



## 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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### U.S.\$100,000,000 CMS Linked Perpetual Debt Securities

Issue price: 100 per cent.

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*Unless expressly indicated otherwise, the terms and expressions used herein have the same meaning as given to them in the Terms and Conditions.*

*The U.S.\$100,000,000 CMS Linked Perpetual Debt Securities (the **Securities**) of NIB Capital Bank N.V. (the **Bank** or the **Issuer**) are perpetual securities and have no fixed redemption date. However, the Securities may be redeemed in whole but not in part at the option of the Issuer at their principal amount together with all Deferred Coupons, if any, and accrued interest on the Interest Payment Date falling on 24th March, 2015 or any Interest Payment Date thereafter. Prior redemption in case of tax or regulatory events may apply, subject to Condition 8.*

*The Securities will bear a fixed rate of interest on their outstanding principal amount from (and including) the Issue Date at a rate of 7.50 per cent. per annum until 24th March, 2007 and thereafter at a variable rate of interest per annum which is the lesser of (i) the aggregate of 0.1 per cent. annual and the annual spot 10 year USD fixed versus 6 month USD LIBOR swap rate and (ii) 8.25 per cent. per annum as more fully described in Condition 3.3. Payments of interest may be deferred, as more fully described in Condition 4, but any Deferred Coupons will immediately become due if the Issuer (i) makes payments on its Junior Securities, Parity Securities, Junior Guarantees or Parity Guarantees; or (ii) purchases or redeems its Junior Securities, Parity Securities or any security benefiting from a Junior Guarantee or Parity Guarantee. Investors will receive cash only but the moneys to satisfy such Deferred Coupons may only be raised by the issue of the Bank's Payment Preference Shares, which, when sold, will provide cash applied for the amount due in respect of Deferred Coupons. Upon the occurrence of a Supervisory Event, the Issuer will arrange for each Security to be substituted for a Substituted Preference Share of the Bank, as described in Condition 6.*

*The Securities constitute direct, unsecured and subordinated obligations of the Issuer as described in Condition 2.*

*This Offering Circular constitutes a prospectus for the purpose of the listing and issuing rules of Euronext Amsterdam N.V. Application has been made for the listing of the Securities on the Official Segment of the stock market of Euronext Amsterdam N.V. It is anticipated that the Securities will be quoted as a percentage of their principal amount of U.S.\$1,000.*

*The Securities shall have a denomination of U.S.\$1,000 each. The Securities will initially be represented by a temporary global Security (the **Temporary Global Security**), without interest coupons (**Coupons**), to be deposited with a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System (**Euroclear**), and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) on or about 24th March, 2005 (the **Closing Date**). The Temporary Global Security will be exchangeable for interests in a permanent global Security (the **Permanent Global Security**), without Coupons, on and after 3rd May, 2005 upon certification of non-U.S. beneficial ownership. The Permanent Global Security will be exchangeable for definitive Securities in bearer form, with Coupons attached, only in certain limited circumstances as described in 'Summary of Provisions Relating to the Securities While Represented by the Global Securities'.*

**HSBC**

*The date of this Offering Circular is 21st March, 2005*

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

**The Issuer has confirmed to the managers (the Managers) named under “Subscription and Sale” that this Offering Circular is true and accurate in all material respects and is not misleading; that there are no other facts in relation to the information contained or incorporated by reference herein the omission of which would, in the context of the issue of the Securities, make any statement herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing.**

**This document should be read and construed with any amendment or supplement thereto and with any other documents incorporated by reference.**

**The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Securities other than as contained or incorporated by reference in this Offering Circular or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Managers or any of them.**

**No representation or warranty is made or implied by the Managers or any of their respective affiliates, and neither the Managers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained herein.**

**Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Security shall, in any circumstances, create any implication that there has been no adverse change in the financial situation of the Issuer since the date hereof.**

**The distribution of this Offering Circular and the offering, sale and delivery of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Securities and on the distribution of this Offering Circular and other offering material relating to the Securities see “Subscription and Sale”. In particular, the Securities have not been and will not be registered under the United States Securities Act of 1933 (as amended) and are subject to U.S. tax law requirements. Subject to certain exceptions, Securities may not be offered, sold or delivered within the United States or to U.S. persons.**

**The Issuer confirms that it will comply with Article 2.1.20 of Schedule B of the Listing and Issuing Rules of Euronext Amsterdam N.V.**

**This Offering Circular does not constitute an offer or an invitation to subscribe for or purchase any Securities and should not be considered as a recommendation by the Issuer, the Managers or any of them that any recipient of this Offering Circular should subscribe for or purchase any Securities. Each recipient of this Offering Circular shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.**

**All references in this Offering Circular to EUR or euro are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the treaty establishing the European Community, as amended.**

## **DOCUMENTS INCORPORATED BY REFERENCE**

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

- (1) the annual reports (including the audited financial statements therein) of the Issuer in respect of the financial years ended 31st December, 2002, 2003 and 2004; and
- (2) the Bank's articles of association.

The Issuer and the Paying Agents (at their specified offices) will provide, without charge, to each person to whom a copy of this Offering Circular 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 telephone 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 Amsterdam set out at the end of this Offering Circular.

**IN CONNECTION WITH THE ISSUE OF SECURITIES, HSBC BANK PLC (OR ANY AGENT OF HSBC BANK PLC) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE MAY BE NO OBLIGATION ON HSBC BANK PLC (OR ANY AGENT OF HSBC BANK PLC) TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD AND IN ANY EVENT NO LATER THAN 30 DAYS AFTER THE ISSUE DATE. STABILISATION TRANSACTIONS CONDUCTED ON EURONEXT AMSTERDAM MUST BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND REGULATIONS OF EURONEXT AMSTERDAM AND ARTICLE 32 (AND ANNEX 6) OF THE FURTHER REGULATIONS ON MARKET CONDUCT SUPERVISION OF THE SECURITIES TRADE 2002 (*NADERE REGELING GEDRAGSTOEZICHT EFFECTENVERKEER 2002*), AND WILL END 30 DAYS AFTER THE ISSUE DATE OF THE SECURITIES. STABILISATION TRANSACTIONS CONDUCTED ON EURONEXT AMSTERDAM MUST BE CONDUCTED BY A MEMBER OF EURONEXT AMSTERDAM.**

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## INVESTMENT CONSIDERATIONS

*An investment in the Securities involves certain risks. You should carefully consider the following factors in addition to the other information included in this Offering Circular before deciding to purchase any Securities. There may be additional risks and uncertainties that are not presently known to the Bank, or that the Bank currently does not deem relevant. The following factors are not meant to be an exhaustive listing of all risks associated with the purchase of the Securities.*

### **The Bank may defer payments on the Securities for any period of time.**

Unless a Mandatory Payment Event occurs, the Bank may elect to defer payments on the Securities for any period of time, subject to the suspension of payments on the Bank's Junior Securities, Parity Securities, Junior Guarantees or Parity Guarantees. Any such deferred payments will not accrue interest unless and until they become due and payable under the Trust Deed and the Securities and are not paid. See "Conditions of the Securities – Condition 4 (*Optional Deferral of Interest*)".

### **The Securities are perpetual securities, and investors will have no right to call for their redemption.**

The Securities are perpetual securities and have no fixed maturity date or redemption date. The Bank is under no obligation to redeem the Securities at any time and investors will have no right to call for their redemption.

### **The Bank may redeem the Securities at any time if certain adverse tax or regulatory events occur. The Bank may also redeem the Securities at its option on 24th March, 2015 or on any Interest Payment Date thereafter.**

Any redemption of the Securities will be subject to the conditions described under "Conditions of the Securities – Condition 8 (*Redemption and Purchase*)".

### **The Bank is not prohibited from issuing further debt, which may rank *pari passu* with or senior to the Securities or further preference shares which may effectively rank *pari passu* with the Securities.**

Subject only to the conditions described in "Conditions of the Securities – Condition 2 (*Status and Subordination*)" there is no restriction on the amount of debt that the Bank may issue, which ranks senior to the Securities or on the amount of securities (including preference shares) that the Bank may issue, which ranks *pari passu* with the Securities. The issue of any such debt or securities may reduce the amount recoverable by investors upon the Bank's bankruptcy or may increase the likelihood of a deferral of payments on the Securities. Any preference shares issued pursuant to the Alternative Coupon Satisfaction Mechanism will effectively rank *pari passu* with the Securities.

### **The Bank may defer payments that it is required to make pursuant to the Alternative Coupon Satisfaction Mechanism should the Bank fail to have a sufficient number of preference shares available for issue.**

If the Bank is to make a payment using the Alternative Coupon Satisfaction Mechanism and the Bank has an insufficient number of preference shares available for issue, then the Bank's payment obligation will be suspended to the extent of such insufficiency until such time as sufficient preference shares are available to satisfy all or part of the suspended payment obligation, as more fully described under "Conditions of the Securities – Condition 5.2 (*Alternative Coupon Satisfaction Mechanism – Insufficiency of Payment Preference Shares*)".

### **There are limitations on the remedies available to investors and the Trustee should the Bank fail to pay amounts due on the Securities.**

If an Event of Default occurs and is continuing regarding the Securities, the Trustee may institute bankruptcy proceedings against the Bank in The Netherlands, but not elsewhere. The Trustee may not, however, declare the principal amount of any outstanding Security to be due and payable or pursue any other legal remedy, including commencing a judicial proceeding for the collection of sums due and unpaid. Although there is some doubt under Dutch law whether the Trustee would be permitted to commence a bankruptcy proceeding in The Netherlands, if for any reason the Trustee is unwilling or unable to do so, any holder of the Securities with a due and payable claim will be permitted to commence such proceedings in accordance with Dutch bankruptcy law and the Trust Deed. See "Conditions of the Securities – Condition 11 (*Events of Default*)".

**Investors will be deemed to have waived all rights of set-off.**

Subject to applicable law, investors may not exercise or claim any right of set-off in respect of any amount the Bank owes the investors arising under or in connection the Securities and investors will be deemed to have waived all such rights of set-off. See “Conditions of the Securities – Condition 2.4 (*Status and Subordination – No set off*)”.

**If certain supervisory events occur, the Securities will be substituted into a preference share without the consent of holders which could have adverse consequences for holders.**

Upon the occurrence of a Supervisory Event, the Issuer will arrange for each Security to be substituted for a Substituted Preference Share of the Bank. See “Conditions of the Securities – Condition 6 (*Supervisory Event*)”.

**Distributions on Substituted Preference Shares are not cumulative. Investors will not be entitled to recover missed Distributions.**

Distributions on the Substituted Preference Shares are not cumulative. Distributions on the Substituted Preference Shares are only payable with respect to any distribution period if, for the corresponding distribution period, distributions on the Substituted Preference Shares are declared and authorised to be paid by the general meeting of the Bank. Consequently, if, for any reason, distributions on the Substituted Preference Shares are not declared for any distribution period, the holders of Substituted Preference Shares will not be entitled to recover such distributions, whether or not funds are or subsequently become available, or distributions of the Substituted Preference Shares are declared for any future distribution period. Under its articles of association, the Issuer can only pay dividends on its ordinary shares in respect of any year if Distributions in respect of that year have been paid in full on the Substituted Preference Shares.

**The Securities and the Substituted Preference Shares, if issued, are a new issue of securities, and there is no assurance that a trading market will exist or that it will be liquid.**

The Securities and the Substituted Preference Shares, if issued, are a new issue of securities and have no established trading market. There can be no assurance that an active trading market will develop. Even if an active trading market does develop, no one, including the Manager, is required to maintain its liquidity. The liquidity and the market prices for the Securities and the Substituted Preference Shares, if issued, can be expected to vary with changes in market and economic conditions, the Bank’s financial condition and prospects and other factors that generally influence the market prices of securities.

## CONDITIONS OF SECURITIES

*Other than the paragraphs in italics, the following is the text of the Conditions of the Securities which (subject to modification) will be endorsed on each Security in definitive form (if issued):*

The U.S.\$100,000,000 CMS Linked Perpetual Debt Securities (the **Securities**, which expression shall in these Conditions, unless the context otherwise requires, include any further Securities issued pursuant to Condition 17 and forming a single series with the Securities) of NIB Capital Bank N.V. (the **Bank**) are constituted by a Trust Deed dated 24th March, 2005 (the **Trust Deed**) made between the Bank and The Law Debenture Trust Corporation p.l.c. (the **Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Securities (the **Securityholders**) and the holders of the interest coupons appertaining to the Securities (the **Couponholders** and the **Coupons** respectively, which expressions shall, unless the context otherwise requires, include the talons for further interest coupons (the **Talons**) and the holders of the Talons).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 24th March, 2005 (the **Agency Agreement**) made between the Bank, the initial Paying Agents, the Agent Bank and the Trustee are available for inspection during normal business hours by the Securityholders and the Couponholders at the registered office for the time being of the Trustee, being at the date of issue of the Securities at Fifth Floor, 100 Wood Street, London, EC2V 7EX and at the specified office of each of the Paying Agents. The Securityholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

Condition 20 sets out defined terms used in these Conditions.

### I. FORM, DENOMINATION AND TITLE

#### I.1 Form and Denomination

The Securities are in bearer form, serially numbered, in the denomination of U.S.\$1,000 each with Coupons and one Talon attached on issue.

#### I.2 Title

Title to the Securities and to the Coupons will pass by delivery.

#### I.3 Holder Absolute Owner

The Bank, any Paying Agent and the Trustee (to the fullest extent permitted by applicable laws) may deem and treat the bearer of any Security or Coupon as the absolute owner for all purposes (whether or not the Security or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Security or Coupon or any notice of previous loss or theft of the Security or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

### 2. STATUS AND SUBORDINATION

#### 2.1 Status

Subject to applicable law, the Securities constitute direct, unsecured and subordinated obligations of the Bank and rank *pari passu* without any preference among themselves.

#### 2.2 Subordination

Upon the Bank's liquidation, moratorium of payments, bankruptcy or emergency measure (*noodregeling*) being declared, the rights and claims of holders of the Securities will rank, effectively from a financial point of view, in priority to all holders of Junior Securities and Junior Guarantees, in each case in accordance with and by virtue of the subordination provisions thereof, and equally with the holders of the Bank's existing preference shares and any other Parity Securities and Parity Guarantees then outstanding. Upon the Bank's liquidation, moratorium of payments or bankruptcy or emergency measure (*noodregeling*) being declared the rights and claims of the holders of the Securities are and shall be subordinated to the rights and claims of the holders of all Senior Debt of the Bank and accordingly any payments on the Securities will be subordinate to, and subject in right of payment to the prior payment in full of, all Senior Debt.

Unless all principal of, and any premium or interest on, Senior Debt has been paid in full, no payment or other distribution may be made in respect of the Securities in the following circumstances:

- (i) in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganisation, assignment for creditors or other similar proceedings or events involving the Bank or assets of the Bank; or
- (ii) (a) in the event and during the continuation of any default in the payment of principal, premium or interest on any Senior Debt beyond any applicable grace period or (b) in the event that any event of default with respect to any Senior Debt has occurred and is continuing beyond any applicable grace period, permitting the holders of that Senior Debt (or a trustee) to accelerate the maturity of that Senior Debt, whether or not the maturity is in fact accelerated (unless, in the case of (a) or (b), the payment default or event of default has been cured or waived or ceased to exist and any related acceleration has been rescinded) or (c) in the event that any judicial proceeding is pending with respect to a payment default or event of default described in (a) or (b).

