

PROSPECTUS



**NIBC 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.\$150,000,000 7.625 per cent. 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.\$150,000,000 7.625 per cent. Perpetual Debt Securities (the **Securities**) of NIBC 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, and subject to the prior approval of De Nederlandsche Bank, at their principal amount together with all Deferred Coupons, if any, and accrued interest on 18 October 2011 or on any Interest Payment Date thereafter. Prior redemption in case of tax or regulatory events may apply, subject to Condition 8.*

*The Securities will bear interest on their outstanding principal amount at 7.625 per cent. per annum payable annually in arrear on 18 October. Payments of interest may be deferred, as more fully described in Condition 4, but any Deferred Coupons will immediately become due in certain events, including 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.*

*Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **FSMA**), (the **UK Listing Authority**) for the Securities to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Securities to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market. References in this Prospectus to Securities being **listed** (and all related references) shall mean that such Securities have been admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market and have been admitted to the Official List or any other stock exchange and/or regulated market in the European Economic Area. The London Stock Exchange's Gilt Edged and Fixed Interest Market is a regulated market for the purposes of Directive 93/22/EEC (the **Investment Services Directive**).*

*This document has been approved by the UK Listing Authority as a prospectus within the meaning of Directive 03/71/EC (the **Prospectus Directive**).*

*The Securities shall have a denomination of U.S.\$5,000 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 18 October 2006. The Temporary Global Security will be exchangeable for interests in a permanent global Security (the **Permanent Global Security**), without Coupons, from 27 November 2006 and 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'.*

**MORGAN STANLEY**

*The date of this Prospectus is 20 October 2006*

**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 Morgan Stanley & Co. International Limited (the Manager) that this Prospectus 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 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 Prospectus 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 or the Manager or the Trustee.**

**No representation or warranty is made or implied by the Manager or any of its affiliates, or the Trustee and neither the Manager nor any of its affiliates nor the Trustee 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 Prospectus 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 Prospectus and the offering, sale and delivery of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Manager 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 Prospectus 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.**

**This Prospectus 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 or the Manager that any recipient of this Prospectus should subscribe for or purchase any Securities. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.**

**All references in this Prospectus 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 and to U.S.\$ or U.S. dollars are to the currency of the United States of America.**

## **DOCUMENTS INCORPORATED BY REFERENCE**

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

- (1) the audited financial statements of the Issuer in respect of the financial years ended 31st December, 2004 and 2005;
- (2) the corrections to the annual accounts of the Issuer in respect of the financial year ended 31st December, 2005;
- (3) the unaudited financial statements of the Issuer in respect of the six months ended 30th June 2006; and
- (4) 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 Prospectus 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.

**IN CONNECTION WITH THE ISSUE OF SECURITIES, MORGAN STANLEY & CO. INTERNATIONAL LIMITED IN ITS CAPACITY AS STABILISING MANAGER (OR ANY AGENT OF MORGAN STANLEY & CO. INTERNATIONAL LIMITED) MAY OVER-ALLOT (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF SECURITIES ALLOTTED DOES NOT EXCEED 105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE SECURITIES) 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 IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF SECURITIES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NOT LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE SECURITIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE SECURITIES.**

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## SUMMARY OF THE SECURITIES

This summary must be read as an introduction to this Prospectus and any decision to invest in any Securities should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area no civil liability will attach to the Responsible Persons in any such Member State in respect of this Summary (including any translation hereof required by the competent authority of any Member State where an offer to the public of the Securities may be made) unless it is misleading, inaccurate or inconsistent when read together with other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in a Member State of the European Economic Areas, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

*The following summary refers to certain provisions of the Terms and Conditions of the Securities. Any defined terms used in this summary have the meanings given to them in the Conditions of the Securities.*

The Issuer .....	NIBC Bank N.V., a bank incorporated as a public limited liability company incorporated on 31 <sup>st</sup> October, 1945 whose statutory seat is in The Hague, The Netherlands and is registered at the Chamber of Commerce of The Hague under number 27032036, and whose registered address is Carnegieplein 4, 2517 KJ, The Hague, The Netherlands.
Trustee .....	The Law Debenture Trust Corporation p.l.c.
Risk Factors .....	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Securities. These are set out under "Risk Factors" below. In addition, there are certain factors which are material for the purpose of assessing the market risk associated with the Securities, see "Risk Factors".
Redemption.....	The Securities are perpetual securities and have no maturity date. The Securities are redeemable in whole but not in part at the option of the Issuer, and subject to the prior approval of De Nederlandsche Bank N.V. (the <b>DNB</b> ), at their principal amount together with all Deferred Coupons, if any, and interest accrued to but excluding the date of redemption on 18 October 2011 (the <b>First Call Date</b> ) or any Interest Payment Date thereafter.
Interest .....	<p>The Securities will pay interest at a rate of 7.625 per cent. per annum. Interest payable on each Interest Payment Date will be calculated on an actual/actual (following, unadjusted) basis and will accrue from and including the immediately preceding Interest Payment Date (or the Issue Date with respect to the interest payable on the first anniversary of the Issue Date) to but excluding the next relevant Interest Payment Date (each such period, an <b>Interest Period</b>).</p> <p>The Issuer will be required to pay interest (a <b>Mandatory Payment Event</b>) on the Securities in full:</p> <ul style="list-style-type: none"><li>(i) for the Interest Period with a related Interest Payment Date that occurs on or immediately following the date of the Issuer's approved annual accounts, if those accounts reflect that the Issuer has earned Distributable Profits (as defined below) for the preceding financial year;</li><li>(ii) if the Issuer declares, pays or distributes a dividend or makes a payment (other than a dividend in the form of Ordinary Shares) on any of the Issuer's Junior Securities or Parity Securities or makes a payment on a Junior Guarantee or Parity Guarantee;</li><li>(iii) if any of the Issuer's undertakings declares, pays or distributes a dividend on any security or other instrument issued by it benefiting</li></ul>

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;

- (iv) (with limited exceptions), if the Issuer or any of its undertakings redeems, purchases or otherwise acquires for any consideration any of the Issuer's Junior Securities, any Parity Securities or any securities or other instruments issued by any of the Issuer's undertakings benefiting from a Junior Guarantee or Parity Guarantee.

In addition, if any of the events in (i) to (iv) above occur, Deferred Coupons will become mandatorily due and payable from the date of such occurrence.

**Distributable Profits** for any particular year means the reported net profit for the Issuer, determined in each case after tax and extraordinary items for such year, as derived from the audited consolidated profit and loss account of NIBC Bank N.V. as established by the general meeting of Shareholders of NIBC Bank N.V. in accordance with its articles of association.

