hedge market risk with respect to such Structured Notes.

## **BUSINESS DESCRIPTION OF NIB CAPITAL BANK N.V.**

### **1. PERSONS RESPONSIBLE**

Except as specified in this Information Memorandum, the Issuer accepts responsibility for the information in this Information Memorandum. To the best of the knowledge and belief of the Issuer which has taken all reasonable care to ensure that this is the case, the information in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

### **2. STATUTORY AUDITORS**

The financial statements of the Issuer have been audited by PricewaterhouseCoopers Accountants N.V. for the financial years 2003, 2002 and 2001 who have issued unqualified auditors reports thereon.

The address of PricewaterhouseCoopers Accountants N.V. is:

Prins Bernhardplein 200  
1097 JB Amsterdam  
The Netherlands

### **3. RISK FACTORS**

Set forth on page 14 are certain risk factors that could materially adversely affect the Issuer's future business, operating results or financial condition. These risks should be carefully considered before making investment decisions involving the Debt Instruments. Additional risks not currently known to the Issuer or that the Issuer now deems immaterial may also harm the Issuer and effect an investment in the Debt Instruments.

### **4. INFORMATION ABOUT THE ISSUER**

#### **4.1 History and Development of the Issuer**

NIB Capital Bank N.V., formerly known as De Nationale Investeringsbank N.V., was established by the Dutch Government after World War II to meet The Netherlands' need for investment. NIB Capital Bank N.V., is a Netherlands public limited liability company incorporated on 31st October, 1945, with statutory seat in The Hague, The Netherlands and is registered at the Chamber of Commerce of The Hague under number 27032036. Its registered address is Carnegieplein 4, 2517 KJ, The Hague, The Netherlands.

#### ***Recent Developments and Outlook***

Unaudited 30 June 2004 figures of NIB Capital Bank N.V. show strong growth in net profit.

As an independent Merchant Bank NIBCapital sees many opportunities for further growth. Ongoing investments in human capital and technology, further product development and intensifying the co-operation with our strategic partners form the foundation of the merchant banking business model of NIBCapital. We are confident about the development of our results for the whole year, with the qualification that current market conditions are leading to

an increase in the volatility of our results. We do not expect any changes in the aforementioned for the coming six months.

The Management Board is together with Goldman Sachs reviewing the Issuer's medium term action plan. Part of this review is an assessment of a growth of the Issuer faster than the growth that would be achieved by means of organic growth. More in particular, two options for such a growth will be looked into by the Management Board: an initial public offering and a merger. In assessing these options, the Management Board will use the following criteria:

- maintaining the Issuer's AA- rating;
- strengthening the Issuer's proposition for clients; and
- maintaining a challenging and professional work environment for the Issuer's employees.

## **4.2 Business Overview**

Historically, the Bank's major business activities have been lending, corporate and institutional finance and equity investments. In recent years, the Bank has decreased its involvement in lending for its own account and increased its role of acting as an intermediary between corporate borrowers and investors such as pension funds, insurance companies, banks and asset managers. In order to maintain efficiency, the Bank intends that the growth of its assets be limited and the focus be on accelerating the asset velocity. The Bank's selected business model is in line with this strategic course.

The Bank acts as an independent merchant bank in Northwest Europe with regional client driven origination and a global distribution network. A compact, professional and committed organisation with a strong credit rating is among the Bank's strengths. The Bank's business model as a merchant bank is aimed at offering corporate finance, risk management and structured investment solutions. The partnership structure and the high degree of professionalism and commitment of its employees translate into creativity and quality. The Bank focuses on corporates, financial institutions, institutional investors and family offices through commercial Strategic Business Units (each, an **SBU**). The Bank has offices in The Hague, London, Brussels, Greenwich (US), Singapore and Curaçao and is represented through strategic partnerships in New York, Zürich and Bergen (Norway).

The Bank aims to become the primary choice for its major clients in the areas of financing and financial advice by offering superior products, and to accelerate the turnover of its assets. Acceleration of the turnover of its assets and a further diversification of its income sources are important elements of the business model. The Bank intends to achieve these goals, amongst others, through strategic partnerships following a course similar to its successful cooperation with various current strategic partnerships. See "Strategic Partnerships".

As part of its overall strategy, the Bank underwent a reorganisation in which it invested substantially in its management and staff. In 2002, the Bank was restructured into the following five SBUs: Corporate Finance, Financial Markets, Principal Investments, Investment Management and Corporate Center.

### ***Description of SBUs of the Bank***

The Bank consists of five SBUs. Four of these are commercial SBUs: Corporate Finance, Principal Investments, Financial Markets and Investment Management. The fifth SBU,



Corporate Center, provides support for the four commercial divisions, amongst others, in the form of financial and legal support, human resources, and corporate communications.

#### *Corporate Finance SBU*

The Corporate Finance SBU is primarily responsible for client-driven origination, transaction structuring and execution, and portfolio and loan management. The SBU was changed in 2002 from a mainly product-driven organization into a client-driven organization. Corporate Finance is organized into five client coverage teams: Financial Sponsors, Transportation and Energy, Infrastructure, Food, Agriculture & Retail and General Industries.

The client coverage teams bring together competencies in the fields of advisory, finance and sector knowledge. In responding to client needs, these teams deliver a combination of strategic advice and a broad range of financial products. In addition to these teams, the Corporate Finance SBU is engaged in the following activities: debt products, capital markets & advisory (including mergers & acquisitions), acquisition and project finance, loan & portfolio management (centralized management of credit portfolios), research, credit risk management and operations.

#### *Principal Investments SBU*

The Principal Investments SBU is the Bank's platform for all equity investments and intermediate capital investments. The focus of Principal Investments is the corporate and buy-out market in Northwest Europe, especially on the client franchise of the Bank.

#### *Financial Markets SBU*

The Financial Markets SBU is the Bank's portal to the global capital markets with structuring and distribution as its core activities. The Financial Markets SBU combines all of the Bank's distribution activities including securitisation, treasury, securities trading and sales. This SBU's services range from structured products, bonds, asset-backed securities to alternative investments and combinations of the foregoing.

The Financial Markets SBU focuses on global financial markets and distribution. The distribution of financial products to institutional investors will play a central part in the reinforcement of Financial Markets in the future. This involves the securitisation and distribution of assets originated by the Corporate Finance SBU and the Bank's strategic partnerships and mortgages originated by the Financial Markets SBU from third parties. In addition, Financial Markets distributes assets of and on behalf of third parties, and offers risk management solutions using interest rate, credit, equity and hedge funds derivatives. To support product development and distribution, the Financial Markets SBU has also entered into alliances with NIBC Petercam Derivatives, Harcourt Investment Consulting, Catamount Investment Group and Integrated Finance Limited, as discussed below under "Strategic Partnerships".

The Bank has been increasingly active as an originator and arranger of structured transactions and has played a leading role in the development of securitisations in The Netherlands. Since the early 1990s, the Bank has acquired portfolios of residential mortgages from Dutch insurance companies and other residential mortgage 36 lenders, assuming the underlying credit risk of the homeowners. Management of these mortgages is either retained by the institution concerned or sub-contracted to specialized third parties. Initially, the Bank carried these portfolios exclusively on its own balance sheet. Increasingly, portions of the portfolios have been sold from its balance sheet as institutional investors have taken an interest therein. At the end of 1997, the Bank structured and placed the first pass-through residential

mortgage-backed certificates in the Dutch financial market, the Dutch MBS 97-I and Dutch MBS 97-II transactions. Since then, the Bank has structured 15 residential mortgage-backed securitisation (**RMBS**) transactions in total from both its own and third-party balance sheets. Through its Dutch MBS and other programs, over €10.9 billion has been arranged and issued. In addition to acting as arranger and joint-lead manager, the Bank performs the functions of paying agent and calculation agent for these transactions. Furthermore securitizations have been done from its portfolio's in leverage loans and shipping loans.

In order to support its core business effectively, the Bank's capital markets business is now focused on capital markets transactions on behalf of professional clients in both the primary and secondary markets. The other capital markets activities of the Bank include the underwriting of new issues of bonds (both on the public and private placement markets), market-making, brokerage and capital markets research. The Bank is also an active investor. The Bank's portfolio of international credit investments at December 2003 and June 2004 was valued (at the lower of cost and market) at approximately €4.1 billion and €4.3 billion, respectively. This portfolio consists of high quality (average credit rating of AA or higher) debt, primarily issued by (semi-) sovereign borrowers and financial institutions. In addition, the Bank assumes credit risk through the use of credit derivatives with (semi-) sovereign and financial institutions as underlying credits. The Bank's international credit investment portfolio is geographically diversified and has an average maturity of approximately five years.

#### *Investment Management SBU*

The Investment Management SBU was established to manage new activities in the area of asset management. The Investment Management SBU operates independently from the other activities of the Bank, as transactions between Investment Management and the other parts of the Bank are carried out on an 'arms-length' basis. The Investment Management SBU is comprised of two business units: NIBC Credit Management and Fund Services.

In May 2003, the NIBC Credit Management unit was given the mandate to manage the Bank's proprietary trading and collateral management activities in structured credits and (single name') corporate credits. The main goal of this initiative is to use the existing fixed income proprietary trading infrastructure of the Bank to increase shareholder value. This is achieved through the establishment of a credible collateral management platform, which manages structured credit portfolios, which are distributed to third parties. This is an initial step toward developing the Bank's credit asset management business.

The Fund Services unit was established to combine the management of the growing number of Asset Backed Securities (**ABS**), Collateralized Loan Obligations (**CLO**) and other fund structures, which are structured and managed by the Bank.

#### *Corporate Center SBU*

The Corporate Center SBU provides the supporting and facilitating services of the Bank. Its key goals are to enhance the quality of shared services and provide efficient and effective support to the other SBUs.

#### *Strategic Partnerships*

In line with its strategy to promote growth and product expansion, in recent years the Bank has entered into one strategic partnership and NIBCapital (through its 100 per cent. subsidiary, NIBC Investment Management N.V.) has entered into five strategic partnerships involving the Bank. The Bank and Petercam formed a joint venture under the name of NIBC

Petercam Derivatives N.V. in 2001 (**NIBC Petercam Derivatives**). This partnership has become a leading European specialist in the development, structuring, risk-management and hedging of equity derivatives.

In 2002, NIBCapital acquired a majority interest in Harcourt Investment Consulting AG (**Harcourt**) to strengthen its strategic position in the field of alternative investments. Harcourt has a strong market position in Europe as a leading provider of hedge fund solutions for institutional investors and has more than EUR 1.7 billion of assets under management (excluding consulting assets). Harcourt enables the Bank to further broaden its product range and enhances the Bank's position as a bank of choice for financial institutions providing tailor-made and solution-driven products and services.

In 2002 NIBCapital acquired a 100 per cent. interest in Catamount Investment Group, currently called NIBC Credit Management Inc. (**NIBC CM**). NIBC CM is a specialized asset and collateral manager with structuring capabilities in the asset-backed securities market. The business model focuses on exploiting and arbitraging the illiquidity of the structured notes market. This will be affected by originating these assets and repackaging them by way of a securitisation program.

The fourth partnership concerns a minority stake in Integrated Finance Limited (**IFL**) that was acquired in 2002. NIBCapital decided to join this initiative to access state-of-the-art finance technology, capitalize upon distinctive and appealing pension finance propositions, enhance investment banking capabilities, and boost distribution and structured derivatives transactions. IFL also provides support to the Bank's corporate and financial institutional clients with respect to pension-related matters.

The fifth partnership involves a majority stake in NIBC Wealth Management, a company founded in 2004. The primary activity of this partnership will be to offer an individual discretionary wealth management to high net worth individuals, trusts, family offices and smaller institutional investors. NIBC Wealth Management will operate as a stand-alone enterprise and offers additional products for existing clients in the Benelux. The products that are developed in-house can be offered to the owners/managers whom we are already in business with via Corporate Finance.

### ***Government Related Business***

The Bank has, from the time of its establishment, maintained a close and active working relationship with the Netherlands Government. Its early role as a reconstruction bank after World War II has expanded and includes administration of several lending programmes guaranteed by the NL Government as well as providing consulting services to the government, and, through its subsidiaries, the execution of an important part of the bilateral development co-operation policy. One of the roles of the Bank is to provide loans that are guaranteed by the Government under the Government's Special Financing Arrangement. These loans are granted to enterprises with good business prospects, but these loans may represent a higher risk than banks would normally be prepared to accept. The most important type of loan guaranteed by the Government is a subordinated loan granted to enterprises with risk capital requirements which cannot be met by other instruments in the market.

### ***Funding***

The activities of the Bank are principally funded by the Bank itself, in both the domestic and international financial markets. The Bank is a frequent borrower on the international capital markets. The Bank's primary source of funding is the issuance of debt securities through both private placements and public offerings. Additional sources of funding include senior and

subordinated borrowings and issues of shares. In 2003 and through 30th September, 2004, the Bank raised approximately €8.1 billion and €6.9 billion, respectively, under its EMTN program and through international private placements. The debt securities issued by the Bank are placed predominantly in the Benelux countries, Switzerland and Japan, although substantial amounts are also placed outside those countries. The Bank's EMTN program provides for issuance of securities, subject to a maximum aggregate outstanding principal amount of €20 billion. As of September 2004, the Bank had €15.5 billion outstanding under the EMTN program. The Bank has a Euro Commercial Paper program (**ECP**) pursuant to which it may issue short-term commercial paper subject to a maximum aggregate outstanding principal amount of €3 billion. As of September 2004, the Bank had €1.1 billion outstanding under the ECP program. Both programs give the Bank the flexibility to make smaller issues and to utilize a variety of financing structures.

The Bank uses derivatives to hedge currency and interest rate risks to align its assets with its borrowings.

### ***Risk Management***

Risk management at the Bank involves identifying, measuring, managing and reporting of credit risk, market risk, liquidity risk, operational and other risks. These risks are under the daily control of the risk management departments, and managed in accordance with the Bank's risk policies. These policies are designed by the different risk departments, and approved by the Asset & Liability Committee, the Transaction Committee, the Investment Committee and the Management Committee. Furthermore, there is a Risk Policy Committee, acting as a sub-committee of the Supervisory Board. These policies aim to protect the Bank against unforeseen market movements and ensure that the capital of the Bank is not endangered. The functional risk management organization is a combination of risk management committees and departments:

- The Management Committee is responsible for high level risk management and balance sheet management issues.
- The Asset & Liability Committee controls the balance sheet on a strategic level and is responsible for the policies with respect to market risks, liquidity risks and concentration risks of the Bank.
- The Transaction Committee is responsible for credit risk policy and strategy, including approving transactions, monitoring exposures and provisioning.
- The Investment Committee is responsible for mezzanine and equity risk policy and strategy, including approving transactions, monitoring exposure and provisioning.
- The Asset and Liability Management Department (**ALM**) is responsible for the preparation of policies in the area of market risk, liquidity risk and asset and liability management. ALM also bears responsibility for the implementation and maintenance of a market risk management system.
- The Risk Management Department within the Financial Markets SBU is responsible for the daily risk control and reporting of all trading and investment activities within the Financial Markets SBU.
- The Credit Risk Management Department is responsible for the risk assessment of credit proposals, credit reviews and the preparation of policies with respect to collateral management and provisioning.

## SUPERVISION AND REGULATION

### *General*

NIB Capital Bank N.V. is a credit institution (*kredietinstelling*) organised under the laws of The Netherlands. The principal law applicable to NIB Capital Bank N.V. is the 1992 Act on the supervision of the credit system (*Wet toezicht kredietwezen 1992*) (the **Netherlands Act**), under which NIB Capital Bank N.V. is supervised by DNB and the Dutch Minister of Finance.

The objectives of NIB Capital Bank N.V. are general banking and financing activities (see for a detailed description article 2 of the Articles of Association). The Articles of Association have been lastly amended on 4 December 2003. The required ministerial declaration of no-objection was granted on 18 November 2003, number N.V. 58624. The power to issue new preference shares in NIB Capital Bank N.V.'s share capital has been delegated to the Management Board until 12 November 2009.

### *Licensing*

Under The Netherlands Act, a credit institution established in The Netherlands is required to obtain a licence from DNB before engaging in any banking activities. The requirements to obtain a licence, among others, are as follows: (i) the day-to-day policy of the credit institution must be determined by at least two persons, (ii) the credit institution must have a body of at least three members which has tasks similar to those of a board of supervisory directors and (iii) the credit institution must have a minimum equity (*eigen vermogen*) of EUR 5,000,000. Also, DNB shall refuse to grant a licence if, among other things: it is of the view that (i) the persons who determine the day-to-day policy of the credit institution have insufficient expertise to engage in the business of the credit institution, (ii) the interests of (future) creditors could be materially prejudiced given the intentions or credentials of one or more persons who determine the policy of the credit institution or (iii) through a qualified holding in the credit institution, influence on the policy of such enterprise or institution may be exercised which is contrary to prudent banking policy (*gezond bankbeleid*). In addition to certain other grounds, the licence may be revoked if a credit institution fails to comply with the requirements for maintaining it.

### *Reporting and Investigation*

A credit institution is required to file with DNB its annual financial statements in a form approved by DNB, which includes a balance sheet and a profit and loss statement that have been certified by a qualified auditor in The Netherlands or an equally qualified foreign auditor who is licensed in The Netherlands. In addition, a credit institution is required to file with DNB or a designated agency monthly balance sheets, on a basis established by DNB, which also has the option to demand more frequent reports (including reports certified by a qualified auditor in The Netherlands or an equally qualified foreign auditor who is licensed in The Netherlands). The credit institutions reports to DNB are required to be truthful and not misleading.

### *Supervision*

DNB exercises monetary supervision, supervision with respect to the solvency and liquidity of credit institutions, supervision of the administrative organisation of credit institutions and structure supervision relating to credit institutions. To this end, DNB has issued the following general guidelines:

### *Solvency Supervision*

The guidelines of DNB on solvency supervision require that a credit institution maintains equity in an amount equal to at least eight per cent of its risk-bearing operations. These guidelines also impose limitations on the aggregate amount of claims (including extensions of credit) a credit institution may have against one debtor or a group of related debtors.

### *Liquidity Supervision*

The guidelines of DNB relating to liquidity supervision require that a credit institution maintains sufficient liquid assets against certain liabilities of the credit institution. These guidelines impose additional liquidity requirements if the amount of liabilities of a credit institution with respect to one debtor or group of related debtors exceeds a certain limit.

### *Structure Supervision*

The Netherlands Act provides that a credit institution must obtain a declaration of no-objection from the Minister of Finance (or, in certain cases, determined by the Minister of Finance from DNB) before, among other things, (i) reducing its own funds by way of repayment of capital or distribution of reserves, (ii) holding, acquiring or increasing a qualified holding in another enterprise or institution if such qualified holding amounts to or exceeds ten per cent, (iii) acquiring all or a substantial part of the assets and liabilities of another enterprise or institution, (iv) merging with another enterprise or institution or (v) proceeding to financial or corporate reorganisation. For purposes of The Netherlands Act, qualified holding is defined to mean the holding, directly or indirectly, of an interest of more than five per cent of the issued share capital or voting rights in an enterprise or institution, or a similar form of control.

In addition, any person is permitted to hold, acquire or increase a qualified holding in a credit institution, or to exercise any voting power in connection with such holding, only after such declaration of no-objection has been obtained.

### *Emergencies*

The Netherlands Act contains an emergency regulation which can be declared in respect of a credit institution by a Dutch court at the request of DNB if such credit institution is in a position which requires special measures for the protection of its creditors. As of the date of the emergency, only the court-appointed administrators have the authority to exercise the powers of the representatives of the credit institution. Furthermore, the emergency regulation provides for special measures for the protection of the interests of the creditors of the credit institution. A credit institution can also be declared in a state of bankruptcy by the court.

## **4.3 Organisational Structure**

From its founding in 1945 and until 1999, the Bank was majority owned by the Dutch Government. In 1999, NIB Capital N.V. (**NIBCapital**), formerly known as ABP-PGGM Capital Holdings N.V., which is owned by the two largest pension funds in the Netherlands, namely Stichting Pensioenfonds ABP (**ABP**) and Stichting Pensioenfonds PGGM (**PGGM**), acquired an approximately 85 per cent. equity interest in the Bank along with 99.98 per cent. of the voting rights. NIBCapital has its statutory seat in Utrecht and his headquarters with the Issuer in The Hague.

ABP is the largest pension fund in The Netherlands and the second largest pension fund in the world with total investments of approximately EUR 156 billion and 2.4 million participants.

ABP manages pension funds for the public sector in The Netherlands, operating pension, retirement and disability plans for the benefit of civil servants.

PGGM is the second largest pension fund in the Netherlands with total investments of approximately EUR 57 billion and 1.8 million participants. PGGM manages funds for the healthcare and social services sectors in the Netherlands, operating pension, retirement and disability plans for the benefit of officials and employees working in the areas of healthcare, care for the elderly, care for the disabled, home care, assistance to young people and welfare.

In May 2004 the Dutch Government has sold its remaining 15 per cent. holding of preference shares to NIBCcapital in accordance to the agreement of May 1999. Since than NIBCcapital holds 100 per cent. of the equity of the Bank.

## 5. TREND INFORMATION

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements.

## 6. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

### 6.1 Management Board and Board of Supervisory Directors

The Articles of Association of the Bank provide for management to be carried out by the Management Board under the supervision of a Board of Supervisory Directors.

The Board of Supervisory Directors (**Supervisory Board**) consists of at least five supervisory directors who are natural persons. The Supervisory Board is responsible for supervising and assisting the Management Board in the management of the Bank by giving advice and overseeing the general business of the Bank. The Management Board consults the Supervisory Board about all important matters concerning the Bank's general policies. The Supervisory Directors are appointed, suspended or removed through a general meeting of shareholders. The Supervisory Board may appoint a secretary, who does not have to be a member of that Board. Both the Supervisory Board and the general meeting of shareholders may at any time suspend a member of the Management Board. The Supervisory Directors are elected for a maximum term of four years (a Supervisory Director may be appointed for a shorter term). Remuneration for Supervisory Directors is determined through a general meeting of shareholders.

The Management Board consists of at least two but no more than five members including a Chairman. The Management Board is responsible for the day to day operations of the Bank. The Chairman of the Management Board and the other members of this Board are appointed, suspended or removed by the general meeting of the shareholders. In the event of a contemplated appointment or removal, a general meeting of shareholders shall enable the Supervisory Board to render advice in connection with such appointment or removal. All members of the Management Board serve the Bank on a full time basis. Members of the Management Board have no fixed term of office but may not stay on the Management Board past the last day of the month in which they reach age 62. Remuneration for the Management Board is set by the Supervisory Board.

#### *Supervisory Board*

W.F.C. Stevens	Chairman, Senior Partner at Baker & McKenzie
P.J. Groenenboom	Former Chairman of the Management Board of Internatio-

	Müller
M.J. Hulshoff	CEO Rodamco Europe N.V.
W.M. van den Goorbergh	Former Vice Chairman of the Board of Rabobank Nederland
C.A. Vrins	Former Chairman ABVA/KABO FNV
J.H.M. Lindenberg	Former Board Member of ING Group N.V. and ING Insurance

### ***Management Board***

M. Enthoven	Chairman and Member of the Committee of Managing Directors
J.B.J. Stegmann	Vice Chairman and Member of the Committee of Managing Directors
A.L.V. Dijkstra	Member and Member of the Committee of Managing Directors
J.L. van Nieuwenhuizen	Member and Member of the Committee of Managing Directors

All members of the Board of Supervisory Directors are non Executive Directors. All members of the Committee of Managing Directors are Executive Directors and do not perform principal activities outside the Issuer that are significant with respect to the Issuer.

The fixed remuneration of the Management Board for 2004 amounts to EUR 1.8 million. The variable remuneration for 2004 has not yet been determined.

The business address of each of the above mentioned Directors is Carnegieplein 4, 2517 KJ The Hague, The Netherlands. The abovementioned persons are members of the Supervisory Board and Management Board (as applicable) of both NIB Capital N.V. and NIB Capital Bank N.V.

## **6.2 Potential Conflicts of Interests**

No potential conflicts of interests.

## **7. MAJOR SHAREHOLDERS**

See the information set out in Item 4.3.

## **8. FINANCIAL INFORMATION**

### **8.1 Historical Financial Information**

#### **CAPITALISATION AND INDEBTEDNESS**

The equity and total indebtedness as at 31st December 2001, as at 31st December 2002, as at 31st December 2003 and as at 30th June 2004 are presented in the table below:<sup>1)</sup>



	30th June	(as at 31st December)		
	2004 <sup>2)</sup>	2003	2002	2001
	(in millions of EUR where appropriate)			
Equity	1,392 <sup>3)</sup>	1,488	1,355 <sup>4)</sup>	1,260 <sup>4)</sup>
Subordinated liabilities <sup>5)</sup>	475	519	397	599
Senior debt <sup>5)</sup>				
– Banks <sup>6)</sup>	900	467	1,427	608
– Funds entrusted <sup>7)</sup>	2,780	2,652	2,764	2,271
– Debt securities <sup>8)</sup>	16,597	14,259	12,894	11,307
Total	22,144	19,294	18,837	16,045

1. The figures contained in this table have been taken from the annual accounts without material alteration (except for the 30 June 2004 figures). The figures are in millions of EUR
2. Unaudited figures (which have been derived without material alteration from the Issuer's semi-annual interim report)
3. Excluding profit for the year (EUR 104 million)
4. Relevant figures for 2002 and 2001 have not been adjusted to reflect the adoption of the revised Dutch Guidelines for Annual Reporting Par. 160.208 – 160.211 issued by the Dutch Council for Annual Reporting for the classification of dividend declared after the balance sheet date. In 2002 a proposed dividend amounting to €162 million is included in other liabilities. In 2001 a proposed dividend amounting to €121 million is included in other liabilities.
5. All subordinated liabilities and senior debt are unguaranteed and unsecured
6. This includes non-subordinated, uncertified and non-transferable debt to credit institutions
7. This includes non-subordinated, uncertified and non-transferable debt not to credit institutions. Savings do not form a material part of this balance
8. This includes non-subordinated debentures and other negotiable bonds with fixed or floating interest, such as certificates of deposits

Since 31 December 2003, NIB Capital Bank has raised under the EMTN programme, in various currencies, approximately EUR 7.5 billion.

The Bank's authorised share capital amounts to EUR 276,000,000 divided into 150,000,000 "A" common shares, 50,000,000 cumulative preference "B" shares and 76,000,000 preference shares with par value of EUR 1 each, subdivided into (i) one series of 12,500,000 preference shares, designated by the letter "C", (ii) one series of 12,500,000 preference shares, designated by the letter "C", (iii) one series of 12,500,000 preference shares, designated by the letter "D", (iv) twelve series of 3,000,000 preference shares each, designated by the letter "E1" up to and including E12 respectively, and (v) five series of 3,000,000 preference shares each, designated by the letter "F1" up to including F5, respectively.

In the course of December 2004 the Bank's articles of association will be amended. As per such date of amendment the Bank's authorised share capital shall amount to EUR 250,000,000 divided into 110,937,500 "A" common shares with a par value of EUR 1,28 and 108,000,000 preference shares with par value of EUR 1 each, subdivided into (i) twelve series of 2,000,000 preference shares, each series designated by the letter "B1" up to and including "B12" respectively, (ii) twelve series of 2,000,000 preference shares, each series designated by the letter "C 1" up to and including "C12" respectively, (iii) twelve series of 2,000,000 preference shares, each series designated by the letter "D 1" up to and including "D 12" respectively, and (iv) twelve series of 3,000,000 preference shares, each series designated by the letter "E 1" up to and including "E12" respectively.

The Bank's issued and paid-up capital at June 30, 2004 was EUR 79,739,000, consisting of EUR 56,907,000 "A" shares, EUR 11,472,000 cumulative preference "B" shares, EUR 5,134,000 preference "C" shares and EUR 6,226,000 preference "D" shares.

In the course of December 2004, the articles of association of the Issuer will be amended. As per such date of amendment the Issuer's issued and paid-up capital shall be Euro 80,111,096.32 consisting of 62,586,794 "A" common shares with a par value of EUR 1,28 per share.

As at June 30, 2004, the Bank's contingent liabilities (including guarantees), as reflected in the notes to its financial statements determined in accordance with Dutch GAAP, were EUR 2,299,000,000 and its irrevocable facilities (which include all obligations arising from irrevocable commitments that could result in credit exposure) EUR 2,176,000,000.

Since June 30, 2004 there has been no material change in either the capitalisation table dated 30 June 2004 nor in the shareholders' equity or indebtedness or guarantees or contingent liabilities or other liabilities of NIB Capital Bank.