### **2.3 No senior tier 1 securities**

So long as any of the Securities remains outstanding, the Bank will not issue any preference shares (or other securities or instruments which are akin to preference shares as regards distributions or on a return of assets upon liquidation of the Bank or in respect of distribution or payment of dividends and/or any other amounts thereunder by the Bank) or give any guarantee or contractual support arrangement in respect of any of the Bank's preference shares or such other securities or instruments or in respect of any other Subsidiary (as defined in the Trust Deed) if such preference shares, preferred securities, guarantees or contractual support arrangements would rank (as regards distributions on a return of assets upon liquidation of the Bank or in respect of distribution or payment of dividends and/or any other amounts thereunder by the Bank) senior to the Securities, unless the Bank alters the terms of the Securities such that the Securities rank *pari passu* effectively from a financial point of view with any such preference shares, such other securities or instruments akin to preference shares or such guarantee or support undertaking.

### **2.4 No set off**

By acceptance of the Securities, each Securityholder will be deemed to have waived any right of set-off or counterclaim that such holders might otherwise have against the Bank whether prior to or in bankruptcy or winding-up.

Notwithstanding the preceding sentence, if any of the rights and claims of any Securityholder are discharged by set-off, such discharge shall be deemed null and void and such holder will immediately pay an amount equal to the amount of such discharge to the Bank, if applicable, the liquidator or trustee or receiver of the Bank and, until such time as payment is made, will hold a sum equal to such amount on trust for the Bank, if applicable, the liquidator or the trustee or the receiver in the Bank's winding-up. Accordingly, such discharge will be deemed not to have taken place.

## **3. INTEREST**

### **3.1 Interest Payment Dates**

The Securities bear interest on their outstanding principal amount from and including the Interest Commencement Date, and unless the Bank elects to defer payment under Condition 4, or, regardless of whether or not the Bank has so elected to defer payment, upon the occurrence of a Mandatory Payment Event, interest will be payable on 24th March in each year, (each an **Interest Payment Date**) commencing on 24th March, 2006.

### **3.2 Interest Accrual**

Each Security will cease to bear interest from and including the due date for redemption unless, upon due presentation, payment of the principal in respect of the Security is improperly withheld or refused or unless default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

### **3.3 Rate of Interest**

The rate of interest payable from time to time in respect of the Securities (the **Rate of Interest**) will be 7.50 per cent. per annum until 24th March, 2007 and thereafter will be determined on the basis of the following provisions:

- (a) On each Interest Determination Date, Citibank, N.A. or its duly appointed successor (in such capacity, the **Agent Bank**) will determine the Screen Rate on that Interest Determination Date.



- (b) If the Screen Rate does not appear on Reuters Screen ISDAFIX1 on such Interest Determination Date, the Agent Bank will determine a rate (the **Fallback CMS Rate**) which will be calculated on the basis of the Mid-market annual swap rate quotations provided by the Reference Banks at approximately 11.00 a.m. (New York City time) on the Interest Determination Date.

The Agent Bank will request the principal office of each of the Reference Banks to provide a quotation of its Mid-market annual swap rate. If at least three quotations are provided, the rate for the first day of that Interest Period will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

- (c) The Rate of Interest for the Interest Period shall be the Screen Rate (or, if the Screen Rate is not available, the Fallback CMS Rate) plus the Margin.
- (d) In no event shall the Rate of Interest be more than 8.25 per cent. per annum.
- (e) If the Rate of Interest cannot be determined in accordance with the above provisions, the Rate of Interest shall be determined as at the last preceding Interest Determination Date.

### **3.4 Determination of Rate of Interest and Interest Amount**

In respect of any Interest Period falling after 24th March, 2007 the Agent Bank shall, as soon as practicable after each Interest Determination Date, but in no event later than the third Business Day in London thereafter, determine the US dollar amount (the **Interest Amount**) payable in respect of interest on each principal amount of Securities for the relevant Interest Period. The Interest Amount shall be determined by applying the Rate of Interest to such principal amount, multiplying the sum by the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360 and rounding the resultant figure to the nearest cent, half a cent being rounded upwards).

### **3.5 Publication of Rate of Interest and Interest Amount**

The Agent Bank shall cause the Rate of Interest and the Interest Amount for each Interest Period falling after 24th March, 2007 to be notified to the Bank, the Trustee and to any stock exchange or other relevant authority on which the Securities are at the relevant time listed and to be published in accordance with Condition 14 as soon as possible after their determination, and in no event later than the second Business Day in London thereafter.

### **3.6 Determination by the Trustee**

The Trustee may (but without any liability accruing to the Trustee as a result), if the Agent Bank defaults at any time in its obligation to determine the Rate of Interest and Interest Amount in accordance with the above provisions, determine the Rate of Interest and Interest Amount or procure the determination of the Rate of Interest and Interest Amount, the former at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above, but subject to the maximum Rate of Interest referred to in Condition 3.3), it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in Condition 3.3 and the determinations shall be deemed to be determinations by the Agent Bank.

### **3.7 Notifications, etc. to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition, whether by the Agent Bank or the Trustee, will (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Trustee, the Agent Bank, the Paying Agents and all Securityholders and Couponholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Bank, or the Securityholders or the Couponholders shall attach to the Agent Bank or, if applicable, the Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition.

### **3.8 Agent Bank**

The Bank shall procure that, so long as any of the Securities remains outstanding, there is at all times an Agent Bank for the purposes of the Securities and the Bank may, subject to the prior written approval of the Trustee, terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Rate of Interest and the Interest Amount for any Interest Period, the Bank shall, subject to the prior written approval of the

Trustee (not to be unreasonably withheld), appoint another major bank to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed.

#### **4. OPTIONAL DEFERRAL OF INTEREST**

##### **4.1 Deferral**

If, since the last Interest Payment Date on which interest was paid (or, in the case of the first Interest Payment Date, the Interest Commencement Date) no Mandatory Payment Event has occurred on or before the 20th Business Day preceding the date on which any payment would, in the absence of deferral, be due and payable (a **Deferral Condition**), the Bank may defer any such payment (any deferred payments are referred to herein as **Deferred Coupons**) and such payment will not be due and payable and no Event of Default will occur as a consequence of such deferral. Any Deferred Coupons will not accrue interest unless and until they become due and payable under the Trust Deed and these Conditions and are not paid.

In order to effect such deferral, the Bank will deliver a notice to the Trustee, the Principal Paying Agent and the holders of the Securities, not less than 16 Business Days prior to the related Interest Payment Date.

##### **4.2 Optional settlement of Deferred Coupons**

The Bank may pay any Deferred Coupons to holders of the Securities at any time, provided, however, that upon the occurrence of a Mandatory Payment Event at any time after Coupons have been deferred, all Deferred Coupons shall become due and payable as provided in Condition 4.3. The Bank may satisfy its obligations to pay any Deferred Coupons only in accordance with the Alternative Coupon Satisfaction Mechanism.

##### **4.3 Mandatory payment of Coupons**

If a Mandatory Payment Event occurs, interest on the Securities and any Deferred Coupons will be or become mandatorily due and payable as follows:

- (a) if a Mandatory Payment Event set forth in paragraph (i) of the definition thereof occurs, then, notwithstanding the occurrence, further occurrence or continuance of any Deferral Condition:
  - (i) all Deferred Coupons will become mandatorily due and payable in full on the tenth Business Day after the date on which (x) the general meeting of the Bank's shareholders adopted the Shareholders Adopted Accounts if the Distributable Profits were determined on the basis of the Shareholders Adopted Accounts, or (y) the Management Board publishes the Management Board Published Accounts by submission to the trade register if Distributable Profits were determined on the basis of the Management Board Published Accounts; and
  - (ii) interest will be mandatorily due and payable in full on the next Interest Payment Date (commencing with the Interest Payment Date that falls on or immediately after the date on which (x) the general meeting of the Bank's shareholders adopted the Shareholders Adopted Accounts if Distributable Profits were determined on the basis of the Shareholders Adopted Accounts, or (y) the Management Board publishes the Management Board Published Accounts by submission to the trade register if Distributable Profits were determined on the basis of the Management Board Published Accounts);
- (b) if a Mandatory Payment Event set forth in paragraphs (ii), (iii) or (iv) of the definition thereof occurs, then, notwithstanding the occurrence, further occurrence or continuance of any Deferral Condition:
  - (i) all Deferred Coupons will become mandatorily due and payable in full on the date of such Mandatory Payment Event;
  - (ii) with respect to a Mandatory Payment Event set forth in paragraphs (ii) or (iii) of the definition thereof, the interest payable for the next Interest Payment Date commencing with the Interest Period with a related Interest Payment Date that falls on or immediately after the date of such Mandatory Payment Event, will be mandatorily due and payable in full on such next Interest Payment Date; and
  - (iii) with respect to a Mandatory Payment Event set forth in paragraph (iv) of the definition thereof, interest will be mandatorily due and payable in full on the next Interest Payment Date commencing with the Interest Payment Date that falls on or immediately after the date on which the Bank or any of its Undertakings redeems, purchases or otherwise acquires for any consideration any of the Bank's Junior Securities, any Parity Securities or any securities or other instruments issued by any of the Bank's Undertakings benefiting from a Junior Guarantee or Parity Guarantee.

## 5. ALTERNATIVE COUPON SATISFACTION MECHANISM

### 5.1 General

The Bank may pay any Deferred Coupons only in accordance with the procedure described below (the **Alternative Coupon Satisfaction Mechanism**) through the issuance of preference shares of the Bank which, when sold, will provide a cash amount to be applied by the Bank towards making the relevant payments.

The obligation of the Bank to make any payment in accordance with the Alternative Coupon Satisfaction Mechanism on a particular date (the **ACSM Payment Date**) will be satisfied as follows:

- (i) the Bank will give at least 16 Business Days' notice of the ACSM Payment Date to the Trustee and the Securityholders;
- (ii) by the close of business on or before the seventh Business Day prior to the ACSM Payment Date the Bank will have authorised for issuance such number of its preference shares as, in the determination of the Bank, have a market value of not less than 110 per cent. of the relevant payment to be satisfied on the ACSM Payment Date (the **Payment Preference Shares**) plus the claims for the costs and expenses to be borne by the Bank in connection with using the Alternative Coupon Satisfaction Mechanism;
- (iii) the Bank will procure purchasers for the Payment Preference Shares as soon as reasonably practicable, but not later than the fourth Business Day prior to the ACSM Payment Date;
- (iv) the Bank will sell the Payment Preference Shares to such purchasers and collect any sales proceeds;
- (v) the Bank will pay the sales proceeds (or such amount of sales proceeds as is necessary to make the relevant payment) in accordance with Condition 7 on the ACSM Payment Date;
- (vi) if, after the operation of the above procedures, there would, in the opinion of the Bank, be a shortfall on the ACSM Payment Date, the Bank will issue further preference shares in accordance with the provisions of the Trust Deed to ensure that funds are available to make the payment in full on the ACSM Payment Date; and
- (vii) if, pursuant to the Alternative Coupon Satisfaction Mechanism, proceeds are raised in excess of the relevant payment amount plus the claims for the fees, costs and expenses to be borne by the Bank in connection with using the Alternative Coupon Satisfaction Mechanism, the Bank will retain such excess proceeds.

The Bank will offer its then current ordinary shareholders a pre-emptive right over issuance of any such preference shares.

### 5.2 Insufficiency of Payment Preference Shares

If the Bank is to satisfy a payment pursuant to the Alternative Coupon Satisfaction Mechanism and it does not, on the date when the number of Payment Preference Shares required to be issued is determined, have a sufficient number of preference shares available for issue, then the Bank shall notify the Trustee and the Securityholders that all or part, as the case may be, of the relevant payment cannot be satisfied due to the Bank not having a sufficient number of authorised preference shares. In this case the payment or part thereof shall be satisfied at the earliest practicable date following the date of the Bank's next annual general meeting or extraordinary general meeting of its shareholders at which a resolution is passed making a sufficient number of preference shares available to satisfy all or such part of the relevant payment. If, however, the number of preference shares authorised to be issued at any such meeting is insufficient to satisfy all or such part of the relevant payment then those preference shares so issued will be applied by the Bank in partial satisfaction of all or such part of the relevant payment. Following the passage of a resolution which authorises the Bank to issue additional preference shares for this purpose, the Bank will provide not less than 16 Business Days' notice to the Trustee and the Securityholders of the date upon which the relevant payment or, as the case may be, the part thereof is to be made.

In the event that any such resolution proposed at any such annual general meeting or extraordinary general meeting is rejected, the resolution will be proposed at each annual general meeting or any extraordinary general meeting thereafter until the resolution has been passed by the Bank's shareholders.

The Bank will undertake in the Trust Deed to use its best efforts to have the Management Board continue to be authorised to issue a sufficient number of preference shares as the Management Board reasonably considers may be required to be issued as Payment Preference Shares in connection with the next payment of interest. Should the Bank fail to do so, no damages will be payable in connection with such failure.

The Trustee is not obliged to monitor whether the Management Board is authorised to issue a sufficient number of unissued preference shares as Payment Preference Shares and the Trustee is entitled to assume, unless it has actual knowledge to the contrary, that the Bank is complying with its obligations to have the Management Board continue to be so authorised.

*At the date of this Offering Circular, the Bank has a sufficient number of authorised but unissued preference shares, and the Management Board of the Bank, subject to the approval of the Supervisory Board of the Bank, has the necessary authority to issue and sell preference shares so as to make the interest payments required to be made in respect of the Securities during the next 12-month period, assuming the Alternative Coupon Satisfaction Mechanism is used for the interest payment during such 12-month period.*

## **6. SUPERVISORY EVENT**

### **6.1 Consequence of Supervisory Event**

Upon the occurrence of a Supervisory Event, the Bank will arrange for each Security to be substituted for a Substituted Preference Share. The terms of the Substituted Preference Shares are set forth in the Bank's articles of association.

### **6.2 Rights attaching to Substituted Preference Shares**

The Substituted Preference Shares are intended to provide the holders thereof and the Bank in all material respects with the same economic rights, benefits and obligations as are attached to the Securities. The Bank's articles of association will be amended to the effect that (i) in respect of dividends on the Substituted Preference Shares payable in any year, such dividends will be payable (a) if a general meeting of shareholders has declared that such dividends shall be payable and (b) to the extent that the Issuer has Distributable Profits and after allocation to reserves of any amounts required by law and (ii) the Issuer can only pay dividends on its ordinary shares in respect of any year if dividends in respect of that year have been paid in full on the Substituted Preference Shares.

In a winding-up of the Bank, the Substituted Preference Shares will rank *pari passu* with the most senior preference shares of the Bank. Any interest accrued including Deferred Coupons on the Securities at the time when the Securities are substituted for Substituted Preference Shares will be "transferred" to the Substituted Preference Shares.

Subject to the right to defer payments as referred to above, distributions on the Substituted Preference Shares will be calculated and paid on the same economical basis and provisions as interest is calculated and paid in respect of the Securities.

### **6.3 Covenants of the Bank**

As from the Issue Date, the Bank will take all reasonable steps to ensure that (i) it will have a sufficient number of authorised but unissued Substituted Preference Shares to permit the substitution of all outstanding Securities and (ii) all corporate authorisations (other than a managing board resolution for the issuance of the Substituted Preference Shares) will be taken on or prior to the next succeeding annual shareholder's meeting of the Bank and thereafter for the issue of the Substituted Preference Shares free from pre-emptive rights. The Bank further undertakes that it will pay any taxes or capital duties or stamp duties payable in The Netherlands arising on the allotment and issue of the Substituted Preference Shares.