Optional deferral of interest..... The Issuer may at its option defer an interest payment if, since the last Interest Payment Date on which interest was paid (or, in the case of the first Interest Payment Date, the Issue Date) no Mandatory Payment Event has occurred on or before the 20th Business Day preceding the relevant Interest Payment Date on which such interest payment, in the absence of deferral, would be due and payable.

Payments that are not made will be treated as **Deferred Coupons**.

Interest Payment Dates ..... Subject as described below, Coupons will be payable on 18 October annually in arrear.

Subordination ..... The rights and claims of the investors in Securities are subordinated to all obligations of the Issuer including tier 2 instruments. Upon any winding-up or liquidation of the Issuer, the holder of each Security will effectively from a financial point of view rank *pari passu* with the holders of the most senior class or classes of preference shares (if any) or other hybrid tier 1 securities, issued directly or indirectly, or guarantees ranking effectively from a financial point of view *pari passu* with such preference shares (if any) or other hybrid tier 1 securities of the Issuer then in issue (collectively such preference shares and guarantees will be **Parity Securities**) and in priority to all other shareholders of the Issuer.

So long as any of the Securities remains outstanding, the Issuer will not issue any preference shares (or securities akin to preference shares as regards distributions or return of assets upon liquidation) or give any guarantee or contractual support arrangement in respect of any of the Issuer's preference shares or such other securities or in respect of any other subsidiary if such preference shares, preferred securities, guarantees or contractual support arrangements would rank (as regards distributions or return of assets upon liquidation) senior to the Securities, unless the Issuer 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 similar securities or such guarantee or support undertaking.

Alternative Coupon Satisfaction Mechanism ..... The Issuer must satisfy its obligations to pay any Deferred Coupons only by issuing a sufficient value of preference shares such that when such preference shares are sold, such sale will provide enough cash to enable the Issuer to make full payments to investors in the Securities in respect of the relevant payment. The Shareholders of the Issuer will have a right of first refusal regarding the preference shares issued under the Alternative Coupon Satisfaction Mechanism.

The shareholders of the Issuer have authorised the issuance of sufficient preference shares to enable the Issuer to meet its obligations for one year's Coupons in accordance with the Alternative Coupon Satisfaction Mechanism. In the event that further preference shares are required, the Issuer will seek authorisation for further issues from its shareholders.

Dividend Stopper.....	The Issuer will agree in the Trust Deed that, as long as Deferred Coupons are outstanding, the Issuer will not recommend to its shareholders and, to the fullest extent permitted by applicable law, will otherwise act to prevent, any action that would constitute a Mandatory Payment Event (other than a Mandatory Payment Event arising out of the existence of Distributable Profits).
Supervisory Event.....	Upon the occurrence of a Supervisory Event, the Securities will be automatically converted in whole and not in part to perpetual preference shares of the Issuer ( <b>Converted Preference Shares</b> ). A <b>Supervisory Event</b> occurs when the amount of capital of the Issuer on a consolidated basis declines below the minimum percentage stipulated by the DNB from time to time in accordance with the Basle Accord in its general guidelines (currently, total capital ratio of 8% on a consolidated basis).
Converted Preference Shares .....	<p>The Converted Preference Shares will be preference shares directly issued by the Issuer to investors in Securities in exchange for their Securities following a Supervisory Event. The liquidation preference of the Converted Preference Shares so issued will equal the principal amount of the Securities together with Deferred Coupons and all other amounts outstanding thereon (including Additional Amounts, if any).</p> <p>The Issuer will take all reasonable steps to ensure that it will have a sufficient number of authorised but unissued Converted Preference Shares to permit the substitution of all outstanding Securities.</p>
Additional Amounts .....	The Issuer will pay additional amounts ( <b>Additional Amounts</b> ) to investors in Securities to gross up Coupon payments upon the imposition of Dutch withholding tax, subject to customary exceptions.
Tax/Regulatory Redemption.....	<p><b>Tax:</b> Upon the occurrence of certain changes in the treatment of the Securities for taxation purposes (loss of deductibility or payments subject to withholding tax), the Issuer may, subject to the prior consent of the DNB, redeem all, but not some only, of the Securities at any time at the principal amount per Security together with Deferred Coupons and all other amounts outstanding thereon.</p> <p><b>Regulatory:</b> The Securities will constitute Tier 1 Capital for the purposes of the DNB's capital adequacy regulation of the Issuer. If at any time, the DNB gives notice to the Issuer to the effect that the Securities may not be included in the consolidated Tier 1 Capital of the Issuer, other than through exceeding Tier 1 limits, the Issuer may, redeem the Securities at the early redemption date for the principal amount per Security together with Deferred Coupons and all other amounts outstanding.</p>
Rating .....	The Securities are expected to be assigned, on issue, a rating of Baa2 by Moody's Investors Services Ltd. and a rating of BBB by Standard & Poor's Ratings Services. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.
Governing Law .....	The Securities will be governed by English law, save that the subordination provisions will be governed by the laws of The Netherlands.

## RISK FACTORS

*An investment in the Securities involves certain risks. You should carefully consider the following factors in addition to the other information included in this Prospectus 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.*

### RISK FACTORS RELATING TO THE ISSUER

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

The Issuer's business is materially affected by conditions in the financial markets in which it operates as well as in the global financial markets. Difficult market and economic conditions and resulting market uncertainty may have an adverse effect on the demand for the Issuer's services and products, and could increase price competition, thereby decreasing revenues. As a result, the Issuer's operating income would likely decline and, if it were unable to similarly reduce expenses, operating profit margins would erode and liquidity would be impaired. In addition, a large portion of the Issuer's operating income is generated from activities in Northwest Europe, specifically The Netherlands, Germany, and the U.K. As the Issuer's focus on these markets will continue, its income and profitability will be primarily driven by market conditions in this region, and may fluctuate according to the region's current economic, regulatory, and political conditions.

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

The financial services industry in general is intensely competitive. Larger and better capitalised competitors, or competitors with more specialised product offerings or closer relationships to companies in the Issuer's target markets, may be better able to respond to changes in the financial services industry. These competitors may also be better able to enter into product areas in which the Issuer specialises, to better compete for skilled personnel, to finance acquisitions, to fund internal growth and to compete for market share, as a result of which the Issuer could lose market share or experience slower growth.

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

As a participant in the financial services industry, the Issuer is subject to extensive regulation in multiple jurisdictions. Current regulations are pervasive and new regulations are introduced frequently. Such regulations, including the Capital Accord (**Basel II**), may, among other things, restrict the Issuer's business or require it to incur significant costs. The Issuer faces the risk of significant intervention by regulatory authorities in all jurisdictions in which it conducts its business, including extended investigation and surveillance activity, adoption of costly or restrictive new regulations and judicial or administrative proceedings. Among other things, the Issuer could be fined, prohibited from engaging in certain business activities or subjected to limitations or conditions on certain business activities. New laws or regulations, including tax laws and treaties, or changes in the enforcement of existing laws or regulations, may also adversely affect the Issuer's business. Significant regulatory or legal action against the Issuer could have a material financial effect or cause significant reputational harm, which in turn could adversely affect its business prospects.