### CONSOLIDATED FIGURES OF THE ISSUER

	30th June 2004 <sup>3)</sup>	(as at 31st December) <sup>1)</sup>		
		2003	2002	2001
(in millions of EUR)				
Group Capital Base <sup>4)</sup>	2,128	2,164	1,902	2,006
Loan portfolio <sup>2)</sup>	11,128	9,796	11,989	11,742
Balance sheet total	23,989	20,985	20,310	17,519
Net profit	104	130	265	184
Net profit attributable to ordinary A shares	99	118	253	172
Return on Equity (A shares)	15,2%	9.1%	19.0%	14.2%
Net profit in EUR per A share	1.74	2.07	4.45	3.02
Dividend in EUR per A share	–	1.39	2.64	1.92
Number of A shares (*1,000)	56,907	56,907	56,907	56,907
Average number of employees	619	600	635	626

1. The consolidated figures in this table are derived from the annual accounts without material change (except for the 30 June 2004 figures)

2. Loans and guarantees, excluding bonds issued by foreign governments and financial institutions, advances against securities and irrevocable facilities

3. Unaudited figures (which have been derived without material alteration from the Issuer's semi-annual interim report)

4. Relevant figures for 2002 and 2001 have not been adjusted to reflect the adoption of the revised Dutch Guidelines for Annual Reporting Par. 160.208 – 160.211 issued by the Dutch Council for Annual Reporting for the classification of dividend declared after the balance sheet date. In 2002 a proposed dividend amounting to €162 million is included in other liabilities. In 2001 a proposed dividend amounting to €121 million is included in other liabilities

### SELECTED CONSOLIDATED FINANCIAL INFORMATION OF THE ISSUER

(at or for the year ended  
30th June 31st December)<sup>1)</sup>

<b>Balance Sheet</b>	<b>2004<sup>3)</sup></b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
	(in EUR millions where appropriate)			
<i>Assets</i>				
Cash	92	1,064	179	93
Banks	2,860	1,059	2,066	764
Loans and advances <sup>2)</sup>				
– to the Dutch Government	0	0	0	0
– guaranteed by the Dutch Government	2,406	1,109	819	837
– to private sector	10,056	10,120	11,124	9,918
Interest-bearing securities	7,131	6,106	4,720	4,112
Shares	450	445	339	811
Participating interests	111	128	148	262
Goodwill	1	1	1	19
Property and equipment	89	89	58	55
Prepayments and accrued income	793	864	856	648
Total assets	23,989	20,985	20,310	17,519
<i>Liabilities and Shareholders' Equity</i>				
Banks	900	467	1,427	608
Funds entrusted	2,780	2,652	2,764	2,271
Debt securities	16,597	14,259	12,894	11,307
Other liabilities	125	52	207 <sup>4)</sup>	324 <sup>4)</sup>
Accruals and deferred income	1,443	1,363	1,075	970
Provisions	16	28	41	33
Fund for general banks risks	136	136	136	136
Subordinated liabilities	475	519	397	599
Issued and paid-up capital				
– ordinary A shares	58	58	58	58

– cumulative preference B shares	11	11	11	11
– preference C shares	5	5	5	5
– preference D shares	6	6	6	6
Reserves	1,312	1,278	1,275	1,180
Net profit for the year				
- proposed retained profit for the year		39	-	-
- proposed dividend from profit appropriation <sup>4)</sup>		91	-	-
Group equity	1,392	1,488	1,355 <sup>4)</sup>	1,260 <sup>4)</sup>
3rd party interest	21	21	14	11
Net profit before profit distribution	104	0	0	0
Group capital base	2,128	2,164	1,902 <sup>4)</sup>	2,006 <sup>4)</sup>
<hr/>				
Total liabilities and shareholders' equity	23,989	20,985	20,310	17,519
Contingent liabilities	2,299	2,334	2,574	2,028
Irrevocable facilities	2,176	1,930	1,542	1,564

<b>Profit and Loss</b>	<b>30th June</b>	<b>(at or for the year ended 31st December)<sup>1)</sup></b>		<b>2001</b>
	<b>2004<sup>3)</sup></b>	<b>2003</b>	<b>2002</b>	
Interest income	511	727	752	923
Interest expense	378	452	523	711
Net Interest income	133	275	229	212
Income from securities and participating interests	9	23	30	69
Commission income	11	30	30	26
Commission expense	1	2	7	6
Net commission income	10	28	23	20
Results on financial transactions	54	22	203 <sup>5)</sup>	67

Other revenue	2	6	2	5
Total income	208	354	487	373
Administrative expenses				
-staff costs	45	70	79	71
-other Administrative expenses	19	40	39	32
Depreciation	6	10	26	7
Operating expenses	70	120	144	110
Value adjustments to receivables	9	54	68	67
Total expenses	79	174	212	177
Operating results before taxation	129	180	275	196
Taxation on operating results	25	43	7	8
3 <sup>rd</sup> party interest	-	6	3	3
Net profit <sup>6)</sup>	104	130	265	184

1. The consolidated figures in this table are derived from the annual accounts without material change (except for the 30 June 2004 figures)
2. Loans and guarantees, excluding bonds issued by foreign governments and financial institutions, advances against securities and irrevocable facilities
3. Unaudited figures (which have been derived without material alteration from the Issuer's semi-annual interim report)
4. Relevant figures for 2002 and 2001 have not been adjusted to reflect the adoption of the revised Dutch Guidelines for Annual Reporting Par. 160.208 – 160.211 issued by the Dutch Council for Annual Reporting for the classification of dividend declared after the balance sheet date. In 2002 a proposed dividend amounting to €162 million is included in other liabilities. In 2001 a proposed dividend amounting to €121 million is included in other liabilities
5. Includes EUR 238.6 million book profit on the sale of equity participation portfolio
6. Some table figures may not total due to rounding

## Cashflow Statement

	June 2004 <sup>1)</sup>	2003	2002	2001
Net profit	104	130	265	184
Adjustments				
Depreciation	6	10	26	7
Value adjustments to receivables	9	54	68	67
Movements in Provisions	-12	-13	8	-1
Cash flow from net profit	107	181	367	257
Banks	-1,368	47	-483	-182
Loans and advances	-1,242	660	-1,256	480
Debt securities <sup>2)</sup>	2,338	1,365	1,587	27
Funds entrusted	128	-111	493	151
Shares	-5	-106	472	-74
Interest-bearing securities trading portfolio	-842	-939	-1,401	-1,359
Other movements	128	113	-367	-67

Cash flow operating activities	-756	1,210	-588	-767
Investment portfolio purchases	0	-960	-1,410	-932
Repayments and disposals	0	513	2,203	1,286
Investment portfolio	-183	-447	793	354
Purchase of participating interest	0	0	0	90
Disposal of participating interest	0	10	104	1
Participating interests	17	10	104	-89
Purchase of tangible fixed assets	-6	-10	-21	-5
Cash flow from investing activities	-928	-447	876	260
Subordinated liabilities	-44	122	-202	4
Cash flow from financing activities	-44	122	-202	4
Cash flow	-972	885	86	-503

<sup>1.</sup> Unaudited figures (which have been derived without material alteration from the Issuer's semi-annual interim report)

<sup>2.</sup> In the financial statements 2003 and interim report 30 June 2004 Debt securities are classified as Cash flow from financing activities

## 8.2 Financial Statements

See the F-pages.

## 8.3 Auditing of Historical Annual Financial Information

See F-pages for the Reports of the Independent Auditors.

## 8.4 Age of Latest Financial Information

Audited financial information is dated as at 31 December 2003 and the unaudited semi annual information is dated as at 30 June 2004

## 8.5 Interim and Other Financial Information

This information is incorporated by reference.

## 8.6 Legal and Arbitration Proceedings

Neither the Issuer nor any of its subsidiaries is, or has been, involved in any legal or arbitration proceedings (including any proceedings which are pending or, as far as the Issuer is aware, threatened) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer.

## 8.7 Significant Changes

Save as disclosed herein, there has been no significant change in the financial or trading position of the Issuer since 30 June 2004 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2003.

As of 1 January 2005 the financial figures of NIB Capital Bank N.V. will be based on the IFRS accounting principles.

## 9. MATERIAL CONTRACTS

The Fiscal Agency Agreement

The Deed of Covenant

The Dealership Agreement

**10. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**

Not applicable

**11. DOCUMENTS ON DISPLAY**

Throughout the life of the Programme, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Fiscal Agent and Principal Registrar and at the registered office of the Issuer, namely:

- (a) the Articles of Association of the Issuer;
- (b) the current listing particulars in relation to the Programme, together with any amendments or supplements thereto and any document incorporated therein by reference;
- (c) the Fiscal Agency Agreement;
- (d) the Deed of Covenant;
- (e) the Dealership Agreement;
- (f) the audited financial statements of the Issuer and its subsidiary undertakings for the last two preceding financial years and the unaudited financial statements (if any) of the Issuer for the most recent financial half-year; and
- (g) any Pricing Supplement relating to Instruments which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. In the case of a Series of Instruments in relation to which application has not been made for admission to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Pricing Supplement will only be available for inspection by a Holder or, as the case may be, a Relevant Account holder (as defined in the Deed of Covenant) in respect of such Instruments.

**12. AUDITOR'S STATEMENT**

To the Board of Managing Directors of NIB Capital Bank N.V.

**Introduction**

We have taken cognisance of this Information Memorandum of the Euro 20,000,000,000 Programme for the Issuance of Debt Instruments dated 29 December 2004 of NIB Capital Bank N.V. The Hague, The Netherlands with the aim of establishing whether this Information Memorandum at least contains the information which, to the extent applicable, is required to be included therein pursuant to Section 2 (2) and (5) of the Netherlands Decree on the Supervision of the Securities Trade 1995 (“*Besluit toezicht effectenverkeer 1995*”) and the Netherlands Further Regulation on Market Conduct Supervision of the Securities Trade 2002

(“*Nadere regeling gedragstoezicht effectenverkeer 2002*”). This Information Memorandum is the responsibility of NIB Capital Bank N.V.’s management. Our responsibility is to express an opinion pursuant to section 2 (4) of the Annex A to the Netherlands Decree on the Supervision of the Securities Trade 1995.

### **Scope**

Based on auditing standards generally accepted in the Netherlands, we are required to plan and perform our procedures to obtain assurance that this Information Memorandum at least contains the information which, to the extent applicable, is required pursuant to section 2 (2) and (5) of the Netherlands Decree on the Supervision of the Securities Trade 2002. Unless expressly stated otherwise in this Information Memorandum, the information included in this Information Memorandum has not been audited. We believe that our procedures provide a reasonable basis for our opinion.

### **Opinion**

In our opinion, this Information Memorandum at least contains the information which, to the extent applicable, is required pursuant to section 2 (2) and (5) of the Netherlands Decree on the Supervision of the Trade 1995 and the Netherlands Further Regulation on Market Conduct Supervision of the Securities Trade 2002.

Amsterdam, 29 December 2004

PricewaterhouseCoopers Accountants N.V.

#### **12.1 Consent**

PricewaterhouseCoopers Accountants N.V. have given and have not withdrawn their consent to the inclusion of the Auditor's Statement appearing on pages 159 and 160 of this Information Memorandum and the Auditors' Report appearing on pages F-43 and 56 of the accounts appearing at the back of this Information Memorandum in the form and context in which they are included and have authorised the contents of that part of the Listing Particulars for the purposes of Regulation 6(1)(e) of The Financial Services and Markets Acts 2000 (Official Listing of Securities) Regulations 2001.



## NETHERLANDS TAXATION

### *General*

*The following summary describes the principal Netherlands tax consequences of the acquisition, holding, redemption and disposal of Debt Instruments, which term, for the purpose of this summary, includes Coupons, Talons and Receipts. This summary does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant to a decision to acquire, to hold, and to dispose of the Debt Instruments. Each prospective Debt Instrument holder should consult a professional adviser with respect to the tax consequences of an investment in the Debt Instruments. The discussion of certain Netherlands taxes set forth below is included for general information purposes only.*

*This summary is based on The Netherlands tax legislation, published case law, treaties, rules, regulations and similar documentation, in force as of the date of the Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.*

*This summary does not address The Netherlands tax consequences of a Debt Instrument holder who holds a substantial interest (**aanmerkelijk belang**) in the Issuer, within the meaning of Section 4.3 of the Income Tax Act 2001. Generally speaking, a Debt Instrument holder holds a substantial interest in the Issuer, if such Debt Instrument holder, alone or together with his or her partner (statutory defined term) or certain other related persons, directly or indirectly, holds (i) an interest of five percent or more of the total issued capital of the Issuer or of five percent or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer.*

The Issuer has been advised that under the existing laws of The Netherlands:

- (a) all payments by the Issuer under the Debt Instruments can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein, unless the Debt Instruments qualify as debt as referred to in Article 10, paragraph 1 sub d of the Dutch Corporate Income Tax Act (*Wet op de vennootschapsbelasting 1969*);
- (b) a holder of a Debt Instrument who derives income from an Instrument or who realises a gain on the disposal or redemption of a Debt Instrument will not be subject to Netherlands taxation on income or capital gains unless:
  - (i) the holder is treated as resident in The Netherlands for the purpose of the relevant provisions; or
  - (ii) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in The Netherlands; or
  - (iii) the holder has, directly or indirectly, a substantial interest or a deemed substantial interest in the Issuer and, if the holder is not an individual, such interest or the Debt Instrument does not form part of the assets of an enterprise; or

- (iv) the holder is an individual and such income or gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*);
- (c) Netherlands gift, estate or inheritance taxes will not be levied on the occasion of the transfer of an Debt Instrument by way of gift by, or on the death, of a holder, unless:
  - (i) the holder is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
  - (ii) the transfer is construed as an inheritance or as a gift made by or on behalf of a person who, at the time of the gift or death, is or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
  - (iii) such Debt Instrument is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in The Netherlands;
- (d) there is no Netherlands registration tax, capital tax, customs duty, stamp duty or any other similar tax or duty other than court fees payable in The Netherlands in respect of or in connection with the execution, delivery and enforcement by legal proceedings (including any foreign judgment in the courts of The Netherlands) of the Debt Instruments or the performance of the Issuer's obligations under the Instruments;
- (e) there is no Netherlands value added tax payable in respect of payments in consideration for the issue of a Debt Instrument or in respect of the payment of interest or principal under the Debt Instruments or the transfer of a Debt Instrument; and
- (f) a holder of a Debt Instrument will not have a permanent establishment, or be deemed to have a permanent establishment, in The Netherlands by reason only of the holding of a Debt Instrument or the execution, performance delivery and/or enforcement of a Debt Instrument.

### ***European Savings Directive***

On 19 July 2004 the EU's Council of Economics and Finance ministers agreed that the provisions of the EU Savings Directive should be applied by Member States from 1 July 2005. Under the savings directive, which was adopted by the EU's Council on 3 June 2003, each Member State will be expected to provide information to other Member States on interest paid from that Member State to individual savers resident in those other Member States. For a transitional period Austria, Belgium and Luxembourg will be allowed to apply a withholding tax instead at a rate of 15% for the first 3 years (2004-2007), 20% for the subsequent three years (2008-2010) and 35% from 11 July 2011 onwards.

## SUBSCRIPTION AND SALE

The Dealer has, agreed with the Issuer a basis upon which it may from time to time agree to purchase Debt Instruments (provided that No Registered Debt Instruments may be purchased by NIB Capital Bank N.V. in its capacity as Dealer. Any such agreement will extend to those matters stated under "Form of the Debt Instruments" and "General Terms and Conditions of the Debt Instruments".

### *General*

The Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Debt Instruments or possesses or distributes this Information Memorandum and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Debt Instruments under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

Neither the Issuer nor the Dealer represents that Debt Instruments may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

### *The Netherlands/Global*

Each Dealer has represented and agreed that any Debt Instruments (including rights representing an interest in a Debt Instrument in global form) issued under the Programme that are offered anywhere in the world shall, in order to comply with the Netherlands Securities Market Supervision Act 1995 (*Wet toezicht effectenverkeer 1995*, hereinafter the **WTE**) only be offered in accordance with any one of the following restrictions (as specified in the Pricing Supplement):

- (a) in the event that such Debt Instruments have been or are likely to be admitted to listing on the Official Segment of the stock market of Euronext Amsterdam N.V; or
- (b) subject to the proviso stated below, in the event that (a) such Debt Instruments have been admitted to the official listing on a stock exchange or have otherwise been publicly offered in another state which is a party to the Treaty on the European Economic Area (hereinafter the "EEA") and (b) this Information Memorandum has been approved by, and the applicable Pricing Supplement has been submitted to or approved by, the competent authority as referred to in Article 20 or Article 21 of EC Directive 89/298/EEC hereinafter the "Competent Authority" and (c) the AFM has confirmed, where necessary, the availability of recognition in respect of such documents; or

- (c) if they are part of an issue comprising only Debt Instruments with a denomination of at least EUR 50,000 or the equivalent in any other currency provided that if any such Debt Instruments are issued:
  - (i) at a discount, they may only be offered if their issue price is no less than EUR 50,000 (or its equivalent in any other currency);
  - (ii) on a partly-paid basis, they may only be offered if paid-up by their initial holders to at least such amount;
  - (iii) with a denomination of precisely EUR 50,000 (or its equivalent in any other currency), they may only be offered on a fully-paid basis and at par or at a premium; or
- (d) if, regardless of their denomination, Debt Instruments can only be acquired by investors during primary distribution (or by way of a re-offering in The Netherlands) in units comprising several Debt Instruments (each a **Unit**) against a purchase price of at least EUR 50,000 (or the equivalent in any other currency) per Unit, provided that:
  - (i) in the offer, in the applicable Pricing Supplement and in any documents or advertisements in which a forthcoming offering of such Debt Instruments is publicly announced (whether electronically or otherwise) it is stated that such offer will consist of Units with a purchase price of at least EUR 50,000 (or the equivalent in any other currency); and
  - (ii) a copy of this Information Memorandum and the applicable Pricing Supplement are submitted to the AFM before the issue date.
- (e) if they are part of a Series of Debt Instruments comprising only Debt Instruments with a maturity of up to one year; or
- (f) to individuals or legal entities anywhere in the world who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institutions, central governments, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities (hereinafter **Professional Investors**) provided that it must be made clear both upon making the offer and in any documents or advertisements in which a forthcoming offering of such Debt Instruments is publicly announced (whether electronically or otherwise) that such offer is exclusively made to such individuals or legal entities; or
- (g) (for syndicated Series of Debt Instruments) if the following criteria are met:
  - (i) the Debt Instruments are subscribed for and placed by a syndicate of which at least two members have their statutory seat established in different states that are a party to the Treaty on the EEA; and
  - (ii) 60 per cent. or more of the relevant issue amount is offered in one or more states other than The Netherlands; and

- (iii) investors may only acquire the Debt Instruments being offered through the intermediary of a credit institution (registered with the Dutch Central Bank) or another financial institution which in the conduct of a business or profession provides one or more of the services described in paragraphs 7 and 8 of the Annex to the Banking Coordination Directive (2000/12/EC); and
  - (iv) no generalised advertising or cold-calling campaign is conducted in respect of the Debt Instruments anywhere in the world; or
- (h) to persons or entities who or which are established, domiciled or have their usual residence (collectively, “are resident”) outside The Netherlands provided that (a) in the offer, the applicable Pricing Supplement and in any advertisements or documents in which a forthcoming offer of the Debt Instruments is announced (whether electronically or otherwise; collectively “announcements”) it is stated that the offer is not and will not be made to persons or entities who or which are resident in The Netherlands, (b) the offer, the Information Memorandum, the applicable Price Supplement and any announcement comply with the laws and regulations of any State where persons or entities to whom or which the offer is made are resident, and (c) a statement by the Issuer that those laws and regulations are complied with is submitted to the AFM before the offer or any such announcement is made and is included in the applicable Pricing Supplement and each such announcement; or
- (i) to persons and entities as referred to in (g) and to Professional Investors situated in The Netherlands; or
- (j) if any other exemption from the prohibition contained in article 3 paragraph 1 of the Netherlands Securities Act applies or if the AFM has granted an (individual) dispensation from the above prohibition and the conditions attached to such exemption or dispensation are fully complied with.

### ***United States***

The Debt Instruments have not been and will not be registered under the United States Securities Act of 1933 (the **Securities Act**) and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act. Debt Instruments in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder. The Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, it will not offer, sell or deliver Debt Instruments, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Debt Instruments comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Debt Instruments to or through more than one Dealer, by each of such Dealers as to Debt Instruments of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to or for the account or benefit of U.S. persons, and such Dealer will have sent to each Dealer to which it sells Debt Instruments during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Debt Instruments within the United States or to or for the account or

benefit of U.S. persons. In addition, until 40 days after the commencement of the offering of Debt Instruments comprising any Tranche, any offer or sale of Debt Instruments within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

Furthermore, each Series of Debt Instruments will also be subject to such further United States selling restrictions as the Issuer and the relevant Dealer or Dealers may agree and as indicated in the relevant Pricing Supplement.

### ***United Kingdom***

The Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) In relation to Debt Instruments which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of the period of six months from the issue date of such Debt Instruments, will not offer or sell any such Debt Instruments to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act (the **FSMA**) received by it in connection with the issue of any Debt Instruments in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (c) It has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Debt Instruments in, from or otherwise involving the United Kingdom.

### ***Japan***

The Debt Instruments have not been and will not be registered under the Securities and Exchange Law of Japan (Law No.25 of 1948, as amended) (**the Securities and Exchange Law**) and, accordingly, the Dealer has undertaken and each further Dealer appointed under the Programme will be required to undertake that it will not offer or sell any Debt Instruments, 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 pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan. 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.

### ***Federal Republic of Germany***

The Dealer has confirmed and each further Dealer appointed under the Programme will be required to confirm that it is aware of the fact that no German selling prospectus

(*Verkaufsprospekt*) has been or will be published in respect of the Programme and that it will comply with the Securities Selling Prospectus Act (the **Act**) of the Federal Republic of Germany (*Wertpapier-Verkaufsprospektgesetz*) of 13th December, 1990. In particular, each Dealer has undertaken not to engage in public offering (*öffentliches Angebot*) in the Federal Republic of Germany with respect to any Debt Instruments issued under the Programme otherwise than in accordance with the Act and any other act replacing or supplementing the Act and all other applicable laws and regulations.

### ***Belgium***

- (a) Each Dealer has represented and agreed that it will not offer for sale, sell or market in Belgium any Debt Instruments by means of a public offer within the meaning of the Law of 22<sup>nd</sup> April, 2003 on the public offer of securities; or
- (b) sell Debt Instruments to any person qualifying as a consumer within the meaning of Article 1.7<sup>o</sup> of the Belgian law of 14<sup>th</sup> July, 1991 on consumer protection and trade practices unless such sale is made in compliance with this law and its implementing regulation.

### ***France:***

Each Dealer has represented and agreed that it has not offered or sold and will not offer or sell directly or indirectly Debt Instruments to the public in France and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France the Information Memorandum or any other offering material relating to the Debt Instruments and that such offers, sales and distributions have been and will only be made in France to qualified investors acting for their account, all as defined in, and in accordance with, articles L.411-2 of the French *Code monétaire et financier* and *décret* No. 98-880 dated 1<sup>st</sup> October, 1988.

### ***Italy:***

The offering of the Debt Instruments has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Subordinated Notes may be offered, sold or delivered, nor may copies of the Information Memorandum or of any other document relating to the Subordinated Notes be distributed in the Republic of Italy, except:

- (a) (to professional investors (*operatori qualificati*) as defined in article 31, second paragraph, of CONSOB Regulation No. 11522 of 1st July, 1998, as successively amended; or
- (b) in circumstances which are exempted from the rules on solicitation of investments pursuant to article 100 of legislative decree No. 58 of 24th February, 1998 (the Financial Services Act) and article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as successively amended.

Any offer, sale or delivery of the Debt Instruments or distribution of copies of the Information Memorandum or any other document relating to the Debt Instruments in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and legislative decree No. 385 of 1st September, 1993 (the Banking Act);

- (b) in compliance with article 129 of the Banking Act and the implementing guidelines of the Bank of Italy pursuant to which the issue or the offer or securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending on, inter alia, the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and
- (c) in accordance with any other applicable laws or regulations.

***Ireland:***

Each Dealer has represented and agreed that:

- (a) in relation to Debt Instruments issued by the Issuer, it has not offered or sold and will not, so long as Part XII of the Irish Companies Act, 1963 remains in force in relation to the Debt Instruments, offer or sell any Debt Instruments issued by the Issuer in Ireland except (i) to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent or (ii) where the Information Memorandum and any Pricing Supplement are first published or issued in the United Kingdom and where such Information Memorandum and Pricing Supplement comply with the law for the time being in force in the United Kingdom or (iii) where such Debt Instruments are not the subject of an offer to the public within the meaning of the Irish Companies Act, 1963 in Ireland or elsewhere and that it has only issued or passed on, and will only issue or pass on, in Ireland, any document received by it in connection with the issue of such Debt Instruments, to persons who are persons to whom the documents would otherwise lawfully be issued or passed on to;
- (b) it has complied and will comply with all applicable provisions of the Investment Intermediaries Act, 1995 with respect to anything done by it in relation to the Debt Instruments operating in or otherwise involving Ireland

***Norway:***

Each Dealer has represented and agreed that it has not directly or indirectly offered or sold and will not directly or indirectly offer or sell in the Kingdom of Norway any debt Instruments other than to persons who are registered with the Oslo Stock Exchange as professional investors.

***Sweden:***

Each Dealer has confirmed and agreed that it will not directly or indirectly offer for subscription or purchase or issue invitations to subscribe for or buy or sell Debt Instruments or distribute any draft or definitive document in relation to any such offer, invitation or sale in Sweden except in compliance with the laws of Sweden.

***Spain:***

Each Dealer acknowledged that the Debt Instruments may not be offered or sold in Spain by means of a public offer as defined and construed by Spanish law but may be offered or sold in Spain in compliance with the requirements of law 24/1998, of 28<sup>th</sup> July (as amended by law 37/1998, of 16<sup>th</sup> November), on the Spanish Securities Market and the Royal Decree 291/1992, of 27<sup>th</sup> March (as amended by the Royal Decree 2590/1998, of 7<sup>th</sup> December), on issues and public offers for the sale of securities.



### ***Denmark:***

Each Dealer has represented and agreed that the Debt Instruments have not been offered or sold and will not be offered, sold or delivered directly or indirectly in the Kingdom of Denmark by way of a public offering, unless in compliance with the Danish Securities Trading Act, Consolidation Act No. 587 of 9<sup>th</sup> July, 2002 as amended from time to time and any orders issued thereunder

### ***Switzerland:***

Each Dealer has represented and agreed that it (a) will only offer or sell Debt Instruments in Switzerland in compliance with all applicable laws and regulations in force in Switzerland, and (b) will to the extent necessary, obtain any consent, approval or permission required, if any, for the offer or sale by it of Debt Instruments under the laws and regulations in force in Switzerland.

### ***Hong Kong***

Each Dealer has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Debt Instruments other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Future Ordinance (Cap.571) of Hong Kong and any rules under that Ordinance; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purpose of issue, and will not issue or have in its possession for the purpose of issue, whether in Hong Kong or elsewhere any advertisement, invitation or document, relating to the Debt Instruments, which is directed at, or the contents of which are likely to be accessed or read by the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Debt Instruments which are or are intended to be disposed of only to the persons outside Hong Kong or only to **professional investors** as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### ***Singapore***

This Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore (the **MAS**) under the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**). Accordingly, the Debt Instruments may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Debt Instruments be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor or other person falling within Section 274 of the SFA, (b) to a sophisticated investor (as defined in Section 275 of the SFA) and in accordance with the conditions, specified in Section 275 of the SFA or (c) otherwise than pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

### ***Malaysia***

The approval of the Securities Commission Malaysia has not been obtained to make available, offer for subscription or purchase, or issue any invitation to subscribe for or purchase the Debt Instruments in Malaysia. Accordingly, the Dealer has represented and agreed that (i) it will not make available nor offer for subscription or purchase any of the Debt Instruments in Malaysia, and (ii) it will not issue or cause to be issued in Malaysia this Information Memorandum or any other invitation, advertisement or document inviting offers to subscribe for or purchase, or offering for sale or subscription, the Debt Instruments.

### ***Thailand***

The Debt Instruments may not be offered or sold in Thailand as part of their initial issuance. The Debt Instruments may only be sold in the secondary market in Thailand to institutional investors within the meaning of the Notification of the Securities & Exchange Commission of Thailand No. Kor Chor. 32/2544 Re: Application for and Approval of the Offering for Sale of Newly Issued Debentures, dated 19th October, 2001 and the Securities and Exchange Act of 1992 of Thailand provided that (i) such Debt Instruments shall be issued in registered form and subject to a transfer restriction throughout the term of such Debt Instruments, (ii) such transfer restriction is registered with the office of the Thai Securities and Exchange Commission and (iii) the appropriate mandatory legend on transfer restriction is specified in the certificates representing such Debt Instruments. This Information Memorandum, the forms of Debt Instruments containing such transfer restriction and the letter of appointment of a domestic registrar together with its letter acknowledging such transfer restriction must be submitted to the office of the Thai Securities and Exchange Commission together with the submission of the sale report.