### **6.4 Substitution Procedures**

As soon as reasonably practicable following the occurrence of a Supervisory Event, the Bank shall cause notice thereof to be given to the Securityholders, in accordance with Condition 14. A substitution confirmation (a **Substitution Confirmation**) which each holder will be required to complete will be made available at the offices of each Paying Agent. To receive Substituted Preference Shares in respect of its holding of Securities, each holder must deliver to a Paying Agent, within 30 days of receipt of such notice, a Substitution Confirmation (for the time being current and which may, if this Security is held in a clearing system, be any form acceptable to the clearing system (which may be electronic) delivered in a manner acceptable to the clearing system) together with its Securities or evidence satisfactory to the Paying Agent concerned that such Securities will, following the delivery of the Substitution Confirmation, be held to its order or under its control. Any such Substitution shall be effected subject in each case to any applicable fiscal laws or other laws or regulations.

The Substituted Preference Shares will be paid-up in full by set-off of the contribution obligation of each holder in respect of the Substituted Preference Shares against the debt owed to it by the Bank in respect of the Securities in accordance with the Trust Deed.

See "Summary of provisions relating to the Securities while represented by the Global Securities" for substitution procedures while the Securities are in global form held within the clearing systems.

#### **6.5 Rights of holders pending Substitution**

Upon the Bank taking steps to effect a substitution following the occurrence of a Supervisory Event but prior to the relevant substitution being effected, holders will have no further rights, title or interest in or to Securities except the right to have their respective Securities substituted in the manner described above.

Notwithstanding the foregoing, if Substituted Preference Shares are required to be issued, holders will continue to be entitled to receive payments and/or a liquidation distribution in respect of the Securities until such time as notice is given by the Bank in accordance with Condition 14 that the Substituted Preference Shares are available for issue.

### **7. PAYMENTS AND EXCHANGES OF TALONS**

#### **7.1 Payments in respect of Securities**

Payments of principal and interest in respect of each Security will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Security, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

#### **7.2 Method of Payment**

Payments will be made by credit or transfer to a US dollar account (or any other account to which US dollars may be credited or transferred) specified by the payee or, at the option of the payee, by U.S. dollar cheque.

#### **7.3 Missing Unmatured Coupons**

Each Security should be presented for payment together with all relative unmatured Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons). Upon the date on which any Security becomes due and repayable, all unmatured Coupons appertaining to the Security (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.

#### **7.4 Payments subject to Applicable Laws**

Payments in respect of principal and interest on the Securities are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 9.

#### **7.5 Payment only on a Presentation Date**

A holder shall be entitled to present a Security or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 3, be entitled to any further interest or other payment if a Presentation Date is after the due date.

**Presentation Date** means a day which (subject to Condition 10):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in New York City and in the place of the specified office of the Paying Agent at which the Security or Coupon is presented for payment.

#### **7.6 Exchange of Talons**

On and after the Interest Payment Date 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 10. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

#### **7.7 Initial Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Bank reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which so long as the Securities are listed on Euronext Amsterdam N.V. shall be in The Netherlands;
- (c) the Bank undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) there will at all times be a Paying Agent in a jurisdiction other than The Netherlands.

Notice of any termination or appointment and of any changes in specified offices will be given to the Securityholders promptly by the Bank in accordance with Condition 14.

## **7.8 U.S. Paying Agent**

Notwithstanding the foregoing, payments will be made at the specified office in the United States of any Paying Agent and (if no such appointment is then in effect) the Bank shall, subject to the prior written approval of the Trustee, appoint and maintain a Paying Agent with a specified office in New York City at which payments will be made if (i) the Bank has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that the Paying Agents would be able to make payment at the specified offices outside the United States of the full amount payable with respect to the Securities in the manner provided above when due, (ii) payment of the full amount due in U.S. dollars at all specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) the payment is then permitted under United States law.

## **8. REDEMPTION AND PURCHASE**

### **8.1 No scheduled maturity date**

The Securities are perpetual with no scheduled maturity date. The Securities may only be redeemed, at the Bank's option, in accordance with Condition 8.2, Condition 8.3 or Condition 8.4. Any redemption in accordance with Condition 8.2 or Condition 8.4 will be subject to the prior approval of De Nederlandsche Bank N.V.

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

If the Bank satisfies the Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 21st March, 2005, on the next Interest Payment Date the Bank would be required to pay additional amounts as provided or referred to in Condition 10 and the Bank cannot avoid such circumstance by taking measures as it (acting in good faith) deems appropriate; or
- (b) payments of interest on the Securities, including, for the avoidance of doubt, the issue of preference shares pursuant to the Alternative Coupon Satisfaction Mechanism, may be treated as "distributions" within the meaning of Section II of the Dividend Withholding Tax Act 1965 (*Wet op de dividendbelasting 1965*; or such other provision as may from time to time supersede or replace Section II of the Dividend Withholding Tax Act 1965 for the purposes of such definition) and the Bank cannot avoid such treatment by taking such measures as it (acting in good faith) deems appropriate; or
- (c) as a result of any proposed change or amendment to the laws or regulations of The Netherlands, or any proposed change in the application of official or generally published interpretation of such laws or regulations, or any interpretation or pronouncement by any relevant tax authority that provides for a position in relation to similar transactions or which differs from any specific written confirmation given by a tax authority in respect of the Securities, which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by Act of Parliament or made by statutory instrument on or after 21st March, 2005 there is more than an insubstantial risk that the Bank will not obtain substantially full relief for the purposes of Dutch corporation tax for any payment of interest including, for the avoidance of doubt, where the payment of interest is to be satisfied by the issue of preference shares pursuant to the Alternative Coupon Satisfaction Mechanism and the Bank cannot avoid this risk by taking such measures as it (acting in good faith) deems appropriate;

the Bank may at its option, having given not less than 30 nor more than 60 days' notice to the Securityholders in accordance with Condition 14 (which notice shall be irrevocable), redeem all the Securities, but not some only, on the next Interest Payment Date at their principal amount together with all Deferred Coupons, if any, and interest accrued to but excluding the date of redemption provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Bank would be required to pay such additional amounts, were a payment in respect of the Securities then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Bank shall deliver to the Trustee a certificate signed by two Directors of the Bank stating that the approval of De Nederlandsche Bank N.V. for redemption of the Securities has been obtained and that the relevant requirement or circumstance referred to in (a), (b) or (c) above is satisfied and, in the case of (a) above, will apply on the next Interest Payment Date and cannot be avoided by the Bank taking reasonable measures available to it, and the Trustee shall accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders and the Couponholders.

### **8.3 Redemption as a result of Capital Disqualification Event**

If the Bank satisfies the Trustee immediately before the giving of the notice referred to below that a Capital Disqualification Event has occurred, the Bank may, at its option, having given not less than 30 nor more than 60 days' notice to the holders in accordance with Condition 14 (which notice shall be irrevocable), redeem all the Securities, but not some only, on the next Interest Payment Date at their principal amount together with all Deferred Coupons, if any, and interest accrued to but excluding the date of redemption.

Prior to the publication of any notice of redemption pursuant to this Condition 8.3, the Bank shall deliver to the Trustee a certificate signed by two Directors of the Bank stating that the relevant circumstance referred to in the definition of Capital Disqualification Event has occurred, and the Trustee shall accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which case it shall be conclusive and binding on the holders and the Couponholders.

### **8.4 Redemption at the Option of the Bank**

The Bank may, having given:

- (a) not less than 15 nor more than 30 days' notice to the holders in accordance with Condition 14; and
- (b) notice to the Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a);

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Securities, on 24th March, 2015, or on any following Interest Payment Date at their principal amount together with all Deferred Coupons, if any, and interest accrued to the date of redemption.

### **8.5 Purchases**

Subject to applicable law and regulations, the Bank or any of its Undertakings may at any time purchase Securities (provided that all unmatured Coupons appertaining to the Securities are purchased with the Securities) in any manner and at any price.

### **8.6 Cancellations**

All Securities which are (a) redeemed or (b) purchased by or on behalf of the Bank or any of its Undertakings will forthwith be cancelled, together with all relative unmatured Coupons attached to the Securities or surrendered with the Securities, and accordingly may not be held, reissued or resold.

### **8.7 Notices Final**

Upon the expiry of any notice as is referred to in Conditions 8.2, 8.3 and 8.4 the Bank shall be bound to redeem the Securities to which the notice refers in accordance with the terms of such paragraph.

## **9. TAXATION**

### **9.1 Payment without Withholding**

All payments in respect of the Securities by or on behalf of the Bank shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Bank will pay such additional amounts as may be necessary in order that the net amounts received by the Securityholders and

Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Securities or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Security or Coupon:

- (a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of the Security or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Security or Coupon; or
- (b) presented for payment in The Netherlands; or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Security or Coupon to another Paying Agent in a Member State of the European Union; or
- (e) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Presentation Date (as defined in Condition 7).

## **9.2 Additional Amounts**

Any reference in these Conditions to any amounts in respect of the Securities shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

## **10. PRESCRIPTION**

Securities and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Securities or, as the case may be, the Coupons, subject to the provisions of Condition 7. There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this paragraph or Condition 7.

## **11. EVENTS OF DEFAULT**

### **11.1 Non payment**

If default shall be made in the payment of any amount due on the Securities for a period of fourteen days or more the Trustee may, subject as provided below, at its discretion and without further notice, institute bankruptcy proceedings against the Bank but may not take any other action in respect of such default. For the purpose of determining only whether the Trustee may institute proceedings as aforesaid and not for the purpose of determining the amount payable by the Bank in respect of the Securities, a payment otherwise due or mandatory shall be deemed to be so due or mandatory notwithstanding that the relevant condition set out in Condition 2 is not satisfied.

### **11.2 Winding-up**

If, otherwise than for the purposes of reconstruction or amalgamation on terms previously approved in writing by an Extraordinary Resolution (as defined in the Trust Deed) of the Securityholders, an order is made or an effective resolution is passed for the winding up in The Netherlands of the Bank, the Securities shall immediately become due and repayable by the Bank at their principal amount together with Deferred Coupons, if any, and accrued interest as provided in the Trust Deed subject to Condition 2.

### **11.3 Other obligations**

The Trustee may at any time at its discretion and without further notice institute such proceedings against the Bank as it may think fit to enforce any obligation, condition or provision binding on the Bank under the Trust Deed, the Securities or the Coupons (other than any obligation for the payment of any principal or interest in respect of the Securities or Coupons) provided that Bank shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.



## **12. ENFORCEMENT**

### **12.1 Enforcement by the Trustee**

The Trustee shall not be bound to take any proceedings or any other action in relation to the Trust Deed, the Securities or the Coupons referred to in Condition 11 unless (a) it has been so directed by an Extraordinary Resolution of the Securityholders or so requested in writing by the holders of at least one-fifth in principal amount of the Securities then outstanding and (b) it has been indemnified and/or secured to its satisfaction.

### **12.2 Enforcement by the holders**

No Securityholder or Couponholder shall be entitled to proceed directly against the Bank or to institute bankruptcy proceedings against the Bank, or to prove in such bankruptcy, except that if the Trustee, having become so bound to proceed, fails to do so, or being able to prove in such proceedings, fails to do so (in each case, within a reasonable period) and such failure shall be continuing, then any Securityholder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute bankruptcy proceedings against the Bank and/or prove in such proceedings to the extent (but not further or otherwise) that the Trustee would have been entitled to do so.

## **13. REPLACEMENT OF SECURITIES AND COUPONS**

Should any Security or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Bank may reasonably require. Mutilated or defaced Securities or Coupons must be surrendered before replacements will be issued.

## **14. NOTICES**

All notices to the Securityholders will be valid if published in a leading English language daily newspaper with general circulation in Europe as the Trustee may approve. It is expected that publication will normally be made in the *Financial Times*. The Bank shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Securities are for the time being listed which publication, for so long as the Securities are listed on the Official Segment of the stock market of Euronext Amsterdam N.V. and the rules of such exchange so require, shall be made in a daily newspaper of general circulation in The Netherlands (which is expected to be *Het Financieele Dagblad*), with notice thereof given to Euronext Amsterdam N.V. and in the Euronext Amsterdam Daily Official List (*Officiële Prijscourant*). Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Securityholders in accordance with this paragraph.

## **15. MEETINGS OF SECURITYHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION**

### **15.1 Meetings of Securityholders**

The Trust Deed contains provisions for convening meetings of the Securityholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Securities for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Securities held or represented by him or them, except that, at any meeting the business of which includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Securityholders will be binding on all Securityholders, whether or not they are present at the meeting, and on all Couponholders.

## **15.2 Modification, Waiver, Authorisation and Determination**

The Trustee may agree, without the consent of the Securityholders or Couponholders, to any modification (save as provided in the Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Securityholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of Trustee, proven.

## **15.3 Trustee to have Regard to Interests of Securityholders as a Class**

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Securityholders as a class but shall not have regard to any interests arising from circumstances particular to individual Securityholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Securityholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Securityholder or Couponholder be entitled to claim, from the Bank, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Securityholders or Couponholders except to the extent already provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

## **15.4 Notification to the Securityholders**

Any modification, abrogation, waiver, authorisation or determination shall be binding on the Securityholders and the Couponholders and, unless the Trustee agrees otherwise, any modification shall be notified by the Bank to the Securityholders as soon as practicable thereafter in accordance with Condition 14.

# **16. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE BANK**

## **16.1 Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

## **16.2 Trustee Contracting with the Bank**

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Bank and/or any of the Bank's Undertakings and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Bank and/or any of the Bank's Undertakings, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Securityholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

# **17. FURTHER ISSUES**

The Bank is at liberty from time to time without the consent of the Securityholders or Couponholders to create and issue further securities ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the Securities constituted by the Trust Deed or any supplemental deed. Any such further securities shall be constituted by a deed supplemental to the Trust Deed.

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

## **18.1 Governing Law**

The Trust Deed, the Securities and the Coupons are governed by, and shall be construed in accordance with, English law save for Condition 2.2 which shall be governed by, and construed in accordance with, the laws of The Netherlands.

## **18.2 Jurisdiction of English Courts**

The Bank has, in the Trust Deed, irrevocably agreed for the benefit of the Trustee, the Securityholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes

which may arise out of or in connection with the Trust Deed, the Securities or the Coupons and accordingly has submitted to the exclusive jurisdiction of the English courts.

The Bank has, in the Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Securityholders and the Couponholders may take any suit, action or proceeding arising out of or in connection with the Trust Deed, the Securities or the Coupons respectively (together referred to as **Proceedings**) against the Bank in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

### **18.3 Service of Process**

The Bank 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 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 Bank no longer maintains a branch or registered office in England, it 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 Trustee. 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 Trustee or the Securityholders 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.

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

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Security, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **20. DEFINITIONS**

In these Terms and Conditions, except to the extent that the context otherwise requires:

**Agency Agreement** has the meaning set out in the preamble to these Conditions and includes any supplement thereto.

**Agent Bank** has the meaning set out in Condition 3.3.

**Alternative Coupon Satisfaction Mechanism** has the meaning set out in Condition 5.1.

**Bank** means NIB Capital Bank N.V.

**Business Day** (i) for the purposes of Condition 4, means a day on which Euronext Amsterdam is open; and (ii) for the purposes of Conditions 3 and 7 and the definition of Liquidation Preference Amount means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

**Capital Disqualification Event** means the Bank is notified in writing by De Nederlandsche Bank N.V. to the effect that the Securities may not be included in the consolidated Tier I capital of the Bank.