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

The Issuer faces operational risks arising from errors made in the confirmation or settlement of transactions or from transactions not being properly recorded, documented, evaluated, verified or accounted for. The Issuer's businesses are highly dependent on its ability to process, document and execute, on a rapid basis, a large number of transactions across several and diverse markets and in multiple currencies. The transactions the Issuer processes have become increasingly complex, and it consequently relies heavily on its financial, accounting and other data processing systems. If any of these systems do not operate properly or are disabled, the Issuer could suffer financial loss, a disruption of its businesses, liability to clients, regulatory intervention or reputational damage. As a result of growth in data volume and complexity, the Issuer may need to expend significant resources to upgrade and expand its systems in the future. In addition, the business continuity plans the Issuer has in place to provide data backup, alternative trading facilities or address system and other disruptions are currently being upgraded and may prove inadequate or fail, in part or entirely. The Issuer's insurance policies do not provide coverage for losses or damages due to business interruption, and should its business continuity plans prove inadequate or fail, the Issuer could face costs or liabilities related to any disruption in its activities. In addition, the risk management policies and procedures that the Issuer has implemented may not be fully effective in identifying, mitigating, and managing its risks, and it may thereby experience unanticipated disruption of its operations and consequent losses which could have a material adverse effect on its business, resulting from operational and financial conditions. The Issuer could further be subject to risk resulting from credit exposure, fluctuations in credit spreads, fluctuations in the Dutch mortgage market, changes in interest rates, liquidity risk, credit rating downgrade,

faulty strategic planning, and employee misconduct, all of which could have a material adverse effect on its financial condition and results of operations, as well as the price of the Securities.

## **RISK FACTORS RELATING TO 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 the fifth anniversary of the Issue Date 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 THE 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.\$150,000,000 7.625 per cent. 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 NIBC Bank N.V. (the **Bank**) are constituted by a Trust Deed dated 18 October 2006 (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 18 October 2006 (the **Agency Agreement**) made between the Bank, Citibank, N.A., London office as principal paying agent (the **Principal Paying Agent**, which expression shall include any successor thereto), the initial Paying Agents and any successor thereto (together with the Principal Paying Agent, the **Paying Agents**) 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.

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 *Form and Denomination*

The Securities are in bearer form, serially numbered, in the denomination of U.S.\$5,000 each with Coupons and one Talon attached on issue.

#### 1.2 *Title*

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

#### 1.3 *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 Issue 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 18 October in each year (each an **Interest Payment Date**). Interest shall be calculated on an actual/actual (ICMA) basis of the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Issue Date) to but excluding the relevant payment date divided by the number of days in the relevant Interest Period.

### 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 7.625 per cent. per annum.

### 3.4 *Calculation of Broken Interest*

When interest is required to be calculated in respect of less than a full year, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

## 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 Issue 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. Under no circumstances will the Payment Preference Shares be used as payment in kind in respect of the Bank's obligations to the Securityholders.

## **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 Prospectus, 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 will be non-cumulative and 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 U.S. dollar account (or any other account to which U.S. 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 Business Day which (subject to Condition 10):

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

#### **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 admitted to official listing on the London Stock Exchange shall be London or such other place as the UK Listing Authority may approve;
- (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 the Issue Date, on the next Interest Payment Date the Bank would be required to pay additional amounts as provided or referred to in Condition 9 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 dividend belasting 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 the Issue Date 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, at any time 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, at any time 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 Business 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 18 October 2011, or on any following Interest Payment Date at their principal amount together with all Deferred Coupons, if any, and interest accrued to but excluding 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 and subject to being indemnified and/or secured to its satisfaction, 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 and/or security 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. 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 and/or security of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured 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 NIBC 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:

**Accrual Date** has the meaning set out in Condition 3.4.

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

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

**Bank** means NIBC Bank N.V.

**Business Day** (i) for the purposes of Conditions 4 and 5, means a day on which the London Stock Exchange is open; and (ii) for the purposes of Conditions 7 and 8 means, a day which is both 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 London and New York and a TARGET Settlement Day.

**Capital Disqualification Event** means the Bank is notified in writing by De Nederlandsche Bank N.V. to the effect that securities in the nature of the Securities may not be included in the consolidated Tier 1 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 financial 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.

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

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

**Interest Period** means period from and including the Issue 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** is 18 October 2006.

**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 (a) U.S.\$5,000, plus (b) accrued and unpaid interest, if any, including any unpaid Deferred Coupons, if any, on the Securities on the day on which the notice given by the Bank under Condition 6.5 is published, plus (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 day on which the notice given by the Bank under Condition 6.5 is published.

**Mandatory Payment Event** means:

- (i) the Bank has Distributable Profits for the preceding financial 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).

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

**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.

**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 on 10 December, 2003, the US\$100,000,000 CMS Linked Perpetual Debt Securities issued on 24 March, 2005 and the €100,000,000 Euro Fixed/Floating Perpetual Debt Securities issued on 30 March 2006) 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.

**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.

**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 non-voting depositary receipt issued for a preference share issued by the Bank in accordance with Condition 6 with a nominal value of €1.00 each, representing 500 (hundred) votes to be cast in a general meeting of shareholders of the Bank 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 6.4.

**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 the day falling forty days after the Issue Date, 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. 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 depository for Euroclear and Clearstream, Luxembourg. Such global Substituted Preference Shares shall be registered in the name of a nominee of a common depository 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 will be applied by the Issuer for general corporate purposes and will improve the Issuer's capital structure.

## BUSINESS DESCRIPTION OF NIBC BANK N.V.

### 1. INFORMATION ABOUT THE ISSUER

#### 1.1 History and Development of the Issuer

NIBC Bank N.V. (**NIBC Bank** or **Issuer**), formerly known as NIB Capital Bank N.V., was established in 1945 by the Dutch government and a number of commercial banks and institutional investors to provide financing for the post-World War II economic recovery of The Netherlands. NIBC Bank N.V., is a Netherlands public limited liability company incorporated on 31 October, 1945, with statutory seat in The Hague, The Netherlands and is registered at the Chamber of Commerce of The Hague under number 27032036. Its registered address is Carnegiëplein 4, 2517 KJ, The Hague, The Netherlands.

NIBC Bank N.V. is in compliance with the applicable corporate governance regulations of The Netherlands, its state of incorporation.

