Annual Report 2008

BNG is the bank of and for local authorities and public sector institutions. BNG's specialized financial services help to minimize the cost of social provisions to the public. In this regard, the bank plays an essential role in the public sector.

BNG's mission is translated into the following strategic objectives: to retain substantial market shares in the Dutch public and semi-public domain and to achieve a reasonable return for the shareholders. Maintaining an excellent credit rating and retaining a competitive funding position, as well as managing the bank's business as effectively and efficiently as possible, are necessary prerequisites to this endeavour.

The bank's shareholders are Dutch public authorities exclusively. BNG's clients are primarily comprised of local authorities and public sector institutions in the areas of housing, healthcare, education and public utilities. BNG provides customized financial services ranging from loans and advances, funds transfers and electronic banking to consultancy and asset management. BNG also participates in public-private partnerships.

Founded in 1914, BNG is a statutory two-tier company under Dutch law (structuurvennootschap). Half of the bank's share capital is held by the State of the Netherlands and the other half by municipal authorities, provincial authorities and a water board. BNG is established in The Hague and has no subsidiary branches.

After the State, BNG is one of the largest issuers in the Netherlands. BNG-issued debt securities are rated AAA by Standard & Poor's, Aaa by Moody's and AAA by Fitch. In addition, the bank has been awarded the highest Financial Strength Rating (A) by Moody's and the highest Individual Rating (A) by Fitch.

Contents

Organization

Organization

C. van Eykelenburg [1952]
Chairman of the Executive Board

Mrs P.J.E. Bieringa [1959]
Managing Director
Account Management, Account Desk, Marketing and Communication

G.J.M. Langelaan [1959]
Managing Director
Internal Audit

G.J. Thomas [1950]
Managing Director
Executive Secretariat and Economic Research

Mrs J.C. Vester-Vos [1960]
Manager
Human Resources

J.J.A. Leenaars [1952]
Member of the Executive Board

J.L.S.M. Hillen [1946]
Managing Director
Legal, Fiscal Affairs and Compliance

P.H. Verloop [1949]
Managing Director
Treasury and Capital Markets

B.P.M. van Dooren [1957]
Manager
Funding and Investor Relations

J.C. Reichardt [1958]
Member of the Executive Board

R. van Woerden [1958]
Managing Director
Mid Office, Back Office, Funds Transfers, Information Technology and Facility Services

A. Groenendijk [1947]
Manager
Financial Administration

P.J. Kortleve [1969]
Manager
Planning & Control

H.R. Noordam [1966]
Manager
Risk Control

R.G. Wijdoogen [1963]
Manager
Credit Risk Assessment

Supervisory Board [1]

H.O.C.R. Ruding [2] [3] [1939]
Chairman
Former Vice-Chairman of the Citicorp/Citibank, New York, former Minister of Finance

Mrs Y.C.M.T. van Rooy [2] [3] [1951]
Vice-Chairman as well as Secretary
Chairman of the Board of Governors of the University of Utrecht

R.J.N. Abrahamsen [4] [1938]
Former Managing Director en Chief Financial Officer KLM Royal Dutch Airlines

H.H. Apotheker [5] [1950]
Mayor of the Municipality of Steenwijkerland

Mrs S.M. Dekker [5] [1942]
Former Minister of Housing, Spatial Planning and the Environment

W.M. van den Goorbergh [4] [1948]
Former Vice-Chairman of the Executive Board of Rabobank Nederland

R.J.J.M. Pans [2] [3] [1952]
General Director of the Association of Netherlands Municipalities

A.G.J.M. Rombouts [5] [1951]
Mayor of the Municipality of 's-Hertogenbosch

W.K. Wiechers [2] [3] [4] [5] [1940]
Former Chairman of the Executive Board of Essent N.V.

|1 BNG seeks to ensure the independence of its Supervisory Board members by adhering to the following guidelines. Supervisory Board members are not, and have not been, in the employ of the company. They have no other business relationships with BNG from which they could personally gain. The Supervisory Board members receive a fixed annual remuneration, which is not dependent on the bank's performance in any year. No 'interlocking directorships' exist between Supervisory Board members mutually or between Supervisory Board members and Executive Board members. Supervisory Board members hold no shares in the company.
|2 Member of the Selection and Appointment Committee as referred to in Article 16 of the Articles of Association.
|3 Member of the Remuneration Committee as referred to in Article 16 of the Articles of Association.
|4 Member of the Audit Committee as referred to in Article 16 of the Articles of Association.
|5 Member of the Market Strategy Committee as referred to in Article 16 of the Articles of Association.