**Deferral Condition** has the meaning set out in Condition 4.1.

**Deferred Coupons** has the meaning set out in Condition 4.1.

**Director** means a member of the managing board of the Bank.

**Distributable Profits** for any particular fiscal year means the reported net profit of the Bank on a consolidated basis, determined in each case after tax and extraordinary items for such year, as derived from the audited consolidated profit and loss account of the Bank set forth in (x) the audited annual accounts of the Bank adopted by a general meeting of the Bank's shareholders in accordance with the Articles of Association (the **Shareholders Adopted Accounts**) or (y) if such accounts have not been adopted by a general meeting of the Bank's shareholders within the periods prescribed under Dutch law and the Bank's Articles of Association, the audited annual accounts of the Bank made public by the Management Board by submission to the trade register pursuant to Dutch law (the **Management Board Published Accounts**).

**Event of Default** means an event as described in Condition 11.

**Fallback CMS Rate** has the meaning set out in Condition 3.3(b).

**Interest Amount** has the meaning set out in Condition 3.4.

**Interest Commencement Date** means 24th March, 2005.

**Interest Determination Date** means, in respect of any Interest Period, two days (which shall not include a Saturday, a Sunday or a day on which The Bond Market Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities) before the first day of such Interest Period.

**Interest Payment Date** has the meaning set out in Condition 3.1.

**Interest Period** means period from and including the Interest Commencement Date to but excluding the first Interest Payment Date, and each successive period from and including an Interest Payment Date to but excluding the next succeeding Interest Payment Date.

**Issue Date** means 24th March, 2005.

**Junior Guarantee** means any guarantee, indemnity or other contractual support arrangement entered into by the Bank in respect of securities (regardless of name or designation) or other instruments issued by one of the Bank's subsidiaries or Undertakings which, effectively from a financial point of view, ranks after the Securities, upon the Bank's liquidation, moratorium of payments, bankruptcy or emergency measure (*noodregeling*) being declared.

**Junior Securities** means the Ordinary Shares of the Bank, or any other securities or instruments which, effectively from a financial point of view, rank after the Securities, as regards distributions on a return of assets upon liquidation or in respect of distributions or payment of dividends or any other payments thereon.

**Liquidation Preference Amount** per Substituted Preference Share means the sum of (i) the U.S. dollar equivalent (at a rate determined on the second Business Day in London before the notice given by the Bank under Condition 6.5 is published) of the nominal amount of €1.00 per Substituted Preference Share, plus (ii) the share premium amount of (a) US\$1,000 per Substituted Preference Share in U.S. dollars less the U.S. dollar equivalent (at a rate determined on the second Business Day in London before the notice given by the Bank under Condition 6.5 is published) of €1.00 per Substituted Preference Share, plus (b) accrued and unpaid interest, if any, including any unpaid Deferred Coupons, if any, on the Securities on the second Business Day in London before the notice given by the Bank under Condition 6.5 is published, (c) any additional amounts payable under Condition 9.1, plus (d) other amounts, if any, accrued and unpaid under the Securities and the Trust Deed determined on the second Business Day in London before the notice given by the Bank under Condition 6.5 is published.

**Mid-market annual swap rate** for any Interest Period means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. dollar interest rate swap transaction with a 10 year maturity commencing on the first day of that Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA with a maturity of six months.

**Mandatory Payment Event** means:

- (i) the Bank has Distributable Profits for the preceding fiscal year in excess of the amounts referred to in Condition 4.3;
- (ii) the Bank declares, pays or distributes a dividend or makes a payment (other than a dividend in the form of Ordinary Shares) on any of the Bank's Junior Securities or Parity Securities or makes a payment on a Junior Guarantee or Parity Guarantee;
- (iii) any of the Bank's Undertakings declares, pays or distributes a dividend on any security or other instrument issued by it benefiting from a Junior Guarantee or Parity Guarantee or makes a payment (other than a dividend in the form of ordinary shares) on any security or other instrument issued by it benefiting from a Junior Guarantee or Parity Guarantee; or
- (iv) the Bank or any of its Undertakings redeems, purchases or otherwise acquires for any consideration any of the Bank's Junior Securities, any Parity Securities or any securities or other instruments issued by any of the Bank's Undertakings benefiting from a Junior Guarantee or Parity Guarantee, other than:
  - (a) by conversion into or in exchange for the Ordinary Shares;
  - (b) in connection with transactions effected by or for the account of the Bank's customers or customers of any of the Bank's Undertakings or in connection with distribution, trading or market-making activities in respect of those securities;

- (c) in connection with the Bank's satisfaction of the Bank's, or the satisfaction by any of the Bank's Undertakings of its, obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants;
- (d) as a result of a reclassification of the capital stock of the Bank or any of the Bank's Undertakings or the exchange or conversion of one class or series of capital stock for another class or series of capital stock; or
- (e) the purchase of the fractional interests in shares of the Bank's capital stock or the capital stock of any of the Bank's Undertakings pursuant to the conversion or exchange provisions of that capital stock (or the security being converted or exchanged).

**Margin** means 0.10 per cent. per annum.

**Ordinary Shares** means the Bank's ordinary shares, with a nominal value of €1.00 per share.

**Parity Securities** means the Bank's most senior class of preference shares (including, without limitation, the Bank's Class B<sub>1</sub>, through B<sub>12</sub> C<sub>1</sub> through C<sub>12</sub>, D<sub>1</sub> through D<sub>12</sub> and E<sub>1</sub> through E<sub>12</sub> preference shares, if issued, and Class F<sub>1</sub> through F<sub>5</sub>) or any of the Bank's other securities or instruments (including without limitation for so long as they remain outstanding, the US\$200,000,000 Perpetual Debt Securities issued by the Bank on 10 December, 2003) which effectively from a financial point of view:

- (i) are similar to the most senior class of the Bank's preference shares:
  - (a) with respect to distributions on a return of assets upon the Bank's liquidation; or
  - (b) with respect to dividends or distribution of payments or other amounts thereunder; and
- (ii) rank *pari passu* with the Securities with respect to such distributions or payments.

**Parity Guarantees** means any guarantees, indemnities, or other contractual support arrangements the Bank enters into with respect to securities or other instruments issued by any of its subsidiaries or Undertakings which effectively from a financial point of view:

- (i) are similar to the most senior class of the Bank's preference shares:
  - (a) with respect to distributions on a return of assets upon the Bank's liquidation; or
  - (b) with respect to dividends or distribution of payments or other amounts thereunder; and
- (ii) rank *pari passu* with the Securities with respect to such distributions or payments.

**Payment Preference Shares** has the meaning set out in Condition 5.1.

**Rate of Interest** has the meaning set out in Condition 3.3.

**Reference Banks** means five leading swap dealers selected by the Agent Bank.

**Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Securityholders by the Bank in accordance with Condition 14.

**Relevant Jurisdiction** means The Netherlands or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Bank becomes subject in respect of payments made by it of principal and interest on the Securities and Coupons.

**Securities** has the meaning set out in the preamble to these Conditions.

**Screen Rate** for any Interest Determination Date will be percentage equal to the rate for 10 year U.S. dollar swaps which appears on Reuters Screen ISDAFIX1 Page as of 11:00 a.m., New York City time on the relevant Interest Determination Date.

**Senior Debt** of the Bank means:

- (i) all claims of the Bank's unsubordinated creditors;
- (ii) all claims of the Bank's creditors whose claims are, or are expressed to be, subordinated only to the claims of the Bank's unsubordinated creditors (whether only in the event of the Bank's bankruptcy or otherwise); and
- (iii) all claims of all of the Bank's other creditors, except those whose claims are, or are expressed to rank, *pari passu* with, or junior to, the claims of holders of the Securities.

**Substituted Preference Share** means a preference share issued by the Bank in accordance with Condition 6 with a nominal value of €1.00 each and a share premium of the Liquidation Preference Amount,

being paid up by way of set off of the amount to be paid up on each Substituted Preference Share against the amounts owed by the Bank under each Security.

**Substitution Confirmation** has the meaning set out in Condition 6.5.

**Supervisory Event** means that the amount of capital of the Bank on a consolidated basis declines below the minimum percentages stipulated by the De Nederlandsche Bank N.V. from time to time in accordance with the Basle Accord in its general guidelines (which on the date of issues of the Securities provide for maintenance by the Bank of a total capital ratio of at least 8 per cent. on a consolidated basis).

**TARGET Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

**Taxes** has the meaning set out in Condition 9.1.

**Trust Deed** has the meaning set out in the preamble to these Conditions and includes any deed supplemental thereto.

**Trustee** means The Law Debenture Trust Corporation p.l.c. and includes any successor thereto pursuant to the Trust Deed.

**Undertaking** means any of the Bank's subsidiaries (being a subsidiary within the meaning of section 2:24a of the Dutch Civil Code) or any entity in which the Bank has a direct or indirect financial, commercial or contractual maturity interest.

## SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE REPRESENTED BY THE GLOBAL SECURITIES

*The following is a summary of the provisions to be contained in the Trust Deed to constitute the Securities and in the Global Securities which will apply to, and in some cases modify, the Conditions of the Securities while the Securities are represented by the Global Securities.*

### 1. Exchange for definitive Securities

The Permanent Global Security will be exchangeable in whole but not in part (free of charge to the holder) for definitive Securities only:

- (a) if both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
- (b) if the Bank would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Securities in definitive form and a certificate to such effect signed by two Directors of the Bank is given to the Trustee.

Thereupon (in the case of (a) above) the holder of the Permanent Global Security (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Bank and (in the case of (b) above) the Bank may give notice to the Trustee and the Securityholders, of its intention to exchange the Permanent Global Security for definitive Securities on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Security may or, in the case of (b) above, shall surrender the Permanent Global Security to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Security the Bank will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Securities (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Security), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Security, the Bank will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Securities.

For these purposes, **Exchange Date** means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

### 2. Payments

On and after 3rd May, 2005, no payment will be made on the Temporary Global Security unless exchange for an interest in the Permanent Global Security is improperly withheld or refused. Payments of principal and interest in respect of Securities represented by a Global Security will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Securities, surrender of such Global Security to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Securityholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Security by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Securities. Payments of interest on the Temporary Global Security (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

### 3. Notices

For so long as all of the Securities are represented by one or both of the Global Securities and such Global Security(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Securityholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 14, provided that, so long as the Securities are listed on the Official Segment of the stock market of Euronext Amsterdam N.V. and for so long as its rules require notices shall also be published in a leading newspaper having general circulation in The Netherlands. if and to the extent that the rules of Euronext Amsterdam N.V. so require. Any such notice shall be deemed to have been given to the

Securityholders on the second after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

#### **4. Accountholders**

For so long as all of the Securities are represented by one or both of the Global Securities and such Global Security(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Securities (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Securities standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Securities for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the holders and giving notice to the Bank pursuant to Condition 12) other than with respect to the payment of principal and interest on such principal amount of such Securities, the right to which shall be vested, as against the Bank and the Trustee, solely in the bearer of the relevant Global Security in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Security.

#### **5. Prescription**

Claims against the Bank in respect of principal and interest on the Securities represented by a Global Security will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date.

#### **6. Cancellation**

Cancellation of any Security represented by a Global Security and required by the Conditions of the Securities to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Security on the relevant part of the schedule thereto.

#### **7. Supervisory Event**

If a Supervisory Event occurs while the Securities remain in global form, Condition 6.4 shall not apply. As soon as reasonably practicable following the occurrence of a Supervisory Event, the Bank shall cause notice thereof to be published. Such notice shall specify a date (the **Substitution Date**) when the Substituted Preference Shares shall be delivered in global registered form to a common depositary for Euroclear and Clearstream, Luxembourg. Such global Substituted Preference Shares shall be registered in the name of a nominee of a common depositary for Euroclear and Clearstream, Luxembourg. On the Substitution Date, provided such global Substituted Preference Shares has been so registered, each Security will be cancelled against a corresponding crediting of the Substituted Preference Shares to each Accountholder's account with the relevant clearing system. Accountholders will not be required to complete a Substitution Confirmation in such circumstances.

#### **8. Euroclear and Clearstream, Luxembourg**

References in the Global Securities and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.



## **USE OF PROCEEDS**

The net proceeds of the issue of the Securities, amounting to approximately U.S.\$98,500,000 will be applied by the Issuer for general corporate purposes and will improve the Issuer's capital structure.

## NIB CAPITAL BANK N.V.

### General

NIB Capital Bank N.V. (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.

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.

ABP is the largest pension fund in The Netherlands and the second largest pension fund in the world with total investments of approximately EUR156 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 EUR57 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 sold its 15 per cent. holding of preference shares in accordance with the agreement of May 1999.

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. Being 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 five 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 its assets and a further diversification of its income sources are important elements of the business model. The Bank intends to achieve these goals, among others, through new strategic partnerships following a course similar to its successful cooperation with various current strategic partnerships. See "Strategic Partnerships".

In addition to autonomous growth opportunities on the basis of the current business model, NIB Capital is considering strategic options for further growth opportunities (such as IPO, merger or joint venture). We expect to be in a position to announce the outcome on this evolution in the course of 2005.

### Description of SBUs of the Bank

The Bank consists of five SBUs. Four of these are commercial SBU's: Corporate Finance, Principal Investments, Financial Markets and Investment Management. The fifth SBU, Corporate Center, provides support for the four commercial divisions, among 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 organisation into a client-driven organisation. Corporate Finance is organised 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 (centralised 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 and securities trading. This SBU's services range from structured products, bonds, asset-backed securities to alternative investments and combinations of the foregoing.

The Financial Markets SBU encompasses the Bank's capital market activities and services to institutional investors. The Bank securitises portions of its loans and other credit-related products and offers them to institutional investors in the form of investment products that are customised for selected investors whose profiles or portfolios they best fit. Capital markets instruments can be added which eliminate specific risks and modify certain risk characteristics to give the desired form of investment.

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 lenders, assuming the underlying credit risk of the homeowners. Management of these mortgages is either retained by the institution concerned or sub-contracted to specialised third parties. Initially, the Bank carried these portfolios exclusively on its own balance sheet. Increasingly, portions of the portfolios have been removed 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 11 residential mortgage-backed securitisation (**RMBS**) transactions in total from both its own and third-party balance sheets. Through its Dutch MBS and other programmes, over EUR10.5 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.

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 and brokerage and capital markets research. The Bank is also an active investor. The Bank's portfolio of international credit investments at December 2003 and December 2004 was valued (at the lower of cost and market) at approximately EUR4.1 billion and EUR4.2 billion, respectively. This portfolio consists of high quality (average credit rating of AA or higher) bonds, 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**), Collateralised 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 U.S.\$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.

NIBCapital acquired a 100% (hundred per cent.) interest in Catamount Investment Group, currently called NIBC Credit Management Inc. (**NIBC CM**). NIBC CM is a specialised 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, especially the mezzanine tranches. This will be affected by originating these assets and repackaging them by way of a securitisation programme.

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, capitalise 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.

NIBCapital acquired a 50.1% (fifty point one per cent.) holding in FundPartners in 2003. This partnership designs and develops comprehensive investment product solutions for pension funds, private banks and asset managers. FundPartners has a particular focus on developing innovative investment solutions using specific asset categories such as alternative investments and capital protected instruments. NIBCapital acquired the remainder of the outstanding share capital in FundPartners in 2004 and thus currently holds 100% (one hundred per cent.) in FundPartners.

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 individual discretionary portfolio management services 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 with whom we are already in business with via Corporate Finance.

The sixth partnership involves a minority stake of approximately 20% (twenty per cent.) in Finance Ideas B.V., a limited liability company that renders financial advice to building utilities and other institutions that aim to service the common good.