Legend to be incorporated in the form of the Debt Instruments:

"This Debt Instrument may not be offered or sold in Thailand as part of their initial issuance. This debt Instrument or interests herein may only be sold in the secondary market in Thailand to institutional investors within the meaning of the Notification of the Securities & Exchange Commission of Thailand No. Kor Chor. 32/2544 Re: Application for and Approval of the Offering for Sale of Newly Issued Debentures, dated 19th October, 2001 and the Securities and Exchange Act of 1992 of Thailand provided that (i) this Debt Instrument is issued in registered form and subject to a transfer restriction throughout its term and (ii) such transfer restriction is registered with the office of the Thai Securities and Exchange Commission. This Information Memorandum relating to this Note, the forms of this Debt Instrument and the letter of appointment of a domestic registrar together with its letter acknowledging such transfer restriction must be submitted to the office of the Thai Securities and Exchange Commission together with the submission of the sale report".

### ***Korea***

Each Dealer has represented and agreed that the Debt Instruments have not been and will not be offered, delivered or sold directly or indirectly in Korea or to any resident of Korea or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations. Each Dealer has undertaken to ensure that any investor to which it sells Debt Instruments confirms that it is purchasing such Debt Instruments as principal and that it will not re-offer or re-sell any Debt Instruments directly or indirectly in Korea or to any resident of Korea, except as aforesaid.

***Taiwan***

The Debt Instruments shall not be offered or sold publicly in the Republic of China ("ROC"), directly or indirectly, as part of the distribution of the Debt Instruments, in a manner that will constitute a "public offering" pursuant to the ROC Securities Exchange Law.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the issue of Debt Instruments under the Programme have been duly authorised by a resolution of the Management Board of the Issuer dated 13 December 2004. All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of The Netherlands have been given for the issue of Debt Instruments and for the Issuer to undertake and perform its obligations under the Fiscal Agency Agreement and the Notes.

### Listing

Application has been made to list Debt Instruments issued under the Programme on the Luxembourg Stock Exchange and, in connection therewith, the Luxembourg Stock Exchange has assigned registration number 12736 to the programme. Prior to the listing of any Debt Instruments, the constitutional documents of the Issuer and the legal notice relating to the issue will be registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés à Luxembourg*), where copies of these documents may be obtained upon request.

The listing of the Debt Instruments on the Official List of the UK Listing Authority will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that each Series of Debt Instruments which is to be admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange (i) will be so admitted to listing and trading upon submission to the UK Listing Authority and the London Stock Exchange of the relevant Pricing Supplement and any other information required by the UK Listing Authority and the London Stock Exchange and (ii) will be admitted separately as and when issued, subject only to the issue of a temporary global Instrument initially representing the relevant Series or, as the case may be, a Registered Instrument. Prior to official listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction. Debt Instruments may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the UK Listing Authority or the London Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealers may agree, subject to the terms of the Dealership Agreement.

### Documents Available

So long as **Debt Instruments** are outstanding under the Programme, copies of the following documents will, when published, be available free of charge from the registered offices of the Issuer, from the specified office of the Listing Agent **in Luxembourg**:

- (i) an English translation of the most recent Articles of Association of the Issuer;
- (ii) the publicly available annual reports (non consolidated and consolidated) of the Issuer for the two most recent financial years, and the most recently available published unaudited consolidated interim (semi-annual) financial statements of the Issuer (in English);

- (iii) the Fiscal Agency Agreement ;
- (iv) the Deed of Covenant;
- (v) the Dealership Agreement;
- (vi) a copy of this Information Memorandum;
- (vii) any future information memoranda and supplements to this Information Memorandum and any other documents incorporated herein or therein by reference; and
- (viii) the Pricing Supplement for each Tranche of listed Debt Instruments.

### **Significant Change**

Save as disclosed in this **Information Memorandum**, there has been no material adverse change in the condition (financial or otherwise) or prospects of the Issuer (taken as a whole) since 31 December 2003.

### **Litigation**

Neither the Issuer nor any of its subsidiaries is, or has been, involved in any legal or arbitration proceedings (including any proceedings which are pending or, as far as the Issuer is aware, threatened) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer.

### **Clearing and Settlement Systems**

The Debt Instruments have been accepted for clearance through Euroclear, Clearstream, Luxembourg and Euroclear Netherlands. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Instruments for clearance. The appropriate common code and the International Securities Identification Number in relation to the Debt Instruments of each Series will be specified in the Pricing Supplement relating thereto.

# CONSOLIDATED BALANCE SHEET NIB CAPITAL BANK NV AS AT 30 JUNE 2004

IN MILLIONS OF EUROS

		30 JUNE 2004	31 DECEMBER 2003	30 JUNE 2003
<b>ASSETS</b>				
CASH		92	1.064	99
BANKS		2,860	1,059	2,366
LOANS AND ADVANCES				
GUARANTEED BY PUBLIC AUTHORITIES	2,406	1,109	818	
TO THE PRIVATE SECTOR	10,056	10,120	10.422	
		12,462	11,229	11,240
INTEREST-BEARING SECURITIES		7,131	6,106	5,561
SHARES		450	445	336
PARTICIPATING INTERESTS		111	128	144
INTANGIBLE FIXED ASSETS		1	1	1
PROPERTY AND EQUIPMENT		89	89	91
PREPAYMENTS AND ACCRUED INCOME		793	864	885
		<b>23,989</b>	<b>20,985</b>	<b>20,723</b>

IN MILLIONS OF EUROS

**LIABILITIES AND  
SHAREHOLDERS' EQUITY**

	30 JUNE 2004	31 DECEMBER 2003	30 JUNE 2003
<b>BANKS</b>	900	467	673
<b>FUNDS ENTRUSTED</b>	2,780	2,652	2,915
<b>DEBT SECURITIES</b>	16,597	14,259	13,638
<b>OTHER LIABILITIES</b>	125	52	77
<b>ACCRUALS AND DEFERRED INCOME</b>	1,443	1,363	1,417
<b>PROVISIONS</b>	16	28	43
	<b>21,861</b>	<b>18,821</b>	<b>18,763</b>
<b>FUND FOR GENERAL BANKING RISKS</b>	136	136	136
<b>SUBORDINATED LIABILITIES</b>	475	519	389
<b>SHAREHOLDERS' EQUITY</b>			
ISSUED AND PAID-UP CAPITAL	80	80	80
RESERVES	1,312	1,278	1,272
<b>NET PROFIT FOR THE YEAR</b>			
PROPOSED RETAINED PROFIT FOR THE YEAR	0	39	
PROPOSED DIVIDENDS FROM PROFIT APPROPRIATION	0	91	
	0	130	
<b>GROUP EQUITY</b>	1,392	1,488	1,352
<b>THIRD-PARTY INTERESTS</b>	21	21	18
<b>GROUP CAPITAL BASE</b>	<b>2,024</b>	<b>2,164</b>	<b>1,895</b>
PROFIT FOR THE YEAR	104	-	65
	<b>23,989</b>	<b>20,985</b>	<b>20,723</b>
<b>CONTINGENT LIABILITIES</b>	2,299	2,334	3,204
<b>IRREVOCABLE FACILITIES</b>	2,176	1,930	1,532

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

## YTD 30 JUNE 2004

IN MILLIONS OF EUROS

		30 JUNE 2004	31 DECEMBER 2003	30 JUNE 2003
<b>INCOME</b>				
INTEREST INCOME		511.1	997.9	466.2
INTEREST EXPENSE		378.4	723.3	344.6
INTEREST		132.7	274.6	121.6
INCOME FROM SECURITIES AND PARTICIPATING INTERESTS		9.6	23.1	8.0
COMMISSION INCOME		10.9	30.1	19.7
COMMISSION EXPENSE		0.9	2.1	1.0
COMMISSION		10.0	28.0	18.7
RESULTS ON FINANCIAL TRANSACTIONS		53.6	22.1	36.4
OTHER REVENUE		2.2	5.8	2.6
<b>TOTAL INCOME</b>		<b>208.1</b>	<b>353.6</b>	<b>187.3</b>
<b>EXPENSES</b>				
PERSONNEL AND ADMINISTRATIVE EXPENSES				
- PERSONNEL EXPENSES		45.5	70.4	36.6
- OTHER ADMINISTRATIVE EXPENSES		19.3	40.1	18.4
		64.8	110.5	55.0
DEPRECIATION		5.7	9.8	4.8
OPERATING EXPENSES		70.5	120.3	59.8
VALUE ADJUSTMENTS TO RECEIVABLES		8.8	53.7	33.5
<b>TOTAL EXPENSES</b>		<b>79.3</b>	<b>174.0</b>	<b>93.3</b>
<b>OPERATING RESULT BEFORE TAXATION AND BEFORE AMORTISATION OF GOODWILL AND COST PRICE ADJUSTMENT</b>		<b>128.8</b>	<b>179.6</b>	<b>94.0</b>
TAXATION		24.5	43.0	25.3
<b>NET OPERATING PROFIT BEFORE AMORTISATION OF GOODWILL AND COST PRICE ADJUSTMENTS</b>		<b>104.3</b>	<b>136.6</b>	<b>68.7</b>
AMORTISATION OF GOODWILL		0.0	0.0	0.0
AMORTISATION OF COST PRICE ADJUSTMENTS		0.0	0.0	0.0
		0.0		0.0
THIRD-PARTY INTERESTS		104.3	136.6	68.7
		-0.1	6.5	3.5
<b>NET PROFIT</b>		<b>104.4</b>	<b>130.1</b>	<b>65.2</b>



# CASH FLOW STATEMENT FOR 2004

in millions of euros

	30 JUNE <b>2004</b>	30 JUNE <b>2003</b>
NET PROFIT	104	65
ADJUSTMENTS:		
DEPRECIATION	6	5
VALUE ADJUSTMENTS TO RECEIVABLES	9	34
MOVEMENTS IN PROVISION	-12	2
CASH FLOW FROM NET PROFIT	107	106
BANKS	-1.368	-1.054
LOANS AND ADVANCES	-1.242	669
FUNDS ENTRUSTED	128	151
SHARES	-5	3
INTEREST-BEARING SECURITIES TRADING PORTFOLIO	-842	-365
OTHER MOVEMENTS	128	184
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-3.094</b>	<b>-306</b>
INVESTMENT PORTFOLIO	-183	-476
PARTICIPATING INTERESTS	17	4
TANGIBLE ASSETS	-6	-38
INTANGIBLE ASSETS	-	-
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>-172</b>	<b>-510</b>
DEBT SECURITIES	2.338	744
SUBORDINATED LIABILITIES	-44	-8
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>2.294</b>	<b>736</b>
<b>CASH FLOW</b>	<b>-972</b>	<b>-80</b>

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

IN MILLIONS OF EUROS

	SHARE CAPITAL	SHARE PREMIUM RESERVE	REVALU- ATION RESERVE	OTHER RESERVE	PROFIT FOR THE YEAR	TOTAL
<b>POSITION AS AT 31 DECEMBER 2003</b>	80	238	33	1,007	130	1,488
REVALUATION PARTICIPATION GROUP COMPANIES	-	-	-5	-	-	-5
PURCHASES	-	-	-	-	-	0
(RE)PAYMENTS	-	-	-	-	-91	-91
OTHER MOVEMENTS	-	-	-	-	-	0
PROFIT FOR THE YEAR	-	-	-	39	-39	0
<b>POSITION AS AT 30 JUNE 2004</b>	<b>80</b>	<b>238</b>	<b>28</b>	<b>1,046</b>	<b>0</b>	<b>1,352</b>

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

IN MILLIONS OF EUROS

	SHARE CAPITAL	SHARE PREMIUM RESERVE	REVALU- ATION RESERVE	OTHER RESERVE	TOTAL
<b>POSITION AS AT 31 DECEMBER 2002</b>	80	238	30	1,007	1,355
RELEASED FROM REVALUATION RESERVE IN CONNECTION WITH DISPOSALS	-	-	-	-	0
REVALUATION OF GROUP COMPANIES' EQUITY PARTICIPATIONS	-	-	-3	-	-3
OTHER MOVEMENTS	-	-	-	-	0
<b>POSITION AS AT 30 JUNE 2003</b>	<b>80</b>	<b>238</b>	<b>27</b>	<b>1,007</b>	<b>1,352</b>

# HALF-YEAR FIGURES 2004 OF NIB CAPITAL BANK N.V.

## INTRODUCTION

The first half of 2004 has brought new opportunities for further growth. Ongoing investments in human capital and technology, further product development and intensifying of the co-operation with our strategic partners form the basic foundations of the merchant banking business model of NIBCapital Bank. The client-driven approach based on innovative financial solutions is leading to higher results in all business lines, in keeping with the strategy to further diversify our business model. The recent announcement of the alliance with Bear Stearns for the purpose of jointly originating and executing public and private debt and equity transactions on the international capital markets is an example of the diversification of our business model.

All accounting policies are the same as those applied in the 2003 annual accounts. The half-year figures 2004 are un-audited.

NIB Capital Bank N.V. is a group company of NIB Capital N.V. The following table presents the key figures for NIBCapital Bank.

## KEY FIGURES NIBCAPITAL BANK

IN MILLIONS OF EUROS

	2004 HYI	2003 HYI	CHANGE
NET PROFIT			
<b>BANKING ACTIVITIES</b>			
INTEREST	134.8	126.0	7%
COMMISSION INCOME	10.4	18.8	-45%
OTHER INCOME	45.4	38.4	18%
OPERATING INCOME	190.6	183.2	4%
OPERATING EXPENSES	-67.1	-59.0	14%
PROVISIONING FOR LOAN LOSSES	-8.0	-33.5	-76%
TAXATION	-23.8	-27.1	-12%
<b>OPERATING PROFIT BANKING ACTIVITIES</b>	<b>91.7</b>	<b>63.7</b>	<b>44%</b>
OPERATING PROFIT EQUITY INVESTMENTS	12.6	5.1	148%
MINORITY INTERESTS	0.1	-3.5	
<b>NET PROFIT NIB CAPITAL BANK N.V.</b>	<b>104.4</b>	<b>65.2</b>	<b>60%</b>
<b>OTHER KEY FIGURES</b>			
BALANCE SHEET TOTAL	23,989	20,723	16%
GROUP CAPITAL BASE	2,128	1,960	9%
LOANS & ADVANCES	11,128	10,638	17%
CORE CAPITAL (TIER 1) RATIO	12.4%	11.4%	
SOLVENCY (BIS) RATIO	13.8%	13.7%	
EFFICIENCY RATIO	35%	32%	
AVERAGE NUMBER OF STAFF (FTE)	619	612	1%

## BANKING ACTIVITIES

The operating profit of the banking activities increased in the first half of 2004 by 44% to € 91.7 million.

Operating income increased by 4% to € 190.6 million.

Interest income shows 7% growth to € 135 million. The increase in volumes and margin in the mortgage portfolio as well as the improved margin in the corporate loan portfolio explains the growth.

Fee income decreased 45% to € 10 million. Lower arrangement and underwriting fees as well as lower structuring fees are the main reasons for the decrease.

The 18% increase in other income to € 45 million can be mainly explained by improvement of the contribution from structured credit trading portfolios as well as derivative transactions with clients partly compensated by lower income from the joint-venture NIBC Petercam Derivatives.

Operating expenses are up 14% to € 67 million. Staff costs increased 25% to € 45.5 million. This largely stemmed from the recharge of the expenses related to the NIBCapital Stock Appreciation Right programme as well as accrual for flexible rewards. Excluding the aforementioned items the increase amounts to 2.5% which can be explained by investments in human capital, negotiated salary increases under the CAO (Collective Labour Agreement) and, to a limited extent, the increase of the average number of FTE's from 612 to 619. Furthermore, other operating expenses increased 8% due to inflation adjustments and depreciation of investments in respect of International Financial Reporting Standards and loans and risk management systems.

Provisioning for loan losses decreased by 76% to € 8.0 million, mainly due to the positive settlement of a number of loans in Asia and the telecom sector, partly compensated by a limited number of increases in the areas of public private finance and film financing.

The effective tax rate decreased from 30% to 21% due to a decline of non-taxable income in the overseas banking activities.

## EQUITY INVESTMENTS

The operating net profit achieved by the equity investment activities increased from € 5.1 million to € 12.6 million in the first half year of 2004. The increase can be mainly explained by positive results from exits.

## NET PROFIT

In the first half year of 2004 NIBCapital Bank realised a net profit of € 104.4 million, an increase of € 39.2 million compared to the same period in 2003.

The improved net profit is mainly the result of positive developments in equity investments and lower provisions for loan losses. The growth in operating income from banking activities was compensated by higher operating expenses.

## BALANCE SHEET AND RATIOS

NIBCapital Bank's total assets on June 30, 2004 amounted to € 23.9 billion, which is 14% higher compared to year-end 2003. The corporate loan portfolio remained relatively stable, whilst the mortgage and the structured credit trading books showed substantial growth.

On the liability side of the balance sheet the group capital base increased in 2004 by € 0.1 billion (3%) to € 2.1 billion. This stemmed from the results for the first six months of 2004 which were partly compensated by a decrease in outstanding subordinated debt. The tier-1 ratio decreased from 12.8% at end of 2003 to 12.4% as per 30 June 2004, due to the increase in risk-weighted assets. The minimum Tier-1 level is 4%.

On May 26 2004, following the agreement made in 1999, the last 14,7% of the remaining Preference B shares NIB Capital Bank N.V. held by the Dutch Government were transferred to NIB Capital N.V..

The bank's credit ratings from the various rating agencies remained stable in 2004: Standard & Poor's (AA-), Moody's (AA3) and Fitch (AA-).

## OUTLOOK FOR 2004

In light of market uncertainty we prefer not to make any statements regarding NIBCapital Bank's 2004 full-year profits.

THE HAGUE, AUGUST 4, 2004

THE MANAGING BOARD

MICHAEL ENTHOVEN, CHAIRMAN

JURGEN B.J. STEGMANN, VICE CHAIRMAN

ANTOINE L.V. DIJKSTRA

# CONSOLIDATED BALANCE SHEET NIB CAPITAL BANK N.V. AS AT 30 JUNE 2003

IN MILLIONS OF EUROS

	30 JUNE 2003*	31 DECEMBER 2002	30 JUNE 2002*
<b>ASSETS</b>			
CASH	99	179	45
BANKS	2,366	2,066	1,067
LOANS AND ADVANCES GUARANTEED BY PUBLIC AUTHORITIES TO THE PRIVATE SECTOR	818 10,422	819 11,124	844 10,121
	11,240	11,943	10,965
INTEREST-BEARING SECURITIES	5,561	4,720	4,614
SHARES	336	339	1,122
PARTICIPATING INTERESTS	144	148	256
INTANGIBLE FIXED ASSETS	1	1	19
PROPERTY AND EQUIPMENT	91	58	55
PREPAYMENTS AND ACCRUED INCOME	885	856	655
	<b>20,723</b>	<b>20,310</b>	<b>18,798</b>

\* UNAUDITED FIGURES

IN MILLIONS OF EUROS

**LIABILITIES AND  
SHAREHOLDERS' EQUITY**

	30 JUNE <b>2003*</b>	31 DECEMBER <b>2002</b>	30 JUNE <b>2002*</b>
<b>BANKS</b>	673	1,427	1,232
<b>FUNDS ENTRUSTED</b>	2,915	2,764	2,201
<b>DEBT SECURITIES</b>	13,638	12,894	12,150
<b>OTHER LIABILITIES</b>	77	207	366
<b>ACCRUALS AND DEFERRED INCOME</b>	1,417	1,075	653
<b>PROVISIONS</b>	43	41	37
	<b>18,763</b>	<b>18,408</b>	<b>16,639</b>
<b>FUND FOR GENERAL BANKING RISKS</b>	136	136	136
<b>SUBORDINATED LIABILITIES</b>	389	397	499
<b>SHAREHOLDERS' EQUITY</b>			
ISSUED AND PAID-UP CAPITAL	80	80	80
RESERVES	1,272	1,275	1,412
<b>GROUP EQUITY</b>	1,352	1,355	1,492
<b>THIRD-PARTY INTERESTS</b>	18	14	15
<b>GROUP CAPITAL BASE</b>	<b>1,895</b>	<b>1,902</b>	<b>2,142</b>
<b>NET PROFIT BEFORE PROFIT DISTRIBUTION</b>	65	-	17
	<b>20,723</b>	<b>20,310</b>	<b>18,798</b>
<b>CONTINGENT LIABILITIES</b>	3,204	3,633	1,562
<b>IRREVOCABLE FACILITIES</b>	1,532	1,542	1,418

\* UNAUDITED FIGURES



# CONSOLIDATED PROFIT AND LOSS ACCOUNT

IN MILLIONS OF EUROS

	30 JUNE 2003*	31 DECEMBER 2002	30 JUNE 2002*
<b>INCOME</b>			
INTEREST INCOME	380.5	752.3	336.6
INTEREST EXPENSE	258.9	523.1	222.4
INTEREST	121.6	229.2	114.2
INCOME FROM SECURITIES AND PARTICIPATING INTERESTS	8.0	30.2	22.8
COMMISSION INCOME	19.7	29.5	10.4
COMMISSION EXPENSE	1.0	6.8	4.4
COMMISSION	18.7	22.7	6.0
RESULTS ON FINANCIAL TRANSACTIONS	36.4	202.5	-23.7
OTHER REVENUE	2.6	2.6	1.7
<b>TOTAL INCOME</b>	<b>187.3</b>	<b>487.2</b>	<b>121.0</b>
<b>EXPENSES</b>			
PERSONNEL AND ADMINISTRATIVE EXPENSES			
- PAYROLL EXPENSES	36.6	79.2	42.3
- OTHER ADMINISTRATIVE EXPENSES	18.4	39.0	17.1
	55.0	118.2	59.4
DEPRECIATION	4.8	25.6	4.3
OPERATING EXPENSES	59.8	143.8	63.7
VALUE ADJUSTMENTS TO RECEIVABLES	33.5	68.3	40.8
<b>TOTAL EXPENSES</b>	<b>93.3</b>	<b>212.1</b>	<b>104.5</b>
<b>OPERATING RESULT BEFORE TAXATION</b>	<b>94.0</b>	<b>275.1</b>	<b>16.5</b>
TAXATION	25.3	6.8	-4.2
THIRD-PARTY INTERESTS	3.5	3.6	3.8
<b>NET PROFIT</b>	<b>65.2</b>	<b>264.7</b>	<b>16.9</b>

\* UNAUDITED FIGURES

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

IN MILLIONS OF EUROS

	SHARE CAPITAL	SHARE PREMIUM RESERVE	REVALU- ATION RESERVE	OTHER RESERVE	TOTAL
<b>POSITION AS AT 31 DECEMBER 2002</b>	80	238	30	1,007	1,355
RELEASED FROM REVALUATION RESERVE IN CONNECTION WITH DISPOSALS	-	-	-	-	0
REVALUATION OF GROUP COMPANIES' EQUITY PARTICIPATIONS	-	-	-3	-	-3
OTHER MOVEMENTS	-	-	-	-	0
<b>POSITION AS AT 30 JUNE 2003</b>	<b>80</b>	<b>238</b>	<b>27</b>	<b>1,007</b>	<b>1,352</b>

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

IN MILLIONS OF EUROS

	SHARE CAPITAL	SHARE PREMIUM RESERVE	REVALU- ATION RESERVE	OTHER RESERVE	TOTAL
<b>POSITION AS AT 31 DECEMBER 2001</b>	80	238	38	904	1,260
RELEASED FROM REVALUATION RESERVE IN CONNECTION WITH DISPOSALS	-	-	-	-	0
REVALUATION OF GROUP COMPANIES' EQUITY INVESTMENTS	-	-	232	-	232
OTHER MOVEMENTS	-	-	-	-	0
<b>POSITION AS AT 30 JUNE 2002</b>	<b>80</b>	<b>238</b>	<b>270</b>	<b>904</b>	<b>1,492</b>

## INTRODUCTION

In the first half of 2003 NIB Capital Bank further refined its merchant banking business model, which was introduced in the fourth quarter of 2002. Also the partnerships with Harcourt Investment Consulting, NIBC Petercam Derivatives, Integrated Finance Limited and Catamount have been further developed. Furthermore, the role of NIB Capital Bank as principal trader and collateral manager has been made more explicit by transferring those activities into a new business unit. The business unit's first accomplishment was the closing of North Westerly, a Collateralised Loan Obligation ("CLO") structure of Acquisition Finance Loans, in the first half of 2003. Furthermore, the 10th mortgage-backed securitisation transaction, DMBS X, has been placed in the market. Both North Westerly and DMBS X underpin the bank's business model stressing high asset velocity.

NIB Capital Bank is a group company of NIB Capital N.V. The following table presents the key figures for NIB Capital Bank.

## KEY FIGURES NIB CAPITAL BANK

IN MILLIONS OF EUROS

	2003 HYI	2002 YEAR	RELATIVE CHANGE	2002 HYI	RELATIVE CHANGE
<b>NET PROFIT</b>					
<b>BANKING ACTIVITIES</b>					
INTEREST	126.0	257.3	-2%	127.9	-1%
COMMISSION INCOME	18.8	25.6	47%	9.5	97%
OTHER INCOME	38.4	42.8	80%	31.1	24%
OPERATING INCOME	183.2	325.7	13%	168.5	9%
OPERATING EXPENSES	-59.0	-119.3	-1%	-57.8	2%
PROVISION FOR LOAN LOSSES	-33.5	-63.1	6%	-40.6	-17%
TAXATION	-27.1	-35.1	54%	-18.2	49%
<b>OPERATING PROFIT BANKING ACTIVITIES</b>	<b>63.7</b>	<b>108.2</b>	<b>18%</b>	<b>51.9</b>	<b>23%</b>
OPERATING PROFIT EQUITY PARTICIPATIONS	5.1	-10.2	200%	1.2	324%
AMORTISATION GOODWILL	0.0	-1.9		-1.4	
THIRD-PARTY INTERESTS	-3.5	-3.6		-3.8	
NON-RECURRING RESULTS (NET)	0.0	172.2		-31.0	
<b>NET PROFIT NIB CAPITAL BANK N.V.</b>	<b>65.2</b>	<b>264.7</b>	<b>-51%</b>	<b>16.9</b>	<b>286%</b>
<b>OTHER KEY FIGURES</b>					
BALANCE SHEET TOTAL	20,723	20,310	2%	18,798	10%
GROUP CAPITAL BASE	1,960	1,902	3%	2,159	-9%
LOANS AND ADVANCES	10,638	11,943	-11%	10,965	-3%
CORE CAPITAL (TIER I) RATIO	11.4%	11.0%		10.4%	
SOLVENCY (BIS) RATIO	13.7%	13.4%		14.6%	
EFFICIENCY RATIO	32%	37%		34%	
AVERAGE NUMBER OF STAFF	612	635	-4%	633	-3%

#### ACCOUNTING POLICIES

The Bank has changed its accounting policies in respect of equity participations included in the balance sheet item 'shares' from lower of cost or market value to market value. The reason for the change is to align the accounting policies of NIB Capital Bank with the policies applied by the parent company, NIB Capital N.V.

#### THE FORMER ACCOUNTING POLICY IS:

Equity participations, i.e. capital interests not held on a lasting basis in connection with the bank's own activities, were included at lower of cost or market value. Unrealised valuation differences and any reversals thereof were accounted for in the profit and loss account as results from financial transactions.

#### THE CURRENT ACCOUNTING POLICY IS:

Equity participations, i.e. capital interests not held on a lasting basis in connection with the bank's own activities, are included at market value. Unrealised (positive and negative) valuation differences and any reversals thereof are accounted for in the revaluation reserve. Only realised transaction results are accounted for in the profit and loss account as results from financial transactions. If the amount of the revaluation reserve is insufficient to absorb the total amount of negative valuation differences, the remaining amount is charged to the result.

This change in accounting policy has reduced the revaluation reserve by € 3 million over the first half of 2003. Had this change been applied in 2002, it would have had a positive impact on the revaluation reserve of approximately € 2 million for that year. This change in accounting does not affect the profit and loss account. Given the limited extent of the impact, the 2002 financials have not been restated. All other accounting policies are the same as those applied to the 2002 annual accounts.