#### *Recent Developments and Outlook*

On 9 August, 2005 NIBC N.V. (**NIBC**), the Issuer's parent company, issued a press announcement stating that its two shareholders pension funds ABP and PGGM had reached an agreement with an international group of investors organised by J.C. Flowers & Co. LLC for the sale of all the shares in NIBC. The formal transfer of shares took place on 14 December, 2005.

The issuer is a merchant bank focused on the mid-cap segment in Northwest Europe, with a global distribution network. The issuer's integrated business model is aimed at offering innovative corporate finance, risk management and investment solutions to corporate clients, financial institutions, institutional investors, financial sponsors and family offices, in pursuit of a strategy based on the Bank's intermediary role in asset origination, distribution and asset management.

The issuer's integrated business model is supported by:

1. Multi-product client franchise
2. Product/market combinations
3. Investment management franchise
4. Global distribution network
5. Organisational coherence

NIBC will continue to diversify its income sources, grow fee income and strive for increased asset velocity. Growth initiatives include the expansion of investment management activities in both credit fixed income and private equity, building a financial institutions franchise, taking advantage of present economic and market conditions in Germany.

The growth will be underpinned by continuing synergies with J. C. Flowers & Co.

On 30 June 2006, the partners of NIBC Wealth Management N.V. acquired NIBC's 60% stake in NIBC Wealth Management. NIBC's decision to divest the participating interest in NIBC Wealth Management is in line with the bank's objective to have control over strategic activities.

On 14 August 2006 NIBC announced it had reached an agreement to sell its subsidiary NIBC Bank (NA) N.V. to the Parman Group. The Bank in Curaçao has had a long and successful history as part of NIBC. However, the business focus of NIBC will increasingly shift to North West Europe. Final execution of the transaction is to take place in the fourth quarter of 2006.

The current ratings of NIBC Bank are as follows:

	<b>Long term</b>	<b>Short term</b>	<b>Outlook</b>
Moody's	A3	Prime-2	Stable
S&P	A-	A-2	Stable
Fitch	A	F1	Stable

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

## **1.2 Business Overview**

Historically, the Issuer's major business activities have been lending, corporate and institutional finance and equity investments. In recent years, the Issuer has decreased its involvement in lending for its own balance sheet and increasingly acted in an intermediary role between issuer and investor clients, primarily for credit fixed income and, to a lesser extent, for private equity products. Although the issuer distributes its originated loans to the banking sector and institutional funds through loan syndications and secondary loan trading, the majority of its distribution activities are focused on distributing securitised debt products and fund investments to institutional investor clients in the international capital markets, including to pension funds, asset managers, insurance companies and hedge funds. These international clients are served through offices in The Hague, London and Singapore.

NIBC Bank's focus on asset distribution, in particular via securitisation, creates a cycle of origination and distribution which increases asset velocity and allows the Issuer to increase the number of transactions it executes, generating additional fee and commission income and return on net asset value.

At the centre of the Issuer's business model are its borrower clients and the multi-product relationships it seeks to build with them, focusing on mid-cap clients in specific industry segments in Northwest Europe. As a specialised financial institution, the Issuer aims to provide its clients with innovative and entrepreneurial solutions to their complex issues rather than merely competing on the size of its balance sheet. In a drive to be a leading merchant bank, NIBC Bank focuses its efforts on the product/market combinations which it believes will be meaningful to clients.

### ***Description of SBUs of the Issuer***

The Issuer is organised in six integrated Strategic Business Units (**SBUs**) which work closely together. The Issuer consists of six SBUs. Five of these are commercial SBUs: Corporate Finance, Real Estate Markets, Financial Markets, Investment Management, and Principal Investments. The sixth SBU, Corporate Center, supports the other five SBUs by providing services relating to human resources, group finance, investor relations and corporate communications, information data management, legal, corporate tax, internal audit, compliance and facilities and services.

#### ***Corporate Finance SBU***

Corporate Finance is home to the Issuer's client coverage teams and provides integrated financing solutions to clients. The Corporate Finance SBU offers M&A Advisory services, corporate loan origination and structuring through the Issuer's Capital Markets group, as well as loan administration.

Corporate Finance is organized into seven client coverage teams: General Industries, Food & Retail, Financial Sponsors, Financial Institutions, Commercial Real Estate, Infrastructure and Transportation & Energy. The client coverage teams play a pivotal role in developing and maintaining client relationships and identifying product opportunities bank-wide.

#### ***Real Estate Markets SBU***

The predominant business of the Real Estate Markets SBU is the origination of real estate financings, with the primary purpose of repackaging these assets through securitisation for distribution to the capital markets. Real Estate Markets is

active in two principal areas: residential mortgages in The Netherlands and commercial real estate financing in Northwest Europe. In addition, Real Estate Markets serves as the Center of securitisation competence within NIBC, structuring securitisations and credit fixed income funds of non-real estate assets for the other SBUs as well as third parties, thereby enhancing asset liquidity and increasing asset velocity. Since 1997, NIBC has engaged in 16 RMBS transactions, comprising 13 transactions under its Dutch MBS program, as well as SOUND I, Essence and Provide Orange, issuing more than €10 billion in securities from the Issuer's own balance sheet.

#### *Financial Markets SBU*

The Financial Markets SBU serves as the Issuer's treasury center, main distribution outlet and trading hub, with structuring and distribution as its core activities. The Financial Markets SBU is tasked with maintaining appropriate liquidity levels, low funding costs and prudent balance sheet management, as well as providing seed capital for various investments and warehouse lines in support of the Issuer's developing range of securitisations and credit fixed income funds that are managed by the Investment Management SBU. Financial Markets is also responsible for the market making and global distribution of all of the Issuer's securitised debt and derivative products, and for providing structured products in the fields of taxation, external reporting, legislation and regulations, and hybrid financing.

In addition to its corporate treasury role, Financial Markets manages the Issuer's core investment portfolios of highly-rated financial and sovereign issuers and the collateral portfolios at the European Central Bank. As at 30 June 2006, the nominal value of these portfolios amounted to €3.2 billion.

#### *Investment Management SBU*

The Investment Management SBU was established in 2003 to distance NIBC's investment management activities from its other SBUs' activities, thereby creating an arms-length business with the aim of ultimately generating growth in management activities on behalf of third-party investors.

NIBC Credit Management (**NCM**) is responsible for Investment Management's current activities with respect to credit fixed income investments. NCM was established in 2003 and operates out of NIBC's offices in The Hague, London and New York. NCM offers services to the Financial Markets SBU and professional third-party investors in Europe, Asia and the United States. NCM's total assets under management for third-party investors as at 30 June 2006 totalled €5.4 billion, broken down among global corporate credits, European leveraged loans, European structured credits and US structured credits.