## Government Related Business

The Bank has, from the time of its establishment, maintained a close and active working relationship with the Dutch Government. Its early role as a reconstruction bank after World War II has expanded and includes administration of several lending programmes guaranteed by the Dutch 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 EUR8.1 billion and EUR7.0 billion, respectively, under its EMTN programme 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 programme provides for issuance of securities, subject to a maximum aggregate outstanding principal amount of EUR20 billion. As of 31st December, 2004, the Bank had EUR14.7 billion outstanding under the EMTN programme. The Bank has a Euro Commercial Paper programme (**ECP**) pursuant to which it may issue short-term commercial paper subject to a maximum aggregate outstanding principal amount of EUR3 billion. As of 31st December, 2004, the Bank had EUR1.2 billion outstanding under the ECP programme. Both programmes give the Bank the flexibility to make smaller issues and to utilise 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 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 organisation 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, for approving transactions, monitoring exposures 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.

## Management

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

#### *Management Board*

M. Enthoven	Chairman
J.B.J. Stegmann	Vice Chairman
A.L.V. Dijkstra	Member
J.L. van Nieuwenhuizen	Member

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

## **Outlook 2005**

Prospects: Strong basis for further growth

As a leading Merchant Bank in Northwestern Europe, the Bank sees many opportunities for further growth in 2005. Developments in 2004 again showed that its business model fulfils a definite client need. On the basis of its growth plans the Bank is confident about the development of the return on net asset value in 2005. Ongoing investments in human capital and technology, further product development and greater cooperation with its strategic partners will also support this growth. In this way the Bank aims to achieve a further diversification of revenues and a consolidation of its market position in Northwestern Europe.

The Bank's strong financial performance has led to an upward adjustment of its Medium Term Action Plan. The main financial goals for the period 2005-2007 will be:

- To grow sustained net profit to more than €200 million with moderate volatility;
- A comprehensive return on net asset value in excess of 12% through the credit cycle;
- To maintain the efficiency ratio below 40%, adjusted for minority interest.

In addition to autonomous growth on the basis of the current business model, the Bank is considering strategic options for further growth opportunities. It expects to be in a position to announce the outcome of this evaluation in the course of 2005.

**Ratings**

The Bank's long-term unsecured senior debt is presently rated Aa3 by Moody's, A+ by Standard & Poor's and AA- by Fitch, and its short-term unsecured senior debt is rated P-1 by Moody's, A-1 by Standard & Poor's and F1+ by Fitch. As a result of exploring its growth opportunities Standard & Poor's announced it was lowering the long term and short term ratings of the Bank by one notch to A+/ A-1, with a stable outlook, from AA-1/ A-1+. Both Moody's and Fitch have confirmed the Bank's ratings in January and February 2005 respectively. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency without notice. Each rating should be evaluated independently of any other rating.

## CAPITALISATION OF THE BANK

A Shares . . . . .	497,000,000
Preference B shares. . . . .	84,000,000
Preference C shares . . . . .	84,000,000
Preference D shares . . . . .	84,000,000
Preference E shares. . . . .	126,000,000

The issued and paid up capital can be summarized as follows:

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>Total</u>
	<b>(shares in millions of euros)</b>				
Position as at 31 December 2003 . . . . .	58	11	5	6	80
Conversion of preference Shares. . . . .	4	-11	-5	-6	-18
Increase in nominal value. . . . .	10	0	0	0	18
Position as at 31 December 2004 . . . . .	80	0	0	0	80

99.9% of the issued capital re held by NIB Capital N.V.

On 31 December 2004 all issued and paid-up B, C and D shares have been converted into A-shares. Furthermore the nominal value of the A-shares have been increased from EUR 1.00 to EUR 1.28. This increase was settled by a reduction of the share premium reserve, to insure that no capital decrease took place as a result of the conversion.



## FINANCIAL STATEMENTS

### Consolidated Balance Sheet as at 31 December 2004 (before profit appropriation)

	Notes	2004	2003
(in millions of euros)			
<b>Assets</b>			
Cash . . . . .	1	157	1,064
Banks . . . . .	2	1,236	1,059
Loans and advances . . . . .	3		
Guaranteed by Public Authorities . . . . .		2,900	1,109
To the private sector . . . . .		12,114	10,120
		<hr/>	<hr/>
		15,014	11,229
Interest-bearing securities . . . . .	4	6,489	6,106
Shares . . . . .	5	382	445
Participating interests . . . . .	6	118	128
Intangible fixed assets . . . . .	7	1	1
Property and equipment . . . . .	8	89	89
Prepayments and accrued income . . . . .	9	1,270	864
		<hr/>	<hr/>
Total assets . . . . .		24,756	20,985
		<hr/>	<hr/>
(in millions of euros)			
	Notes	2004	2003
<b>Liabilities and shareholders' equity</b>			
Banks . . . . .	10	2,028	467
Funds entrusted . . . . .	11	2,958	2,652
Debt securities . . . . .	12	15,715	14,259
Other liabilities . . . . .	13	243	52
Accruals and deferred income . . . . .	14	1,579	1,363
Provisions . . . . .	15	32	28
		<hr/>	<hr/>
		22,555	18,821
Fund for general banking risks . . . . .		136	136
Subordinated liabilities . . . . .	16	424	519
Shareholders' equity . . . . .	17		
Issued and paid-up capital . . . . .		80	80
Reserves . . . . .		1,319	1,278
Net profit for the year . . . . .		222	130
		<hr/>	<hr/>
Group equity . . . . .		1,621	1,488
Third-party interests . . . . .		20	21
Group capital base . . . . .		2,201	2,164
		<hr/>	<hr/>
Total liabilities and shareholders' equity . . . . .		24,756	20,985
		<hr/>	<hr/>
Contingent liabilities . . . . .	18	2,128	2,334
Irrevocable facilities . . . . .	19	2,417	1,930

## Consolidated Profit and Loss Account for 2004

	Notes	2004	2003
		(in millions of euros)	
<b>Income</b>			
Interest income*	21	801.5	920.1
Interest expense*	22	528.6	645.5
Interest		272.9	274.6
Income from securities and participating interests		30.5	23.1
Commission income	23	29.3	30.1
Commission expense	24	0.8	2.1
Commission		28.5	28.0
Result on financial transactions	25	94.2	22.1
Other revenues	26	-0.4	5.8
Total income		425.7	353.6
<b>Expenses</b>			
Personnel and administrative expenses	27		
Personnel expenses		100.8	70.4
Other administrative expenses		41.7	40.1
Depreciation	28	142.5	110.5
Operating expenses		11.1	9.8
Value adjustments to receivables		153.6	120.3
Total expenses		-18.6	53.7
Operating result before taxation		135.0	174.0
Taxation	29	290.7	179.6
Third-party interests		74.1	43.0
Net profit		-5.5	6.5
		222.1	130.1

\*2003 restated

## Cash flow statement for 2004

		<u>2004</u>	<u>2003</u>
		(in millions of euros)	
Net profit . . . . .	222		130
Adjustments:			
Depreciation . . . . .	11		10
Value adjustments to receivables . . . . .	-19		54
Movements in provisions . . . . .	4		-13
Cash flow from net profit . . . . .		218	181
Banks (not payable on demand) . . . . .	1,567		300
Loans and advances . . . . .	-3,766		660
Funds entrusted . . . . .	306		-111
Shares . . . . .	63		-106
Interest-bearing securities trading portfolio . . . . .	-332		-939
Other movements . . . . .	-89		113
Cash flow from operating activities . . . . .		-2,033	98
Investment portfolio purchases . . . . .	-723		-960
Repayments and disposals . . . . .	672		513
Investment portfolio . . . . .		-51	-447
Purchase of participating interests . . . . .	-8		0
Disposal of participating interests . . . . .	16		10
Other . . . . .	2		0
Participating interests . . . . .		10	10
Purchase of tangible fixed assets . . . . .	-11		-10
Disposal of tangible fixed assets . . . . .	0		0
Tangible assets . . . . .		-11	-10
Cash flow from investing activities . . . . .		-52	-447
Debt securities . . . . .	1,456		1,365
Subordinated liabilities . . . . .	-95		122
Cash flow from financing activities . . . . .		1,361	1,487
Cash flow . . . . .		-724	1,138

## **Accounting Policies**

### **General**

The annual accounts have been prepared in accordance with the legal requirements for annual accounts contained in Title 9, Book 2, of the Netherlands Civil Code. Due to changes in Dutch General Agreement on Accounting Principles (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 recognised by shareholders' equity. The company profit and loss account has been drawn up in accordance with Section 402, Book 2, of the Netherlands Civil Code. The list of information relating to subsidiaries and participating interests referred to in Section 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 shown in millions of euros unless otherwise stated. Any significant comparative figures for the preceding year are shown in brackets in the notes to the accounts.

### **Consolidation Principles**

The consolidated accounts include the assets, liabilities and results of the company and its group companies. The financial figures of joint ventures, insofar as they are financial institutions, are included on a pro rata basis in the consolidated accounts according to the interest held. The accounts of the joint venture NIBC Petercam Derivatives N.V., which deals in equity derivatives, are fully consolidated. The reason for this is that NIB Capital Bank N.V. is guarantor for the obligations ensuing from the 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 NIB Capital 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 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 at 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 related to trading activities are carried at market value. Other exchange differences arising on translation are included in the profit and loss account as results on financial transactions.

#### **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 company's activities.

#### **Off-balance Sheet Instruments**

Off-balance sheet instruments are used to hedge the group'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 based on the remaining term to maturity of the securities concerned, provided it does not, on balance, 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 NIB Capital Bank N.V. 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 company'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 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. 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 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 company's own activities, are subdivided into the following categories:

- Participating interests in which the company exercises a controlling influence on policy; these companies are stated at net asset value.
- Participating interests in which the company 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 company 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 result.

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. No depreciation is applied to land and buildings in use by third parties. 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 trading portfolio valuation differences, the related deferred tax liabilities are carried 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***

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.

### ***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 other equity interests (equity participations 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, and which are stated at net asset value.

### ***Other Reserves***

The other reserves are made up of retained earnings that are freely available for distribution to 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, that are credited or charged 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 over the remaining term to maturity of the securities sold 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. Sale 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. The expenses of Stock Appreciation Rights granted to the management and other staff are included in the profit and loss account under staff expenses, thus providing a clear view of the expenses of the Stock Appreciation Right scheme. The premium is calculated on the basis of the appreciation in value expected during the term of the right and assuming a projected return on equity, which is then reduced to its present value using the risk-free rate of interest. Pension changes are calculated using the dynamic method.

## **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.

## **Financial Risk Management**

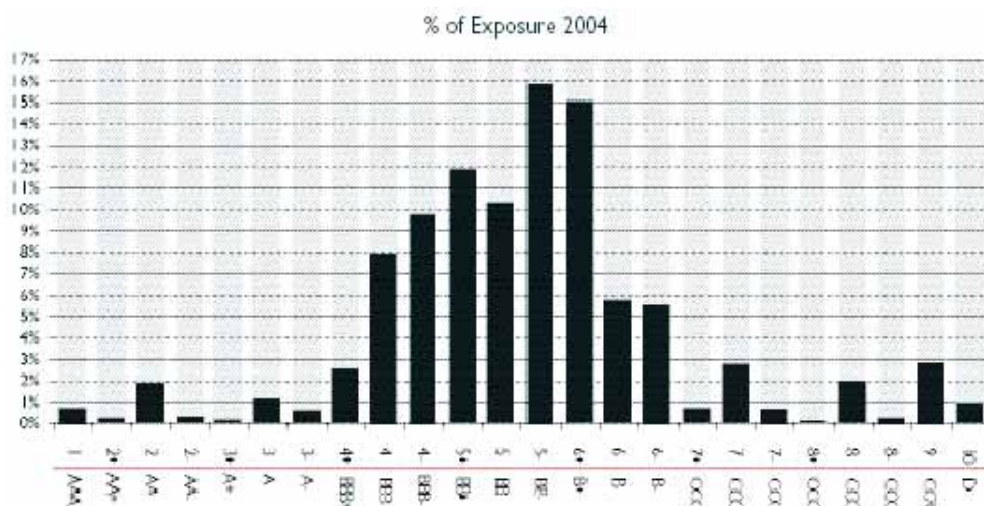
### **Risk Management Organization**

The risk management activities are predominantly organized out of the Corporate Risk Management function. Various risk management 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. This ensures that approval of credit or market risk exposure is independent of the business originators. The risk management BUs carry out the daily risk control and monitoring activities, and also prepare and implement new review and control policies on all risk portfolios. The primary responsibility of these BUs is to identify, measure, evaluate and report on all credit risks (including counterparty risks), liquidity and market risk to which the bank is exposed.

It goes without saying that risk management is a core competence of a professional financial institution. All our staff are therefore constantly responsible for 'Intelligent' risk management. We consider the pro-active involvement of our risk management BUs in our commercial activities and product development absolutely vital, also to ensure compliance with NIBC Capital's Corporate Values and Business Principles.

### **Credit Risk**

The New Capital Accord, 'Basel II', requires sophisticated systems and historical data gathering in the processes of risk management. We took the initiative to set up a data pool with other comparable wholesale banks, to improve the data gathering for every participating bank. This will make it possible for every participating bank to qualify even more effectively for the so-called advanced approach. Based on our long experience in corporate lending, and in conjunction with Standard & Poor's and KPMG, and partly in anticipation of Basel II, in 2000 we developed a sophisticated credit rating methodology for all our relevant types of counterparty products. The rating system has been validated by S&P's for the fifth consecutive year with consistent strong mapping results. Several of our clients have already shown strong interest in our approach and have consulted us regarding rating methodology and modeling issues. Occasionally we provide a 'shadow rating' for our clients in anticipation of a formal rating.



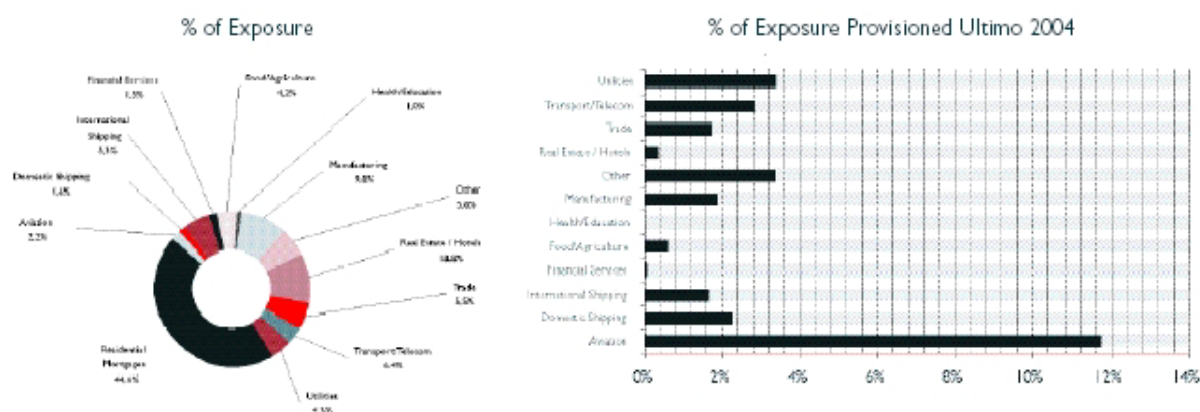
Of the total loan portfolio, 95% is rated. The graph above gives a breakdown of our loan portfolio per rating category (and corresponding S&P rating). The rating categories are a reflection of the probabilities of default of our counterparties, but do not incorporate the underlying collateral positions of the respective loans granted to these counterparties. Compared to last year it shows a relatively stable rated portfolio that in the second half of 2004 slightly improved.

The outcome of the rating system (Probability of Default per counterparty, and Expected Loss per facility) is used as the input for extensive credit portfolio analysis, taking into account the Global One Obligor Exposure and industry concentration and diversification effects. Throughout the credit process – acquisition, validation, portfolio management – the concepts of Risk Adjusted Return On Capital (RAROC), based among other things on the credit rating and loss data, and Economic Value Added (EVA), are implemented as the leading principles for optimizing the use of the bank's economic capital.