#### BANKING ACTIVITIES

The operating profit from the banking activities increased in the first half of 2003 by 23% to € 63.7 million. Operating income increased by 9% to € 183.2 million. Interest income remained stable at € 126 million. The increase in volumes and margins in the mortgage portfolio was compensated by the lower US dollar exchange rate, lower levels of market interest and a decrease in the size of the corporate loan portfolio.

Fee income rose 97% to € 18.8 million. Higher arranging and underwriting fees, together with the increase in structuring fees, were the main reasons for the increase. This development underlines the strategy of NIB Capital Bank to increase the transaction volume in the SBU Corporate Finance. The 24% increase in other income to € 38.4 million can be mainly explained by the contribution from credit trading portfolios and income from the joint venture NIBC Petercam Derivatives.

Operating expenses were up 2% to € 59 million. Staff costs decreased 4% to € 36.6 million, which can largely be explained by the decrease in the average number of FTEs from 633 to 612. Furthermore, other operating expenses increased 5% due to inflation adjustments and increased ICT maintenance costs for new operational ICT systems, mainly in the areas of risk management and Financial Market products.

Provisioning for loan losses decreased by 17% to € 33.5 million, mainly due to the positive settlement of a number of loans in Asia and the telecom sector, which were partly compensated by increased provisions for the aviation and energy portfolio.

The effective tax rate rose from 26% to 30% due to a decrease in non-taxable income in the banking activities.

#### EQUITY PARTICIPATIONS

The net structural operating profit achieved by the equity participation activities increased from € 1.2 million to € 5.1 million in the first half of 2003. Funding costs decreased and the income position for the remaining participations was less negative due to the sale of a significant portion of the participation portfolio in 2002.

#### NET PROFIT

In the first half of 2003 NIB Capital Bank realised a net profit of € 65.2 million, an increase of € 48.3 million compared to the same period in 2002.

Apart from a 23% (€ 11.8 million) rise in operating profit from banking activities, the increase is largely attributable to the absence of non-recurring costs affecting the 2002 results. These nonrecurring costs amounted to € 31.0 million, mainly relating to the decision to discontinue the bank's exposure in certain treasury portfolios. These portfolios are valued at fair market value as per June 30, 2002, resulting in a substantial marked-to-market loss. The non-recurring results also included extra provisions for pension liabilities.

#### BALANCE SHEET AND RATIOS

NIB Capital Bank's total assets on June 30, 2003 amounted to € 20.7 billion, remaining relatively stable compared to year-end 2002. The decrease in the corporate loan portfolio as result of US dollar exchange rate movements and the sale of acquisition finance loans to North Westerly CLO as well as the securitisation of € 1 billion in mortgages is compensated by higher volume on interest bearing securities in the trading portfolios and the investment of surplus liquidities, resulting in higher positions with bankers.

On the liability side of the balance sheet the group capital base increased in 2003 by € 0.1 billion (3%) to € 2.1 billion, which can be largely explained by the results over the first six months of 2003. The capital ratio (group capital base relative to total assets) as at June 30, 2003 was 9.5%, compared to 9.4% at year-end 2002. The tier-1 ratio increased from 11.0% at the end of 2002 to 11.4% as per 30 June 2003.

The bank's credit ratings from the various rating agencies remained stable in 2003: Standard & Poor's (AA-), Moody's (AA3) and Fitch (AA).

#### OUTLOOK FOR 2003

In view of the uncertain market prospects, the Board of Managing Directors is cautiously positive regarding NIB Capital Bank's 2003 full-year results.

# CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2002

AFTER PROFIT APPROPRIATION  
IN MILLIONS OF EUROS

## ASSETS

CASH

2002

179

2001

93

BANKS

2,066

764

LOANS AND ADVANCES

GUARANTEED BY PUBLIC AUTHORITIES  
TO THE PRIVATE SECTOR

819

837

11,124

9,918

11,943

10,755

INTEREST-BEARING SECURITIES

4,720

4,112

SHARES

339

811

PARTICIPATING INTERESTS

148

262

INTANGIBLE FIXED ASSETS

1

19

PROPERTY AND EQUIPMENT

58

55

PREPAYMENTS AND ACCRUED INCOME

856

648

**20,310**

**17,519**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**2002**

**2001**

<b>BANKS</b>	1,427	608
<b>FUNDS ENTRUSTED</b>	2,764	2,271
<b>DEBT SECURITIES</b>	12,894	11,307
<b>OTHER LIABILITIES</b>	207	324
<b>ACCRUALS AND DEFERRED INCOME</b>	1,075	970
<b>PROVISIONS</b>	41	33
	<b>18,408</b>	<b>15,513</b>
<b>FUND FOR GENERAL BANKING RISKS</b>	136	136
<b>SUBORDINATED LIABILITIES</b>	397	599
<b>SHAREHOLDERS' EQUITY</b>		
<b>ISSUED AND PAID-UP CAPITAL</b>		
ORDINARY A SHARES	58	58
CUMULATIVE PREFERENCE B SHARES	11	11
PREFERENCE C SHARES	5	5
PREFERENCE D SHARES	6	6
	80	80
<b>RESERVES</b>	1,275	1,180
<b>GROUP EQUITY</b>	1,355	1,260
<b>THIRD-PARTY INTERESTS</b>	14	11
<b>GROUP CAPITAL BASE</b>	<b>1,902</b>	<b>2,006</b>
	<b>20,310</b>	<b>17,519</b>
<b>CONTINGENT LIABILITIES</b>	3,633	2,028
<b>IRREVOCABLE FACILITIES</b>	1,542	1,564



# CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 2002

IN MILLIONS OF EUROS

	2002	2001
<b>INCOME</b>		
INTEREST INCOME	752.3	923.3
INTEREST EXPENSE	523.1	711.1
INTEREST	229.2	212.2
INCOME FROM SECURITIES AND PARTICIPATING INTERESTS	30.2	68.5
COMMISSION INCOME	29.5	25.9
COMMISSION EXPENSE	6.8	6.3
COMMISSION	22.7	19.6
RESULTS ON FINANCIAL TRANSACTIONS		
• SALE OF EQUITY PARTICIPATION PORTFOLIO	238.6	0.0
• OTHER RESULTS	-36.1	67.0
	202.5	67.0
OTHER REVENUES	2.6	5.2
<b>TOTAL INCOME</b>	<b>487.2</b>	<b>372.5</b>
<b>EXPENSES</b>		
PERSONNEL AND ADMINISTRATIVE EXPENSES		
• PAYROLL EXPENSES	79.2	70.8
• OTHER ADMINISTRATIVE EXPENSES	39.0	32.3
	118.2	103.1
DEPRECIATION	25.6	6.7
OPERATING EXPENSES	143.8	109.8
VALUE ADJUSTMENTS TO RECEIVABLES	68.3	66.9
<b>TOTAL EXPENSES</b>	<b>212.1</b>	<b>176.7</b>
OPERATING RESULT BEFORE TAXATION	275.1	195.8
TAXATION ON OPERATING RESULT	6.8	8.3
THIRD-PARTY INTERESTS	3.6	3.2
<b>NET PROFIT</b>	<b>264.7</b>	<b>184.3</b>

# CASH FLOW STATEMENT FOR 2002

IN MILLIONS OF EUROS

	2002	2001
NET PROFIT	265	184
ADJUSTMENTS:		
DEPRECIATION	26	7
VALUE ADJUSTMENTS TO RECEIVABLES	68	67
MOVEMENTS IN PROVISIONS	8	-1
CASH FLOW FROM NET PROFIT	367	257
BANKS	-483	-182
LOANS AND ADVANCES	-1,256	480
DEBT SECURITIES	1,587	27
FUNDS ENTRUSTED	493	151
SHARES	472	-74
INTEREST-BEARING SECURITIES TRADING PORTFOLIO	-1,401	-1,359
OTHER MOVEMENTS	-367	-67
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-588</b>	<b>-767</b>
INVESTMENT PORTFOLIO PURCHASES	-1,410	-932
REPAYMENTS AND DISPOSALS	2,203	1,286
INVESTMENT PORTFOLIO	793	354
PURCHASE OF PARTICIPATING INTERESTS	0	-90
DISPOSAL OF PARTICIPATING INTERESTS	104	1
PARTICIPATING INTERESTS	104	-89
PURCHASE OF TANGIBLE FIXED ASSETS	-21	-5
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>876</b>	<b>260</b>
SUBORDINATED LIABILITIES	-202	4
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-202</b>	<b>4</b>
<b>CASH FLOW</b>	<b>86</b>	<b>-503</b>

# ACCOUNTING POLICIES

## GENERAL

The annual accounts have been prepared in accordance with the legal requirements for annual accounts of banks contained in Part 14, Title 9, Book 2 of the Netherlands Civil Code.

The company profit and loss account is drawn up in pursuance of section 402, Book 2 of the Netherlands Civil Code. The list of information relating to participating interests referred to in sections 379 and 414, Book 2 of the Netherlands Civil Code has been filed with the Chamber of Commerce in The Hague.

NIB Capital N.V., The Hague, is the parent company of the group in which the figures of NIB Capital Bank N.V. are fully consolidated.

All amounts are in millions of euros, unless stated otherwise. In the text, the relevant corresponding figures for the previous year are shown in brackets.

## CONSOLIDATION PRINCIPLES

The consolidated accounts include the assets, liabilities and results of the company and its group companies.

The financial figures of joint ventures, in so far as they are financial institutions, are included on a pro rata basis in the consolidated accounts according to the interest held. The financial information relating to the joint venture NIBC Petercam Derivatives N.V., specialising in equity derivatives, has been fully consolidated. The reason is that NIB Capital Bank N.V. is guarantor for the liabilities under derivatives contracts entered into by the joint venture with various counterparties.

In view of the control exercised by the government over the policy of the bank's wholly owned participating interest De Nederlandse Participatie Maatschappij voor de Nederlandse Antillen N.V. (NPMNA), this company has not been treated as a group company. On behalf of the Dutch government, NPMNA provides funding to companies and institutions based in the Netherlands Antilles and Aruba.

A list of the bank's principal consolidated group companies is included in an appendix to these notes.

## PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

### GENERAL

Assets and liabilities are included at face value unless otherwise indicated.

### FOREIGN CURRENCY TRANSLATION

Foreign currency receivables and payables, together with any related forward contracts, are translated at the spot rate ruling on balance sheet date. Transactions in foreign currencies are translated at the exchange rate ruling on the date of the transaction.

Exchange differences arising on forward contracts relating to funding and lending are included in the balance sheet in prepayments and accrued income or accruals and deferred income, and are recognised as interest in the profit and loss account in proportion to the term of the contract. Exchange differences arising on forward contracts relating to subordinated loans are included in the balance sheet in subordinated liabilities. Forward contracts relating to trading activities are stated at market value.

Other exchange differences arising on translation are included in the profit and loss account as results on financial transactions.

## TRADING AND INVESTMENT PORTFOLIOS

### TRADING PORTFOLIO

The trading portfolio comprises all interest-bearing securities, shares and other financial instruments (including derivatives) that are not treated as fixed assets but are basically intended for generating transaction results.

#### INVESTMENT PORTFOLIO

The investment portfolio includes all interest-bearing securities and shares treated as fixed assets and basically intended for permanent use in connection with the bank's activities.

#### OFF-BALANCE SHEET INSTRUMENTS

Off-balance sheet instruments are used to hedge the bank's own positions and are accounted for in accordance with the principles of valuation and determination of results applicable to the underlying positions.

Rights and obligations under option contracts and similar contracts forming part of the trading portfolio:

- if traded on a regulated stock exchange, are stated at market value (quoted price);
- if entered into directly with counterparties, are stated at market value (estimated liquidation value).

To cover possible future hedging costs and option risks, part of the initial transaction result is included in a provision. These risks include volatility risks, credit risks, liquidity risks, financial model risks and other uncertainties. These provisions are adjusted to the market value of the underlying positions.

#### BANKS AND LOANS AND ADVANCES

Amounts receivable from credit institutions and clients are included at face value less any provisions deemed necessary.

#### INTEREST-BEARING SECURITIES

Bonds and other interest-bearing securities forming part of the investment portfolio are stated at redemption value less diminutions in value for credit risks. The difference between the carrying amount and cost is recognised as interest on a pro rata basis according to the remaining term of the securities.

Results on the sale of bonds and other interest-bearing securities treated as part of the investment portfolio are recognised as interest in the year under review and ensuing years on

the basis of the remaining term to maturity of the securities concerned provided that this does not result in the capitalisation of losses.

Securities on which interest is paid entirely or largely on redemption are included at cost less any diminutions in value for credit risks. The carrying amount is increased each year by the accrued interest calculated on the basis of the interest rate applicable at the time of acquisition.

Interest-bearing securities forming part of the trading portfolio are stated at market value. Where the bank has purchased its own – non-subordinated – bonds or other securities for the purpose of resale, these are stated at the lower of cost and market value.

Short positions in bonds and other fixed-income securities forming part of the trading portfolio are included in other liabilities.

Transfers of interest-bearing securities between portfolios are made at market value. Results on transfers are treated in the same way as results on disposals.

#### SHARES

Shares forming part of the trading portfolio are included at market value or, if the securities concerned are not officially listed, at estimated net realisable value. Valuation differences are accounted for in the profit and loss account as results on financial transactions.

Short positions in shares and other non-fixed-income securities forming part of the trading portfolio are included in other liabilities.

Equity participations, i.e. capital interests not held on a lasting basis in connection with the bank's own activities and not treated purely as investments, are included at the lower of cost and market value. Unrealised valuation differences and any reversals thereof are accounted for in the profit and loss account in results on financial transactions. Dividends are accounted for as income from securities and participating interests. Equity participations which are underwritten by the government are stated at cost.

#### PARTICIPATING INTERESTS

Participating interests, i.e. capital interests held on a lasting basis in connection with the bank's own activities, are subdivided into the following categories:

- Participating interests in which the bank exercises a controlling influence on policy; these companies are stated at net asset value.
- Participating interests in which the bank does not exercise a controlling influence on policy but is in a position to exercise significant influence; these companies are also included at net asset value based on the most recent information available.
- Participating interests in which the bank does not exercise a significant influence on policy; these companies are included at market value, any rise or fall in their value being accounted for in the revaluation reserve; if the amount of the revaluation reserve is insufficient to absorb negative valuation differences, any remainder is charged to the profit and loss account.

If valuation is at net asset value, the amount recognised as income from securities and participating interests is the share of the result of the participating interest accruing to the company. In the case of valuation at market value, the amount recognised as income from securities and participating interests is the dividend received.

#### INTANGIBLE FIXED ASSETS

Goodwill paid on acquisition of participating interests stated at net asset value is capitalised as an intangible fixed asset and amortised over the useful life of the asset, with a maximum of 20 years. The net asset value is determined as far as possible on the same basis as applied in these annual accounts.

#### PROPERTY AND EQUIPMENT

Land and buildings are stated at market value, based on the most recent appraisals by outside experts (1 September 2000), less straight-line depreciation over the estimated useful life, with a maximum of 50 years.

The market value of the buildings in use by the company is based on their value for sale by private treaty. For buildings that are held as investments and let, the market value is based on the highest price for which they could be sold, less associated selling costs.

Investments made since the most recent professional appraisal are carried at cost less depreciation. Changes in value as a result of appraisals are credited or debited to the revaluation reserve, less any related taxation.

Property acquired as a result of foreclosures or in settlement of debt is stated at the lower of cost and net realisable value.

Other fixed assets, including computer equipment and software developed by third parties, are stated at cost less straight-line depreciation. Depreciation is based on expected useful life, with a maximum of five years; in general, a three-year depreciation period is used, and smaller investments are expensed in the year of purchase.

#### PROVISION FOR DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities due to timing differences between the results for reporting purposes and for tax purposes, calculated at the applicable tax rates, are stated at net present value arrived at by applying a discount factor based on the net interest rate and taking into account the duration of the deferred tax items concerned. In view of the short-term nature of valuation differences in the trading portfolio, the associated deferred taxation liabilities are stated at face value. Deferred tax assets are only recognised to the extent that it is reasonable to assume that they can be set against tax liabilities in the future.

#### OTHER PROVISIONS

The pension rights of the management are underwritten by an insurance company while staff pension rights are administered by the pension fund.

A provision based on actuarial calculations is formed for current and future liabilities arising in connection with the Early Retirement Scheme.

The strategic re-orientation provision is intended to cover expenses associated with the implementation of strategic changes of the bank.

#### FUND FOR GENERAL BANKING RISKS

The fund for general banking risks is intended to cover general risks in the banking industry. It is concerned with unforeseen problems such as nationalisation, fraud and other exceptional losses. The provision is net of tax, since tax has already been paid on the amounts making up this fund.

#### REVALUATION RESERVE

This reserve represents unrealised net positive differences on the revaluation of property and participating interests as at balance sheet date, after allowing for taxation.

#### STATUTORY RESERVE FOR RETAINED EARNINGS OF PARTICIPATING INTERESTS

This reserve represents the retained earnings of those participating interests in which the company does not exercise control, which are stated at net asset value.

#### OTHER RESERVES

This reserve represents retained earnings that are freely distributable to the shareholders.

#### INCOME

Income is allocated to the period to which it relates, or in which the service is provided, with the exception of differences in value of the trading portfolio stated at market value, which are credited or debited directly to results on financial transactions.

Interest income and commissions on lending are not recognised if there is any doubt concerning the collection of this income.

Results from the sale of debentures and other fixed-income securities held in the investment portfolio are treated as interest income and allocated according to the remaining term to maturity of the securities sold, unless the sales are made in connection with a structural reduction in the investment portfolio. Sales results are in that case credited or debited directly to the profit and loss account as results on financial transactions.

If results attributable to future periods are a net loss, they are charged directly to the profit and loss account.

#### EXPENSES

Expenses are allocated to the period to which they relate.

#### TAXATION

Taxation is calculated on the result before tax according to the applicable tax rates on profits, allowing for exempted income and disallowed expenditure.

#### CASH FLOW STATEMENT

The cash flow statement provides a summary of the source and application of funds. Cash is defined as the cash in hand and demand deposits with De Nederlandsche Bank N.V.. Cash flow is analysed into cash flow from operating activities, from investing activities and from financing activities. Cash flow from operating activities includes both short-term and long-term funding transactions, except for movements in subordinated loans which are accounted for in cash flow from financing activities.

# FINANCIAL RISK MANAGEMENT

## RISK MANAGEMENT POLICY

Market risks are managed on the basis of risk limits such as sensitivity (interest rate sensitivity per basis point), value at risk, spread sensitivities, the 'Greeks' and stress tests. Derivatives are used intensively to restrict market risks, the policy being aimed at hedging interest rate and currency risks almost in full. The limits set to this end are accordingly restricted.

The bank's liquid investment portfolios and adequate funding strategy ensure that it is able to meet its financial obligations at all times, even in the (very unlikely) event that no new funding could be raised.

All market risks are monitored on a daily basis by the risk management departments concerned and are reported weekly to the Asset & Liability Committee.

More details on the derivatives positions outstanding at the end of the year under review will be found under the notes to the commitments not included in the balance sheet.

## TRADING ACTIVITIES

Trading activities both on and off the balance sheet were expanded further in 2002. This is in line with the strategy of making more use of credit spreads and other market developments. Interest rate and foreign currency risks are hedged almost in full at all times.

In 2001, NIB Capital Bank N.V. together with Petercam N.V. set up the joint venture NIBC Petercam Derivatives N.V.. This company operates in the field of equity derivatives. Derivatives with a notional amount of € 3,070 million were outstanding at the end of 2002 (2001: € 1,464 million). This is 47% of the notional amount of derivatives included in the trading portfolios. The policy of NIBC Petercam Derivatives N.V. is aimed at hedging the risks associated with derivatives transactions as far as possible. There are accordingly only limited open positions.

Of the remaining balance of the derivatives trading portfolio, with a total notional amount of total some € 3,000 million, a part serves as a hedge against the interest rate and foreign currency risks in the on-balance sheet trading portfolio, while the other part consists of credit risk trading positions through Credit Default Swaps.

## CREDIT RISK

The bank monitors its credit risks centrally through the Credit Risk Management (CRM) department. It takes place at two levels.

Before being submitted for approval, each credit proposal is provided with a recommendation by CRM involving a review of the critical risk factors and the sensitivity analysis applied from a business as well as a financial perspective. In addition, the counterparty rating allocated to the credit proposal is validated. This rating is comparable to the ratings of Moody's and Standard & Poor's and also serves, in combination with the exposure, to determine at what authority level the credit proposal should be approved. Most exposures, and the larger exposures in particular, are approved centrally by the Transaction Committee. Whenever an exposure increases by more than € 75 million, the Risk Policy Committee is also asked to issue an opinion. This Committee consists of representatives of the Supervisory Board and the Board of Managing Directors. At least once a year, or alternatively once every six months depending on the counterparty rating, a credit assessment is drawn up and submitted to CRM for assessment. On that occasion CRM will re-determine the counterparty rating as well. Twice a year, the Transaction Committee discusses and determines all potential and actual provisions on an individual basis.

To this end, CRM reviews potential and actual provisions, and submits an opinion on them to the Transaction Committee.

In addition, CRM monitors credit risk at aggregation level. Individual country limits have been set to this end. Allowing for collateral furnished to the bank, the total credit exposure for the countries concerned has to remain within these limits. The same applies to sector concentration risk. Country exposure is reported monthly to the Transaction Committee. Overdue payments and credit reviews, as well as rating-based portfolio analyses are monitored and reported to the Transaction Committee on a monthly basis as well.

## CONCENTRATION OF CREDIT RISK

The breakdown of the loan portfolio (including guarantees issued) is as follows:

	2002	2001
ASSET-BASED FINANCE	13%	20%
PROJECT FINANCE	13%	12%
ACQUISITION FINANCE	9%	7%
CORPORATE BANKING	22%	22%
RESIDENTIAL MORTGAGES	34%	25%
OTHER	9%	14%
	<b>100%</b>	<b>100%</b>

The regional breakdown of the loan portfolio (including guarantees issued) is as follows:

	2002	2001
THE NETHERLANDS	61%	54%
UNITED KINGDOM	9%	10%
OTHER EUROPEAN UNION	10%	8%
OTHER EUROPE	4%	5%
NORTH AMERICA	10%	13%
SOUTH-EAST ASIA	4%	7%
CARIBBEAN	2%	2%
OTHER	0%	1%
	<b>100%</b>	<b>100%</b>

## COLLATERAL AGREEMENTS

Collateral agreements have been concluded with some parties in connection with mutual derivatives transactions. These collateral agreements limit the counterparty risk through the weekly balancing and settlement of any positive and negative market values that have arisen in relation to derivatives positions.



## FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

In 2002 NIB Capital Bank N.V. has developed models to estimate the fair value of assets and liabilities not presented in the bank's balance sheet at their fair value. As for most financial assets and liabilities in the bank's balance sheet, no ready market bid and offer prices are available. A mark-to-model approach is accordingly used to estimate the fair value for most financial assets and liabilities. The following table summarises the carrying amounts and fair values of assets and liabilities not presented in the bank's balance sheet at their fair value.

AMOUNT IN MILLIONS OF EUROS	CARRYING VALUE 2002	FAIR VALUE 2002
<b>FINANCIAL ASSETS</b>		
LOANS AND ADVANCES	11,943	12,007
INTEREST-BEARING SECURITIES	1,790	1,799
SHARES	296	294
PARTICIPATING INTERESTS	148	148
<b>FINANCIAL LIABILITIES</b>		
DEBT SECURITIES	12,894	12,878
SUBORDINATED LIABILITIES	397	393

### LOANS AND ADVANCES

Two models are used to estimate the fair value of loans and advances. For performing corporate loans, the estimated fair value is expressed as the present value of expected future cash flow. A Collateral Loan Obligation (CLO) tranching model is used for cash flows. Market prices for recent CLO launches are set off against the average portfolio margin. Expected losses, cost of capital and expenses are also taken into account in arriving at the cash flows. The 5-year risk-free rate is used to determine the present value of cash flows. The fair value of non-performing corporate loans is assumed to be in line with their carrying value.

The Fitch IBCA "Dutch Residential Mortgage Model II" is used for the tranching of the mortgage loan portfolio. This model is also used for Mortgage Backed Securities transactions. As securitisation is part of the bank's mortgage loan business model, this approach is believed to provide the best estimate of the fair market value of mortgage loans. Current market spreads for mortgage-backed securitisation notes are applied to the tranches to calculate the cash flows, which are discounted at swap curve to arrive at their fair value.

### INTEREST-BEARING SECURITIES

Interest-bearing securities include only non-trading interest-bearing securities, since interest-bearing securities held for trading purposes are presented in the balance sheet at fair market value. Fair value is based on market spreads or broker/dealer spread quotations. Cash flows are calculated based on the size, maturity and difference between the original spread and current market spread. For discounting cash flows, the current swap curve is used.

Where market information or quotations are not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

### SHARES

The fair market value of non-listed shares is determined by applying the valuation rules of the European Venture Capital Association. At the end of 2002, the fair value was in line with the carrying value. For listed investments the current market price is used. The shares in trading portfolios are presented at fair market value in the balance sheet, and therefore are not included in the table above.

### PARTICIPATING INTERESTS

The carrying value of participating interests is based on their net asset value. Net asset value is considered to be in line with fair value.

### DEBT SECURITIES AND SUBORDINATED LIABILITIES

Aggregate cash flows are calculated using a benchmark curve combining current levels for repurchasing debt securities and current levels for issuing new debt securities. The swap curve is used to arrive at the fair value of cash flows.

## CAPITAL ADEQUACY

The principal ratios for reviewing the bank's capital adequacy are the Tier 1 ratio and the BIS ratio. These ratios, which were implemented by the Bank for International Settlements (BIS), are intended to promote comparability between financial institutions. They are still based on the 1988 Basle Capital I Accord. A comprehensive revision of this Accord, which is currently underway, will bring it closer into line with the concept of economic capital.

The bank monitors developments in the ratios on a monthly basis, including a comparison between the expected ratios and the actual ratios. These ratios indicate capital adequacy for on-balance risks, including off-balance sheet commitments and market risks and other risk positions expressed as risk-weighted items in order to reflect their relative risk.

Below is a summary of the risk positions comparing the notional amount and the risk-weighted amount. Tier 1 capital consists of share capital, reserves (excluding the revaluation reserve) and the Fund for General Banking Risks (FAR), net of intangible fixed assets. Tier 2 capital consists of Tier 1 capital plus revaluation reserve and subordinated loans adjusted for deductible items.

	BALANCE SHEET/ NOTIONAL AMOUNT		RISK WEIGHTED AMOUNT	
	2002	2001	2002	2001
<b>BALANCE SHEET ASSETS (NET OF PROVISIONS)</b>				
CASH	179	93	-	-
RECEIVABLES FROM OTHER BANKS	2,066	764	81	107
LOANS AND ADVANCES TO THE PRIVATE SECTOR	11,943	10,719	8,720	8,636
TRADING AND INVESTMENT INTEREST-BEARING SECURITIES	4,720	4,112	406	1,064
TRADING AND INVESTMENT SHARES	339	848	218	694
INVESTMENTS IN PARTICIPATING INTERESTS	148	262	148	182
PROPERTY AND EQUIPMENT	58	55	58	55
OTHER ASSETS	857	667	544	347
<b>TOTAL</b>	<b>20,310</b>	<b>17,520</b>	<b>10,175</b>	<b>11,085</b>
<b>OFF-BALANCE SHEET POSITIONS</b>				
CREDIT-RELATED COMMITMENTS	5,175	3,587	1,274	1,316
OTC DERIVATIVE INSTRUMENTS, INTEREST CONTRACTS	45,586	31,436	135	82
OTC DERIVATIVE INSTRUMENTS, FOREIGN EXCHANGE CONTRACTS	9,829	7,591	75	36
OTC DERIVATIVE INSTRUMENTS, OTHER CONTRACTS	3,459	1,380	58	17
<b>TOTAL</b>	<b>64,049</b>	<b>43,994</b>	<b>1,542</b>	<b>1,451</b>
UNASSIGNED MARKET-RISK COMPONENTS			1,585	383
<b>TOTAL RISK-WEIGHTED ASSETS</b>			<b>13,302</b>	<b>12,919</b>
<b>BIS CAPITAL RATIOS</b>				
TIER 1 CAPITAL	1,463	1,339	11.0%	10.4%
TIER 1 + TIER 2 CAPITAL	1,843	1,819	13.4%	13.5%

# NOTES TO THE CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2002

IN MILLIONS OF EUROS

## ASSETS

### CASH

This includes all legal tender and credit balances with De Nederlandsche Bank N.V. payable on demand.

### BANKS

This includes all receivables from credit institutions and De Nederlandsche Bank N.V. not classified as cash and not embodied in debentures or other fixed-income securities.