NCM's three key activities are CDO Management, TIP Managed Accounts, and Fund Management. NCM manages the Issuer's CDO platforms, whose main tasks include the sourcing of collateral assets for the warehousing or securitisations as well as active management of the portfolio composition throughout the life of the CDO. NCM, performing on an arm's length basis on behalf of Treasury and Investment Portfolio team (**TIP**), comprised of primarily investment grade rated credit fixed income investment instruments, including bonds and credit default swaps, with a size of €4.8 billion as of June 2006. NCM has also expanded its investment management activities into credit fixed income fund management in four markets: global corporate credits, European leveraged loans, European structured credits, and US structured credits. The assets under NCM management totalled €10.2 billion as of 30 June 2006.

Investment Management cooperates with the Issuer's other SBUs while also using an independent credit assessment and investment process. Investment Management's General Partnership Participation team manages the Issuer's minority interests in General Partners of a number of third party managed private equity funds. Investment Management's Investor Services acts as agent for certain securitisations originated by the Issuer's Real Estate Markets SBU and provides internal support to its securitisation platforms managed by NCM. The Investment Management Client Management team raises funds, primarily for the Bank's credit fixed income funds.

The Issuer anticipates investment management to become an increasingly important element in its integrated business model and in its effort to attract third-party investors. The Issuer also looks to expand its range of securitisations and credit fixed income funds, as well as develop a number of private equity and mezzanine funds, thereby increasing its asset velocity and enhancing both the size and quality of its revenue stream. The Issuer further anticipates its Investment Management SBU to become a General Partner in all of the funds it manages.

### *Principal Investments SBU*

Principal Investments is responsible for all the Issuer's equity investments, including both direct mezzanine and private equity investments in operating companies as well as Limited Partner interests in certain funds. Principal Investments looks for companies seeking additional funding that have a stable, predictable cash flow and a leading market position. Principal Investments also invests in third party managed equity and mezzanine investment funds by taking an LP interests. In the future, Principal Investments will service the incubation of new funds, as well as making LP investments in third party managed funds and funds managed by the Issuer. The total fair market value of the Principal Investments investment portfolios was €322 million as at 30 June 2006.

### *Corporate Center SBU*

The Corporate Center SBU supports all of the Issuer's activities by providing services relating to human resources, group finance, investor relations and corporate communications, information data management, legal, corporate tax, internal audit, compliance and facilities and services.

### *Subsidiaries*

The Issuer operates globally through a number of wholly and partly owned subsidiaries. The principal subsidiaries are the following:

NIBC Bank Ltd., Singapore; NIBC Bank (NA) N.V., Willemstad Curaçao; B.V. NIBC Mortgage Backed Assets, The Hague, The Netherlands; SR-Hypotheken N.V., Rotterdam; De Nederlandse Participatie Maatschappij voor de Nederlandse Antillen N.V., The Hague, The Netherlands; PE express I B.V., The Netherlands and PE express II B.V., The Netherlands.

### ***Strategy***

#### *Regional Origination, Global Distribution, Intermediary Role*

A large part of the Bank's specialized product/market combinations is aimed at the origination of assets, ranging from leveraged loans and residential mortgages to private equity investments. In sourcing these assets the Bank serves the broad financing needs of its clients in Northwest Europe, who are issuers of credit fixed income (including as borrowers) and private equity products. Though the Bank began originating assets regionally with a focus on the Netherlands and then Northwest Europe, its international expansion has grown and is still based on its core skill of assessing and managing credit fixed income risk and products. The only exception to its regional origination is the Transport & Energy sector which it originates globally.

Using its capital as efficiently as possible, the Issuer strives to distribute the majority of the assets it originates to its institutional investor clients, using its global distribution network. The products it distributes serves the demand from these investor clients for investments in alternative asset classes. The proportion of any asset that the Issuer distributes, as well as the timing and specific conditions of such distribution, vary per asset class and according to the specific circumstances of the transaction.

The combination of regional origination and global distribution provides the Bank with the opportunity of performing an intermediary role between issuer and investor clients, primarily for credit fixed income and, to a lesser extent, for private equity products.

#### *Integrated Business Model*

The Issuer's business model is built around four pillars. First, its multi-product client franchises form the centre of its model, with a focus on mid-cap clients, specifically clients larger than medium-sized enterprises but smaller than global multinationals, in specific industry segments, those segments in which the Issuer has traditionally built up a global expertise. Second, its focused product/market combinations form the basis of integrated client solutions. This synergy combines products based on its core skill of assessing and managing credit fixed income risk and its focus on certain geographic markets and/or industry segments for each of the products. Third, its investment management franchise provides its institutional investor clients the opportunity to benefit from its expertise in assessing and managing fixed

income risk. Fourth, its global distribution network consists of various channels through which the Issuer provides its global investor client base with the specialized products originated from its issuer clients in its home markets.

### ***Key Investment Considerations***

#### *Integrated business model*

An important part of the Issuer's integrated business model is the interaction between origination and distribution. Originating with the intent of subsequently distributing assets enables the Issuer to engage in larger transactions than it seeks to keep on its own balance sheet. This model further allows the Issuer to offer investors securitized products and funds, while simultaneously offering competitive and innovative solutions to its issuer clients. The focus on distribution inherent in the Issuer's integrated business model further enables the Issuer to increase its asset velocity.

#### *Focus on attractive segments*

The Issuer focuses on mid-cap issuer clients in Northwest Europe in certain industry segments offering specialized products. As a result of this focus, the Issuer believes that it has developed the expertise to offer sophisticated solutions and a high level of service to clients which are generally underserved by the larger investment banks.

#### *Leading and innovative merchant bank*

The Issuer aims to provide its clients with innovative and entrepreneurial solutions to their complex issues rather than merely competing on the size of its balance sheet. The Issuer focuses its efforts on the product/market combinations in which it believes it can be meaningful to its clients. The Issuer has thus been able to play a leading role in securitisation, several financing product/market combinations, and various significant public-to-private transactions.

### ***Funding***

The Issuer's primary source of funding is the issuance of debt securities through both private placements and public offerings. The Issuer's current investor base is predominantly located in Germany, the U.K., France, Japan and the Benelux region as well as other countries in Europe, Asia and North America. In 2005, the Issuer raised approximately €3.6 billion under a Euro Medium Term Note (EMTN) program and €0.3 billion in plain vanilla funding through international private placements and stand alone issues of debt securities. The Issuer's EMTN program provides for issuance of plain vanilla and structured securities, up to a maximum aggregate outstanding principal amount of €20 billion. As at 30 June 2006, the Issuer had €13.9 billion outstanding under its EMTN program. The Issuer also has a plain vanilla Euro Commercial Paper (ECP) program pursuant to which it may issue short-term commercial paper up to a maximum aggregate outstanding principal amount of €3 billion. As at 30 June 2006, the Issuer had €1.5 billion outstanding under its ECP program. The variety of funding programs gives the Issuer the flexibility to make smaller issues and to utilise a variety of financing structures. The Issuer recently added new funding sources by setting up a €1 billion Domestic French Commercial Paper Program and an AUD 3 billion Australian Dollar Medium Term Note Program. As a result of these new plain vanilla programs, the Issuer has further diversified its funding sources by geography.