Employees' Council
D.S. Hoekstra [1971]
Chairman

W.B. Kalma [1976]
Secretary

J.H. Boom [1951]
Deputy Chairman

G.J. van Duffelen [1978]

Mrs S.P.D. Huizer [1968]

M. Laban [1971]

E.J. van Mastrigt [1956]

M.W.J. Oostendorp [1963]

L.H.J.M. Tulfer [1950]

Public Housing Focus Group
Mrs S.M. Dekker
Former Minister of Housing, Spatial Planning and the Environment

A.A.M. Aussems
Executive Director of the Stichting Trudo, Eindhoven

G.J. Gerards
Director of the Stichting Mooiland, Amersfoort

W. Gestel
Executive Director of the Woningstichting Haag Wonen, The Hague

Mrs B.J.C.J. van Hoesel
Member of the Executive Board of the Stichting Portaal, Baarn

A. Schakenbos
Chairman of the Executive Board of the Stichting Woonstad Rotterdam, Rotterdam

J.G.C.M. Schuyt
Chairman of the Executive Board of the Stichting De Alliantie, Huizen

R. Steenbeek
Chairman of the Executive Board of the Stichting Ymere, Amsterdam

A. Troost
Chairman of the Executive Board of the Stichting Woonzorg Nederland, Amstelveen

Mrs A.J. van de Ven-de Jong
Executive Director of the Woningstichting Aramis, Roosendaal

Th.G.A. Woertman
Executive Director of the Stichting Mitros, Utrecht

Personal Details of the Supervisory Board Members [6]
H.O.C.R. Ruding
Chairman
Former Vice-Chairman of Citicorp/Citibank, New York, former Minister of Finance
Appointed on May 12, 2004, reappointed on April 28, 2008 and eligible for reappointment in 2012. Mr Ruding is a member of the Supervisory Board of Corning Inc. (US), RTL Group (Luxembourg), and Holcim A.G. (Zürich). He holds several additional national and international positions.

Mrs Y.C.M.T. van Rooy
Vice-Chairman as well as Secretary
Principal Position: President of the Governing Board of the University of Utrecht
Appointed on May 12, 2004, reappointed on April 28, 2008 and eligible for reappointment in 2012.
Mrs Van Rooy is deputy Crown-appointed member of the Social and Economic Council and a member of the Advisory Board of Deloitte. She holds nine additional positions.

R.J.N. Abrahamsen
Former Managing Director and Chief Financial Officer KLM Royal Dutch Airlines
Appointed on May 17, 2006, eligible for reappointment in 2010.
Mr Abrahamsen is a member of the Supervisory Board of TNT N.V. and a member of the Supervisory Board of Koninklijke BAM Groep N.V.. He is a member of eight other Supervisory Boards and holds two additional positions.

[6] Supervisory memberships and additional positions are mentioned insofar these are held with listed companies and are deemed to be relevant to the performance of the tasks as a member of BNG's Supervisory Board. All members of BNG's Supervisory Board are Dutch nationals

H.H. Apotheker

Principal Position: Mayor of the Municipality of Steenwijkerland

Appointed on May 16, 2002, reappointed on May 17, 2006 and eligible for reappointment in 2010.

Mr Apotheker is Chairman of the Supervisory Board of N.V. Rendo and a member of the Supervisory Committee of the Waarborgfonds Eigen Woningen (Owner-Occupied Housing Guarantee Fund.). He is a member of one other Supervisory Board and holds one additional position.

Mrs S.M. Dekker

Former Minister of Housing, Spatial Planning and the Environment

Appointed on May 24, 2007, eligible for reappointment in 2011.

Mrs Dekker is a member of the Supervisory Boards of DHV and Kristal N.V. and is chair of the Supervisory Committee of the Diabetesfonds and of the Stichting Antilliaanse Medefinancierings Organisatie. She holds three additional positions.

W.M. van den Goorbergh

Former Vice Chairman of the Executive Board of Rabobank Nederland

Appointed on May 15, 2003, reappointed on May 24, 2007 and eligible for reappointment in 2011.

Mr Van den Goorbergh is a member of the Supervisory Boards of DELA and De Welten Groep Holding B.V. He is also a member of the Supervisory Boards of OPG Groep N.V. and NIBC Bank N.V. He is Vice-Chairman of the Board of the Catholic University of Nijmegen, is a member of one other Supervisory Board and holds thirteen additional positions.

R.J.J.M. Pans

Principal Position: General Director of the Association of Netherlands Municipalities

Appointed on May 15, 2003, reappointed on May 24, 2007 and eligible for reappointment in 2011.

Mr Pans is Chairman of the Supervisory Committee of Zorggroep Almere, and holds four additional positions.

A.G.J.M. Rombouts

Principal Position: Mayor of the Municipality of 's-Hertogenbosch

Appointed on May 18, 2000, reappointed on May 12, 2004 and for a second time on April 28, 2008, due to retire in 2012.