Analysis:

PAYABLE ON DEMAND

NOT PAYABLE ON DEMAND

Maturity analysis of the items not payable on demand:

THREE MONTHS OR LESS

LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR

LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS

LONGER THAN FIVE YEARS

The item banks does not include receivables from participating interests. Subordinated loans included in this item amount to € 11.3 million (2001: € 11.3 million).

An amount of € 1,231 million has been included in connection with reverse repo transactions (2001: € 161 million).

### LOANS AND ADVANCES

This includes all receivables, other than receivables from credit institutions and debentures or other fixed-income securities.

The receivables include commercial loans and residential mortgages. The balance as at 31 December 2002 does not include receivables from Managing Directors (2001: € 0.4 million).

This item includes a total amount of € 357.5 million receivable from the shareholders of NIB Capital N.V. who took over the majority of the bank's equity participation portfolio. More details about this transaction may be found under the notes to the item shares.

Maturity analysis of the loans and advances:

THREE MONTHS OR LESS

LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR

LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS

LONGER THAN FIVE YEARS

	2002	2001
<b>CASH</b>	<b>179</b>	<b>93</b>
<b>BANKS</b>	<b>2,066</b>	<b>764</b>
Analysis:		
PAYABLE ON DEMAND	537	416
NOT PAYABLE ON DEMAND	1,529	348
	<b>2,066</b>	<b>764</b>
Maturity analysis of the items not payable on demand:		
THREE MONTHS OR LESS	1,481	295
LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR	9	3
LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS	28	37
LONGER THAN FIVE YEARS	11	13
	<b>1,529</b>	<b>348</b>
<b>LOANS AND ADVANCES</b>	<b>11,943</b>	<b>10,755</b>
Maturity analysis of the loans and advances:		
THREE MONTHS OR LESS	556	622
LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR	910	1,021
LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS	3,880	3,615
LONGER THAN FIVE YEARS	6,597	5,497
	<b>11,943</b>	<b>10,755</b>

2002

The item Loans and Advances includes receivables from participating interests totalling € 111 million (2001: € 103 million), which does not include any subordinated loans. The total amount of subordinated loans in this item, as at 31 December 2002, amounts to € 441 million (2001: € 522 million), of which € 317 million (2001: € 372 million) is guaranteed by the State of the Netherlands.

The item Loans and Advances to the private sector includes provisions for doubtful debtors of € 340 million (2001: € 353 million).

POSITION AS AT 31 DECEMBER 2001

INCREASE IN PROVISIONS

RELEASED FROM PROVISIONS

353

113

-59

54

INCREASE IN RESPECT OF INTEREST

WRITE-OFFS

EXCHANGE DIFFERENCES

**POSITION AS AT 31 DECEMBER 2002**

5

-47

-25

**340**

The provisions represent 2.8% (2001: 3.0%) of the loan portfolio, as included in the key figures.

SECURITISATIONS

In recent years, NIB Capital Bank N.V. has disposed of part of its mortgage portfolio by means of nine separate mortgage securitisation transactions. The following table shows the original and current principals of the securitised mortgages. The non-investment-grade notes issued by Dutch MBS companies and financed by NIB Capital Bank N.V. have been included at face value less provisions formed by NIB Capital Bank N.V. in respect thereof.

COMPANY NAME	ORIGINAL PRINCIPALS OF MORTGAGES	PRINCIPALS OF MORTGAGES AS AT 31 DECEMBER 2002	YEAR OF SECURITISATION	FIRST OPTIONAL REDEMPTION DATE	CONTRACTED MATURITY	NON-INVESTMENT-GRADE NOTE FINANCING GRANTED BY NIB CAPITAL BANK AS AT 31 DECEMBER 2002
DUTCH MBS 97-I B.V.	182	71	1997	none	2007	0
DUTCH MBS 97-II B.V. (*)	272	110	1997	none	2007	0
DUTCH MBS 98-I B.V. (**)	272	135	1998	none	2008	1.4
DUTCH MBS 99-I B.V.	290	211	1999	2008	2039	5.6
DUTCH MBS 99-II B.V.	300	238	1999	2008	2040	5.3
DUTCH MBS 99-III B.V. (*)	300	233	1999	2008	2031	2.8
DUTCH MBS 00-I B.V.	800	639	2000	2007	2076	7.6
DUTCH MBS 01-I B.V. (*)	750	617	2001	2008	2073	1.0
DUTCH MBS IX B.V.	900	737	2001	2008	2077	5.5
<b>TOTAL</b>	<b>4.066</b>	<b>2.991</b>				<b>29.2</b>

(\*) These securitisation transactions concern mortgages originated by SR Hypotheken N.V. (50% subsidiary of NIB Capital Bank N.V.). The principal information is provided on the basis of 100% of the mortgages securitised by SR Hypotheken N.V.

(\*\*) This securitisation is made up equally of mortgages originated by SR Hypotheken N.V. (50%) and mortgages originated by ASR Bank N.V. (50%). The principal information is provided on the basis of the total original portfolio.

All Dutch MBS companies are based in Amsterdam. Servicing of the mortgages has been outsourced.

The balance sheet of NIB Capital Bank N.V. includes assets totalling € 13.6 million (2001: € 14.9 million) in respect of the above securitisation transactions, concerning the not yet amortised net present value of the conservatively estimated results on the various securitisation transactions. The capitalised amounts are amortised over the expected periods to maturity of the individual transactions.

**INTEREST-BEARING SECURITIES**

This includes debentures with fixed or floating interest rates issued by public bodies and others together with other fixed-income securities.

This item comprises:

**A LISTED**

DEBENTURES ISSUED BY PUBLIC BODIES

DEBENTURES ISSUED BY OTHERS

OTHER FIXED-INCOME SECURITIES

**B UNLISTED FIXED-INCOME SECURITIES**

The item can also be analysed into

INVESTMENT PORTFOLIO

TRADING PORTFOLIO

Of the interest-bearing securities, an amount of € 553 million falls due in 2003.

Movements in the investment portfolio were as follows:

POSITION AS AT 31 DECEMBER 2001

PURCHASES

DISPOSALS

REPAYMENTS

EXCHANGE DIFFERENCES

TRANSFER TO TRADING PORTFOLIO

OTHER MOVEMENTS

**POSITION AS AT 31 DECEMBER 2002**

The net unamortised difference as at balance sheet date between redemption value and cost of debentures forming part of the investment portfolio amounts to € 58.7 million. The difference is included in accruals and deferred income in the balance sheet and will be amortised over the remaining terms of the debentures concerned.

The item includes subordinated debentures and other subordinated fixed-income securities totalling € 46.5 million.

The bank cannot freely dispose of investment portfolio interest-bearing securities amounting to € 111 million owing to the Latitude synthetic securitisation transaction.

An amount of € 75 million in respect of interest-bearing securities in the investment portfolio is not freely disposable in connection with repo transactions.

Trading portfolio interest-bearing securities include own debentures amounting to € 436 million.

	<b>2002</b>	<b>2001</b>
	<b>4,720</b>	<b>4,112</b>
	335	623
	2,475	1,948
	645	735
	1,265	806
	<b>4,720</b>	<b>4,112</b>
	1,790	2,583
	2,930	1,529
	<b>4,720</b>	<b>4,112</b>
	2,583	
	1,410	
	-549	
	-324	
	-301	
	-921	
	-108	
	<b>1,790</b>	

**SHARES**

This includes shares not issued by participating interests together with other variable-income securities such as options.

The analysis of the item is as follows:

LISTED

UNLISTED

In 2002, as part of optimising the financial structure, NIB Capital Bank N.V. sold the majority of its equity participation portfolio to the shareholders of NIB Capital N.V., the ABP and PGGM pension funds. A purchase and sale agreement was signed on 10 September 2002, under which the beneficial title to this part of the equity participation portfolio was transferred. The selling price amounted to € 694 million. The gain achieved on this selling transaction, which amounted to some € 239 million, was accounted for in the profit and loss account under results on financial transactions.

The item can also be analysed into:

TRADING PORTFOLIO

EQUITY PARTICIPATIONS

Movements in the equity participations were as follows:

POSITION AS AT 31 DECEMBER 2001

PURCHASES AND ADDITIONAL PAYMENTS

DISPOSALS

OTHER MOVEMENTS

**POSITION AS AT 31 DECEMBER 2002**

**PARTICIPATING INTERESTS**

The shares in participating interests can be analysed as follows:

LISTED

UNLISTED

Movements in the item participating interests were as follows:

POSITION AS AT 31 DECEMBER 2001

DISPOSALS

OTHER MOVEMENTS

**POSITION AS AT 31 DECEMBER 2002**

A list of the principal participating interests is given in an appendix to these notes.

	2002	2001
<b>SHARES</b>	<b>339</b>	<b>811</b>
LISTED	18	194
UNLISTED	321	617
<b>TRADING PORTFOLIO</b>	<b>339</b>	<b>811</b>
EQUITY PARTICIPATIONS	43	65
	296	746
<b>POSITION AS AT 31 DECEMBER 2001</b>	<b>746</b>	<b>811</b>
PURCHASES AND ADDITIONAL PAYMENTS	146	
DISPOSALS	-553	
OTHER MOVEMENTS	-43	
<b>POSITION AS AT 31 DECEMBER 2002</b>	<b>296</b>	<b>811</b>
<b>PARTICIPATING INTERESTS</b>	<b>148</b>	<b>262</b>
LISTED	81	78
UNLISTED	67	184
<b>POSITION AS AT 31 DECEMBER 2001</b>	<b>148</b>	<b>262</b>
DISPOSALS	-104	
OTHER MOVEMENTS	-10	
<b>POSITION AS AT 31 DECEMBER 2002</b>	<b>148</b>	<b>262</b>

**INTANGIBLE FIXED ASSETS**

Movements in the item intangible fixed assets were as follows:

POSITION AS AT 31 DECEMBER 2001

AMORTISATION

**POSITION AS AT 31 DECEMBER 2002**

In 2002, the amortisation of a substantial part of capitalised intangible fixed assets was accelerated since they are not expected to generate any additional income in the future.

**PROPERTY AND EQUIPMENT**

This item comprises:

LAND AND BUILDINGS IN USE BY THE COMPANY

FURNITURE AND EQUIPMENT

Movements in land and buildings in use by the company were as follows:

POSITION AS AT 31 DECEMBER 2001

DEPRECIATION

**POSITION AS AT 31 DECEMBER 2002**

Buildings in use by the company are insured for € 51.5 million. The net amount of property revaluations as at 31 December 2002 was € 11.5 million.

Movements in furniture and equipment were as follows:

POSITION AS AT 31 DECEMBER 2001

INVESTMENTS

DISINVESTMENTS

DEPRECIATION

**POSITION AS AT 31 DECEMBER 2002**

Furniture and equipment are insured for € 28.5 million.

The accumulated depreciation as at 31 December 2002 was as follows:

LAND AND BUILDINGS IN USE BY THE COMPANY

FURNITURE AND EQUIPMENT

	2002	2001
<b>INTANGIBLE FIXED ASSETS</b>	<b>1</b>	<b>19</b>
POSITION AS AT 31 DECEMBER 2001	19	
AMORTISATION	-18	
<b>POSITION AS AT 31 DECEMBER 2002</b>	<b>1</b>	
<b>PROPERTY AND EQUIPMENT</b>	<b>58</b>	<b>55</b>
LAND AND BUILDINGS IN USE BY THE COMPANY	43	45
FURNITURE AND EQUIPMENT	15	10
<b>POSITION AS AT 31 DECEMBER 2002</b>	<b>58</b>	<b>55</b>
POSITION AS AT 31 DECEMBER 2001	45	
DEPRECIATION	-2	
<b>POSITION AS AT 31 DECEMBER 2002</b>	<b>43</b>	
<b>PROPERTY AND EQUIPMENT</b>	<b>15</b>	
POSITION AS AT 31 DECEMBER 2001	10	
INVESTMENTS	21	
DISINVESTMENTS	-11	
DEPRECIATION	-5	
<b>POSITION AS AT 31 DECEMBER 2002</b>	<b>15</b>	
<b>PROPERTY AND EQUIPMENT</b>	<b>29</b>	
LAND AND BUILDINGS IN USE BY THE COMPANY	17	
FURNITURE AND EQUIPMENT	12	



**PREPAYMENTS AND ACCRUED INCOME**

This item includes prepaid amounts in respect of costs chargeable to future periods, the positive replacement value of derivatives the trading portfolio stated at market value (including NIBC Petercam Derivatives N.V. option positions whose underlying value consists of shares to the amount of € 224 million), as well as amounts receivable, but not yet invoiced in 2002 such as interest of € 494.4 million (2001: € 622.8 million). This item also includes a deferred tax asset of € 3.4 million (at face value).

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**BANKS**

This includes non-subordinated amounts owed to credit institutions, other than debt securities.

Analysis:

PAYABLE ON DEMAND

NOT PAYABLE ON DEMAND

Maturity analysis of amounts not payable on demand:

THREE MONTHS OR LESS

LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR

LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS

LONGER THAN FIVE YEARS

The amounts owed to credit institutions do not include any amounts payable to participating interests.

**FUNDS ENTRUSTED**

This item includes all non-subordinated liabilities other than amounts owed to credit institutions, and other than debt securities. The amount of savings included in this item is not material.

Analysis:

PAYABLE ON DEMAND

NOT PAYABLE ON DEMAND

	2002	2001
<b>PREPAYMENTS AND ACCRUED INCOME</b>	<b>856</b>	<b>648</b>
<b>BANKS</b>	<b>1,427</b>	<b>608</b>
PAYABLE ON DEMAND	202	189
NOT PAYABLE ON DEMAND	1,225	419
	1,427	608
Maturity analysis of amounts not payable on demand:		
THREE MONTHS OR LESS	688	150
LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR	359	24
LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS	155	215
LONGER THAN FIVE YEARS	23	30
	1,225	419
<b>FUNDS ENTRUSTED</b>	<b>2,764</b>	<b>2,271</b>
PAYABLE ON DEMAND	334	1,038
NOT PAYABLE ON DEMAND	2,430	1,233
	2,764	2,271

Maturity analysis of amounts not payable on demand:

THREE MONTHS OR LESS	1,042	278
LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR	250	113
LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS	1,008	456
LONGER THAN FIVE YEARS	130	386

2002

2001

2,430

1,233

**DEBT SECURITIES**

This includes debentures and other negotiable fixed-income debt securities, other than subordinated items.

Maturity analysis of debt securities:

THREE MONTHS OR LESS	2,722	1,575
LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR	1,867	2,104
LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS	6,836	5,877
LONGER THAN FIVE YEARS	1,469	1,751

12,894

11,307

207

324

**OTHER LIABILITIES**

This item comprises liabilities that cannot be classified under any other heading, such as short positions in financial instruments, taxation payable of €14 million and dividend payable (a total of €12 million on preference shares and a proposed dividend of €150 million on A shares).

**ACCRUALS AND DEFERRED INCOME**

This item includes income received in advance which is attributable to future periods, as well as the negative replacement value of trading portfolio derivatives carried at market value. Furthermore, the NIBC Petercam Derivatives N.V. option positions amounting to €340 million and accruals such as interest of €563.8 million (2001: €623.1 million) and the net liability on forward exchange contracts are included in this item.

1,075

970

**PROVISIONS**

The provisions can be analysed as follows:

PENSIONS	13	11
STRATEGIC RE-ORIENTATION	4	6
DEFERRED TAX LIABILITIES	20	11
OTHER	4	5

41

33

41

33

The pension provision and the provision for deferred tax liabilities are long-term by nature.

The pension provision also includes an amount in connection with the additional expenses arising out of changes in the pension scheme resulting from Collective Labour Agreement decisions.

The strategic re-orientation provision is intended to cover expenses associated with the implementation of strategic changes of the bank.

**FUND FOR GENERAL BANKING RISKS**

**SUBORDINATED LIABILITIES**

This item includes the following subordinated loans:

CONVERTIBLE LOAN FROM THE STATE OF THE NETHERLANDS  
OTHER

The balance of the loan of € 4 million due to the State of the Netherlands was repaid in 2002. The State did not exercise its conversion rights in conformity with the contract entered into at the time of the sale of the A shares by the State to NIB Capital N.V..

The other subordinated liabilities become due as from 2002. The average interest rate is 4.3%.

All loans are subordinated to the other liabilities of the company. They rank pari passu. Interest of €16.1 million was paid on subordinated liabilities during the year.

**SHAREHOLDERS' EQUITY**

For further information regarding shareholders' equity, reference is made to the notes to the company balance sheet on page 45.

	2002	2001
	136	136
	397	599
	0	4
	397	595
	397	599
	1,355	1,260

**COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET**

**CONTINGENT LIABILITIES**

These include commitments under contracts of suretyship and guarantees. An amount of € 60.5 million is covered by matching government guarantees.

**IRREVOCABLE FACILITIES**

These concern all obligations arising from irrevocable commitments that could result in credit risks.

**DERIVATIVES**

The following statements present the notional amounts, the positive replacement value and the unweighted and weighted credit equivalents of the bank's derivative portfolio as at 31 December 2002. For comparison purposes the unweighted and weighted credit equivalents of the derivatives portfolio as at 31 December 2001 are also presented. The notional amounts are the principal amounts represented by the derivatives. Positive replacement value represents the loss to the bank in the event of default by all the counterparties as at balance sheet date. The positive replacement value depends on the market conditions prevailing on balance sheet date. The unweighted credit equivalent equals the positive replacement value plus a mark-up for potential credit risks, as prescribed by De Nederlandsche Bank N.V. Weighting the resulting credit equivalent according to BIS standards gives the weighted credit equivalent. The weighted credit equivalent of € 268 million (2001:€ 135 million) results in a solvency requirement of € 21 million (2001: € 10 million).

	2002	2001
<b>CONTINGENT LIABILITIES</b>	<b>3,633</b>	<b>2,028</b>
<b>IRREVOCABLE FACILITIES</b>	<b>1,542</b>	<b>1,564</b>
<b>DERIVATIVES</b>		

**NOTIONAL AMOUNT**

	TOTAL	< 1 YEAR	1-5 YEARS	> 5 YEARS	POSITIVE REPLACEMENT VALUE
<b>INTEREST RATE OTC CONTRACTS</b>					
SWAPS	44,385	20,413	12,236	11,736	388
FORWARDS	1,309	1,309	0	0	0
<b>FOREIGN EXCHANGE OTC CONTRACTS</b>					
SWAPS	5,802	1,892	1,850	2,060	120
FORWARDS	3,920	3,920	0	0	42
<b>OTHER OTC CONTRACTS</b>	3,459	446	1,949	1,064	128
<b>OTHER LISTED</b>					
OPTIONS	545	289	256	0	0
FUTURES	57	57	0	0	0
<b>TOTAL DERIVATIVES</b>	<b>59,477</b>	<b>28,326</b>	<b>16,291</b>	<b>14,860</b>	<b>678</b>

**CREDIT EQUIVALENT**

	UNWEIGHTED	YEAR-END 2002 WEIGHTED	UNWEIGHTED	YEAR-END 2001 WEIGHTED
INTEREST RATE CONTRACTS	1,102	135	738	82
FOREIGN EXCHANGE CONTRACTS	477	75	361	36
OTHER OTC CONTRACTS	286	58	81	17
<b>TOTAL DERIVATIVES</b>	<b>1,865</b>	<b>268</b>	<b>1,180</b>	<b>135</b>

As at year-end 2002, the derivatives trading portfolio amounted to € 6,473 million (2001: € 2,121 million) (notional amount), of which € 3,070 million (2001: € 1,464 million) related to the equity derivatives activity NIBC Petercam Derivatives N.V. started in 2001. This amount comprises the portfolio of derivatives transactions contracted with counterparties, including the associated hedging transactions entered into on the market, as at year-end 2002.

The policy of NIBC Petercam Derivatives N.V. is aimed at hedging the risks associated with derivatives transactions as far as possible. There are accordingly only limited open positions.

Of the remaining balance of the derivatives trading portfolio with a total notional amount of some € 3,000 million, a part serves as a hedge against the interest rate and foreign currency risks in the on-balance sheet trading portfolio, while the other part consists of credit risk trading positions through Credit Default Swaps.

**FOREIGN CURRENCY RISKS**

The combined equivalent of assets denominated in foreign currencies amounts to € 7,025 million, while liabilities denominated in foreign currency amounted to € 9,193 million. The resulting positions have been almost entirely hedged.

**OUTSTANDING FORWARD TRANSACTIONS**

The forward transactions outstanding at the end of 2002 were entered into to cover foreign exchange positions included in the balance sheet.

# NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 2002

IN MILLIONS OF EUROS

	2002	2001
<b>INTEREST INCOME</b>	<b>752.3</b>	<b>923.3</b>
This includes income arising from lending and related transactions together with related commission and other income similar to interest.		
The item comprises interest and similar income from:		
DEBENTURES AND OTHER FIXED-INCOME SECURITIES	185.2	155.3
OTHER	567.1	768.0
	752.3	923.3
<b>INTEREST EXPENSE</b>	<b>523.1</b>	<b>711.1</b>
This includes the costs arising from the borrowing of funds and related transactions and other charges similar to interest.		
<b>INCOME FROM SECURITIES AND PARTICIPATING INTERESTS</b>	<b>30.2</b>	<b>68.5</b>
Due to the sale of the majority of the equity participation portfolio, dividend income fell substantially in 2002.		
<b>COMMISSION INCOME</b>	<b>29.5</b>	<b>25.9</b>
This amount represents the charges for banking services performed for third parties, other than charges in the nature of interest.		
<b>COMMISSION EXPENSE</b>	<b>6.8</b>	<b>6.3</b>
This amount represents the charges for banking services performed by third parties other than charges in the nature of interest.		
<b>RESULTS ON FINANCIAL TRANSACTIONS</b>	<b>202.5</b>	<b>67.0</b>
This represents realised and unrealised differences in value of equity participations and securities that are not included in the investment portfolio, plus exchange differences and capital gains and losses connected with trading in other financial instruments. This also includes the movements in the market value of the equity derivatives activities of NIBC Petercam Derivatives N.V..		
This item also includes the gain achieved on the sale of the majority of the equity participation portfolio to the shareholders of NIB Capital N.V., ABP and PGGM.		
Results on financial transactions comprise:		
SECURITIES TRADING PORTFOLIO	-33.7	-1.5
OTHER INCOME	-2.4	68.5
PROFIT ON SALE OF EQUITY PARTICIPATION PORTFOLIO	238.6	0.0
	202.5	67.0
<b>OTHER REVENUE</b>	<b>2.6</b>	<b>5.2</b>
This item mainly relates to fees for other services which are not interest or commission related, performed on behalf of third parties.		

**PERSONNEL AND ADMINISTRATIVE EXPENSES**

PAYROLL EXPENSES

OTHER ADMINISTRATIVE EXPENSES

The payroll expenses comprise:

SALARIES

PENSION CHARGES

OTHER SOCIAL SECURITY CHARGES

OTHER STAFF EXPENSES

Pension charges include a non-recurring charge of € 4.3 million relating to a strengthening of the financial position of NIB Capital's pension fund.

The number of employees, expressed in terms of full-time equivalents, was 629 (year-end 2001: 652).

The average number of staff in 2002 on a full-time equivalent basis was 635 (2001: 626).

	<b>2002</b>	<b>2001</b>
	<b>118.2</b>	<b>103.1</b>
	79.2	70.8
	39.0	32.3
	<b>118.2</b>	<b>103.1</b>
	59.8	55.9
	11.8	7.8
	4.4	4.3
	3.2	2.8
	<b>79.2</b>	<b>70.8</b>



**REMUNERATION OF BOARD MEMBERS**

In the year under review, the average number of members of the Board of Managing Directors appointed under the articles of association was 4 (2001: 5). The total remuneration (including pension costs) paid to the Board of Managing Directors appointed under the articles of association amounted to € 7,0 million in 2002 (2001: € 4.2 million). The allocation of this amount (in Euros) per member of the Statutory Board of Managing Directors is as follows:

**CURRENT MEMBERS**

MICHAEL ENTHOVEN (in office as from 23/04/2002)

JURGEN B.J. STEGMANN

ANTOINE L.V. DIJKSTRA

**TOTAL CURRENT MEMBERS**

SALARIES, etc.	PENSION COSTS	BONUSES		TOTAL
452,347	-	250,000		702,347
342,723	69,327	105,000		517,050
284,362	42,541	150,000		476,903
<b>1,079,432</b>	<b>111,868</b>	<b>505,000</b>		<b>1,696,300</b>

**FORMER MEMBERS**

MARC L. GEDOPT (out of office as from 23/04/2002)

LEON P.E.M. VAN DEN BOOM (out of office as from 31/08/ 2002)

BAS J. VAN DER VEGTE (out of office as from 31/05/2002)

**TOTAL FORMER MEMBERS**

SALARIES, etc.	PENSION COSTS	BONUSES	EXIT PAYMENT	TOTAL
358,318	-	-	2,650,000	3,008,318
186,365	63,228	-	826,224	1,075,817
109,006	40,969	-	1,036,000	1,185,975
<b>653,689</b>	<b>104,197</b>	<b>-</b>	<b>4,512,224</b>	<b>5,270,110</b>

**TOTAL REMUNERATION OF THE STATUTORY**

**BOARD OF MANAGING DIRECTORS**

<b>1,733,121</b>	<b>216,065</b>	<b>505,000</b>	<b>4,512,224</b>	<b>6,966,410</b>
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The average number of Supervisory Board members in the year under review was 5 (2001: 7). The Supervisory Board of NIB Capital Bank N.V. forms a personal unity with the Supervisory Board of NIB Capital N.V.. For information on the remuneration of the Supervisory Board reference is made to the annual report of NIB Capital N.V..

**DEPRECIATION**

The depreciation charge comprises:

PROPERTY

OTHER FIXED ASSETS

INTANGIBLE FIXED ASSETS

**TAXATION ON OPERATING RESULT**

This comprises taxation on the gross operating result on ordinary activities as shown by the profit and loss account for the year.

The tax burden can be analysed as follows:

RESULT BEFORE TAXATION

AVERAGE STANDARD RATE OF TAXATION

PERMANENT DIFFERENCES

TEMPORARY DIFFERENCES

EFFECT OF DIFFERENCES ON STANDARD RATE

TAXATION IN PROFIT AND LOSS ACCOUNT

EFFECTIVE TAX RATE

In calculating taxation, existing tax facilities are taken into account.

In particular, the substantial holding privilege means that the actual tax rate differs from the standard tax rate of approximately 34%.

	2002	2001
	25.6	6.7
PROPERTY	1.5	1.0
OTHER FIXED ASSETS	5.2	4.7
INTANGIBLE FIXED ASSETS	18.9	1.0
	25.6	6.7
	6.8	8.3
RESULT BEFORE TAXATION	275.0	
AVERAGE STANDARD RATE OF TAXATION	33.9%	
PERMANENT DIFFERENCES	240.9	
TEMPORARY DIFFERENCES	-3.8	
	237.1	
EFFECT OF DIFFERENCES ON STANDARD RATE	-31.4%	
TAXATION IN PROFIT AND LOSS ACCOUNT	6.8	
EFFECTIVE TAX RATE	2.5%	

# COMPANY BALANCE SHEET AS AT 31 DECEMBER 2002

AFTER PROFIT APPROPRIATION  
IN MILLIONS OF EUROS

## ASSETS

	2002	2001
CASH	179	93
BANKS	4,003	3,642
LOANS AND ADVANCES GUARANTEED BY PUBLIC AUTHORITIES TO THE PRIVATE SECTOR	387 12,842	456 10,814
	13,229	11,270
INTEREST-BEARING SECURITIES	4,199	3,328
SHARES	215	283
PARTICIPATING INTERESTS IN GROUP COMPANIES	2,257	2,134
OTHER PARTICIPATING INTERESTS	86	88
INTANGIBLE FIXED ASSETS	1	19
PROPERTY AND EQUIPMENT	30	25
PREPAYMENTS AND ACCRUED INCOME	650	545
	<b>24,849</b>	<b>21,427</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	<b>2002</b>	<b>2001</b>
<b>BANKS</b>	1,309	648
<b>FUNDS ENTRUSTED</b>	7,825	6,123
<b>DEBT SECURITIES</b>	12,859	11,277
<b>OTHER LIABILITIES</b>	195	195
<b>ACCRUALS AND DEFERRED INCOME</b>	748	1,163
<b>PROVISIONS</b>	25	26
	<b>22,961</b>	<b>19,432</b>
<b>FUND FOR GENERAL BANK RISKS</b>	136	136
<b>SUBORDINATED LIABILITIES</b>	397	599
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL</b>		
ORDINARY A SHARES	58	58
CUMULATIVE PREFERENCE B SHARES	11	11
PREFERENCE C SHARES	5	5
PREFERENCE D SHARES	6	6
	80	80
<b>SHARE PREMIUM RESERVE</b>	238	238
<b>REVALUATION RESERVE</b>	30	38
<b>STATUTORY RESERVES AND RESERVES PURSUANT TO ARTICLES</b>	984	904
<b>OTHER RESERVES</b>	23	0
	1,355	1,260
<b>CAPITAL BASE</b>	<b>1,888</b>	<b>1,995</b>
	<b>24,849</b>	<b>21,427</b>
<b>CONTINGENT LIABILITIES</b>	4,985	3,869
<b>IRREVOCABLE FACILITIES</b>	1,424	1,332

# COMPANY PROFIT AND LOSS ACCOUNT FOR 2002

IN MILLIONS OF EUROS

	2002	2001
RESULTS OF PARTICIPATING INTERESTS AFTER TAX	286.5	171.6
OTHER RESULTS AFTER TAX	-21.8	12.7
<b>NET PROFIT</b>	<b>264.7</b>	<b>184.3</b>

PRESENTED IN ACCORDANCE WITH THE PROVISIONS OF  
ARTICLE 402, BOOK 2, OF THE NETHERLANDS CIVIL CODE.