The Issuer uses derivatives to hedge currency and interest rate risks to align its assets with its borrowings.

### ***Risk Management***

Financial risk management is at the heart of the financial services industry. By diversifying its spectrum of activities and increasing the complexity of its product range, the Issuer aims to achieve exposures to different types and levels of risk. The Issuer systematically manages credit, market, investment, liquidity and operational risk and organises its risk management functions accordingly to identify, assess, measure and control risk. To this end, the Issuer has implemented a framework of sophisticated and integrated risk management systems to measure and manage financial risk on a bank-wide basis and generate risk profiles and stress scenarios.

The risk management committees and departments which compose the Issuer's risk governance structure are set out in the chart below:

- The Risk Management Committee (RMC) determines the overall risk appetite and risk profile of the Issuer on a strategic level, evaluates the risk management elements of new activities and products as well as any reputational risks and approves major changes to risk policies. It has delegated tactical decision making for dedicated areas to the several sub-committees described below;
- The Asset & Liability Committee (ALCO) monitors the development of the balance sheet and risk profile. ALCO monitors market risks, the capital structure and liquidity position of NIBC. ALCO also approves large transactions such as securitisations, sets overall risk limits and manages NIBC's strategic interest rate position;
- The Transaction Committee (TC) sets and guides general policies and procedures regarding counterparty risk and makes decisions on senior debt transactions, country risk and lending and underwriting strategies. It sets limits and monitors exposure and impairments;
- The Operating Risk Committee (ORC) bears responsibility for all ICT-related issues, projects and operational risks;
- The Investment Committee (IC) is responsible for investment risk, approving the policy, procedures and transactions with respect to equity, mezzanine and subordinated debt exposures as well as impairments and revaluations;
- The Engagement Committee is responsible for the prevention of potential commercial conflicts of interest and compliance issues in evaluating potential assignments for the Issuer's clients;
- Credit Risk Management (CRM) develops and implements policies and procedures regarding credit risk and investment risk, advises on credit and investment reviews and potential impairments; and
- On a bank-wide level, Market Risk Management (MRM) is responsible for liquidity and operational risk. MRM maintains the systems the Issuer uses to measure market and counterparty risk, and supports the asset and liability management policies as established by the ALCO.

### 1.3 Organisational Structure

From its founding in 1945 and until 1999, the Issuer was majority owned by the Dutch Government. In 1999, NIBC, formerly known as ABP-PGGM Capital Holdings N.V., which was owned by the two largest pension funds in the Netherlands, namely Stichting Pensioenfondsen ABP (**ABP**) and Stichting Pensioenfondsen PGGM (**PGGM**), acquired the Issuer.

On 14 December 2005, a consortium of international financial institutions and investors organised by J.C. Flowers & Co. LLC (the **Consortium**) purchased all of the outstanding equity interests of NIB Capital N.V. (now NIBC N.V.), the Issuer's parent company. NIBC is now fully owned by the Consortium.

## SUPERVISION AND REGULATION

### *General*

NIBC Bank N.V. is a credit institution (*kredietinstelling*) organised under the laws of The Netherlands. The principal law applicable to NIBC Bank N.V. is the 1992 Act on the supervision of the credit system (*Wet toezicht kredietwezen 1992*) (the **Netherlands Act**), under which NIBC Bank N.V. is supervised by DNB and the Dutch Minister of Finance. DNB is the regulator responsible for the prudential supervision of banks. Prudential matters include the financial condition of banks, the expertise and trustworthiness of their senior management, and their internal organisation.

The objectives of NIBC Bank N.V. are general banking and financing activities (see for a detailed description article 2 of the Articles of Association). The Articles of Association have been lastly amended on 14 December 2005. The power to issue new preference shares in NIBC Bank N.V.'s share capital has been delegated to the Managing Board until 12 November 2009.

### Licensing

DNB has granted NIBC Bank N.V. a license for its activities as a credit institution under the Netherlands Act. This license also allows NIBC Bank N.V. to provide investment services such as asset management and securities brokerage.

As a licensed credit institution, NIBC Bank N.V. is subject to ongoing obligations relating to (i) capital requirements, (ii) the requirement to obtain a 'Declaration of No-Objection' prior to engaging in acquisitions or divestments, or effecting other material transactions, and (iii) requirements in relation to the administrative organisation and internal controls of the credit institution. In addition, a special insolvency regime applies to credit institutions such as NIBC Bank N.V.

### Capital Requirements

Licensed credit institutions must comply with detailed minimum capital requirements. These minimum capital requirements relate to the minimum amount of own funds a credit institution must maintain (solvency requirements) and the maintaining of sufficient liquid assets in relation to the credit institution's liabilities (liquidity requirements). The detailed requirements are set out in regulations that have been issued by DNB pursuant to the Netherlands Act. NIBC Bank N.V. must regularly report to DNB on its compliance with these minimum capital requirements. Additional requirements apply under both the liquidity and solvency regulations in respect of large exposures to one debtor or a group of related debtors and in respect of particular classes of assets.

The solvency regulations of DNB are derived from the capital measurement guidelines of Basel I, the risk-based capital measurement guidelines that were adopted by the Basel Committee on Banking Supervision in July 1988 (**Basel I**). The Basel Committee develops international capital adequacy guidelines based on the relationship between a credit institution's capital and its credit risks. The intention of Basel I was to strengthen the soundness and stability of the international banking system and to reduce competitive inequality among international credit institutions by harmonising the definition of capital and the rules for the evaluation of asset risks by establishing a uniform target capital base ratio. Basel I will be replaced by Basel II, which sets out the details for more risk-sensitive minimum capital requirements for credit institutions in comparison to Basel I.

The solvency regulations of DNB require a credit institution's own funds, which include its Tier-1 Capital (among other items), to be equal to at least 8% of its risk weighted assets. The risk weighting for each class of assets ranges from zero (for assets thought to be very safe, such as loans to certain sovereigns) to 100% (for most kinds of unsecured loans). The solvency regulations also contain restrictions as to the assets of a credit institution that count towards its actual risk weighted assets for the purpose of the calculations.

DNB's liquidity regulations require NIBC Bank N.V. to determine the amount of funds required from time to time in order to satisfy repayment obligations, and therefore to closely monitor when NIBC Bank N.V. must make payments and when it expects to receive payments.

As of 1 January 2005 the financial figures of NIBC Bank N.V. will be based on the IFRS accounting principles.