After a few years of consecutive years of relative high provisioning, this year the provisioning returned to a net release. Looking at the IFRS impairment rules, for which we developed a new integrated cash flow model for our rating system, we believe the present provisioning level is adequate and compliant with IFRS standards.

The entire bank balance sheet has a strong credit profile due to a diversified portfolio of externally rated assets, combined with our mortgage, bank loan and equity & intermediate capital portfolios.

A substantial part of the credit risk is found in the corporate loan portfolio. The corporate loan portfolio has the following composition divided by exposure and provisions per sector at year-end 2004.



## Market Risk

Market risk is defined as the risk of a change in the value of an asset in response to changes in, for instance, market prices, interest rates, foreign exchange rates, credit spreads and equity prices. At the bank all market risks are concentrated in the SBU Financial Markets except for investing capital in Corporate Center. In order to manage market risks we have put in place a consistent set of risk limits, and implemented an advanced risk management system (Algorithmics) to calculate and to project the relevant risk figures. Virtually



all transactions are analyzed within the Algorithmic system on a daily basis, giving us an instant 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 available on a daily basis and can be drilled down from SBU level to the transaction level. Economic capital for all activities is calculated weekly on the basis of these risk numbers.

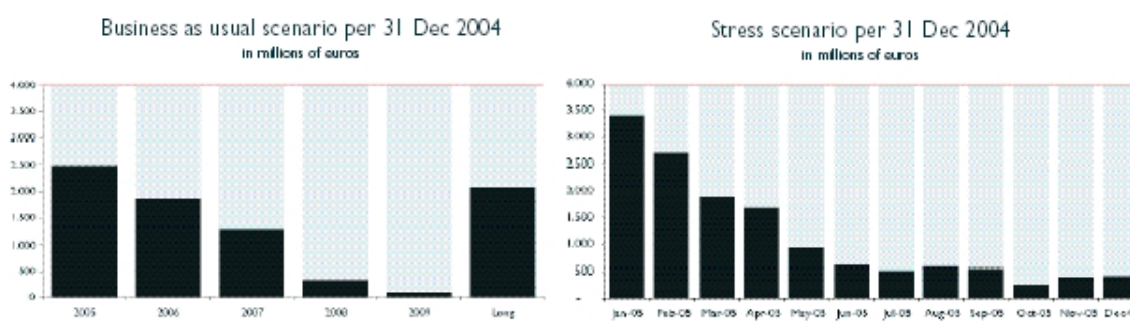
The Asset & Liability Committee (ALCO) resets the allocation of the banks' total economic capital to the different activities each quarter, based on actual usage, as well as the realised and expected return on economic capital.

VaR is calculated as a result of one-day changes in market prices assuming a 99% confidence level and using one year of historical data. VaR limits have been set for all NIBCapital's financial market activities. A wide set of scenarios, including stress testing and vulnerability identification, both based on historical events and on possible future scenarios, complement the risk reports.

For the trading books, all risk positions are measured on a daily basis. Any significant excess is reported to senior management together with the required background information. Senior management also receives P&L reports of the trading books on a daily basis. The ALCO receives periodical reports on all excesses.

### **Liquidity Risk Management**

Maintaining a healthy funding profile is one of the most important risk management measures. The funding profile is analysed by mapping all assets and liabilities in time buckets, corresponding to their maturities. Given the fact that trading assets are more liquid than their contractual maturity indicate, the bank treats them partly as liquids (with time buckets of six months or less) and partly as long term (with time buckets up to 10 years). The bank's policy is to maintain an excess of assets over liabilities, ensuring a comfortable liquidity position and protect asset spreads. The mapping below shows the actual position as of 31 december 2004:



Via the use of liquid investment and trading portfolios, we will ensure that we can meet our financial obligations, even in the – extremely unlikely – event of being temporarily unable to raise new funding. In this stress scenario it is assumed that we immediately sell all liquid bonds at a discount of 20%. The graph above shows that NIBCapital has an excellent liquidity position and that we will be able to meet our financial obligations even if we were unable to raise new funding over the next 12 months.

### **Operational Risk**

On a European level, the Basel Committee on Banking Supervision (BCBS) has reviewed its capital adequacy rules, laid down in the Basel Accord of 1988. The new Accord, which will come into effect in 2007, has added the new element of "Other Risks" to the rules on Credit Risk and Market Risk. The main component of "Other Risks" is Operational Risk, but it also includes such elements as Reputational Risk, Strategic Risk and Integrity Risk.

Our operational risk management function is built into our business processes, and monitored on a regular basis by the Internal Audit and Compliance BUs, which also closely monitor NIBCapital's Reputational and Integrity Risk.

### **Fair Values of Financial Assets and Liabilities**

In 2002 NIB Capital 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 it is the case for most of the group's financial assets and liabilities, no ready market bid and offer prices are available. A market-to-model approach is accordingly used to estimate the fair value of most financial assets and liabilities. The following table summarises the carrying amounts and fair values of assets and liabilities not presented in the group's balance sheet at their fair value.

	<b>Carrying Value 2004</b>	<b>Fair Value 2004</b>	<b>Carrying Value 2003</b>	<b>Fair Value 2003</b>
	<b>(in millions of euros)</b>			
Financial assets				
Loans and advances . . . . .	15,014	15,118	11,229	11,347
Interest-bearing securities . . . . .	2,288	2,297	2,237	2,251
Participating interests . . . . .	118	118	128	128
Financial liabilities				
Debt securities . . . . .	15,715	15,698	14,259	14,244
Subordinated liabilities . . . . .	424	425	519	519

### **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 Collateralised 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 group'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 mortgages-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.

### **Participating Interests**

The carrying value of the 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 of NIB Capital Bank N.V.**

The principal ratios for reviewing the capital adequacy of NIB Capital Bank N.V. are the Tier I 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 Basel Capital 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 to hedge 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 I 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 I capital plus revaluation reserve and subordinated loans adjusted for deductible items.

<b>Balance sheet assets (net of provisions)</b>	<b>Balance sheet/ Notional amount</b>		<b>Risk-weighted Amount</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>(in millions of euros)</b>			
Cash . . . . .	157	1,064	—	—
Receivables from other banks . . . . .	1,236	1,059	98	93
Loans and advances to the private sector . . . . .	15,013	11,229	8,789	7,442
Trading and investment, interest-bearing securities . . . . .	6,489	6,106	587	670
Trading and investment, shares . . . . .	382	445	167	201
Investments in participating interests . . . . .	118	128	114	125
Property and equipment . . . . .	89	89	89	89
Other assets . . . . .	1,272	865	929	531
<b>Total . . . . .</b>	<b>24,756</b>	<b>20,985</b>	<b>10,773</b>	<b>9,151</b>
Off-balance sheet positions				
Credit-related commitments . . . . .	5,212	4,816	1,645	1,322
Otc derivative instruments, interest contracts . . . . .	87,304	48,462	170	146
Otc derivative instruments, foreign exchange contracts . . . . .	15,381	12,704	166	132
Otc derivative instruments, equity contracts . . . . .	5,927	6,966	103	77
<b>Total . . . . .</b>	<b>113,824</b>	<b>72,948</b>	<b>2,084</b>	<b>1,677</b>
Unassigned market-risk components . . . . .			1,898	2,252
<b>Total risk-weighted assets . . . . .</b>			<b>14,755</b>	<b>13,080</b>
BIS Capital ratios	<b>Capital</b>		<b>BIS%</b>	
Tier I capital * . . . . .	1,586	1,668	10.7%	12.8%
Tier I + Tier 2 capital * . . . . .	1,803	2,004	11.8%	14.9%

\* After proposed profit appropriation

## Notes to the Consolidated Balance Sheet as at 31 December 2004

### 1 Cash

This includes all legal tender and credit balances with De Nederlandsche Bank N.V. payable on demand.

### 2 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.

The item banks does not include receivables from participating interests. Subordinated loans included in this item amount to 4.5 million (2003: 11.3 million).

<b>Analysis:</b>	<b>2004</b>	<b>2003</b>
Payable on demand . . . . .	832	592
Not payable on demand. . . . .	404	467
	<u>1,236</u>	<u>1,059</u>

<b>Maturity analysis of the items not payable on demand:</b>	<b>2004</b>	<b>2003</b>
Three months or less . . . . .	73	195
Longer than three months but not longer than one year. . . . .	7	50
Longer than one year but not longer than five years . . . . .	314	15
Longer than five years . . . . .	10	207
	<u>404</u>	<u>467</u>

### 3 Loans and Advances

This includes all receivables, other than receivables from credit institutions and debentures or other fixed-income securities. The receivables include business loans and residential mortgages. At year end 2004 on 973 million (2003: 1,000 million) of the mortgage receivables credit protection has been purchased by means of a synthetic securitisation (Provide Orange). As at 31 December 2004 there are no receivables due from members of the Managing Board (2003: nil).

<b>Maturity analysis of the loans and advances:</b>	<b>2004</b>	<b>2003</b>
Three months or less . . . . .	536	568
Longer than three months but not longer than one year. . . . .	143	860
Longer than one year but not longer than five years . . . . .	2,446	3,445
Longer than five years . . . . .	11,889	6,356
	<u>15,014</u>	<u>11,229</u>

Loans and Advances includes receivables from participating interests totalling 63 million (2003: 86 million), which does not include subordinated loans. The total amount of subordinated loans in this item, as at 31 December 2004, amounts to 295 million (2003: 357 million), of which 222 million (2003: 255 million) is guaranteed by the State of the Netherlands. The item Loans and Advances to the private sector includes provisions for doubtful debtors of 271 million (2003: 365 million).

		<b>2004</b>
		<b>(in millions of euros)</b>
Position as at 31 December 2003 .....		365
Increase in provisions .....	72	
Released from provisions .....	-93	
		-21
Increase in respect of interest. ....		6
Write-offs .....		-69
Exchange differences. ....		-10
Position as at 31 december 2004. ....		271

The provisions represent 0.2 % (2003: 0.5%) of the mortgage portfolio.

The provisions represent 3.7 % (2003: 4.9%) of the other loan portfolio.

### Securitisations

In recent years, NIB Capital Bank N.V. has disposed of part of its own book mortgage portfolio by means of eleven separate mortgage securitisation transactions. Furthermore, NIB Capital Bank N.V. acquired all remaining risks of the SwAFE securitisations from the originator.

The following table shows the original and current principles of the securitised mortgages. The non-investment-grade notes issued by Dutch MBS companies and SwAFE 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 2004	Year of Securitisation	First Optional Redemption Date	Contracted Maturity	Non-investment- grade note financing granted by NIB Capital Bank N.V. as at 31 December 2004
DutchMBS 97-I B.V. ....	182	45	1997	None	2007	0
DutchMBS 97-II B.V. (*)	272	47	1997	None	2007	0
DutchMBS 98-I B.V. (**)	272	79	1998	None	2008	1.4
DutchMBS 99-I B.V. ....	290	145	1999	2008	2039	5.7
Dutch MBS 99-II B.V. ....	300	167	1999	2008	2040	5.7
DutchMBS 99-III B.V. (*)	300	177	1999	2008	2031	2.8
DutchMBS 00-I B.V. ....	800	432	2000	2007	2076	8.8
DutchMBS 01-I B.V. (*)	750	491	2001	2008	2073	1.2
DutchMBS IX B.V. ....	900	476	2001	2008	2077	6.2
DutchMBS X. ....	1,000	942	2003	2010	2079	4.8
DutchMBS XI. ....	1,000	797	2003	2010	2035	4.8
Swafe (***) .....	800	488	2002	2009	2079	0
Total .....	6,866	4,286				41.4

(\*) These securitisation transactions concern mortgages originated by SR-Hypotheek N.V. (50% interest). The principal information is provided on the basis of 100% of the mortgages securitised by SR-Hypotheek N.V.

(\*\*) This transaction is made up equally of mortgages originated by SR-Hypotheek N.V. and mortgages originated by ASR Bank N.V. The principal information is provided on the basis of the total original portfolio.

(\*\*\*) NIB Capital Bank N.V. is not the originator of the securitised mortgages.

All Dutch MBS companies including SwAFE are based in Amsterdam. Servicing of the mortgages has been outsourced.

The balance sheet of NIB Capital Bank N.V. includes assets totalling 0.9 million (2003: 2.0 million) in respect of the above securitisation transactions. This concerns 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.

## 4 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:

	2004	2003
	(in millions of euros)	
A Listed		
Debentures issued by public bodies . . . . .	152	353
Debentures issued by others . . . . .	4,161	3,683
Other fixed-income securities. . . . .	94	123
B Unlisted fixed-income securities . . . . .	2,082	1,947
	<u>6,489</u>	<u>6,106</u>

### This Item can also be Analysed into:

	2004	2003
Investment portfolio . . . . .	2,288	2,237
Trading portfolio. . . . .	4,201	3,869
Total. . . . .	<u>6,489</u>	<u>6,106</u>

Of the interest-bearing securities, an amount of 540 million falls due in 2005.

### Movements in the Investment Portfolio were as follows:

	2004
Position as at 31 December 2003 . . . . .	2,237
Purchases . . . . .	723
Disposals . . . . .	-312
Repayments . . . . .	-253
Exchange differences . . . . .	-36
Other movements . . . . .	-71
Position as at 31 December 2004 . . . . .	<u>2,288</u>

The net unamortised difference as at balance sheet date between redemption value and cost of debentures forming part of the investment portfolio amounts to 46.9 million. The difference is included in accrued 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 214.6 million.

The bank cannot freely dispose of investment portfolio interest-bearing securities amounting to 81.3 million owing to the Latitude synthetic securitisation transaction. Trading portfolio interest-bearing securities does not include own debentures at year-end 2004.

## 5 Shares

This includes shares issued by parties other than participating interests together with other variable-income securities such as options.

### The Analysis of the Item is as follows:

	2004	2003
Listed . . . . .	83	18
Unlisted . . . . .	299	427
	<u>382</u>	<u>445</u>

**The Item can also be Analysed into:**

	2004	2003
Trading portfolio . . . . .	46	99
Equity participations . . . . .	336	346
	<u>382</u>	<u>445</u>

**Movements in Equity Participations were as follows:**

	2004	2003
Position as at 31 December 2003 . . . . .	346	296
Purchases and additional payments . . . . .	42	129
Disposals . . . . .	-60	-68
Revaluations as at 31 December 2004 . . . . .	5	7
Other movements . . . . .	3	-18
	<u>336</u>	<u>346</u>

**6 Participating Interests****The Shares in Participating Interests can be Analysed as follows:**

	2004	2003
Listed . . . . .	77	73
Unlisted . . . . .	41	55
	<u>118</u>	<u>128</u>

**Movements in the Item Participating Interests were as follows:**

	2004
Position as at 31 December 2003 . . . . .	128
Purchases and additional payments . . . . .	8
Disposals . . . . .	-16
Other movements . . . . .	-2
	<u>118</u>

A list of the share interests classified as participating interests is given in an appendix to these notes.

**7 Intangible Fixed Assets****Movements in the Item Intangible Fixed Assets were as follows:**

	2004
Position as at 31 December 2003 . . . . .	1
Amortisation . . . . .	0
	<u>1</u>

The accumulated depreciation as at 31 December 2004 was 0.4 million.