# NOTES TO THE COMPANY BALANCE SHEET AS AT 31 DECEMBER 2002

IN MILLIONS OF EUROS

## ASSETS

### BANKS

This item includes receivables from group companies amounting to € 649 million.

### PARTICIPATING INTERESTS IN GROUP COMPANIES

Movements in participating interest in group companies were as follows:

POSITION AS AT 31 DECEMBER 2001

PURCHASES AND ADDITIONAL PAYMENTS

RESULTS OF GROUP COMPANIES

OTHER MOVEMENTS

POSITION AS AT 31 DECEMBER 2002

Other movements comprises mainly negative foreign exchange results.

The companies NIB Capital Bank (NA) N.V. and NIB Capital Bank Ltd. included here are registered credit institutions.

### OTHER PARTICIPATING INTERESTS

Movements in other participating interests were as follows:

POSITION AS AT 31 DECEMBER 2001

OTHER MOVEMENTS

POSITION AS AT 31 DECEMBER 2002

## LIABILITIES AND SHAREHOLDERS' EQUITY

### SHARE CAPITAL

The authorised capital amounts to € 250 million and is divided into shares, of € 1.00 nominal value each as follows:

A SHARES

CUMULATIVE PREFERENCE B SHARES

PREFERENCE C SHARES

PREFERENCE D SHARES

PREFERENCE E SHARES

PREFERENCE F SHARES

	2002	2001
<b>BANKS</b>	<b>4,003</b>	<b>3,642</b>
<b>PARTICIPATING INTERESTS IN GROUP COMPANIES</b>	<b>2,257</b>	<b>2,134</b>
POSITION AS AT 31 DECEMBER 2001	2,134	
PURCHASES AND ADDITIONAL PAYMENTS	2	
RESULTS OF GROUP COMPANIES	287	
OTHER MOVEMENTS	-166	
<b>POSITION AS AT 31 DECEMBER 2002</b>	<b>2,257</b>	
<b>OTHER PARTICIPATING INTERESTS</b>	<b>86</b>	<b>88</b>
POSITION AS AT 31 DECEMBER 2001	88	
OTHER MOVEMENTS	-2	
<b>POSITION AS AT 31 DECEMBER 2002</b>	<b>86</b>	
<b>SHARE CAPITAL</b>	<b>80</b>	<b>80</b>
A SHARES	150,000,000	
CUMULATIVE PREFERENCE B SHARES	50,000,000	
PREFERENCE C SHARES	12,500,000	
PREFERENCE D SHARES	12,500,000	
PREFERENCE E SHARES	12,500,000	
PREFERENCE F SHARES	12,500,000	
	<b>250,000,000</b>	

IN MILLIONS OF EUROS

**SHARES** IN MILLIONS OF EUROS

Movements in the issued and paid-up capital in 2002 were as follows:

	A	B	C	D	TOTAL
POSITION AS AT 31 DECEMBER 2001	58	11	5	6	80
EXERCISE OF OPTIONS	0	0	0	0	0
<b>POSITION AS AT 31 DECEMBER 2002</b>	<b>58</b>	<b>11</b>	<b>5</b>	<b>6</b>	<b>80</b>

99,9% of the issued capital is held by NIB Capital N.V.

**STAFF OPTIONS AND SHARES**

As at year-end 2002 there were no further option rights for shares of NIB Capital Bank N.V. in issue. Members of the Board of Managing Directors and the Supervisory Board do not hold any shares in the company. In addition, option rights for shares in NIB Capital N.V. and Stock Appreciation Rights were granted to company staff and members of the Board of Managing Directors. For information on these rights, reference is made to the annual report of NIB Capital N.V..

**SHARE PREMIUM RESERVE**

Composition of the share premium reserve:

GENERAL SHARE PREMIUM RESERVE	89	89
SHARE PREMIUM RELATED TO PREFERENCE C SHARES	76	76
SHARE PREMIUM RELATED TO PREFERENCE D SHARES	73	73

The share premium reserve is a tax-free reserve.

**REVALUATION RESERVE**

Movements in the revaluation reserve were as follows:

POSITION AS AT 31 DECEMBER 2001	38	41
RELEASE IN CONNECTION WITH DISPOSALS	-9	0
REVALUATION OF PARTICIPATING INTERESTS	1	-3

**POSITION AS AT 31 DECEMBER 2002**

In this reserve, approximately € 17 million represents revaluations of participating interests, the remainder being in connection with property.

**STATUTORY RESERVES AND RESERVES PURSUANT TO ARTICLES**

As at 31 December, these reserves were made up as follows:

RESERVES PURSUANT TO ARTICLES	863	779
RESERVE FOR RETAINED EARNINGS OF PARTICIPATING INTERESTS	121	125

The reserve fund required under the articles of association is made up as follows:

POSITION AS AT 31 DECEMBER 2001	779	725
PROFIT APPROPRIATION	84	54

**POSITION AS AT 31 DECEMBER 2002**

The reserve for retained earnings of participating interests is made up as follows:

POSITION AS AT 31 DECEMBER 2001	125	116
ADDITION ON ACCOUNT OF RETAINED EARNINGS OF PARTICIPATING INTERESTS	0	9
WITHDRAWAL ON ACCOUNT OF RETAINED EARNINGS OF PARTICIPATING INTERESTS	-4	0

**POSITION AS AT 31 DECEMBER 2002**

**OTHER RESERVES**

Movements in other reserves were as follows:

POSITION AS AT 31 DECEMBER 2001	0	
RELEASED FROM STATUTORY RESERVE FOR RETAINED EARNINGS OF PARTICIPATING INTERESTS	4	
PROFIT APPROPRIATION	19	

**POSITION AS AT 31 DECEMBER 2002**

	2002	2001
<b>SHARE PREMIUM RESERVE</b>	<b>238</b>	<b>238</b>
Composition of the share premium reserve:		
GENERAL SHARE PREMIUM RESERVE	89	89
SHARE PREMIUM RELATED TO PREFERENCE C SHARES	76	76
SHARE PREMIUM RELATED TO PREFERENCE D SHARES	73	73
	238	238
<b>REVALUATION RESERVE</b>	<b>30</b>	<b>38</b>
Movements in the revaluation reserve were as follows:		
POSITION AS AT 31 DECEMBER 2001	38	41
RELEASE IN CONNECTION WITH DISPOSALS	-9	0
REVALUATION OF PARTICIPATING INTERESTS	1	-3
<b>POSITION AS AT 31 DECEMBER 2002</b>	<b>30</b>	<b>38</b>
	984	904
<b>STATUTORY RESERVES AND RESERVES PURSUANT TO ARTICLES</b>	<b>984</b>	<b>904</b>
As at 31 December, these reserves were made up as follows:		
RESERVES PURSUANT TO ARTICLES	863	779
RESERVE FOR RETAINED EARNINGS OF PARTICIPATING INTERESTS	121	125
	984	904
The reserve fund required under the articles of association is made up as follows:		
POSITION AS AT 31 DECEMBER 2001	779	725
PROFIT APPROPRIATION	84	54
<b>POSITION AS AT 31 DECEMBER 2002</b>	<b>863</b>	<b>779</b>
The reserve for retained earnings of participating interests is made up as follows:		
POSITION AS AT 31 DECEMBER 2001	125	116
ADDITION ON ACCOUNT OF RETAINED EARNINGS OF PARTICIPATING INTERESTS	0	9
WITHDRAWAL ON ACCOUNT OF RETAINED EARNINGS OF PARTICIPATING INTERESTS	-4	0
<b>POSITION AS AT 31 DECEMBER 2002</b>	<b>121</b>	<b>125</b>
	23	0
<b>OTHER RESERVES</b>	<b>23</b>	<b>0</b>
Movements in other reserves were as follows:		
POSITION AS AT 31 DECEMBER 2001	0	
RELEASED FROM STATUTORY RESERVE FOR RETAINED EARNINGS OF PARTICIPATING INTERESTS	4	
PROFIT APPROPRIATION	19	
<b>POSITION AS AT 31 DECEMBER 2002</b>	<b>23</b>	



## **COMMITMENTS NOT SHOWN IN THE BALANCE SHEET**

### **GUARANTEES**

This item includes € 1,499 million in respect of guarantees to group companies.

Guarantees within the meaning of Section 403, Book 2, of the Netherlands Civil Code have been given on behalf of De Nationale Maatschappij voor Industriële Financieringen B.V., PARNIB Holding N.V. and B.V. NIB Capital Mortgage Backed Assets. NIB Capital Bank N.V. is guarantor for the liabilities under derivatives contracts entered into by the joint venture NIBC Petercam Derivatives N.V. with various counterparties.

Declarations of joint and several liability have also been made to the respective supervisory monetary authorities of DNI Inter Asset Bank N.V., NIB Securities N.V., NIB Capital Bank (NA) N.V. and NIB Capital Bank Ltd.

THE HAGUE, 6 MARCH 2003

THE STATUTORY BOARD OF MANAGING DIRECTORS  
MICHAEL ENTHOVEN, CHAIRMAN  
JURGEN B.J. STEGMANN, VICE CHAIRMAN  
ANTOINE L.V. DIJKSTRA, BOARD MEMBER

THE SUPERVISORY BOARD  
WILLEM F.C. STEVENS, CHAIRMAN  
PETER J. GROENENBOOM  
MAARTEN J. HULSHOFF  
BART J.C.M. LE BLANC  
CEES A. VRINS

# LIST OF PRINCIPAL PARTICIPATING INTERESTS

## CONSOLIDATED PARTICIPATING INTERESTS

## HOLDING

NIB CAPITAL BANK LTD., SINGAPORE	100%
NIB CAPITAL BANK (NA) N.V., WILLEMSTAD, CURAÇAO	100%
NATIONALE MAATSCHAPPIJ VOOR INDUSTRIËLE FINANCIERINGEN B.V., THE HAGUE	100%
B.V. NIB CAPITAL MORTGAGE BACKED ASSETS, THE HAGUE	100%
SR-HYPOTHEKEN N.V., ROTTERDAM (PROPORTIONATELY CONSOLIDATED)	50%
NIB CAPITAL PRIVATE EQUITY INVESTMENTS BELGIUM N.V., ANTWERP, BELGIUM	100%
PARNIB HOLDING N.V., THE HAGUE	100%
NIBC PETERCAM DERIVATIVES N.V., BRUSSELS, BELGIUM	50%

## NON-CONSOLIDATED PARTICIPATING INTERESTS

included in accordance with the provisions of Section 389, Book 2, of the Netherlands Civil Code

DE NEDERLANDSE PARTICIPATIE MAATSCHAPPIJ VOOR DE NEDERLANDSE ANTILLEN N.V., THE HAGUE	100%
PARTICIPATIEMAATSCHAPPIJ MAINPORT ROTTERDAM B.V., THE HAGUE	50%
YCAP GROUP B.V., THE HAGUE	100%
AMERICAN MARINE ADVISORS, NEW YORK, USA	25%
CAPITAL PARTNERS AS, BERGEN, NORWAY	19%
DUCATUS N.V., 'S HERTOGENBOSCH	24%

## AUDITORS' REPORT

TO THE SHAREHOLDERS OF NIB CAPITAL BANK N.V.

### INTRODUCTION

We have audited the 2002 financial statements of NIB Capital Bank N.V., The Hague, as included on pages 13 - 49. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### SCOPE

We performed our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2002 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Title 9, Book 2 of the Netherlands Civil Code.

AMSTERDAM, 6 MARCH 2003

PRICEWATERHOUSECOOPERS ACCOUNTANTS N.V.

**PROFIT APPROPRIATION**

**NET PROFIT**

DISTRIBUTION TO HOLDERS OF CUMULATIVE  
PREFERENCE B SHARES

DISTRIBUTION TO HOLDERS OF PREFERENCE C SHARES

DISTRIBUTION TO HOLDERS OF PREFERENCE D SHARES

PROFIT AVAILABLE FOR DISTRIBUTION TO HOLDERS OF  
ORDINARY A SHARES

**APPROPRIATION**

ADDED TO RESERVES PURSUANT TO ARTICLES

ADDED TO OTHER RESERVES

DIVIDEND

**2002**

**265**

1

6

5

12

**253**

84

19

150

**253**

# CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2003

AFTER PROPOSED PROFIT APPROPRIATION  
IN MILLIONS OF EUROS

## ASSETS

		2003		2002
CASH		1,064		179
BANKS		1,059		2,066
LOANS AND ADVANCES				
GUARANTEED BY PUBLIC AUTHORITIES	1,109		819	
TO THE PRIVATE SECTOR	10,120		11,124	
		11,229		11,943
INTEREST-BEARING SECURITIES		6,106		4,720
SHARES		445		339
PARTICIPATING INTERESTS		128		148
INTANGIBLE FIXED ASSETS		1		1
PROPERTY AND EQUIPMENT		89		58
PREPAYMENTS AND ACCRUED INCOME		864		856
		<b>20,985</b>		<b>20,310</b>

IN MILLIONS OF EUROS

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	<b>2003</b>	<b>2002</b>
<b>BANKS</b>	467	1,427
<b>FUNDS ENTRUSTED</b>	2,652	2,764
<b>DEBT SECURITIES</b>	14,259	12,894
<b>OTHER LIABILITIES</b>	52	45
<b>ACCRUALS AND DEFERRED INCOME</b>	1,363	1,075
<b>PROVISIONS</b>	28	41
	<b>18,821</b>	<b>18,246</b>
<b>FUND FOR GENERAL BANKING RISKS</b>	136	136
<b>SUBORDINATED LIABILITIES</b>	519	397
<b>SHAREHOLDERS' EQUITY</b>		
ISSUED AND PAID-UP CAPITAL		
• ORDINARY A SHARES	58	58
• CUMULATIVE PREFERENCE B SHARES	11	11
• PREFERENCE C SHARES	5	5
• PREFERENCE D SHARES	6	6
	80	80
<b>RESERVES</b>	1,278	1,172
NET PROFIT FOR THE YEAR		
• PROPOSED RETAINED PROFIT FOR THE YEAR	39	103
• PROPOSED DIVIDENDS FROM PROFIT APPROPRIATION	91	162
	130	265
<b>GROUP EQUITY</b>	1,488	1,517
<b>THIRD-PARTY INTERESTS</b>	21	14
<b>GROUP CAPITAL BASE</b>	<b>2,164</b>	<b>2,064</b>
	<b>20,985</b>	<b>20,310</b>
<b>CONTINGENT LIABILITIES</b>	2,334	2,574
<b>IRREVOCABLE FACILITIES</b>	1,930	1,542

# CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 2003

IN MILLIONS OF EUROS

	2003	2002
<b>INCOME</b>		
INTEREST INCOME	727.3	752.3
INTEREST EXPENSE	452.7	523.1
INTEREST	274.6	229.2
INCOME FROM SECURITIES AND PARTICIPATING INTERESTS	23.1	30.2
COMMISSION INCOME	30.1	29.5
COMMISSION EXPENSE	2.1	6.8
COMMISSION	28.0	22.7
RESULTS ON FINANCIAL TRANSACTIONS		
• SALE OF EQUITY PARTICIPATION PORTFOLIO	0.0	238.6
• OTHER RESULTS	22.1	-36.1
	22.1	202.5
OTHER REVENUES	5.8	2.6
<b>TOTAL INCOME</b>	<b>353.6</b>	<b>487.2</b>
<b>EXPENSES</b>		
PERSONNEL AND ADMINISTRATIVE EXPENSES		
• PAYROLL EXPENSES	70.4	79.2
• OTHER ADMINISTRATIVE EXPENSES	40.1	39.0
	110.5	118.2
DEPRECIATION	9.8	25.6
OPERATING EXPENSES	120.3	143.8
VALUE ADJUSTMENTS TO RECEIVABLES	53.7	68.3
<b>TOTAL EXPENSES</b>	<b>174.0</b>	<b>212.1</b>
OPERATING RESULT BEFORE TAXATION	179.6	275.1
TAXATION ON OPERATING RESULT	43.0	6.8
THIRD-PARTY INTERESTS	6.5	3.6
<b>NET PROFIT</b>	<b>130.1</b>	<b>264.7</b>

# CASH FLOW STATEMENT FOR 2003

IN MILLIONS OF EUROS

	2003	2002
NET PROFIT	130	265
ADJUSTMENTS:		
DEPRECIATION	10	26
VALUE ADJUSTMENTS TO RECEIVABLES	54	68
MOVEMENTS IN PROVISIONS	-13	8
CASH FLOW FROM NET PROFIT	181	367
BANKS	47	-483
LOANS AND ADVANCES	660	-1,256
FUNDS ENTRUSTED	-111	493
SHARES	-106	472
INTEREST-BEARING SECURITIES TRADING PORTFOLIO	-939	-1,401
OTHER MOVEMENTS	113	-367
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-155</b>	<b>-2,175</b>
INVESTMENT PORTFOLIO PURCHASES	-960	-1,410
REPAYMENTS AND DISPOSALS	513	2,203
INVESTMENT PORTFOLIO	-447	793
PURCHASE OF PARTICIPATING INTERESTS	0	0
DISPOSAL OF PARTICIPATING INTERESTS	10	104
PARTICIPATING INTERESTS	10	104
PURCHASE OF TANGIBLE FIXED ASSETS	-10	-21
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-447</b>	<b>876</b>
DEBT SECURITIES	1,365	1,587
SUBORDINATED LIABILITIES	122	-202
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>1,487</b>	<b>1,385</b>
<b>CASH FLOW</b>	<b>885</b>	<b>86</b>



# ACCOUNTING POLICIES

## GENERAL

The annual accounts have been prepared in accordance with the legal requirements for annual accounts of banks contained in Part 14, Title 9, Book 2 of the Netherlands Civil Code.

Due to changes in Dutch GAAP, the proposed appropriation of results is not recorded as a liability in the annual accounts for the current financial year. Instead the proposed appropriation of results is recognized as shareholders equity.

The company profit and loss account is drawn up in pursuance of section 402, Book 2 of the Netherlands Civil Code. The list of information relating to participating interests referred to in sections 379 and 414, Book 2 of the Netherlands Civil Code has been filed with the Chamber of Commerce in The Hague.

NIB Capital N.V., The Hague, is the parent company of the group in which the figures of NIB Capital Bank N.V. (NIBCapital Bank) are fully consolidated.

All amounts are in millions of euros, unless stated otherwise. In the text, the relevant corresponding figures for the previous year are shown in brackets.

## CHANGE IN ACCOUNTING POLICIES

NIBCapital Bank has changed its accounting policies in respect of equity participations included in the balance sheet item shares from the lower of cost and market value to market value. The reason for the change is to align the accounting policies of NIBCapital Bank with the policies applied by the parent company, NIB Capital N.V.

### THE FORMER ACCOUNTING POLICY WAS:

Equity participations, i.e. capital interests not held on a lasting basis in connection with the bank's own activities, are included at the lower of cost and market value. Unrealised valuation differences and any reversals thereof are accounted for in the profit and loss account as results on financial transactions.

### THE CURRENT ACCOUNTING POLICY IS:

Equity participations, i.e. capital interests not held on a lasting basis in connection with the bank's own activities, are included at market value. Unrealised

(positive and negative) valuation differences and any reversals thereof are accounted for in the revaluation reserve. Only realised transaction results are accounted for in the profit and loss account as results on financial transactions. If the amount of the revaluation reserve is insufficient to absorb the total amount of negative valuation differences, the remaining amount is charged to the result.

The impact of this change of accounting policy on the revaluation reserve is approximately € 7 million positive in 2003. If this change in accounting policy had been applied in 2002, the impact for the year 2002 on the revaluation reserve would have amounted to approximately € 2 million positive. This change in accounting has no impact on the profit and loss account. Given the limited size of the impact, the 2002 financials have not been restated.

## CONSOLIDATION PRINCIPLES

The consolidated accounts include the assets, liabilities and results of the company and its group companies.

The financial figures of joint ventures, in so far as they are financial institutions, are included on a pro rata basis in the consolidated accounts according to the interest held. The financial information relating to the joint venture NIBC Petercam Derivatives N.V., specialising in equity derivatives, has been fully consolidated. The reason is that NIB Capital Bank N.V. is sole guarantor for the liabilities under derivatives contracts entered into by the joint venture with various counterparties. NIB Capital Bank N.V. is entitled to 60% of the net income of the joint venture.

In view of the control exercised by the government over the policy of the bank's wholly - owned participating interest De Nederlandse Participatie Maatschappij voor de Nederlandse Antillen N.V. (NPMNA), this company has not been treated as a group company. On behalf of the Dutch government, NPMNA provides funding to companies and institutions based in the Netherlands Antilles and Aruba.

A list of the bank's principal consolidated group companies is included in an appendix to these notes.

## PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

### GENERAL

Assets and liabilities are included at face value unless otherwise indicated.

### FOREIGN CURRENCY TRANSLATION

Foreign currency receivables and payables, together with any related forward contracts, are translated at the spot rate ruling on balance sheet date. Transactions in foreign currencies are translated at the exchange rate ruling on the date of the transaction.

Exchange differences arising on forward contracts relating to funding and lending are included in the balance sheet in prepayments and accrued income or accruals and deferred income, and are recognised as interest in the profit and loss account, in proportion to the term of the contract. Forward contracts relating to trading activities are stated at market value.

Other exchange differences arising on translation are included in the profit and loss account as results on financial transactions.

## TRADING AND INVESTMENT PORTFOLIOS

### TRADING PORTFOLIO

The trading portfolio comprises all interest-bearing securities, shares and other financial instruments (including derivatives) that are not treated as fixed assets but are basically intended for generating transaction results.

### INVESTMENT PORTFOLIO

The investment portfolio includes all interest-bearing securities and shares treated as fixed assets and basically intended for permanent use in connection with the bank's activities.

### OFF-BALANCE SHEET INSTRUMENTS

Off-balance sheet instruments are used to hedge the bank's own positions and are accounted for in accordance with the principles of valuation and determination of results applicable to the underlying positions.

Rights and obligations under option contracts and similar contracts forming part of the trading portfolio:

- if traded on a regulated stock exchange, are stated at market value (quoted price);
- if entered into directly with counterparties, are stated at market value (estimated liquidation value).

To cover possible future hedging costs and option risks, part of the initial transaction result is included in a provision. These risks include volatility risks, credit risks, liquidity risks, financial model risks and other uncertainties. These provisions are adjusted to the market value of the underlying positions.

### BANKS AND LOANS AND ADVANCES

Amounts receivable from credit institutions and clients are included at face value less any provisions deemed necessary.

### INTEREST-BEARING SECURITIES

Bonds and other interest-bearing securities forming part of the investment portfolio are stated at redemption value less diminutions in value for credit risks. The difference between the carrying amount and cost is recognised as interest on a pro rata basis according to the remaining term of the securities.

Results on the sale of bonds and other interest-bearing securities treated as part of the investment portfolio are recognised as interest in the year under review and ensuing years on the basis of the remaining term to maturity of the securities concerned provided that this does not result in the capitalisation of losses.

Securities on which interest is paid entirely or largely on redemption are included at cost less any diminutions in value for credit risks. The carrying amount is increased each year by the accrued interest calculated on the basis of the interest rate applicable at the time of acquisition.

Interest-bearing securities forming part of the trading portfolio are stated at market value. Where the bank has purchased its own – non-subordinated – bonds or other securities for the purpose of resale, these are stated at the lower of cost and market value.

Short positions in bonds and other fixed-income securities forming part of the trading portfolio are included in other liabilities.

Transfers of interest-bearing securities between portfolios are made at market value. Results on transfers are treated in the same way as results on disposals.

#### SHARES

Shares forming part of the trading portfolio are included at market value or, if the securities concerned are not officially listed, at estimated net realisable value. Valuation differences are accounted for in the profit and loss account as results on financial transactions.

Short positions in shares and other non-fixed-income securities forming part of the trading portfolio are included in other liabilities.

Equity participations, i.e. capital interests not held on a lasting basis in connection with the bank's own activities and not treated purely as investments, are included at market value. Unrealised positive and negative valuation differences and any reversals thereof are accounted for in revaluation reserve. Only realised transaction results are accounted for in the profit and loss account as results on financial transactions. If the amount of the revaluation reserve is insufficient to absorb the total amount of negative valuation differences, the remaining amount is charged to the result. Dividends are accounted for as income from securities and participating interests. Equity participations which are underwritten by the government are stated at cost.

In determining market value, the valuation principles set by the European Private Equity and Venture Capital Association (EVCA) are applied. The EVCA Guidelines make a distinction according to:

- Unquoted venture investments (venture capital for start-ups). For which cost is taken as the basis for fair market value. A higher carrying amount than cost is possible if refinancing has taken place involving a third party, if the net asset value differs substantially from the cost or if the equity participation reports significant profits and the application of a price/earnings ratio is possible, subject to a discount to reflect restricted

marketability and uncertainty in view of the relatively short period over which profits have been made.

- Unquoted development investments (mature equity participations). This category of equity participations is carried at fair market value, using the price/earnings ratio method and allowing for a discount to reflect restricted marketability and any other relevant factors.
- Quoted investments (equity participations in listed companies). In this case the fair market value is derived from the quoted price less an allowance for formal restrictions or restricted marketability of the shares.

#### PARTICIPATING INTERESTS

Participating interests, i.e. capital interests held on a lasting basis in connection with the bank's own activities, are subdivided into the following categories:

- Participating interests in which the bank exercises a controlling influence on policy; these companies are stated at net asset value.
- Participating interests in which the bank does not exercise a controlling influence on policy but is in a position to exercise significant influence; these companies are also included at net asset value based on the most recent information available.
- Participating interests in which the bank does not exercise a significant influence on policy; these companies are included at market value, any rise or fall in their value being accounted for in the revaluation reserve; if the amount of the revaluation reserve is insufficient to absorb negative valuation differences, the remainder is charged to the profit the loss account.

If valuation is at net asset value, the amount recognised as income from securities and participating interests is the share of the result of the participating interest accruing to the company. In the case of valuation at market value, the amount recognised as income from securities and participating interests is the dividend received.

#### INTANGIBLE FIXED ASSETS

Goodwill paid on acquisition of participating interests stated at net asset value is capitalised as an intangible fixed asset and amortised over the useful life of the asset, with a maximum of 20 years. The net asset value is determined as far as possible on the same basis as applied in these annual accounts.

#### PROPERTY AND EQUIPMENT

Land and buildings are stated at market value, based on the most recent appraisals by outside experts, less straight-line depreciation over the estimated useful life, with a maximum of 50 years.

The market value of the buildings in use by the company is based on their value for sale by private treaty. For buildings that are held as investments and let, the market value is based on the highest price for which they could be sold, less associated selling costs.

Investments made since the most recent professional appraisal are carried at cost less depreciation. Changes in value as a result of appraisals are credited or debited to the revaluation reserve, less any related taxation.

Property acquired as a result of foreclosures or in settlement of debt is stated at the lower of cost and net realisable value.

Other fixed assets, including computer equipment and software developed by third parties, are stated at cost less straight-line depreciation. Depreciation is based on expected useful life, with a maximum of five years; in general, a three-year depreciation period is used, and smaller investments are expensed in the year of purchase.

#### PROVISION FOR DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities due to timing differences between the results for reporting purposes and for tax purposes, calculated at the applicable tax rates, are stated at net present value arrived at by applying a discount factor based on the net interest rate and taking into account the duration of the deferred tax items concerned. In view of the short-term nature of valuation differences in the trading portfolio, the associated deferred taxation liabilities are stated at face value. Deferred tax assets

are only recognised to the extent that it is reasonable to assume that they can be set against tax liabilities in the future.