By virtue of his principal position, Mr Rombouts is Chief of the Brabant-Noord Police Force and Chairman of the Brabant Northeast Security Zone. He holds nine additional positions.

W.K. Wiechers

Former Chairman of the Executive Board of Essent N.V.

Appointed on May 2, 1997, reappointed on May 17, 2001 and for a second time on May 18, 2005, due to retire in 2009.

Mr Wiechers is Chairman of the Supervisory Board of Koninklijke BAM Groep N.V. and is also a member of the General Energy Council. He is a member of one other Supervisory Board and holds one additional position.

Personal Details of the Executive Board Members |6

C. van Eykelenburg

Appointed to the Executive Board on January 1, 2005 and appointed as Chairman of the Executive Board on October 15, 2008.

Mr van Eykelenburg is a member of the Supervisory Committee Codarts. He is a member of one Supervisory Board and holds three additional positions.

J.J.A. Leenaars

Appointed to the Executive Board on October 15, 2002.

Mr Leenaars is a member of the Supervisory Board of N.V. Trustinstelling Hoevelaken and a member of the Supervisory Committee of the Higher Vocational Education Guarantee Fund. He is also a member of two Supervisory Boards and holds two additional positions.

J.C. Reichardt

Appointed to the Executive Board on October 15, 2008.

Besides his principal position Mr Reichardt is a member of one Supervisory Board.

Report of the supervisory board

Financial Statements and Dividend Proposal

The annual report of N.V. Bank Nederlandse Gemeenten, which is herewith presented among other information, includes the financial statements and the report drawn up by the Executive Board for the year 2008. The financial statements for 2008 have been given an unqualified opinion by Ernst & Young Accountants LLP. We propose to shareholders that they approve the financial statements and discharge the members of the Executive Board and the Supervisory Board for their management and supervisory duties, respectively, as reflected in the financial statements and the annual report. Upon adoption of the financial statements and the profit appropriation they specify, a dividend of EUR 1.42 per share (with a nominal value of EUR 2.50) will be distributed for the 2008 financial year (2007: EUR 1.75).

Profile

Early in 2003, the Supervisory Board drew up a new membership profile. This profile was discussed with the Employees' Council and presented to the General Meeting of Shareholders on May 15, 2003. The profile remained unchanged in the year under review, and can be found on the bank's website.

Composition of the Supervisory Board

The composition of the Supervisory Board remained unchanged in 2008. Both appointments and reappointments are assessed against the profile. In the case of reappointments, the performance of the members concerned is also taken into account, as is their participation in meetings of the board and of the relevant committees. In this connection, interviews were held in 2008 with Mr A.G.J.M. Rombouts, Mrs Y.C.M.T. van Rooy and Mr H.O.C.R. Ruding, who retired by rotation. They were reappointed on April 28, 2008. During the annual appraisal of its functioning, the Supervisory Board concluded that it would still meet the desired profile following the appointment of Mrs H.G.O.M. Berkers, who has been nominated to succeed Mr W.K. Wiechers.

The composition of the Supervisory Board is included in the section entitled Organization. The following details are disclosed for each member of the Supervisory Board: gender, year of birth, principal position, nationality, date of resignation and additional positions, insofar as relevant to the fulfillment of Supervisory Board tasks and duties.

Changes in the composition of the Executive Board

Mr P.O. Vermeulen retired as chairman of the Executive Board on October 15, 2008. Mr Vermeulen had been a member of the bank's Executive Board since 1995. He was appointed chairman in 2003. Mr Vermeulen was in charge of the bank during a period of major change. Examples include the introduction of liability to corporation tax and the resulting change to the capitalization and dividend policy as well as the adjustment of strategy. Other changes during his term of office were the reorganization of the bank and the outsourcing of the payment operations and the data centre. Mr Vermeulen showed great commitment to staff, clients and shareholders, and worked to ensure that the bank remain well-positioned, both now and in the years ahead. The Board takes this opportunity to once again express its thanks and appreciation.

Mr C. van Eykelenburg, who has been a member of the Executive Board since 2005, has been appointed to succeed Mr Vermeulen. In addition, Mr J.C. Reichardt, formerly Managing Director of Reporting & Control at BNG, was appointed as a member of the Executive Board on October 15, 2008.

Activities of the Supervisory Board

During the reporting period, the Supervisory Board met five times. The issues discussed included the bank's strategy, financial reporting, human resources policy, risk management, status reports on the loan portfolio falling within the solvency requirements, the effects of the credit and liquidity crisis on BNG, the capitalization of the bank, the remuneration policy, participating interests, the auditor's reports, the signing powers framework, the by-laws of the Executive Board, the policy document entitled "Central Government Participating Interests Policy" of the Minister of Finance and the Regulation on Credit Facilities for Individual Directors.