### **Declaration of No-Objection**

The Netherlands Act provides that a credit institution must obtain a Declaration of No-Objection from DNB or the Dutch Minister of Finance prior to the acquisition or the increase of a 'qualified holding' (gekwalificeerde deelneming) in another entity (subject to certain limited exceptions). A qualified holding is defined as the direct or indirect ownership of 10% or more of the issued share capital, the ability to exercise, directly or indirectly, more than 10% of the voting rights, or the ability to exercise a comparable degree of control over another entity.

Other kinds of transactions or resolutions for which a Declaration of No-Objection is required include (i) the repayment of capital or distribution of reserves, (ii) acquiring all or a substantial part of the assets of another entity, (iii) entering into a legal merger, and (iv) effecting a financial or legal restructuring.

### **Administrative Organisation and Internal Controls**

Credit institutions must at all times have a reliable and up-to-date overview of their rights and obligations. Their electronic data processing systems, which form the core of their accounting system, must further be secured in such a way as to ensure optimum continuity, reliability and security against fraud.

The Netherlands Act authorises DNB to issue rules in relation to the administrative organisation and system of internal controls of credit institutions. One of these directives is the Regulation on Organisation and Control (Regeling Organisatie en Beheersing). This regulation contains certain general requirements and recommendations in relation to risk analysis and management, the allocation of duties and responsibilities, the processing of information, information technology, outsourcing, internal and external audits, and the management of credit risk, market risk, liquidity risk, operational risk and integrity risk.

### **Insolvency Regime**

In the event of a credit institution experiencing financial difficulties, DNB can request the court to order the application of the 'emergency regulation' (noodregeling) laid down in the Netherlands Act. The emergency regulation involves the appointment of an administrator by the court, and a freeze of the credit institution's assets. A credit institution can also be declared bankrupt. The Dutch Bankruptcy Code (Faillissementswet) contains a special regime for the bankruptcy of credit institutions.

### **Integrity**

The Netherlands Act summarised above and the rules promulgated thereunder also provide for detailed requirements intended to safeguard the integrity of credit institutions and their operations. These requirements include procedures that must be followed when hiring new staff, restrictions on private investment transactions by insiders and other staff, the obligation to maintain Chinese walls and to disclose possible conflicts of interest. The Decree on Operational Integrity of Banks and Insurance Companies (Besluit integere bedrijfsvoering kredietinstellingen en verzekeraars) provides for specific rules intended to ensure the integrity of the operations of credit institutions and insurance companies. In addition, credit institutions are required to identify all of their clients, to perform a customer due diligence in line with the recommendations of the Basel Committee and the Identification Act 1993 (Wet identificatie bij dienstverlening 1993), and to report signs of money laundering or other suspicious financial transactions under the Act on the Reporting of Unusual Transactions (Wet melding ongebruikelijke transacties).

### **Enforcement**

DNB has far reaching investigative and enforcement powers. Enforcement measures include (i) imposing fines, (ii) issuing a cease and desist order under penalty (last onder dwangsom), (iii) making public certain information, such as underlying facts and circumstances and the name and address of the offending entity, related to the imposed fine or issued cease and desist order, (iv) issuing a formal direction (aanwijzing) to remedy a violation, and (v) issuing a public warning in respect of a bank or any of the services it offers. In the last resort, DNB can decide to revoke a license. In addition, failure to observe the laws, rules and regulations comprising the supervisory and regulatory environment in which the Issuer operates may result in reputational damage to itself, as well as criminal prosecution.

## 2. TREND INFORMATION

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements.

## 3. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

### 3.1 Managing Board and Board of Supervisory Directors

NIBC Bank N.V. has a two-tier board structure consisting of a Managing Board (Raad van Bestuur) and a Board of Supervisory Directors (Raad van Commissarissen). NIBC Bank N.V. is subject to the large company regime (structuurregime) set out in sections 2:152 through 2:162 and 2:164 of the Dutch Civil Code (the **Large Company Regime**). The composition of the Managing Boards of NIBC Holding N.V., the ultimate parent company of the Issuer, NIBC N.V., the immediate holding company of the Issuer and NIBC Bank N.V. are identical. The supervisory board rules provide that the members of the supervisory board of NIBC Holding N.V. are also members of the Board of Supervisory Directors. The Managing Board is responsible for the day-to-day management of the operations of the Issuer under the supervision of the Board of Supervisory Directors. The Managing Board is required to keep the Board of Supervisory Directors informed, consult with the Board of Supervisory Directors on important matters and submit certain important decisions to the Board of Supervisory Directors for its approval.

The Managing Board shall have at least two members, one of whom the Board of Supervisory Directors shall appoint as Chairman of the Managing Board and one of whom it shall appoint as Vice-Chairman of the Managing Board. Members of the Managing Board are appointed and dismissed by the Board of Supervisory Directors. No member of the Managing Board shall be appointed or dismissed by the Board of Supervisory Directors until it has enabled the General Meeting of Shareholders to render advice on the matter. The Board of Supervisory Directors is also entitled to temporarily suspend members of the Managing Board.

Except for Mr. Van Dijkhuizen, who has been appointed for a period of four years, all current members of the Managing Board have been appointed for an indefinite period of time. In accordance with the Dutch Corporate Governance Code, as released by the Dutch Corporate Governance Committee, also known as the Tabaksblat Committee, on 9 December 2003, all new members of the Managing Board will be appointed for a maximum term of four years, provided however, that unless such member has resigned at an earlier date his term of office shall lapse on the day of the annual general meeting of shareholders to be held in the fourth year after the year of his appointment. A retiring member of the Managing Board can be re-appointed immediately for a term of not more than four years at a time.

The Board of Supervisory Directors is responsible for supervising the conduct of and providing advice to the Managing Board and for generally supervising the business of the Issuer. In performing its duties, the Board of Supervisory Directors is required to act in the interests of the business of the Issuer as a whole. The members of the Board of Supervisory Directors are not authorised to represent the Issuer in dealings with third parties. The Board of Supervisory Directors appoints from among its members a Chairman and one or more Vice-Chairmen. The members of the Board of Supervisory Directors are principally appointed by the General Meeting of Shareholders or by the Board of Supervisory Directors, based on a nomination by the Board of Supervisory Directors. The General Meeting of Shareholders may reject a nomination by an absolute majority of the votes cast representing at least one-third of the issued and outstanding capital. If less than one-third of the issued share capital was represented at that meeting, a new meeting must be convened to vote on the nomination, at which the nomination can be rejected by an absolute majority of the votes cast. If a nomination is rejected, the members of the Board of Supervisory Directors shall draw up a new list of candidates. If the General Meeting of Shareholders fails to appoint the person nominated and does not resolve to reject the nomination, the Board of Supervisory Directors may appoint the person nominated. The General Meeting of Shareholders and the Works Council may recommend persons for appointment as members of the Board of Supervisory Directors.