#### OTHER PROVISIONS

The pension rights of the management are underwritten by an insurance company while staff pension rights are administered by the pension fund.

A provision based on actuarial calculations is formed for current and future liabilities arising in connection with the Early Retirement Scheme.

The strategic re-orientation provision is intended to cover expenses associated with the implementation of strategic changes of the bank.

#### FUND FOR GENERAL BANKING RISKS

The fund for general banking risks is intended to cover general risks in the banking industry. It is concerned with unforeseen problems such as nationalisation, fraud and other exceptional losses. The provision is net of tax, since tax has already been paid on the amounts making up this fund.

#### REVALUATION RESERVE

This reserve represents unrealised net positive differences on the revaluation of property and participating interests as at balance sheet date, after allowing for taxation.

#### STATUTORY RESERVE FOR RETAINED EARNINGS OF PARTICIPATING INTERESTS

This reserve represents the retained earnings of those participating interests in which the company does not exercise control, which are stated at net asset value.

#### OTHER RESERVES

This reserve represents retained earnings that are freely distributable to the shareholders.

#### INCOME

Income is allocated to the period to which it relates, or in which the service is provided, with the exception of differences in value of the trading portfolio stated at market value, which are credited or debited directly to results on financial transactions.

Interest income and commissions on lending are not recognised if there is any doubt concerning the collection of this income.

Results from the sale of debentures and other fixed-income securities held in the investment portfolio are treated as interest income and allocated according to the remaining term to maturity of the securities sold, unless the sales are made in connection with a structural reduction in the investment portfolio. Sales results are in that case credited or debited directly to the profit and loss account as results on financial transactions.

If results attributable to future periods are a net loss, they are charged directly to the profit and loss account.

#### EXPENSES

Expenses are allocated to the period to which they relate.

#### TAXATION

Taxation is calculated on the result before tax according to the applicable tax rates on profits, allowing for exempted income and disallowed expenditure.

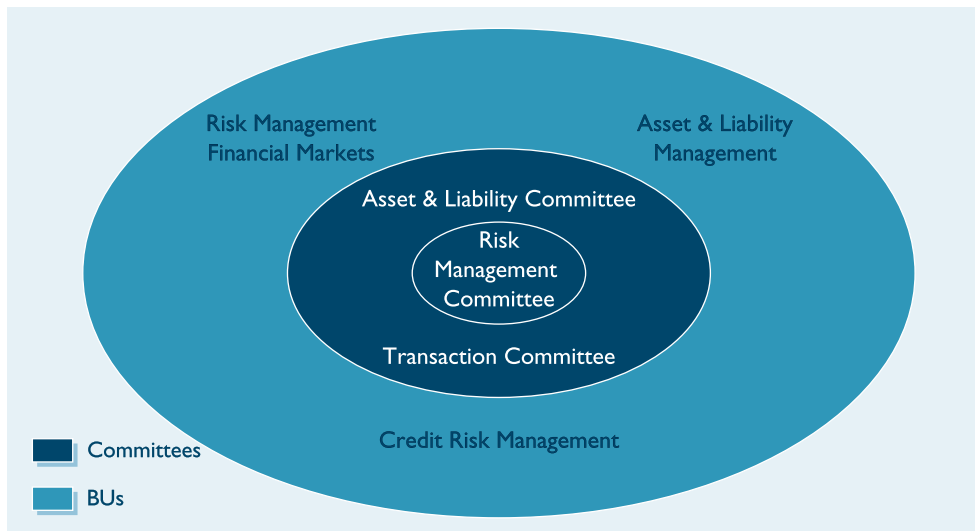
#### CASH FLOW STATEMENT

The cash flow statement provides a summary of the source and application of funds. Cash is defined as cash in hand and demand deposits with De Nederlandsche Bank N.V.. Cash flow is analysed into cash flow from operating activities, from investing activities and from financing activities.

# FINANCIAL RISK MANAGEMENT

## RISK MANAGEMENT ORGANISATION

The risk management activities are predominantly organised out of the business unit Risk Management. Various BUs and committees deal with the main risk categories. Formal authority and ultimate decision making is the responsibility of the Risk Management Committee and its subcommittees. The related risk management departments carry out the daily risk control and risk management activities, and also prepare and implement new risk policies. It is these BUs' primary responsibility to identify, measure, evaluate and report on all credit risks (including counterparty risks), liquidity and market risk that NIBCapital encounters.



## MARKET RISK

Market risk is defined as the risk of a change in the value of an asset in response to changes in e.g. interest rates, currency exchange rates, creditspread and equity markets. In order to manage market risks we have put in place a consistent set of correlated risk limits, and has implemented an advanced risk management system (Algorithmics) to calculate and to project the relevant risk figures. Nearly every single transaction of the whole bank is fed into Algorithmics on a daily basis, giving a unique possibility to have a total overview of all the market risks of the bank. All relevant risk parameters, such as credit VaR (Value at Risk), interest rate VaR and Greeks (i.e. Delta, Gamma, Vega, Theta) are daily available and can be drilled down from managerial level to the transaction level. Based on these risk numbers economic capital for all activities is calculated daily. Quarterly the Asset & Liability Committee resets the allocation of the banks' total economic capital to the different activities, based on the actual usage of, as well as the realised and expected return on economic capital.

IN MILLIONS OF EUROS

BOOK	INTEREST RATE VAR LIMIT	CREDIT VAR LIMIT	TOTAL VAR LIMIT
BANKING BOOK	17.5	N.A.	16.5
INVESTMENTS	0.3	8.0	8.0
MORTGAGES	0.5	6.0	6.0
TRADING BOOKS	1.2	7.0	7.0
MARKET MAKING BOOKS	2.3	2.5	3.5

VaR is calculated a a result of 1-day changes in market prices assuming a 99% confidence level. This calculated, interest VaR for the whole bank on year average 2003 was approximately EUR 12 million. Credit VaR is calculated for the trading portfolio's.

The average usage of these VaR limits in 2003 has been around 50%.

A wide set of scenario's, both based on historical events and on possible future scenario's complement the risk reports.

The policy of the bank is to hedge the currency risk versus the EUR.

## CREDIT RISK

The bank monitors its credit risks centrally through the Credit Risk Management (CRM) department. It takes place at two levels.

Before being submitted for approval, each credit proposal is provided with a recommendation by CRM based on an assessment of the critical risk factors and the sensitivity analysis applied from a business as well as a financial perspective. In addition, the counterparty rating allocated to the credit proposal is validated. This rating is comparable to the ratings of Moody's and Standard & Poor's and also serves, in combination with the exposure, to determine at what authority level the credit proposal should be approved. Most exposures, and the larger exposures in particular, are approved centrally by the Transaction Committee. Whenever an exposure is larger than € 75 million, the Risk Policy Committee is also asked to issue an opinion. This Committee consists of representatives of the Supervisory Board and the Board of Managing Directors. At least once a year, or alternatively once every six months depending on the counterparty rating, a credit assessment is drawn up and submitted to CRM for assessment. On that occasion CRM will re-determine the counterparty rating as well. Twice a year, the Transaction Committee discusses and determines all potential and actual provisions on an individual basis. To this end, CRM reviews potential and actual provisions, and submits an opinion on them to the Transaction Committee.

In addition, CRM monitors credit risk on aggregate level. Individual country limits have been set to this end. Allowing for collateral furnished to the bank, the total credit exposure for the countries concerned has to remain within these limits. The same applies to sector concentration risk. Country exposure is reported monthly to the Transaction Committee. Overdue payments and credit reviews, as well as rating-based portfolio analyses are also monitored and reported to the Transaction Committee on a monthly basis.

### CONCENTRATION OF CREDIT RISK

The breakdown of the loan portfolio (including guarantees issued) is as follows:

ASSET-BASED FINANCE  
PROJECT FINANCE  
ACQUISITION FINANCE  
CORPORATE BANKING  
RESIDENTIAL MORTGAGES  
OTHER

2003	2002
18%	13%
13%	13%
10%	9%
19%	22%
30%	34%
10%	9%
<b>100%</b>	<b>100%</b>

The regional breakdown of the loan portfolio (including guarantees issued) is as follows:

THE NETHERLANDS  
UNITED KINGDOM  
OTHER EUROPEAN UNION  
OTHER EUROPE  
NORTH AMERICA  
SOUTH-EAST ASIA  
CARIBBEAN

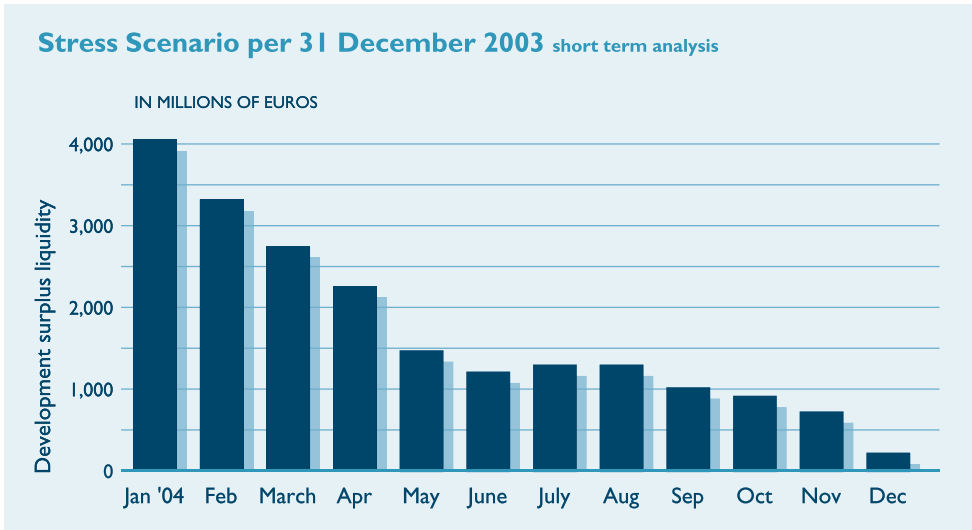
2003	2002
64%	61%
10%	9%
12%	10%
3%	4%
5%	10%
4%	4%
2%	2%
<b>100%</b>	<b>100%</b>

### COLLATERAL AGREEMENTS

Collateral agreements have been concluded with some parties in connection with mutual derivatives transactions. These collateral agreements limit the counterparty risk through the weekly balancing and settlement of any positive and negative market values that have arisen in relation to derivatives positions.

## LIQUIDITY RISK

With our liquid investment and trading portfolio's we will ensure to be able to meet our financial obligations, even in the-extremely unlikely-event of temporarily being unable to raise new funding. Liquidity risk is analysed in stressed scenario's (see graph below) and for business-as-usual situations. The graphic illustrates that NIBCcapital has an excellent liquidity position and shows that we will be able to meet our financial obligations even in the case we would not be able to raise new funding over the next 12 months.





## FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

In 2002 NIB Capital Bank N.V. developed models to estimate the fair value of assets and liabilities not presented in the bank's balance sheet at their fair value. As is the case for most financial assets and liabilities in the bank's balance sheet, no ready market bid and offer prices are available. A mark-to-model approach is accordingly used to estimate the fair value for most financial assets and liabilities. The following table summarises the carrying amounts and fair values of assets and liabilities not presented in the bank's balance sheet at their fair value.

AMOUNT IN MILLIONS OF EUROS	CARRYING VALUE 2003	FAIR VALUE 2003	CARRYING VALUE 2002	FAIR VALUE 2002
<b>FINANCIAL ASSETS</b>				
LOANS AND ADVANCES	11,229	11,347	11,943	12,007
INTEREST-BEARING SECURITIES	2,237	2,251	1,790	1,799
SHARES	346	346	296	294
PARTICIPATING INTERESTS	128	128	148	148
<b>FINANCIAL LIABILITIES</b>				
DEBT SECURITIES	14,259	14,244	12,894	12,878
SUBORDINATED LIABILITIES	519	519	397	393

### LOANS AND ADVANCES

Two models are used to estimate the fair value of loans and advances. For performing corporate loans, the estimated fair value is expressed as the present value of expected future cash flow. A Collateral Loan Obligation (CLO) tranching model is used for cash flows. Market prices for recent CLO launches are set off against the average portfolio margin. Expected losses, cost of capital and expenses are also taken into account in arriving at the cash flows. The 5-year risk-free rate is used to determine the present value of cash flows. The fair value of non-performing corporate loans is assumed to be in line with their carrying value.

The Fitch IBCA 'Dutch Residential Mortgage Model II' is used for the tranching of the mortgage loan portfolio. This model is also used for mortgage backed securities transactions. As securitisation is part of the bank's mortgage loan business model, this approach is believed to provide the best estimate of the fair market value of mortgage loans. Current market spreads for mortgage-backed securitisation notes are applied to the tranches to calculate the cash flows. The swap curve is used to arrive at the fair value of these cashflows.

### INTEREST-BEARING SECURITIES

Interest-bearing securities include only non-trading interest-bearing securities, since interest-bearing securities held for trading purposes are presented in the balance sheet at fair market value. Fair value is based on market spreads or broker/dealer spread quotations. Cash flows are calculated based on the size, maturity and difference between the original spread and current market spread. For discounting cash flows, the current swap curve is used.

Where market information or quotations are not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

### SHARES

The fair market value of non-listed shares is determined by applying the valuation rules of the European Private Equity and Venture Capital Association.

At the end of 2003, the fair value is in line with the carrying value. For listed investments the current market price is used. The shares in trading portfolios are presented at fair market value in the balance sheet, and therefore are not included in the table above. As from 2003 all shares are valued at market value.

### PARTICIPATING INTERESTS

The carrying value of participating interests is based on their net asset value. Net asset value is considered to be in line with fair value.

### DEBT SECURITIES AND SUBORDINATED LIABILITIES

Aggregate cash flows are calculated using a benchmark curve combining current levels for repurchasing debt securities and current levels for issuing new debt securities. The swap curve is used to arrive at the fair value of cash flows.

## CAPITAL ADEQUACY

The principal ratios for reviewing the bank's capital adequacy are the Tier 1 ratio and the BIS ratio. These ratios, which were implemented by the Bank for International Settlements (BIS), are intended to promote comparability between financial institutions. They are still based on the 1988 Basel Capital I Accord. A comprehensive revision of this Accord, which is currently underway, will bring it closer into line with the concept of economic capital.

The bank monitors developments in the ratios on a monthly basis, including a comparison between the expected ratios and the actual ratios. These ratios indicate capital adequacy for on-balance risks, including off-balance sheet commitments and market risks and other risk positions expressed as risk-weighted items in order to reflect their relative risk.

Below is a summary of the risk positions comparing the notional amount and the risk-weighted amount. Tier 1 capital consists of share capital, reserves (excluding the revaluation reserve) and the Fund for General Banking Risks (FAR), net of intangible fixed assets. Total capital consists of Tier 1 capital plus revaluation reserve and subordinated loans adjusted for deductible items.

	BALANCE SHEET/ NOTIONAL AMOUNT		RISK - WEIGHTED AMOUNT	
	2003	2002	2003	2002
<b>BALANCE SHEET ASSETS (NET OF PROVISIONS)</b>				
CASH	1,064	179	-	-
RECEIVABLES FROM OTHER BANKS	1,059	2,066	93	81
LOANS AND ADVANCES TO THE PRIVATE SECTOR	11,229	11,943	7,442	8,720
TRADING AND INVESTMENT, INTEREST-BEARING SECURITIES	6,106	4,720	670	406
TRADING AND INVESTMENT, SHARES	445	339	201	218
INVESTMENTS IN PARTICIPATING INTERESTS	128	148	125	148
PROPERTY AND EQUIPMENT	89	58	89	58
OTHER ASSETS	865	857	531	544
<b>TOTAL</b>	<b>20,985</b>	<b>20,310</b>	<b>9,151</b>	<b>10,175</b>
<b>OFF-BALANCE SHEET POSITIONS</b>				
CREDIT-RELATED COMMITMENTS	4,816	5,175	1,322	1,274
OTC DERIVATIVE INSTRUMENTS, INTEREST CONTRACTS	48,462	45,586	146	136
OTC DERIVATIVE INSTRUMENTS, FOREIGN EXCHANGE CONTRACTS	12,704	9,829	132	75
OTC DERIVATIVE INSTRUMENTS, EQUITY CONTRACTS	6,966	3,459	77	57
<b>TOTAL</b>	<b>72,948</b>	<b>64,049</b>	<b>1,677</b>	<b>1,542</b>
UNASSIGNED MARKET-RISK COMPONENTS			2,252	1,585
<b>TOTAL RISK-WEIGHTED ASSETS</b>			<b>13,080</b>	<b>13,302</b>
<b>BIS CAPITAL RATIOS</b>				
TIER 1 CAPITAL *	1,668	1,463	12.8%	11.0%
TIER 1 + TIER 2 CAPITAL *	2,004	1,843	14.9%	13.4%

\* AFTER PROPOSED PROFIT APPROPRIATION

# NOTES TO THE CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2003

IN MILLIONS OF EUROS

## ASSETS

### CASH

This includes all legal tender and credit balances with De Nederlandsche Bank N.V. payable on demand.

### BANKS

This includes all receivables from credit institutions and De Nederlandsche Bank N.V. not classified as cash and not embodied in debentures or other fixed-income securities.

Analysis:

PAYABLE ON DEMAND

NOT PAYABLE ON DEMAND

Maturity analysis of the items not payable on demand:

THREE MONTHS OR LESS

LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR

LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS

LONGER THAN FIVE YEARS

The item banks does not include receivables from participating interests. Subordinated loans included in this item amount to € 11.3 million (2002: € 11.3 million).

There were no positions as a result of reverse repo transactions at year-end 2003. (2002: € 1,231 million).

### LOANS AND ADVANCES

This includes all receivables, other than receivables from credit institutions and debentures or other fixed-income securities.

The receivables include commercial loans and residential mortgages. On € 1,000 million of the mortgage receivables credit protection has been purchased by means of a synthetic securitization (Provide Orange). As at 31 December 2003 there are no receivables due from Managing Directors (2002: nil).

Maturity analysis of the loans and advances:

THREE MONTHS OR LESS

LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR

LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS

LONGER THAN FIVE YEARS

	2003	2002
<b>CASH</b>	<b>1,064</b>	<b>179</b>
<b>BANKS</b>	<b>1,059</b>	<b>2,066</b>
Analysis:		
PAYABLE ON DEMAND	592	537
NOT PAYABLE ON DEMAND	467	1,529
	<b>1,059</b>	<b>2,066</b>
Maturity analysis of the items not payable on demand:		
THREE MONTHS OR LESS	195	1,481
LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR	50	9
LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS	15	28
LONGER THAN FIVE YEARS	207	11
	<b>467</b>	<b>1,529</b>
<b>LOANS AND ADVANCES</b>	<b>11,229</b>	<b>11,943</b>
Maturity analysis of the loans and advances:		
THREE MONTHS OR LESS	568	556
LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR	860	910
LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS	3,445	3,880
LONGER THAN FIVE YEARS	6,356	6,597
	<b>11,229</b>	<b>11,943</b>

IN MILLIONS OF EUROS

2003

The item Loans and Advances includes receivables from participating interests totalling € 86 million (2002: € 111.0 million), which does not include subordinated loans. The total amount of subordinated loans in this item, as at 31 December 2003, amounts to € 357 million (2002: € 441 million), of which € 255 million (2002: € 317 million) is guaranteed by the State of the Netherlands.

The item Loans and Advances to the private sector includes provisions for doubtful debtors of € 365 million (2002: € 340 million).

POSITION AS AT 31 DECEMBER 2002		340
INCREASE IN PROVISIONS	176	
RELEASED FROM PROVISIONS	-99	
		77
INCREASE IN RESPECT OF INTEREST		4
WRITE-OFFS		-33
EXCHANGE DIFFERENCES		-23
<b>POSITION AS AT 31 DECEMBER 2003</b>		<b>365</b>

The provisions represent 0.5% (2002 0.5%) of the mortgage portfolio  
The provisions represent 4.9% (2002 3.9%) of the other loan portfolio

SECURITISATIONS

In recent years, NIB Capital Bank N.V. has disposed of part of its mortgage portfolio by means of eleven separate mortgage securitisation transactions. The following table shows the original and current principals of the securitised mortgages. The non-investment-grade notes issued by Dutch MBS companies and financed by NIB Capital Bank N.V. have been included at face value less provisions formed by NIB Capital Bank N.V. in respect thereof.

COMPANY NAME	ORIGINAL PRINCIPALS OF MORTGAGES	PRINCIPALS OF MORTGAGES AS AT 31 DECEMBER 2003	YEAR OF SECURITISATION	FIRST OPTIONAL REDEMPTION DATE	CONTRACTED MATURITY	NON-INVESTMENT-GRADE NOTE FINANCING GRANTED BY NIB CAPITAL BANK AS AT 31 DECEMBER 2003
DUTCH MBS 97-I B.V.	182	56	1997	none	2007	0
DUTCH MBS 97-II B.V. (*)	272	89	1997	none	2007	0
DUTCH MBS 98-I B.V. (**)	272	109	1998	none	2008	1.4
DUTCH MBS 99-I B.V.	290	174	1999	2008	2039	5.6
DUTCH MBS 99-II B.V.	300	196	1999	2008	2040	5.6
DUTCH MBS 99-III B.V. (*)	300	202	1999	2008	2031	2.9
DUTCH MBS 00-I B.V.	800	522	2000	2007	2076	8.3
DUTCH MBS 01-I B.V. (*)	750	536	2001	2008	2073	1.1
DUTCH MBS IX B.V.	900	589	2001	2008	2077	5.4
DUTCH MBS X B.V.	1,000	932	2003	2010	2079	4.8
DUTCH MBS XI B.V.	1,000	959	2003	2010	2035	5.1
<b>TOTAL</b>	<b>6,066</b>	<b>4,364</b>				<b>40.2</b>

(\*) These securitisation transactions concern mortgages originated by SR-Hypotheek N.V. (50% subsidiary of NIB Capital Bank N.V.). The principal information is provided on the basis of 100% of the mortgages securitised by SR-Hypotheek N.V.

(\*\*) This securitisation is made up equally of mortgages originated by SR-Hypotheek N.V. (50%) and mortgages originated by ASR Bank N.V. (50%). The principal information is provided on the basis of the total original portfolio.

All Dutch MBS companies are based in Amsterdam. Servicing of the mortgages has been outsourced.

The balance sheet of NIB Capital Bank N.V. includes assets totalling € 2.0 million (2002: € 12.0 million) in respect of the above securitisation transactions, concerning the not yet amortised net present value of the conservatively estimated results on the various securitisation transactions. The capitalised amounts are amortised over the expected periods to maturity of the individual transactions.

IN MILLIONS OF EUROS

	<b>2003</b>	<b>2002</b>
<b>INTEREST-BEARING SECURITIES</b>	<b>6,106</b>	<b>4,720</b>
This includes debentures with fixed or floating interest rates issued by public bodies and others, together with other fixed-income securities.		
This item comprises:		
<b>A LISTED</b>		
DEBENTURES ISSUED BY PUBLIC BODIES	353	335
DEBENTURES ISSUED BY OTHERS	3,683	2,475
OTHER FIXED-INCOME SECURITIES	123	645
<b>B UNLISTED FIXED-INCOME SECURITIES</b>	<b>1,947</b>	<b>1,265</b>
	<b>6,106</b>	<b>4,720</b>
The item can also be analysed into:		
INVESTMENT PORTFOLIO	2,237	1,790
TRADING PORTFOLIO	3,869	2,930
	<b>6,106</b>	<b>4,720</b>
Of the interest-bearing securities, an amount of € 556 million falls due in 2004.		
Movements in the investment portfolio were as follows:		
POSITION AS AT 31 DECEMBER 2002	1,790	
PURCHASES	960	
DISPOSALS	-142	
REPAYMENTS	-281	
EXCHANGE DIFFERENCES	-102	
TRANSFER FROM TRADING PORTFOLIO	12	
<b>POSITION AS AT 31 DECEMBER 2003</b>	<b>2,237</b>	
The net unamortised difference as at balance sheet date between redemption value and cost of debentures forming part of the investment portfolio amounts to € 31.4 million. The difference is included in accruals and deferred income in the balance sheet, and will be amortised over the remaining terms of the debentures concerned.		
The item includes subordinated debentures and other subordinated fixed-income securities totalling € 151.3 million.		
The bank cannot freely dispose of investment portfolio interest-bearing securities amounting to € 88.2 million owing to the Latitude synthetic securitisation transaction.		
Trading portfolio interest-bearing securities include own debentures amounting to € 457.4 million.		

IN MILLIONS OF EUROS

	<b>2003</b>	<b>2002</b>
<b>SHARES</b>	<b>445</b>	<b>339</b>
This includes shares not issued by participating interests together with other variable-income securities such as options.		
The analysis of the item is as follows:		
LISTED	94	61
UNLISTED	351	278
	<b>445</b>	<b>339</b>
The item can also be analysed into:		
TRADING PORTFOLIO	99	43
EQUITY PARTICIPATIONS	346	296
	<b>445</b>	<b>339</b>
Movements in equity participations were as follows:		
POSITION AS AT 31 DECEMBER 2002	296	
PURCHASES AND ADDITIONAL PAYMENTS	129	
DISPOSALS	-68	
REVALUATIONS AS AT 31 DECEMBER 2003	7	
OTHER MOVEMENTS	-18	
<b>POSITION AS AT 31 DECEMBER 2003</b>	<b>346</b>	
	<b>128</b>	<b>148</b>
<b>PARTICIPATING INTERESTS</b>		
The shares in participating interests can be analysed as follows:		
LISTED	73	81
UNLISTED	55	67
	<b>128</b>	<b>148</b>
Movements in the item participating interests were as follows:		
POSITION AS AT 31 DECEMBER 2002	148	
PURCHASES AND ADDITIONAL PAYMENTS	0	
DISPOSALS	-10	
OTHER MOVEMENTS	-10	
<b>POSITION AS AT 31 DECEMBER 2003</b>	<b>128</b>	
A list of the principal participating interests is given in an appendix to these notes.		

IN MILLIONS OF EUROS

	<b>2003</b>	<b>2002</b>
<b>INTANGIBLE FIXED ASSETS</b>	<b>1</b>	<b>1</b>
Movements in the item intangible fixed assets were as follows:		
POSITION AS AT 31 DECEMBER 2002	1	
AMORTISATION	0	
<b>POSITION AS AT 31 DECEMBER 2003</b>	<b>1</b>	
<b>PROPERTY AND EQUIPMENT</b>	<b>89</b>	<b>58</b>
This item comprises:		
LAND AND BUILDINGS IN USE BY THE COMPANY	42	43
LAND AND BUILDINGS IN USE BY THIRD PARTIES	30	0
FURNITURE AND EQUIPMENT	17	15
	<b>89</b>	<b>58</b>
Movements in property and equipment were as follows:		
POSITION AS AT 31 DECEMBER 2002	58	
INVESTMENTS DUE TO ACQUISITIONS	30	
(DIS)INVESTMENTS	10	
DEPRECIATION	-9	
<b>POSITION AS AT 31 DECEMBER 2003</b>	<b>89</b>	
Land and buildings in use by the company are insured for € 53.7 million		
Land and buildings in use by third parties are insured for € 19.2 million		
Furniture and equipment are insured for € 30.4 million.		
The total amount of the revaluation on property as at 31 december 2003 is € 8.4 million.		
The accumulated depreciation as at 31 December 2003 was as follows:		
LAND AND BUILDINGS IN USE BY THE COMPANY	18	
FURNITURE AND EQUIPMENT	20	
	<b>38</b>	



IN MILLIONS OF EUROS

### PREPAYMENTS AND ACCRUED INCOME

This item includes prepaid amounts in respect of costs chargeable to future periods, the positive replacement value of the trading portfolio derivatives stated at market value (including NIBC Petercam Derivatives N.V. option positions whose underlying value consists of shares in an amount of € 314 million), as well as amounts receivable, but not yet invoiced in 2003 such as interest of € 545.9 million (2002: € 494.4 million). This item also includes a deferred tax asset of € 2.6 million (at face value).

### LIABILITIES AND SHAREHOLDERS' EQUITY

#### BANKS

This includes non-subordinated amounts owed to credit institutions, other than debt securities.

Analysis:

PAYABLE ON DEMAND

NOT PAYABLE ON DEMAND

Maturity analysis of amounts not payable on demand:

THREE MONTHS OR LESS

LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR

LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS

LONGER THAN FIVE YEARS

The amounts owed to credit institutions do not include any amounts payable to participating interests.

#### FUNDS ENTRUSTED

This item includes all non-subordinated liabilities other than amounts owed to credit institutions, and debt securities. The amount of savings included in this item is not material.