Audit Committee

The Audit Committee met four times during the year under review. The committee prepared the decision-making in the plenary Board meeting on the half-year and full-year figures, the management letters of the internal and external auditors as well as the accompanying comments of the Executive Board. The internal and external auditors attended the review of these documents in the Audit

Committee as well as the review of the annual report and financial statements by the Board. In addition, the Audit Committee prepared the decision-making in the plenary Board meeting on risk management policy and the status reports on the loan portfolio falling within the solvency requirements. The external auditor did not make use of its right to meet with the Audit Committee in the absence of the Executive Board. Furthermore, the Audit Committee discussed the impact of the credit and liquidity crisis on BNG, the Liquidity Risk Policy, the bank's capitalization and solvency position, participating interests, the 2007 Compliance Report, the 2007 Incidents Report, the 2009 Compliance Programme, the results of an independent audit of the functioning of the external auditor, the Internal Audit Charter and the 2009 IAD Year Plan. The Audit Committee reported on these topics to the Board.

Remuneration Committee
The Remuneration Committee met three times during the year under review. The committee prepared the decision-making in the plenary Board on the remuneration of the individual executives, and the remuneration report. The details of the remuneration policy were also discussed by reference to government proposals.

Selection and Appointment Committee
The Selection and Appointment Committee met three times in 2008. The committee prepared the decision-making in the plenary Board meeting on the appointment and reappointment of Supervisory and Executive Board members, as well as the assessment of performance of individual Supervisory and Executive Board members.

Market Strategy Committee
The Market Strategy Committee met twice in the year under review. The committee discussed the relevant developments concerning BNG's client groups and the adequacy of the existing and potential services to these client groups. Specific topics were the corporate communication strategy, the marketing objectives and methods of BNG subsidiaries OPP and BVG and the policy document entitled "Central Government Participating Interests Policy" of the Minister of Finance. The committee also considered the impact of the credit and liquidity crisis on BNG and the allocation of capital.

Remuneration Policy
The remuneration policy is designed to enable the bank to recruit and retain qualified and professional executives. This requires a market compatible remuneration package with a variable component that is partly linked to the achievement of pre-determined, measurable and clear objectives.

A discussion of changes to the remuneration policy in 2009 was started in 2008. The remuneration policy formulated below was adopted at the Special General Meeting of Shareholders held on February 17, 2006. The remuneration policy that has been set applies in full to any executives appointed from this date onwards. The existing employment contracts of the executives appointed prior to that date will be respected. Any scope these contracts offer to align remuneration insofar as possible with the policy indicated below was utilized. For example, the variable remuneration arrangement included in the remuneration policy is also applicable to all the executives.

In assessing the remuneration policy, it is important to remember that BNG is a banking institution operating in a fully competitive environment. The organization has total assets of approximately EUR 100 billion, and is thus one of the biggest Dutch banks. BNG is one of the largest Dutch issuers in the international capital markets. Retaining its triple-A credit ratings and competitive funding position are crucially important in order to guarantee the continuity of the bank's special public mission. BNG falls within the scope of the Financial Supervision Act (Wet op het Financieel Toezicht) and is consequently subject to prudential supervision by the Dutch Central Bank. Executives are assessed on their reliability and expertise, and their appointment requires prior approval from the Dutch Central Bank. In addition, BNG falls under the conduct of business supervision of the AFM (Netherlands Authority for the Financial Markets). BNG's shareholder value is broad. BNG is committed at all times, including in times of financial difficulty or uncertainty, to fulfilling its public service role for society as described in the bank's Articles of Association. At the same time, it is also committed to offering the lowest possible prices for its products and services. The bank must therefore retain a permanent focus on balancing its competitive pricing policy on the one hand, with the financial results and hence the bank's performance on the other. Effective operations at the lowest cost possible are key to achieving this.

The compensation and benefits of BNG's Executive Board are market-compatible, i.e. determined on the basis of a comparison with customary practice in the Dutch financial sector. This comparison draws (periodically) on independent external advice. As part of this process, remuneration at BNG is benchmarked against similar positions within a peer group of around 20 institutions active in the Dutch financial sector. The prevailing market circumstances relevant to the bank are taken into account in relation to its public role.

The maximum total remuneration (including benefits) is based on the peer group median. In the case of newly-appointed executives, their career history is also taken into account. It has been concluded that BNG complies to this. The Supervisory Board performs a biannual review to establish whether developments within the peer group justify adjustments to the conditions of employment of the Executive Board.

The primary remuneration consists of two components:

Fixed Remuneration
The fixed component of the remuneration consists of 12 times the monthly salary plus holiday allowance.