The Articles of Association provide that the Board of Supervisory Directors will consist of at least three members with the number of members of the Board of Supervisory Directors being determined by the Board of Supervisory Directors. In addition, the Articles of Association provide that if there are less than three members of the Board of Supervisory Directors, the Board of Supervisory Directors shall remain an authorised corporate body and shall take measures to

supplement the number of its members without delay. The Board of Supervisory Directors is assisted by a company secretary.

### ***Supervisory Board***

J.H.M. Lindenbergh  
J.C. Flowers  
D.B. Marron  
D. Riemker  
N.W. Hoek  
J. Rodriguez Inciarte  
A. de Jong  
W.H. van den Goorbergh  
R.S. Sinha  
C.H. van Dalen  
A.H.A. Veenhof

### ***Managing Board***

M. Enthoven	Chairman
J.B.J. Stegmann	Vice Chairman
J.L. van Nieuwenhuizen	Member
C. van Dijkhuizen	Member

All members of the Board of Supervisory Directors are non Executive Directors. All members of the Managing Board are Executive Directors and do not perform principal activities outside the Issuer that are significant with respect to the Issuer.

The total remuneration of the Managing Board for 2005 amounts to EUR 5.2 million, as specified in the annual report 2005.

The business address of each of the above-mentioned Directors is Carnegieplein 4, 2517 KJ The Hague, the Netherlands. The above-mentioned persons are members of the Supervisory Board and Managing Board (as applicable) of both NIBC N.V. and NIBC Bank N.V.

### **3.2 Potential Conflicts of Interests**

There are no potential conflicts of interests between the private interests or other duties of the members of the Managing Board or the Board of Supervisory Directors and their duties and responsibilities towards NIBC Bank N.V.

## **4. MAJOR SHAREHOLDERS**

See the information set out in paragraph 1.3 above.

## NETHERLANDS TAXATION

*The following summary describes the principal Netherlands tax consequences of the acquisition, holding, redemption and disposal of Securities, which term, for the purpose of this summary, includes coupons, talons and Receipts. This summary does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant to a decision to acquire, to hold, and to dispose of the Securities. Each prospective holder of a Security should consult a professional adviser with respect to the tax consequences of an investment in the Securities. The discussion of certain Netherlands taxes set forth below is included for general information purposes only.*

*This summary is based on The Netherlands tax legislation, published case law, treaties, rules, regulations and similar documentation, in force as of the date of the Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.*

*This summary does not address The Netherlands tax consequences of a holder of a Security holding a substantial interest (aanmerkelijk belang) in the Bank, within the meaning of Section 4.3 of the Dutch Income Tax Act 2001 (Wet inkomstenbelasting 2001). Generally speaking, a holder of a Security holds a substantial interest in the Bank, if such holder of a Security, alone or together with his or her partner (statutory defined term) or certain other related persons, directly or indirectly, holds (i) an interest of five percent or more of the total issued capital of the Bank or of five percent 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.*

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

- (a) all payments by the Bank under the Securities can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein, unless the 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 a Security who derives income from a Security or who realises a gain on the disposal or redemption of a Security will not be subject to Netherlands taxation on income or capital gains unless:
  - (i) the holder of a Security 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 of a Security 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 section 3.4 of the Dutch Income Tax Act 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 of a Security, unless:
  - (i) the holder of a Security is, or is deemed to be, a resident of The Netherlands for the purpose of the Netherlands gift and inheritance tax (Successiewet 1956);
  - (ii) the transfer is construed as an inheritance or 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 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 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 Bank's obligations under the Securities;
- (e) there is no Netherlands value 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**

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

- (a) 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.
- (b) 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.
- (c) 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).
- (d) 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.

### **European Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States of the European Union (the Member States and each a Member State) are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

## SUBSCRIPTION AND SALE

Morgan Stanley & Co. International Limited of 25 Cabot Square, Canary Wharf, London E14 4QA (the **Manager**) will agree to subscribe for the entire issued amount of the Securities pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 17 October 2006 at the issue price of 100 per cent. of the principal amount of the Securities. In addition, the Issuer will agree to indemnify the Manager against certain liabilities incurred in connection with the issue of the Securities and will agree to pay the Manager a commission of 2 per cent. of the aggregate nominal amount of the Securities. The Manager will be entitled to terminate the Subscription Agreement in certain circumstances before the issue of the Securities.

The Issuer will only offer and allot Securities to the Manager.

The Securities are a new series and carry no pre-emption rights.

### PLAN OF DISTRIBUTION

The Manager will agree in the Subscription Agreement that its will only offer the Securities in accordance with the following restrictions:

#### *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.

The 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 Issue 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.

#### *European Economic Area*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), the Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Securities to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Securities to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

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

### ***United Kingdom***

The Manager has represented and agreed that:

- (a) 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 or sale of any Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

### **General**

The 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 Prospectus 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 the Manager shall have any responsibility therefor.

Neither the Issuer nor the Manager 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 13 October 2006.
  3. Neither the Issuer nor any of its subsidiaries (together with the Issuer, the **Group**) is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or has had in such period a significant effect on the financial position or profitability of the Issuer or the Group.
  4. There has been no significant change in the financial or trading position of the Issuer or of the Group since 30th June, 2006 and there has been no material adverse change in the financial position or prospects of the Issuer or of the Group since 31st December, 2005.
  5. The financial statements of the Issuer have been audited by PricewaterhouseCoopers Accountants N.V. for each of the two financial years ended on 31st December, 2004 and 2005. Unqualified opinions have been reported on the financial statements for the financial years ended 31st December, 2004 and 2005.
  6. 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, 2004 and 2005;
    - (c) the unaudited financial statements of the Issuer and its subsidiary undertakings in respect of the six months ended 30th June, 2006; and
    - (d) copies of the Trust Deed and the Agency Agreement.
- Copies of this Prospectus will be available for viewing during normal business hours at the specified offices of the Paying Agents and on the website of the London Stock Exchange.
7. Application has been made to the UK Listing Authority for Securities to be admitted to the Official List and to the London Stock Exchange for such Securities to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market. The admission of the Securities to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest).
  8. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN Code for this issue is XS 0269908074 and the Common Code is 026990807.
  9. 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.
  10. The Issuer currently has, directly or indirectly, a 100 per cent. interest in approximately 90 subsidiaries.
  11. 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.
  12. In connection with the requirements of the Dutch Central Bank for qualification of the Securities and the Substituted Preference Shares as Tier 1 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.

13. The yield on the Securities on issue is 7.625%.

**REGISTERED AND HEAD OFFICE OF THE ISSUER**

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Carnegieplein 4  
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**AUDITORS OF THE ISSUER**

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