Analysis:

PAYABLE ON DEMAND

NOT PAYABLE ON DEMAND

	2003	2002
<b>PREPAYMENTS AND ACCRUED INCOME</b>	<b>864</b>	<b>856</b>
<b>BANKS</b>	<b>467</b>	<b>1,427</b>
PAYABLE ON DEMAND	4	202
NOT PAYABLE ON DEMAND	463	1,225
	<b>467</b>	<b>1,427</b>
Maturity analysis of amounts not payable on demand:		
THREE MONTHS OR LESS	182	688
LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR	72	359
LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS	124	155
LONGER THAN FIVE YEARS	85	23
	<b>463</b>	<b>1,225</b>
<b>FUNDS ENTRUSTED</b>	<b>2,652</b>	<b>2,764</b>
PAYABLE ON DEMAND	535	334
NOT PAYABLE ON DEMAND	2,117	2,430
	<b>2,652</b>	<b>2,764</b>

IN MILLIONS OF EUROS

	<b>2003</b>	<b>2002</b>
<b>Maturity analysis of amounts not payable on demand:</b>		
THREE MONTHS OR LESS	829	1,042
LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR	72	250
LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS	865	1,008
LONGER THAN FIVE YEARS	351	130
	<b>2,117</b>	<b>2,430</b>
<b>DEBT SECURITIES</b>	<b>14,259</b>	<b>12,894</b>
This includes debentures and other negotiable fixed-income debt securities, other than subordinated items.		
<b>Maturity analysis of debt securities:</b>		
THREE MONTHS OR LESS	1,854	2,722
LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR	2,675	1,867
LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS	7,455	6,836
LONGER THAN FIVE YEARS	2,275	1,469
	<b>14,259</b>	<b>12,894</b>
<b>OTHER LIABILITIES</b>	<b>52</b>	<b>45</b>
This item comprises liabilities that cannot be classified under any other heading, such as short positions in financial instruments and taxation payable of €41.5 million.		
<b>ACCRUALS AND DEFERRED INCOME</b>	<b>1,363</b>	<b>1,075</b>
This item includes income received in advance which is attributable to future periods as well as the negative replacement value of trading portfolio derivatives carried at market value. Furthermore, the NIBC Petercam Derivatives N.V. option positions amounting to € 568.6 million, accruals such as interest of € 608.5 million (2002: € 536.8 million) and the net liability on forward exchange contracts are included in this item.		
<b>PROVISIONS</b>	<b>28</b>	<b>41</b>
The provisions can be analysed as follows:		
PENSIONS	7	13
REORGANISATION	4	4
DEFERRED TAX LIABILITIES	13	20
OTHER	4	4
	<b>28</b>	<b>41</b>

IN MILLIONS OF EUROS

The pension provision and the provision for deferred tax liabilities are long-term by nature.

The reorganisation provision is intended to cover expenses associated with the implementation of strategic changes of the bank.

**FUND FOR GENERAL BANKING RISKS**

**SUBORDINATED LIABILITIES**

This item includes the following subordinated loans:

LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS  
 LONGER THAN FIVE YEARS BUT NOT LONGER THAN TEN YEARS  
 LONGER THAN TEN YEARS

The average interest rate on subordinated loans is 4.4%

All the above loans are subordinated to the other liabilities of the company. USD 200 million qualifying as Tier 1 capital for NIB Capital Bank N.V. is subordinated to other subordinated loans that rank pari passu. These securities are perpetual securities and may be redeemed by the Bank at its option after 10 years (2013) with the prior approval by the Dutch Central Bank. Interest of € 15.3 million was paid on subordinated liabilities during the year.

**SHAREHOLDERS' EQUITY**

For further information regarding shareholders' equity, reference is made to the notes to the company balance sheet on page 51.

	2003	2002
	136	136
	519	397
	144	155
	194	183
	181	59
	519	397
	1,488	1,517

**COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET**

**CONTINGENT LIABILITIES**

These include commitments under contracts of suretyship and guarantees. An amount of € 48.9 million is covered by matching government guarantees.

**IRREVOCABLE FACILITIES**

These concern all obligations arising from irrevocable commitments that could result in credit risks.

**DERIVATIVES**

The following statements present the notional amounts, the positive replacement value and the unweighted and weighted credit equivalents of the bank's derivative portfolio as at 31 December 2003. For comparison purposes the unweighted and weighted credit equivalents of the derivatives portfolio as at 31 December 2002 are also presented. The notional amounts are the principal amounts represented by the derivatives. Positive replacement value represents the loss to the bank in the event of default by all the counterparties as at balance sheet date. The positive replacement value depends on the market conditions prevailing on balance sheet date. The unweighted credit equivalent equals the positive replacement value plus a mark-up for potential credit risks, as prescribed by De Nederlandsche Bank N.V.. Weighting the resulting credit equivalent according to BIS standards gives the weighted credit equivalent. The weighted credit equivalent of € 355 million (2002: € 268 million) results in a solvency requirement of € 28 million (2002: € 21 million).

	2003	2002
<b>CONTINGENT LIABILITIES</b>	<b>2,334</b>	<b>2,574</b>
<b>IRREVOCABLE FACILITIES</b>	<b>1,930</b>	<b>1,564</b>

IN MILLIONS OF EUROS

**NOTIONAL AMOUNT**

	TOTAL	< 1 YEAR	1-5 YEARS	> 5 YEARS	POSITIVE REPLACEMENT VALUE
<b>INTEREST RATE OTC CONTRACTS</b>					
SWAPS	47,789	16,639	18,881	12,269	955
FORWARDS	0	0	0	0	0
OPTIONS	673	264	81	328	3
<b>FOREIGN EXCHANGE OTC CONTRACTS</b>					
SWAPS	12,694	3,955	4,349	4,390	469
FORWARDS	10	3	7	0	0
<b>EQUITY CONTRACTS OTC</b>					
OPTIONS	6,966	1,175	5,156	635	177
FUTURES	0	0	0	0	0
<b>TOTAL OTC CONTRACTS</b>	<b>68,132</b>	<b>22,036</b>	<b>28,474</b>	<b>17,622</b>	<b>1,604</b>
<b>LISTED</b>					
OPTIONS	1,939	1,052	861	26	-
FUTURES	855	855	0	0	-
<b>TOTAL DERIVATIVES</b>	<b>70,926</b>	<b>23,943</b>	<b>29,335</b>	<b>17,648</b>	<b>1,604</b>
OF WHICH NON-TRADING BOOK	45,337				
OF WHICH TRADING BOOK	25,589				

**CREDIT EQUIVALENT**

	YEAR-END 2003		YEAR-END 2002	
	UNWEIGHTED	WEIGHTED	UNWEIGHTED	WEIGHTED
INTEREST RATE CONTRACTS	1,242	146	1,105	136
FOREIGN EXCHANGE CONTRACTS	1,055	132	477	75
EQUITY CONTRACTS	445	77	283	57
<b>TOTAL DERIVATIVES</b>	<b>2,742</b>	<b>355</b>	<b>1,865</b>	<b>268</b>

As at year-end 2003, the derivatives trading portfolio amounted to € 25,589 million (2002: € 6,473 million) (notional amount), of which € 9,770 million (2002: € 3,070 million) related to the equity derivatives activity NIBC Petercam Derivatives N.V.. This amount comprises the portfolio of derivatives transactions contracted with counterparties as at year-end 2003, including the associated hedging transactions entered into on the market.

The policy of NIBC Petercam Derivatives N.V. is aimed at hedging the risks associated with derivatives transactions as far as possible. There are accordingly only limited open positions.

Of the remaining balance of the derivatives trading portfolio with a total notional amount of some € 15,8 billion, a part serves as a hedge against the interest rate and foreign currency risks in the on-balance sheet trading portfolio, while the other part consists of credit risk trading positions through Credit Default Swaps.

IN MILLIONS OF EUROS

**FOREIGN CURRENCY RISKS**

The combined equivalent of assets denominated in foreign currencies amounts to € 6,591 million, while liabilities denominated in foreign currency amounted to € 8,381 million. The resulting positions have been almost entirely hedged.

**OUTSTANDING FORWARD TRANSACTIONS**

The forward transactions outstanding at the end of 2003 were entered into to cover foreign exchange positions included in the balance sheet.

# NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 2003

IN MILLIONS OF EUROS

	2003	2002
<b>INTEREST INCOME</b>	<b>727.3</b>	<b>752.3</b>
This includes income arising from lending and related transactions together with related commission and other income similar to interest.		
The item comprises interest and similar income from:		
DEBENTURES AND OTHER FIXED-INCOME SECURITIES	216.3	185.2
OTHER	511.0	567.1
	727.3	752.3
<b>INTEREST EXPENSE</b>	<b>452.7</b>	<b>523.1</b>
This includes the costs arising from the borrowing of funds and related transactions as well as other charges similar to interest.		
<b>INCOME FROM SECURITIES AND PARTICIPATING INTERESTS</b>	<b>23.1</b>	<b>30.2</b>
<b>COMMISSION INCOME</b>	<b>30.1</b>	<b>29.5</b>
This amount represents the charges for banking services performed for third parties, other than charges in the nature of interest.		
<b>COMMISSION EXPENSE</b>	<b>2.1</b>	<b>6.8</b>
This amount represents the charges for banking services performed by third parties other than charges in the nature of interest.		
<b>RESULTS ON FINANCIAL TRANSACTIONS</b>	<b>22.1</b>	<b>202.5</b>
This represents realised and unrealised differences in value of equity participations and securities that are not included in the investment portfolio, plus exchange differences and capital gains and losses connected with trading in other financial instruments. The item also includes movements in the market value of the equity derivatives activities of NIBC Petercam Derivatives N.V..		
In 2002 it additionally includes the gain achieved on the sale of the majority of the equity participation portfolio to the shareholders of NIB Capital N.V., ABP and PGGM.		
Results on financial transactions comprise:		
SECURITIES TRADING PORTFOLIO	36.6	-33.7
OTHER INCOME	-14.5	-2.4
PROFIT ON SALE OF EQUITY PARTICIPATION PORTFOLIO	0.0	238.6
	22.1	202.5
<b>OTHER REVENUE</b>	<b>5.8</b>	<b>2.6</b>
This item mainly relates to fees for other services that are not interest or commission related, which services are performed on behalf of third parties.		

IN MILLIONS OF EUROS

	<b>2003</b>		<b>2002</b>
<b>PERSONNEL AND ADMINISTRATIVE EXPENSES</b>	<b>110.5</b>		<b>118.2</b>
PAYROLL EXPENSES	70.4		79.2
OTHER ADMINISTRATIVE EXPENSES	40.1		39.0
	<b>110.5</b>		<b>118.2</b>
The payroll expenses comprise:			
SALARIES	57.0		59.8
PENSION CHARGES	10.8		11.8
OTHER SOCIAL SECURITY CHARGES	1.6		4.4
OTHER STAFF EXPENSES	1.0		3.2
	<b>70.4</b>		<b>79.2</b>

The number of employees, expressed in terms of full-time equivalents, was 591 (year-end 2002: 629).

The average number of staff in 2003 on a full-time equivalent basis was 600 (2002: 635).



**REMUNERATION OF THE MANAGING BOARD**

In the year under review, the average number of members of the Managing Board appointed under the articles of association was 3 (2002: 4). The total remuneration (including pension costs) paid to the members of the Managing Board appointed under the articles of association amounted to € 2.5 million in 2003 (2002: € 7.0 million).

The allocation of this amount (in euros) per member of the Managing Board is as follows:

**CURRENT MEMBERS**MICHAEL ENTHOVEN <sup>1)</sup>JURGEN B.J. STEGMANN <sup>2)</sup>ANTOINE L.V. DIJKSTRA <sup>3)</sup>**TOTAL CURRENT MEMBERS**

SALARIES, etc.	PENSION COSTS	BONUSES <sup>2</sup>	TOTAL
658,882	-	350,000	1,008,882
376,955	82,828	250,000	709,783
307,613	52,856	425,000	785,469
<b>1,343,450</b>	<b>135,684</b>	<b>1,025,000</b>	<b>2,504,134</b>

- 1) Mr. Enthoven is not entitled to pension benefits. Mr. Enthoven's variable compensation consists of a bonus of up to 75% of base salary. In keeping with the company's general remuneration policy, variable compensation is based on a balanced scorecard methodology, which includes financial and non-financial performance targets and criteria. In the case of Mr. Enthoven, 50% of his variable compensation is based on the achievement of the company's financial performance targets for operating result, return on economic capital, and efficiency ratio. The financial targets for 2003 are consistent with the Medium Term Action Plan 2003-2007, and all three targets were exceeded in 2003. The other 50% of Mr. Enthoven's variable compensation is determined by non-financial performance criteria, including the quality and effectiveness of corporate processes and communications, reflecting his role as Chairman. On departure at the request of the company severance pay has been agreed amounting to two month's gross salary (including the average bonus over the last 3 years) for each full year of service, with a minimum of 12 months.
- 2) Mr. Stegmann's variable compensation consists of a bonus of up to 75% of base salary. In keeping with the company's general remuneration policy, variable compensation is based on a balanced scorecard methodology, which includes financial and non-financial performance targets and criteria. In the case of Mr. Stegmann, 50% of his variable compensation is based on the achievement of the company's financial performance targets for operating result, return on economic capital, and efficiency ratio. The financial targets for 2003 are consistent with the Medium Term Action Plan 2003-2007 and all three targets were exceeded in 2003. The other 50% of Mr. Stegmann's variable compensation is determined by non-financial performance criteria, including the quality and effectiveness of the company's risk management systems and processes, reflecting his role as Chief Risk Officer. On departure at the request of the company severance pay has been agreed amounting to 1.5 month's gross salary (including the average bonus over the last 3 years) for each full year of service, with a minimum of 12 months.
- 3) Mr. Dijkstra's bonus is determined on a fully discretionary basis by the Supervisory Board. In view of the outstanding financial performance of the SBU Financial Markets under Mr. Dijkstra's leadership in 2003, which substantially exceeded all financial targets set for this year, his bonus was determined at approximately 150% of his base salary. On departure at the request of the company, severance pay has been agreed amounting to 1.5 month's gross salary (including the average bonus over the last 3 years) for each full year of service, with a minimum of 12 months.

The average number of Supervisory Board members in the year under review was 5 (2002: 5). The Supervisory Board of NIB Capital Bank N.V. forms a personal unity with the Supervisory Board of NIB Capital N.V.. For information on the remuneration of the Supervisory Board reference is made to the annual report of NIB Capital N.V..

IN MILLIONS OF EUROS

	<b>2003</b>	<b>2002</b>
<b>DEPRECIATION</b>		
The depreciation charge comprises:		
PROPERTY	1.5	1.5
OTHER FIXED ASSETS	8.3	5.2
INTANGIBLE FIXED ASSETS	0.0	18.9
	<b>9.8</b>	<b>25.6</b>
<b>TAXATION ON OPERATING RESULT</b>	<b>43.0</b>	<b>6.8</b>
This comprises taxation on the gross operating result on ordinary activities as shown by the profit and loss account for the year.		
The tax burden can be analysed as follows:		
RESULT BEFORE TAXATION	179.6	
AVERAGE STANDARD RATE OF TAXATION		30.1%
PERMANENT DIFFERENCES	25.4	
TEMPORARY DIFFERENCES	8.9	
	<b>34.3</b>	
EFFECT OF DIFFERENCES ON STANDARD RATE		-6.2%
TAXATION IN PROFIT AND LOSS ACCOUNT	43.0	
EFFECTIVE TAX RATE		23.9%

In calculating taxation, existing tax facilities are taken into account. In particular, the substantial holding privilege means that the actual tax rate differs from the standard tax rate of approximately 30%.

# COMPANY BALANCE SHEET AS AT 31 DECEMBER 2003

AFTER PROPOSED PROFIT APPROPRIATION  
IN MILLIONS OF EUROS

<b>ASSETS</b>	<b>2003</b>	<b>2002</b>
<b>CASH</b>	1,064	179
<b>BANKS</b>	2,687	4,003
<b>LOANS AND ADVANCES</b>		
GUARANTEED BY PUBLIC AUTHORITIES	279	387
TO THE PRIVATE SECTOR	13,960	12,842
	14,239	13,229
<b>INTEREST-BEARING SECURITIES</b>	5,093	4,199
<b>SHARES</b>	233	215
<b>PARTICIPATING INTERESTS IN GROUP COMPANIES</b>	2,190	2,257
<b>OTHER PARTICIPATING INTERESTS</b>	76	86
<b>INTANGIBLE FIXED ASSETS</b>	1	1
<b>PROPERTY AND EQUIPMENT</b>	32	30
<b>PREPAYMENTS AND ACCRUED INCOME</b>	814	650
	<b>26,429</b>	<b>24,849</b>

IN MILLIONS OF EUROS

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	<b>2003</b>	<b>2002</b>
<b>BANKS</b>	480	1,309
<b>FUNDS ENTRUSTED</b>	8,641	7,825
<b>DEBT SECURITIES</b>	14,256	12,859
<b>OTHER LIABILITIES</b>	36	33
<b>ACCRUALS AND DEFERRED INCOME</b>	854	748
<b>PROVISIONS</b>	19	25
	<b>24,286</b>	<b>22,799</b>
<b>FUND FOR GENERAL BANK RISKS</b>	136	136
<b>SUBORDINATED LIABILITIES</b>	519	397
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL</b>		
ORDINARY A SHARES	58	58
CUMULATIVE PREFERENCE B SHARES	11	11
PREFERENCE C SHARES	5	5
PREFERENCE D SHARES	6	6
	80	80
<b>SHARE PREMIUM RESERVE</b>	238	238
<b>REVALUATION RESERVE</b>	33	30
<b>STATUTORY RESERVES AND RESERVES PURSUANT TO ARTICLES</b>	970	900
<b>OTHER RESERVES</b>	37	4
<b>NET PROFIT FOR THE YEAR</b>		
PROPOSED RETAINED PROFIT FOR THE YEAR	39	103
PROPOSED DIVIDENDS FROM PROFIT APPROPRIATION	91	162
	130	265
	1,488	1,517
<b>CAPITAL BASE</b>	<b>2,143</b>	<b>2,050</b>
	<b>26,429</b>	<b>24,849</b>
<b>CONTINGENT LIABILITIES</b>	3,252	3,926
<b>IRREVOCABLE FACILITIES</b>	1,795	1,424

# COMPANY PROFIT AND LOSS ACCOUNT FOR 2003

IN MILLIONS OF EUROS

	2003	2002
RESULTS OF PARTICIPATING INTERESTS AFTER TAX	130.2	286.5
OTHER RESULTS AFTER TAX	-0.1	-21.8
<b>NET PROFIT</b>	<b>130.1</b>	<b>264.7</b>

PRESENTED IN ACCORDANCE WITH THE PROVISIONS OF  
ARTICLE 402, BOOK 2, OF THE NETHERLANDS CIVIL CODE.

# NOTES TO THE COMPANY BALANCE SHEET AS AT 31 DECEMBER 2003

IN MILLIONS OF EUROS

## ASSETS

### BANKS

This item includes receivables from group companies amounting to € 503 million.

### PARTICIPATING INTERESTS IN GROUP COMPANIES

Movements in participating interest in group companies were as follows:

POSITION AS AT 31 DECEMBER 2002

PURCHASES AND ADDITIONAL PAYMENTS

RESULTS OF GROUP COMPANIES

OTHER MOVEMENTS

**POSITION AS AT 31 DECEMBER 2003**

Other movements comprises mainly negative foreign exchange results.

The companies NIB Capital Bank (NA) N.V. and NIB Capital Bank Ltd.

included here are registered credit institutions.

### OTHER PARTICIPATING INTERESTS

Movements in other participating interests were as follows:

POSITION AS AT 31 DECEMBER 2002

OTHER MOVEMENTS

**POSITION AS AT 31 DECEMBER 2003**

## LIABILITIES AND SHAREHOLDERS' EQUITY

### SHARE CAPITAL

The authorised capital amounts to € 250 million and is divided into shares, of € 1.00 nominal value each as follows:

A SHARES

CUMULATIVE PREFERENCE B SHARES

PREFERENCE C SHARES

PREFERENCE D SHARES

PREFERENCE E SHARES

PREFERENCE F SHARES

	2003	2002
<b>BANKS</b>	<b>2,687</b>	<b>4,003</b>
<b>PARTICIPATING INTERESTS IN GROUP COMPANIES</b>	<b>2,190</b>	<b>2,257</b>
POSITION AS AT 31 DECEMBER 2002	2,257	
PURCHASES AND ADDITIONAL PAYMENTS	0	
RESULTS OF GROUP COMPANIES	82	
OTHER MOVEMENTS	-149	
<b>POSITION AS AT 31 DECEMBER 2003</b>	<b>2,190</b>	
<b>OTHER PARTICIPATING INTERESTS</b>	<b>76</b>	<b>86</b>
POSITION AS AT 31 DECEMBER 2002	86	
OTHER MOVEMENTS	-10	
<b>POSITION AS AT 31 DECEMBER 2003</b>	<b>76</b>	
<b>SHARE CAPITAL</b>	<b>80</b>	<b>80</b>
A SHARES	150,000,000	
CUMULATIVE PREFERENCE B SHARES	50,000,000	
PREFERENCE C SHARES	12,500,000	
PREFERENCE D SHARES	12,500,000	
PREFERENCE E SHARES	12,500,000	
PREFERENCE F SHARES	12,500,000	
	<b>250,000,000</b>	

IN MILLIONS OF EUROS

**SHARES IN MILLIONS OF EUROS**

There were no movements in the issued and paid-up capital in 2003.

POSITION AS AT 31 DECEMBER 2003

A	B	C	D	TOTAL
58	11	5	6	80

99,9% of the voting rights of the issued capital is held by NIB Capital N.V.

**STAFF OPTIONS AND SHARES**

As at year-end 2003 there were no further option rights for shares of NIB Capital Bank N.V. in issue. Members of the Managing Board and the Supervisory Board do not hold any shares in the company. In addition, option rights for shares in NIB Capital N.V. and Stock Appreciation Rights were granted to company staff and members of the Managing Board. For information on these rights, reference is made to the annual report of NIB Capital N.V..

IN MILLIONS OF EUROS

	<b>2003</b>	<b>2002</b>
<b>SHARE PREMIUM RESERVE</b>	<b>238</b>	<b>238</b>
Composition of the share premium reserve:		
GENERAL SHARE PREMIUM RESERVE	89	89
SHARE PREMIUM RELATED TO PREFERENCE C SHARES	76	76
SHARE PREMIUM RELATED TO PREFERENCE D SHARES	73	73
	<b>238</b>	<b>238</b>
The share premium reserve is a tax-free reserve.		
<b>REVALUATION RESERVE</b>	<b>33</b>	<b>30</b>
Movements in the revaluation reserve were as follows:		
POSITION AS AT 31 DECEMBER 2002	30	38
RELEASE IN CONNECTION WITH DISPOSALS	0	-9
REVALUATION OF PARTICIPATING INTERESTS	3	1
<b>POSITION AS AT 31 DECEMBER 2003</b>	<b>33</b>	<b>30</b>
In this reserve, approximately € 23.6 million represents revaluations of participating interests, the remainder being in connection with property.		
<b>STATUTORY RESERVES AND RESERVES PURSUANT TO ARTICLES</b>	<b>970</b>	<b>900</b>
As at 31 December, these reserves were made up as follows:		
RESERVES PURSUANT TO ARTICLES	863	779
RESERVE FOR RETAINED EARNINGS OF PARTICIPATING INTERESTS	107	121
	<b>970</b>	<b>900</b>
The reserve fund required under the articles of association is made up as follows:		
POSITION AS AT 31 DECEMBER 2002	779	725
PROFIT APPROPRIATION	84	54
<b>POSITION AS AT 31 DECEMBER 2003</b>	<b>863</b>	<b>779</b>
The reserve for retained earnings of participating interests is made up as follows:		
POSITION AS AT 31 DECEMBER 2002	121	125
ADDITION ON ACCOUNT OF RETAINED EARNINGS OF PARTICIPATING INTERESTS	0	0
WITHDRAWAL ON ACCOUNT OF RETAINED EARNINGS OF PARTICIPATING INTERESTS	-14	-4
<b>POSITION AS AT 31 DECEMBER 2003</b>	<b>107</b>	<b>121</b>
<b>OTHER RESERVES</b>	<b>37</b>	<b>4</b>
Movements in other reserves were as follows:		
POSITION AS AT 31 DECEMBER 2002	4	0
RELEASED FROM STATUTORY RESERVE FOR RETAINED EARNINGS OF PARTICIPATING INTERESTS	14	4
PROFIT APPROPRIATION	19	0
<b>POSITION AS AT 31 DECEMBER 2003</b>	<b>37</b>	<b>4</b>



## COMMITMENTS NOT SHOWN IN THE BALANCE SHEET

### GUARANTEES

This item includes € 1,442 million in respect of guarantees to group companies.

Guarantees within the meaning of Section 403, Book 2, of the Netherlands Civil Code have been given on behalf of Nationale Maatschappij voor Industriële Financieringen B.V., PARNIB Holding N.V. and B.V. NIB Capital Mortgage Backed Assets. NIB Capital Bank N.V. is guarantor for the liabilities under derivatives contracts entered into by the joint venture NIBC Petercam Derivatives N.V. with various counterparties.

Declarations of joint and several liability have also been made to the respective supervisory monetary authorities of DNI Inter Asset Bank N.V., NIB Securities N.V., NIB Capital Bank (NA) N.V. and NIB Capital Bank Ltd.

THE HAGUE, 3 MARCH 2004

### THE MANAGING BOARD

MICHAEL ENTHOVEN, CHAIRMAN  
JURGEN B.J. STEGMANN, VICE CHAIRMAN  
ANTOINE L.V. DIJKSTRA

### THE SUPERVISORY BOARD

WILLEM F.C. STEVENS, CHAIRMAN  
WIM M. VAN DEN GOORBERGH  
PETER J. GROENENBOOM  
MAARTEN J. HULSHOFF  
J. HESSEL M. LINDENBERGH  
CEES A. VRINS

# LIST OF PRINCIPAL PARTICIPATING INTERESTS

## CONSOLIDATED PARTICIPATING INTERESTS

## HOLDING

NIB CAPITAL BANK LTD., SINGAPORE	100%
NIB CAPITAL BANK (NA) N.V., WILLEMSTAD, CURAÇAO	100%
NATIONALE MAATSCHAPPIJ VOOR INDUSTRIËLE FINANCIERINGEN B.V., THE HAGUE	100%
B.V. NIB CAPITAL MORTGAGE BACKED ASSETS, THE HAGUE	100%
SR-HYPOTHEKEN N.V., ROTTERDAM (PROPORTIONATELY CONSOLIDATED)	50%
NIB CAPITAL PRIVATE EQUITY INVESTMENTS BELGIUM N.V., BRUSSELS, BELGIUM	100%
PARNIB HOLDING N.V., THE HAGUE	100%
NIBC PETERCAM DERIVATIVES N.V., BRUSSELS, BELGIUM	50%
YCAP GROUP B.V., THE HAGUE	100%
NIB CAPITAL PRINCIPAL INVESTMENTS B.V., THE HAGUE	100%

## NON-CONSOLIDATED PARTICIPATING INTERESTS

included in accordance with the provisions of Section 389, Book 2, of the Netherlands Civil Code

DE NEDERLANDSE PARTICIPATIE MAATSCHAPPIJ VOOR DE NEDERLANDSE ANTILLEN N.V., THE HAGUE	100%
PARTICIPATIEMAATSCHAPPIJ MAINPORT ROTTERDAM B.V., THE HAGUE	50%
AMERICAN MARINE ADVISORS, NEW YORK, USA	25%
CAPITAL PARTNERS AS, BERGEN, NORWAY	16%
DUCATUS N.V., 'S HERTOGENBOSCH	22%

## OTHER INFORMATION

### AUDITORS' REPORT

TO THE SHAREHOLDERS OF NIB CAPITAL BANK N.V.

#### INTRODUCTION

We have audited the 2003 financial statements of NIB Capital Bank N.V., The Hague, as included on pages 18 - 55. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

#### SCOPE

We concluded our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

#### OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2003, and of the result for the year then ended, in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code.

AMSTERDAM, 3 MARCH 2004

PRICEWATERHOUSECOOPERS ACCOUNTANTS N.V.

IN MILLIONS OF EUROS

## PROFIT APPROPRIATION

2003

### NET PROFIT

130

DISTRIBUTION TO HOLDERS OF CUMULATIVE  
PREFERENCE B SHARES

1

DISTRIBUTION TO HOLDERS OF PREFERENCE C SHARES

6

DISTRIBUTION TO HOLDERS OF PREFERENCE D SHARES

5

12

PROFIT AVAILABLE FOR DISTRIBUTION TO HOLDERS OF  
ORDINARY A SHARES

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