Variable Remuneration
Each year, the Supervisory Board determines the objectives and targets to be achieved by the Executive Board. These concern the realization of a number of quantitative targets. Qualitative objectives relevant to the management and/or personal performance of Executive Board members are also agreed.

Each target is assigned a weighting relative to the totality of targets. Finally, the extent to which each target is exceeded or not reached affects the award of the relevant part of the variable remuneration. The system is designed in such a way that 70% of the maximum bonus for quantitative targets is paid out if these targets are realized.

At the end of the year, the Executive Board reports on the actual results versus the set targets. Based on this report, the Supervisory Board decides whether to award the variable remuneration component taking into account the proposal put forward by the Remuneration Committee and the Selection and Appointment Committee. The variable remuneration is paid out at the start of the year following that in which the targets were applicable. The external auditor verifies the correct application of this procedure.

The procedures followed are disclosed and explained in the annual report. The objectives and actual results are reported in such a way that the interests of BNG and its shareholders are not compromised. In addition, with due regard to these interests, the Supervisory Board will provide information on the set objectives and accompanying targets for the current year at the General Meeting of Shareholders.

Pension Funding
The provisions of the pension regulations of Stichting Pensioenfonds ABP (career average plan) are applicable to the fixed remuneration. No pension rights are accrued in respect of the variable remuneration component.

Emoluments
The Executive Board members receive an annual allowance for business expenses. The members of the Executive Board have the use of a car, which is made available by BNG. They are also entitled to the services of a chauffeur for business trips. Like other staff, Executive Board members are eligible for various benefits, including health insurance, mortgage interest rate discounts, a study allowance, a long-term service bonus and special leave (e.g., care leave).
The members of the Executive Board own no shares or options in BNG, and receive no additional remuneration through the bank's subsidiaries.

Duration and Termination of Contracts of Employment
Contracts of employment with Executive Board members appointed from February 17, 2006 onwards have been or will be entered into for a term of four years. This also applies to the appointment of the new chairman of the Executive Board. Contracts of employment concluded after this date provide that the contract may be terminated at the end of each month by either party, subject to three months' notice for the Executive Board members and six months' notice for

BNG. It is also agreed that if the contract is terminated on the initiative of BNG for reasons not exclusively or principally related to actions and/or omissions by, or the conduct and performance of, the relevant member of the Executive Board, BNG will be liable to make a severance payment not exceeding the last annual salary plus holiday allowance (the fixed part of the remuneration).

Realization of the Variable Remuneration Targets for 2008

As regards the variable remuneration for 2008, a market share target (weighting factor 20%) for lending to municipalities, housing associations and healthcare institutions and a target for other lending activities (weighting factor 20%) were set, as included in the year plan 2008. Next to these a performance target (weighting factor 40%) was set. The qualitative objectives (weighting factor 20%) include agreements about cost savings, the outsourcing of the payment operations and data centre, the restructuring of the organization and – in connection with the renewed composition of the Executive Board – an objective to ensure continuity and the proper transition to the new situation. On the recommendation of the Selection and Appointment Committee, the Supervisory Board has concluded that each member of the Executive Board achieved the variable remuneration targets for 2008 and that this entails an award of 95% of the maximum variable remuneration (2007: 89%).

Variable Remuneration Targets for 2009

The variable remuneration targets for 2009 have been determined in line with the strategy, which was approved by the Supervisory Board in January 2007. For 2009, a market share target (weighting factor 20%) has been set for the lending activities in the municipal, housing and healthcare sectors, and a new business target for other lending activities (weighting factor 20%), as included in the year plan 2009. In addition, a performance target (weighting factor 40%) has been set. The qualitative objectives for 2009 include the development of models for credit risk assessment and management. The total costs should be met from the budget fixed for 2009.

Contacts with the Employee's Council

The Supervisory Board was represented at three of the seven consultative meetings between the Executive Board and the Employees' Council. In 2008, there was also a theme meeting between the Supervisory Board, the Executive Board and the Employees' Council. The Supervisory Board greatly values its constructive interaction with the Employees' Council.

The Supervisory Board commends the Executive Board and staff for the results achieved in 2008. The bank did a commendable job in fulfilling its essential role in promoting the interests of the public at large.

On behalf of the Supervisory Board
H.O.C.R. Ruding, Chairman
Y.C.M.T. van Rooy, Secretary

The Hague, March 6, 2009

Report of the executive board

BNG achieved net profit of EUR 158 million in 2008 (2007: EUR 195 million). Higher interest expenses caused by the additional payment of EUR 500 million to the shareholders in December 2007 and the unrealized negative *Results Financial Transactions*, on the one hand, and higher interest income, especially as a result of the bank's money market transactions, on the other, were attributable, on balance, to the decline in profit. *Profit before Tax* was EUR 182 million, EUR 56 million (24%) lower than in 2007.