**8 Property and Equipment****This Item Comprises:**

	2004	2003
Land and buildings in use by the company . . . . .	49	42
Land and buildings in use by third parties . . . . .	25	30
Furniture and equipment . . . . .	15	17
	<u>89</u>	<u>89</u>

**Movements in Property and Equipment were as follows:**

	<b>2004</b>
Position as at 31 December 2003 .....	89
(Dis)Investments. ....	11
Impairment. ....	-5
Depreciation. ....	-6
Position as at 31 December 2004 .....	89

Land and buildings in use by the company are insured for 54.4 million. Land and buildings in use by third parties are insured for 19.2 million. Furniture and equipment are insured for 27.7 million. The total amount of the revaluation on property as at 31 December 2004 is 3.8 million. The impairment is related to land and buildings in use by third parties.

**The Accumulated Depreciation as at 31 December 2004 was as follows:**

	<b>2004</b>
Land and buildings in use by the company. ....	20
Furniture and equipment .....	24
	44

**9 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 amount of 577 million), as well as amounts receivable, but not yet invoiced in 2004 such as interest of 560.3 million (2003: 545.9 million). This item also includes a deferred tax asset of 7.5 million (at face value).

**Liabilities and Shareholders' Equity****10 Banks**

This includes non-subordinated amounts owed to credit institutions, other than debt securities.

**Analysis:**

	<b>2004</b>	<b>2003</b>
Payable on demand .....	61	4
Not payable on demand. ....	1,967	463
	2,028	467

**Maturity Analysis of Amounts not Payable on Demand:**

	<b>2004</b>	<b>2003</b>
Three months or less .....	653	182
Longer than three months but not longer than one year. ....	77	72
Longer than one year but not longer than five years. ....	467	124
Longer than five years .....	770	85
	1,967	463



## 11 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.

<b>Analysis:</b>	<b>2004</b>	<b>2003</b>
Payable on demand . . . . .	66	535
Not payable on demand. . . . .	2,892	2,117
	<u>2,958</u>	<u>2,652</u>

<b>Maturity Analysis of Amounts not Payable on Demand:</b>	<b>2004</b>	<b>2003</b>
Three months or less . . . . .	474	829
Longer than three months but not longer than one year. . . . .	109	72
Longer than one year but not longer than five years . . . . .	2,004	865
Longer than five years . . . . .	305	351
	<u>2,892</u>	<u>2,117</u>

## 12 Debt Securities

This includes debentures and other negotiable fixed-income debt securities, other than subordinated items.

<b>Maturity Analysis of Debt Securities:</b>	<b>2004</b>	<b>2003</b>
Three months or less . . . . .	2,247	1,854
Longer than three months but not longer than one year. . . . .	1,534	2,675
Longer than one year but not longer than five years . . . . .	10,266	7,455
Longer than five years . . . . .	1,668	2,275
	<u>15,715</u>	<u>14,259</u>

## 13 Other Liabilities

This item comprises liabilities that cannot be classified under any other heading, such as short positions in financial instruments and taxation payable of 111.1 million (2003: 41.5 million).

## 14 Accruals and Deferred Income

This item includes income received in advance which is attributable to future periods and the negative replacement value of trading portfolio derivatives carried at market value. Furthermore, the NIBC Petercam Derivatives N.V. option positions amounting to 586.6 million, accruals such as interest of 638.7 million (2003: 608.5 million) and the net liability on forward exchange contracts are included in this item.

## 15 Provisions

	<b>Position as at 31 December 2003</b>	<b>Increase</b>	<b>Decrease</b>	<b>Utilised</b>	<b>Position as at 31 December 2004</b>
Early retirement & pensions . . . . .	11			-6	5
Deferred tax liabilities. . . . .	13	2		-9	6
Stock appreciation rights . . . . .	0	11			11
Deferred cash bonus . . . . .		7			7
Other. . . . .	4			-1	3
	<u>28</u>	<u>20</u>	<u>0</u>	<u>-16</u>	<u>32</u>

The early retirement & pensions provision and the provision for deferred tax liabilities are long-term by nature. The Stock Appreciation Rights (SAR) scheme was introduced in 2001. A SAR entitles the holder to a share in the value growth of NIB Capital N.V. As from 2004 the expenses incurred related to the SAR scheme of NIB Capital are borne by NIB Capital Bank N.V. to the extent that those costs relate to employees of NIB Capital Bank N.V. The expected costs of the outstanding SAR's are provided for. The provision is calculated based on the difference between the exercise price as at 31 December 2004 and the exercise price at the grant date plus a future expected return of 10% until maturity. Furthermore 15% annual staff turnover and a discount rate of 3.45% have been applied.

No new SARs will be awarded with respect to the financial year 2004. The SAR scheme has been replaced by a deferred cash bonus which will be paid in three years, starting 2006. The nominal value of the 2004 deferred cash bonus amounts to 8.8 million. In calculating the book value ( 6.8 million) a 15% annual staff turnover and 3.45% discount rate has been applied.

## 16 Subordinated Liabilities

The average interest rate on subordinated loans is 5.2%

<b>Maturity Analysis of Subordinated Liabilities</b>	<b>2004</b>	<b>2003</b>
Longer than one year but not longer than five years . . . . .	210	144
Longer than five years but not longer than ten years . . . . .	191	194
Longer than ten years . . . . .	23	181
	<u>424</u>	<u>519</u>

All the above loans are subordinated to the other liabilities of the company. USD 200 million qualifying as Tier I 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 9 years (2013) with the prior approval by the Dutch Central Bank. Interest of 23.8 million was paid on subordinated liabilities during last year.

## 17 Shareholders' Equity

<b>Overview of Total Group Result</b>	<b>2004</b>	<b>2003</b>
Consolidated net result after taxation . . . . .	222	130
Revaluation tangible fixed assets . . . . .	0	-3
Write-down / revaluation of financial fixed assets . . . . .	4	6
Other movements . . . . .	<u>-2</u>	<u>0</u>
Total of direct movements in group equity . . . . .	<u>2</u>	<u>3</u>
Total group result . . . . .	<u>224</u>	<u>133</u>

For further information regarding the shareholders' equity, reference is made to the notes to the company balance sheet on pages 43 and 44.

## Commitments Not Included in the Balance Sheet

### 18 Contingent Liabilities

These include commitments under contracts of suretyship and guarantees.

### 19 Irrevocable Facilities

These concern all obligations arising from irrevocable commitments that could result in credit risks.

## 20 Derivatives

The following statements present the notional amounts, the positive replacement value and the unweighted and weighted credit equivalents of NIB Capital Bank's derivative portfolio as at 31 December 2004. For comparison purposes the unweighted and weighted credit equivalents of the derivatives portfolio as at 31 December 2003 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 438 million (2003: 355 million) results in a solvency requirement of 35 million (2003: 28 million).

Notional Amount					Positive replacement value
	Total	< 1 Year	1 – 5 years	> 5 Years	
Interest rate otc contracts					
Swaps .....	86,781	29,605	38,528	18,648	1,169
Options .....	523	116	150	257	1
Foreign exchange otc contracts					
Swaps .....	15,353	4,750	7,573	3,030	743
Forwards .....	28	21	7	0	1
Equity contracts otc					
Swaps .....	1,661	177	1,381	103	51
Options .....	4,266	726	3,007	533	208
Total otc contracts .....	108,612	35,395	50,646	22,571	2,173
Listed					
Options .....	5,176	2,021	3,042	113	N.A.
Futures .....	359	359	0	0	N.A.
Total derivatives .....	114,147	37,775	53,688	22,684	2,173
Of which non-trading book .....	76,999				
Of which trading book .....	37,148				

Credit Equivalent	Year-end 2004		Year-end 2003	
	Unweighted	Weighted	Unweighted	Weighted
Interest rate contracts .....	1,647	170	1,242	146
Foreign exchange contracts .....	1,396	166	1,055	132
Equity contracts .....	515	103	445	77
Total contracts .....	3,558	439	2,742	355

As at year-end 2004, the derivatives trading portfolio amounted to 37,148 million (2003: 25,589 million) (notional amount), of which 11,490 million (2003: 9,770 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 2004, 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. Of the remaining balance of the derivatives trading portfolio with a total notional amount of some 25,658 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 8,286 million, while liabilities denominated in foreign currency amounted to 11,772 million. The resulting positions have been almost entirely hedged.

### Outstanding forward contracts

The forward transactions outstanding at the end of 2004 were entered into to cover foreign exchange positions included in the balance sheet.

## Notes to the Consolidated Profit and Loss Account for 2004

### 21 Interest Income

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:	2004	2003
Debentures and other fixed-income securities . . . . .	217.3	216.3
Other . . . . .	584.2	703.8
	<u>801.5</u>	<u>920.1</u>

### 22 Interest Expense

This includes the costs arising from the borrowing of funds and related transactions as well as other charges similar to interest.

### 23 Commission Income

This amount represents the charges for services performed for third parties, other than charges in the nature of interest.

### 24 Commission Expense

This amount represents the charges for services performed by third parties other than charges in the nature of interest.

### 25 Result on Financial Transactions

This represents realised and unrealised differences in value of equity participation 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..

Results on Financial Transactions Comprise:	2004	2003
Securities trading portfolio . . . . .	60.8	36.6
Other income . . . . .	33.4	-14.5
	<u>94.2</u>	<u>22.1</u>

### 26 Other Revenue

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.

## 27 Personnel and Administrative Expenses

	2004	2003
Personnel expenses . . . . .	100.8	70.4
Other administrative expenses . . . . .	41.7	40.1
	<u>142.5</u>	<u>110.5</u>

The personnel expenses comprise:

	2004	2003
Salaries . . . . .	69.9	57.0
Stock appreciation rights expenses / deferred cash bonus . . . . .	17.4	0.0
Pension charges (*) . . . . .	7.5	8.2
Other social security charges (*) . . . . .	4.8	4.2
Other staff expenses. . . . .	1.2	1.0
	<u>100.8</u>	<u>70.4</u>

\*) 2003 Restated

For further information on the expenses of the Stock Appreciation Rights, reference is made to the notes to the company balance sheet. The number of employees, expressed in terms of full-time equivalents, was 628, (2003: 591). On a full-time equivalent basis, the average number was 619 (2003: 600).

### Remuneration of the managing board

In this section we will present an abbreviated version of the Remuneration Report as published in the Annual Report 2004 of NIB Capital N.V. This abbreviated version contains the most important elements of the overall remuneration arrangements for the Managing Board. The Managing Board of NIB Capital N.V. forms a personal unity with the Managing Board of NIB Capital Bank N.V.

In 2004 the Managing Board consisted of 4 statutory directors appointed according to the articles of association (2003: 3). Mr. Van Nieuwenhuizen was appointed to the Managing Board on March 30, 2004. The total remuneration paid to the Managing Board amounted to 5.1 million (2003: 2.5 million, this is excluding the SAR compensation, see Note 15 regarding the SAR provisions) and is broken down as follows:

### Overview remuneration managing board 2004

Current Members	Base Salary	Short term Bonus	Δ 04/03	Deferred Compensation	Δ 04/03*	Total direct Compensation	Δ 04/03	Pension Costs	Expense Allowance	Other Emoluments	Total Compensation
<b>in euros</b>											
Michael Enthoven . . . . .	650,000	490,000	40%	570,000	42%	1,710,000	22%	0	5,400	11,640	1,727,040
Jurgen B.J. Stegmann . . . . .	350,000	350,000	40%	350,000	9%	1,050,000	14%	62,992	4,404	16,578	1,133,974
Antoine L.V. Dijkstra . . . . .	350,000	350,000	-18%	350,000	25%	1,050,000	6%	55,046	4,028	18,210	1,127,284
Jan L.Van Nieuwenhuizen . . . . .	350,000	350,000	40%	350,000	9%	1,050,000	14%	70,000	3,000	24,277	1,147,277
Total . . . . .	<u>1,700,000</u>	<u>1,540,000</u>	<u>21%</u>	<u>1,620,000</u>	<u>23%</u>	<u>4,860,000</u>	<u>15%</u>	<u>188,038</u>	<u>16,832</u>	<u>70,705</u>	<u>5,135,575</u>

\* The delta includes the sar-compensation 2003

Mr. Enthoven and Mr. Stegmann have been statutory members of the Managing Board for the entire year 2004. The short term bonus for statutory members of the Managing Board is determined on the basis of the balanced scorecard methodology, which includes corporate financial (50%) and individual (50%) performance criteria. These financial targets are: operating profit, return on net asset value and efficiency ratio. The specific details of targets are not disclosed as these qualify as commercially sensitive information. Targets are revised annually to ensure that they remain stretching but realistic.

Mr. Enthoven and Mr. Stegmann can earn a discretionary short term bonus of up to 75% of their base salary upon 100% realisation of the score card metrics. However, in view of the Bank's extraordinary performance this year, the Supervisory Board decided to exercise its discretion to grant Mr. Stegmann a short term bonus for 2004 of 100% of his base salary for that year. In respect of Mr. Enthoven it was decided to grant him a discretionary short term bonus for 2004 of 75% of his base salary for that year.

These bonuses also recognise the shared responsibility of the Managing Board for the successful overall transformation of the Bank in the past few years, in particular the significant improvements in the management of risk which have started to show the intended results, the change of the Corporate Finance SBU from a more traditional lending business to a full-service merchant banking unit with a significantly larger percentage of non-interest income and the ongoing developments of the Financial Markets SBU.

Mr. Enthoven has relinquished his rights to participate in the Bank's pension plan for the Managing Board. With respect to Mr. Stegmann and Mr. Dijkstra, a "final pay" pension arrangement applies (annual accrual of 2%) up to a salary limit of 278,000 for Mr. Dijkstra, respectively 350,000 for Mr. Stegmann. Furthermore, a defined contribution arrangement is applicable with respect to the salary above these amounts, with a cap on the basis for pension contributions at 400,000. Mr. Van Nieuwenhuizen is entitled to a defined benefit pension arrangement up to 77,347 (annually adjusted for general wage increases in line with the Collective Labour Agreement for Banks in the Netherlands) under the Bank's employee pension plan, and an additional defined contribution arrangement with a maximum salary limit of 400,000.

### ***Contracts of employment***

On departure at the request of the Company, severance pay is agreed for Mr. Enthoven, Mr. Stegmann and Mr. Dijkstra amounting to 1.5 months' gross salary (including the average bonus of the last three years) for each full year of service until the age of 50, and 2 months gross salary per full year of service after that; with a minimum severance arrangement amounting to 12 months gross salary (including the average bonus of the last three years). Mr. Van Nieuwenhuizen has no severance arrangements in place.

In 2004 the Supervisory Board consisted of 6 members (2003: 5). During that year they received a combined total remuneration of 0.35 million (2003: 0.25 million). The Supervisory Board of NIB Capital N.V. forms a personal unity with the Supervisory Board of NIB Capital Bank N.V. The remuneration received therefore includes the supervision of NIB Capital Bank N.V. and is broken down as follows:

Current Members	Annual Fixed Fee	Committee Fees	Expense Allowance	Total Remuneration
			(in euros)	
Willem F.C. Stevens . . . . .	51,000	22,195	5,000	78,195
J. Hessel M. Lindenberg . . . . .	35,154	21,195	5,000	61,349
Wim M. Van Den Goorbergh . . . . .	34,000	21,195	5,000	60,195
Peter J. Groenenboom . . . . .	34,000	16,500	5,000	55,500
Maarten J. Hulshoff . . . . .	34,000	7,500	5,000	46,500
Cees A. Vrans . . . . .	34,000	17,500	5,000	56,500
Total . . . . .	222,154	106,085	30,000	358,239

The average number of Supervisory Board members in the year under review was 6 (2003:5). 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.