A financial and economic crisis has the world in its grip and naturally BNG also feels the effects of this crisis. Nonetheless, the bank successfully held its own in the past year. Lending to our core client groups continued virtually uninterrupted. Both the market share and volume of long-term lending were even higher in 2008 than in the previous year. This underlines the importance of BNG's role as a lender to local authorities and public sector institutions in all market conditions. BNG's Triple A credit ratings and stand-alone ratings were reconfirmed in the period under review, and investor confidence in BNG's bonds was maintained. In 2008, BNG raised EUR 13.1 billion in long-term funding through 67 issues.

In view of the market conditions, it was virtually impossible for the bank to meet its need for long-term funding at the start of the fourth quarter. Activities in the capital markets tentatively resumed in December. Meanwhile, credit and liquidity risk spreads are currently at all-time highs. As a consequence of these developments, BNG was more reliant on its ECP Programme at the end of 2008. Owing to the relatively large difference between short-term and long-term interest rates, the short-term funding had a favorable effect on the bank's *Interest Result*.

The uncertainty in the financial markets resulted in high risk spreads for securities and hence in sharply lower valuations. The secundary market for non government bonds dried up almost entirely in the second half of 2008. The unrealized market value adjustments of a limited part of the bank's assets adversely affected the bank's results. As a consequence, the item *Results Financial Transactions* showed a negative result of EUR 64 million in the year under review. Due to the drastic change in market conditions, the sale of the subsidiary Hypotheekfonds voor Overheidspersoneel (HVO), which was announced last year, did not yet take place.

Operating Expenses fell to EUR 61 million, a decline of EUR 5 million compared to 2007. Expenses are expected to fall further in 2009.

BNG's public mission is to provide specialized financial services that help minimize the costs of local authorities and public sector institutions. The bank's strategy is aimed at guaranteeing its position as an expert in the financing of social provisions, partly by responding to the client's changing needs. Guaranteed lending is and remains the bank's core activity.

The bank is active in location and property development through its subsidiaries Ontwikkelings-en Participatiebedrijf Publieke Sector (OPP) and BNG Vastgoed Ontwikkeling (BVG). BNG Capital Management (BCM) concentrates on investing cash surpluses for clients. In 2008, assets under management remained stable at EUR 2.5 billion. BNG Consultancy Services (BCS) assists the public sector with advisory services. The value of the participating interest in Transdev-BNG-Connexxion-Holding fell by EUR 5 million in 2008.

The proposed dividend for 2008 is EUR 79 million, which is equivalent to 50% of the net profit. This works out at EUR 1.42 per share (2007: EUR 1.75). If the difficult market conditions persist, allowance should be made for a decline in the return on equity. BNG, too, finds its credit and liquidity risk being priced higher by the market, thereby pushing up funding and refinancing costs. Although the projected trend in the underlying results is in keeping with that of the year under review, the bank does not consider it possible – given all the uncertainties – to make a reliable forecast about the 2009 results.

The financial crisis

The problems in the financial sector that became apparent in the course of 2007 increased substantially in the past year and have now affected the real economy. For the first time since the Second World War, the world's three most important economies – those of the United States, Japan and the eurozone – have simultaneously ended up in recession.

The roots of the present crisis lie in the United States. After the Internet bubble burst in 2001, interest rates were cut sharply by the monetary authorities in order to stabilize the economy. This reduced not only the financing costs but also the yield to investors in bonds. The efforts to obtain greater returns meant that riskier products became increasingly preferred. As a result of the low interest rates, private individuals who in fact had insufficient income were tempted to buy their own home, which was financed with a mortgage that carried a temporarily low rate of interest. The risk was defined as calculable. It was argued that, if the owners were unable to meet their obligations, the increase in the value of the properties would provide compensation. The development of new mortgage products, including the subprime and Alt-A mortgages, was also in keeping with the efforts of the U.S. administration to promote home ownership.

In the context of financial innovation, these mortgage loans were bundled and then resold in securitized form to Special Purpose Vehicles (SPVs). Securitization unlocked bank capital that had been tied up in mortgage portfolios, and created scope for further lending. Other loans were also securitized in a comparable manner. The securitization of the lending packages in all kinds of derivative products continued to such an extent that it became difficult for the investors to gauge the underlying risks. The opinion of the rating agencies weighed heavily in decisions on whether to include investments of this kind in a portfolio. As the derivative products were purchased worldwide, the risks spread correspondingly. Partly because financial supervision failed to keep pace with this process of innovation and globalization, the problem was able to grow to its current proportions.