## 28 Depreciation

The depreciation charge comprises:

	<u>2004</u>	<u>2003</u>
Land and buildings in use by the company . . . . .	1.5	1.5
Furniture and equipment . . . . .	9.6	8.3
	<u>11.1</u>	<u>9.8</u>

## 29 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:

Operating result before tax . . . . .	290.7	
Average standard rate of taxation . . . . .		31.9%
Permanent differences . . . . .	77.5	
Temporary differences . . . . .	-2.6	
	<u>74.9</u>	
Effect of differences on standard rate . . . . .		-6.4%
Tax burden in the profit and loss account . . . . .	74.1	
Effective tax burden . . . . .		<u>25.5%</u>

Available tax relief facilities have been taken into account when determining the amount of tax. The difference between the effective tax rate and the average nominal tax rate is in particular due to losses that come within the scope of the participation exemption.

# **Company Balance Sheet as at 31 December 2004 (before profit appropriation)**

<b>Assets</b>	<b>Notes</b>	<b>2004</b>	<b>2003</b>
		<b>(in millions of euros)</b>	
Cash. . . . .		157	1,064
Banks . . . . .	I	2,625	2,687
Loans and advances			
Guaranteed by public authorities . . . . .	235	279	
To the private sector. . . . .	20,581	13,960	
		20,816	14,239
Interest-bearing securities. . . . .		5,235	5,093
Shares . . . . .		250	233
Participating interests in group companies . . .	2	2,236	2,190
Other participating interests. . . . .	3	79	76
Intangible fixed assets. . . . .		I	I
Property and equipment . . . . .		38	32
Prepayments and accrued income . . . . .		1,319	814
Total assets . . . . .		32,756	26,429
<b>Liabilities and Shareholders' Equity</b>	<b>Notes</b>	<b>2004</b>	<b>2003</b>
		<b>(in millions of euros)</b>	
Banks . . . . .		1,183	480
Funds entrusted . . . . .		12,525	8,641
Debt securities. . . . .		15,682	14,256
Other liabilities. . . . .		151	36
Accruals and deferred income . . . . .		1,004	854
Provisions. . . . .		30	19
		30,575	24,286
Fund for general banking risks . . . . .		136	136
Subordinated liabilities . . . . .		424	519
Shareholders' equity. . . . .	4		
Issued and paid up share capital. . . . .	80	80	
Share premium reserve . . . . .	238	238	
Revaluation reserve . . . . .	37	33	
Statutory reserves and reserves pursuant to			
articles. . . . .	146	970	
Other reserves. . . . .	898	37	
Net profit for the year. . . . .	222	130	
		1,621	1,488
Capital base . . . . .		2,181	2,143
		32,756	26,429
Contingent liabilities . . . . .		2,105	3,252
Irrevocable facilities . . . . .		2,260	1,795



## Company Profit and Loss Account for 2004

	<b>2004</b>	<b>2003</b>
	<b>(in millions of euros)</b>	
Results of participating interests after tax . . . . .	103.2	82.3
Other results after tax. . . . .	118.9	47.8
Net profit . . . . .	<u>222.1</u>	<u>130.1</u>

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 2004

### Assets

#### I Banks

This includes receivables from group companies amounting to 447 million.

#### 2 Participating Interests in Group companies

	<b>2004</b>
Position as at 31 December 2003 .....	2,190
Purchases and additional payments .....	-1
Results of group companies .....	103
Other movements .....	-56
Position as at 31 December 2004 .....	<u>2,236</u>

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.

#### 3 Other Participating Interests

<b>Movements in the item intangible fixed assets were as follows:</b>	<b>2004</b>
Position as at 31 December 2003 .....	76
Other movements .....	3
Position as at 31 December 2004 .....	<u>79</u>

#### 4 Shareholders' Equity

The authorised capital amounts to 875 million and is divided into A shares, of 1.28 nominal value and preference shares of 1.00 nominal value:

	<b>2004</b>
A shares .....	497,000,000
Preference b shares .....	84,000,000
Preference c shares .....	84,000,000
Preference d shares .....	84,000,000
Preference e shares .....	126,000,000
	<u>875,000,000</u>

The issued and paid up capital can be summarized as follows:

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>Total</b>
	<b>(shares in millions of euros)</b>				
Position as at 31 December 2003 .....	58	11	5	6	80
Conversion of preference share .....	4	-11	-5	-6	-18
Increase in nominal value .....	18	0	0	0	18
Position as at 31 December 2004 .....	<u>80</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>80</u>

99.9% of the issued capital are held by NIB Capital N.V.

On December 31, 2004 all issued and paid-up B, C and D shares have been converted into A-shares. Furthermore the nominal value of the A-shares have been increased from 1.00 to 1.28. This increase was settled by a reduction of the share premium reserve, to insure that no capital decrease took place as a result of the conversion.

The movement in shareholder's equity can be summarised as follows:

	Share capital	Share premium	Revaluation reserve	Statutory reserves	Reserves pursuant to articles	Other reserve	Profit for the year	Total
Position as at 31 December 2003.....	80	238	33	107	863	37	130	1,488
Revaluation participations.....			4					4
(Re)payments.....					-91			-91
Other movements.....					-902	900		-2
Profit appropriation.....					130		-130	0
Profit for the year.....							222	222
Position as at 31 December 2004.....	80	238	37	107	0	937	222	1,621

The release from the reserves pursuant to articles has been the result of a change in the articles of association.

Movements in the share premium reserve were as follows:

	General	Preference C shares	Preference D shares	Total
Position as at 31 December 2003.....	89	76	73	238
Conversion of preference share.....	167	-76	-73	18
Increase in nominal value.....	-18			-18
Position as at 31 December 2004.....	238	0	0	238

## Commitments Not Shown in the Balance Sheet

### Guarantees

This item includes 1,982 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 B.V. NIB Capital Bank N.V. is guarantor for the liabilities under derivatives contracts entered into by joint venture NIBC Petercam Derivatives N.V. with various counterparties.

A complete list of the companies on behalf of which NIB Capital Bank N.V. has given guarantees within the meaning of Section 403, Book 2, of the Netherlands Civil Code has been filed with the Chamber of Commerce in The Hague.

Declarations of joint and several liability have also been made to the respective 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 2005

#### *The Managing Board*

Michael Enthoven, Chairman  
Jurgen B.J. Stegmann, Vice-Chairman  
Antoine L.V. Dijkstra  
Jan L. van Nieuwenhuizen

#### *The Supervisory Board*

Willem F.C. Stevens, Chairman  
J. Hessel M. Lindenbergh, Vice-Chairman  
Wim M. van den Goorbergh  
Peter J. Groenenboom  
Maarten J. Hulshoff  
Cees A. Vrins

# CASH FLOW STATEMENT FOR 2004

		2004	2003	2002
		(in millions of euros)		
Net profit . . . . .	222	130	265	
Adjustments:				
Depreciation . . . . .	11	10	26	
Value adjustments to receivables . . . . .	-19	54	68	
Movements in provisions . . . . .	4	-13	8	
Cash flow from net profit . . . . .		218	181	367
Banks (not payable on demand) . . . . .	1,567	300	-375	
Loans and advances . . .	-3,766	660	-1,256	
Funds entrusted . . . . .	306	-111	493	
Shares . . . . .	63	-106	472	
Interest-bearing securities trading portfolio . . . .	-332	-939	-1,401	
Other movements . . . .	-89	113	-367	
Cash flow from operating activities . .		-2,033	98	-2,067
Investment portfolio purchases . . . . .	-723	-960	-1,410	
Repayments and disposals . . . . .	672	513	2,203	
Investment portfolio . . .		-51	-447	793
Purchase of participating interests . . . . .	-8	0	0	
Disposal of participating interests . . . . .	16	10	104	
Other . . . . .	2	0	0	
Participating interests . .		10	10	104
Purchase of tangible fixed assets . . . . .	-11	-10	21	
Disposal of tangible fixed assets . . . . .	0	0	0	
Tangible assets . . . . .		-11	-10	-21
Cash flow from investing activities . . .		-52	-447	876
Debt securities . . . . .	1,456	1,365	1,587	
Subordinated liabilities . .	-95	122	-202	
Cash flow from financing activities . . .		1,361	1,487	1,385
Cash flow . . . . .		-724	1,138	194

## AUDITORS' REPORT

*The following is the text of the Auditors' Report to the Shareholders of NIB Capital Bank N.V. with references therein to page numbers amended to accord to the page numbering used in this document.*

To the shareholders of NIB Capital Bank N.V.

### Introduction

We have audited the 2004 financial statements of NIB Capital Bank N.V., The Hague, as included on pages 33 to 59. 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 31st December 2004, 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, 3rd March 2005

PricewaterhouseCoopers Accountants N.V.

## NETHERLANDS TAXATION

### General

The following summary describes the principal Dutch tax consequences of the acquisition, holding and disposal of the Securities. This summary does not purport to describe all possible Dutch tax considerations or consequences that may be relevant to a holder or prospective holder of Securities. In view of its general nature, it should be treated with corresponding caution. Holders should consult with their tax advisers with regard to the tax consequences of investing in the Securities.

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

This paragraph does not describe the Dutch tax consequences of holders, who have a substantial interest ("*aanmerkelijk belang*") in the Bank. In general, a holder of a Security is considered to have a substantial interest in the Bank, if he, alone or together (in the event the holder is an individual) with his partner (a statutorily defined term) or certain other related persons, directly or indirectly, has (i) an interest of 5 per cent or more of the total issued capital of the Bank or of 5 per cent or more of the issued capital of a certain class of shares of the Bank, (ii) rights to acquire, directly or indirectly, such interest, or (iii) certain profit sharing rights in the Bank.

### Taxes on income from and capital gains on the Securities

The Bank has been advised that under the existing laws of The Netherlands:

- (a) all payments made by the Bank under the Securities can be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein, unless the Securities 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 Securities will not be subject to Netherlands taxes on income or capital gains in respect of any payment under the Securities, or in respect of any gain realised on the disposal or deemed disposal of the Securities or the exchange of the Securities for Substituted Preference Shares, unless:
  - (i) such 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 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 a Security 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 Security 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 VAT, 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 Securities or the performance of the Issuer's obligations under the Securities;
- (e) there is no Netherlands valued added tax payable in respect of payments in consideration for the issue of a Security or in respect of the payment of interest or principal under the Securities or the transfer of a Security; and
- (f) a holder of a Security 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 Security or the execution, performance delivery and/or enforcement of a Security.

## **Taxes on income from and capital gains on the Substituted Preference Shares**

A holder of Substituted Preference Shares will be subject to Dutch withholding tax on any dividends paid in respect of the Substituted Preference Shares. Dividends include distributions in cash or in kind including deemed and constructive distributions. Further, a holder of Substituted Preference Shares may be subject to Dutch withholding tax on any repayment of capital on the Substituted Preference Shares. Currently the rate of Dutch withholding tax is 25%. This percentage may be lowered under a treaty for the avoidance of double taxation if such treaty is applicable. Other than that, a holder of Substituted Preference Shares will not be subject to Dutch taxes on income or capital gains in respect of any income received or capital gain realised on the disposal or deemed disposal of Substituted Preference Shares, unless:

- (i) such 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 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).

To the extent that the issuer of the Substituted Preference Shares is a non-Dutch entity and has no nexus with The Netherlands, there will be no Dutch tax consequences for non-Dutch holders having no nexus with The Netherlands.

Holders of Substituted Preference Shares should consult their tax advisers with regard to the tax consequences of holding the Substituted Preference Shares.

## **Other Taxes and Duties**

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

## **EU Savings Directive**

On 19th 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 1st July, 2005. Under the savings directive, which was adopted by the EU's Council on 3rd 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 11th July, 2011 onwards.

## SUBSCRIPTION AND SALE

Under a subscription agreement entered into by the Issuer and HSBC Bank plc (the **Manager**) on 21st March, 2005 (the **Subscription Agreement**) and HSBC Bank plc the Manager has agreed to subscribe for the Securities at the issue price of 100 per cent. The Issuer has agreed to pay the Managers a combined management, underwriting and selling commission of U.S.\$15 per Security. The Subscription Agreement is subject to termination in certain circumstances prior to payment to the Issuer.

### **United States**

The Securities have not been and will not be registered under the US Securities Act of 1933, as amended (the **Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Securities (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, US persons and that it will have sent to each dealer to which it sells any Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. The terms used in the preceding paragraph and in this paragraph have the meaning assigned to them by Regulation S under Securities Act.

The Securities are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a US person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings assigned to them by the US Internal Revenue Code of 1986, as amended and US Treasury regulations issued thereunder.

In addition, until 40 days after the completion of the offering, an offer or sale of Securities within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### **United Kingdom**

Each Manager has represented and agreed that:

- (i) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Securities 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 business 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);
- (ii) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (**FSMA**) with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom including, without limitation, applicable Conduct of Business rules 5.2 concerning know your customer and 5.3 concerning suitability, as contained in the Financial Services Authority Handbook; and
- (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of the Securities in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person apply to the Issuer.

### **General**

Each Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Securities or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Issuer nor any other Manager shall have any responsibility therefor.



Neither the Issuer nor any of the Managers represents that the Securities 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.

## GENERAL INFORMATION

1. The Issuer is a public limited liability company incorporated under Netherlands law on 31st October, 1945. Its corporate seat and registered office are situated in The Hague and it is registered at the Commercial Register in The Hague under No. 27032036.
2. The issue of the Securities was duly authorised by a resolution of the Management Board of the Issuer dated 12th November, 2004.
3. There are no, nor have there been any, legal or arbitration proceedings involving the Issuer or any of its subsidiaries (including any such proceedings which are pending or threatened) of which the Issuer is aware which may have or have had during the twelve months prior to the date of this Offering Circular a significant effect on the financial position of the Issuer or of the Issuer and its subsidiaries taken as a whole (the **Group**).
4. Since 31st December, 2004, there has been no significant change in the financial or trading position nor any material adverse change in the financial position or prospects of the Issuer or of the Group.
5. The financial statements of the Issuer have been audited by PricewaterhouseCoopers Accountants N.V. for each of the three financial years ended on 31st December, 2002, 2003 and 2004 and unqualified opinions have been reported thereon. At the date of this Offering Circular the financial statements have not been approved by the shareholders of the bank.
6. PricewaterhouseCoopers Accountants N.V. have given and not withdrawn their written agreement to inclusion in this Offering Circular of their report dated 3rd March, 2005 addressed to the shareholders of the Bank, in the form and context in which it appears.
7. For as long as any of the Securities remains outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Principal Paying Agent and the registered office of the Issuer, namely:
  - (a) the Articles of Association of the Issuer;
  - (b) the audited financial statements of the Issuer and its subsidiary undertakings in respect of the years ended 31st December, 2002, 2003 and 2004; and
  - (c) copies of the Trust Deed and the Agency Agreement.
8. Application has been made to list the Securities on the Official Segment of the stock market of Euronext Amsterdam N.V.
9. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN Code for this issue is XS0215294512 and the Common Code is 021529451. The Fondscode for the issue is 15273.
10. All Securities will carry a legend to the following effect: 'Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code'. The sections referred to in such legend provide that United States persons, with certain exceptions, will not be entitled to deduct any loss, and will not be entitled to capital gains treatment with respect to any gain, realised on any sale, exchange or redemption of a Security.
11. The Issuer currently has, directly or indirectly, a 100 per cent. interest in approximately 90 subsidiaries.
12. Any certificate or report called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of such person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by any engagement or similar letter or by the terms of the certificate or report itself.
13. In connection with the requirements of the Dutch Central Bank for qualification of the Securities and the Substituted Preference Shares as Tier I capital, the Bank will shortly amend its articles of association. Immediately after that amendment the revised articles of association will be available at the Bank and the Chamber of Commerce.

**REGISTERED AND HEAD OFFICE OF THE ISSUER**

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