A policy of monetary tightening was started in 2004 and resulted in a sharp rise in interest rates. Later, the economic outlook and labor market situation worsened. In these circumstances, it gradually became clear what kind of time bomb had been placed under the system. As a result of the rise in interest rates, borrowers who had been tempted by the initially low rates faced interest rate adjustments that were much higher than previously expected. A substantial proportion of these borrowers were no longer able to meet their obligations. This resulted in foreclosures and the execution sale of properties, which in turn put further pressure on prices. Financial institutions were obliged to write down mortgages and mortgage- and other loan-related investments. Valuation of mortgage bonds was also hampered by a lack of liquidity. The losses of market value eroded the capital position of the financial institutions and caused a loss of confidence, even though the losses were not actually realized in many cases. The IFRS accounting rules stipulate that marketable securities must be recognized at market value. When prices fall, even securities whose repayment poses little if any risk must be revalued downwards.

As the crisis in the American residential property market deepened and economic activity continued to decline, it became clear that the financial system was facing serious difficulties. In March of the year under review, the investment bank Bear Stearns encountered liquidity problems as market participants lost faith in it. The U.S. central banking system decided to step in and save the bank by arranging a takeover by JP Morgan Chase with the help of a substantial loan. In mid-September, the authorities then decided not to support Lehman Brothers, after previously bailing out insurer AIG and the mortgage finance companies Freddie Mac and Fannie Mae by means of substantial government loans. After Lehman Brothers filed for bankruptcy protection, confidence in the international money markets declined even further. This caused a sharp rise in the spreads demanded for credit risk and the supply of funds in the capital markets for non-government bodies dried up. As a result of the extremely uncertain market conditions, more financial institutions were in danger of encountering insuperable difficulties, with all the risks that this would entail for the economy and society as a whole. In many countries, national governments were forced to strengthen the capital position of banks in order to maintain confidence in the financial system. In a few cases, such as the British bank Northern Rock and the Belgian-Dutch bank insurer Fortis, large parts were nationalized. National governments also acted as guarantors for bank loans up to a given term and the maximums in the deposit guarantee schemes were temporarily increased. The central banks decided on substantial cuts in the official interest rates.

The aim of these government measures is to enable banks and insurers to continue playing their crucial role of intermediary in the economy. The measures are designed in particular to prevent a collapse of bank lending.

Parallels are regularly drawn with the Great Depression of the 1930s. However, there are important differences. Unlike their predecessors, governments and monetary authorities have now responded vigorously by mounting major support operations and greatly relaxing monetary policy. In the 1930s, by contrast, the initial response was to tighten monetary policy. The present social security systems in Western countries ensure that the economic and social consequences will probably be less far-reaching than was the case in the past.

Impact on clients

The credit crisis has also impacted the public sector. In October, it was discovered that various municipal and provincial authorities had deposited money with banks that were in serious difficulties, namely Landsbanki, Kaupthing and Lehman Brothers. A survey revealed that 21 municipal and provincial authorities had money on deposit at these banks and that the total sum involved was approximately EUR 250 million (2.3% of the total loans and advances of lower-tier government authorities). The great public indignation about authorities engaging in investment of this kind sparked much political debate, for example about whether legislation and regulations were adequate. The Local and Regional Government Financing Act (Wet fido) is being evaluated and there are plans to tighten up the Loans, Advances and Derivatives (Municipal and Regional Authorities) Regulations.

In view of the economic developments, the government has indicated that it will accelerate major investment in social facilities such as road, water and rail infrastructure. The aim is to stimulate the economy. Cooperation is increasingly sought with private sector parties in order to carry out such projects. The Elverding and Ruding Committees made recommendations in 2008 for accelerating procedures and encouraging private funding of infrastructure projects. The DBFM form of contract in which a private sector party arranges for the design, building, finance and maintenance at a prearranged price is often mentioned as an instrument. Various DBFM contracts were concluded in 2008 for projects involving infrastructure and central government buildings. BNG plays an active role in virtually all DBFM projects in the Netherlands.

Home construction at VINEX sites (residential development sites designated under the fourth policy document on spatial planning) is declining as these sites become fully built up. Attention is therefore shifting to inner city projects, for example urban renewal in inner city areas. Often these projects are hard to implement. It is feared that home construction production will drop sharply as a result of the crisis. Many municipal authorities have set themselves ambitious home construction targets designed to eliminate the structural shortages in the housing market in due course. Achieving these targets may now become problematic. Cooperation between government authorities, housing associations and private sector parties, for example in public-private partnerships (PPPs), is crucial in this situation. BNG advises municipalities through BNG Consultancy Services (BCS) on how such partnerships should be structured. In addition, BNG has extensive experience in funding and participation in PPP projects.

The central government is transferring more and more duties and powers to municipalities, for example in the fields of safety, youth policy and employment. This decentralization is intended to give municipal authorities more responsibility of their own. At the same time, a higher proportion of the funding received by municipalities from the central government is of a general nature and a lower proportion consists of earmarked funds. This better enables municipalities to set their own priorities.

Housing associations play an important role in urban regeneration, as promoted by the Minister of Housing, Communities and Integration (WWI). Municipalities and housing associations work in close cooperation to achieve local targets. Housing associations in 40 communities designated by the Minister of WWI can claim special project support. All housing associations that are not active in the communities concerned are required to contribute to the project support fund. The credit crisis and the economic downturn are also affecting the housing association sector. Their income, from selling dwellings in particular, is likely to be lower than expected. This will have consequences for their liquidity position, which had already been adversely affected by the introduction of integral corporation tax, inflation-linked rental policy and the contribution to the fund for the special project support. However, a positive effect of the credit crisis is that demand for rental properties is increasing as sales decline. In 2008, there was wide-ranging public and social debate on the role of housing associations and their relationship with government. The topics considered included whether housing associations could opt out of the system and whether they should undertake projects that have no direct connection with their primary role. The outcome of these debates may have major implications for the form and scope of demand for lending.

In the past year, the credit crisis was one of the factors prompting ongoing discussion of the role of market forces in the healthcare sector. Critics see the credit crisis as providing confirmation that the healthcare sector would not be better off if market forces were allowed free rein. A debate is underway on whether the regulated distribution of profits should be permitted. The proponents of this idea believe that it would encourage entrepreneurship. However, opponents warn that public money may drain away. The distribution of profits to private investors is still not permitted. However, initiatives are being developped by investors that anticipate this possibility. According to a judgment of the Council of State, however, healthcare institutions are free to invest profit from property transactions as they see fit. The Minister of Health, Welfare and Sport wished to impose limitations on this in order to prevent the leakage of funds from the healthcare sector. By contrast, healthcare institutions wanted greater freedom for their property policy.

The aim of introducing a regulated market mechanism in the healthcare sector is to ensure that high-quality healthcare remains affordable and accessible. The healthcare sector is gradually making the transition from a supply-driven to a demand-driven market. In the new healthcare system, the client will occupy centre stage, market incentives will play a greater role and the role of government will diminish accordingly. This is a large-scale operation that requires a major effort by all parties concerned. In 2008, it unexpectedly transpired that the sector was not yet ready for the introduction of treatment-related pricing based on the criterion of full debt-servicing charges. The planned introduction did not therefore take place on January 1, 2009. However, there are plans to increase the number of interventions for which quality and price agreements are made with health insurers in a Diagnosis-Treatment Combination (DBC). A new funding system for nursing and care, care of the disabled and long-term mental healthcare was introduced on January 1, 2009. The effects of market incentives are becoming visible. Labor productivity is increasing and the quality and effectiveness of healthcare are improving. More and more often institutions are working together and also collaborating with private-sector parties. In addition, they are focusing more attention to their strategic vision and risk management. Property investment proposals are formulated more carefully in business plans. This is important in view of the limited solvency, higher interest charges and risk profile within the sector.

The question of whether the rules governing the investment of surplus funds should be tightened up has also arisen in relation to the education sector. The Minister of Education, Culture and Science has announced the establishment of a committee to investigate the financial position of educational institutions. This investigation will include the subject of treasury banking. Another subject that will be studied is how lump sum financing influences the level of reserves.

The ongoing decentralization of responsibilities and resources for school buildings continues to be an important development. The municipal duties and responsibilities for educational property are increasingly being transferred to the educational institutions themselves. Initially, there was little support for this process, especially among smaller school boards. They tended to lack the expertise and management capabilities needed to assume the inherent financial risks. Now, however, the school boards are increasingly seeing the advantages. Government is playing more and more of a background role in school building projects. Major investments are being made in maintenance and construction. The past year saw the adoption of various innovative funding arrangements, and the educational institution itself is no longer automatically the beneficial owner of the school building. Some very substantial building projects for universities and institutes of higher professional education are planned for 2009.

The Independent Grid Management Act (the Unbundling Act) came into force on July 1, 2008. Dutch energy companies are required to separate their commercial production and supply activities from their power grid operations before 2011. Energy companies are currently owned by public sector shareholders, namely municipal and provincial authorities. The commercial organizations arising from the unbundling can be sold, but the grid companies must remain in public ownership. Early in 2009, Essent and Nuon announced the intended sale of their commercial operations to the German company RWE and the Swedish company Vattenfall respectively. The public sector shareholders are now considering these proposals for sale. In addition, they are examining how the funds released by the sale can be properly used. This may also be the moment for these shareholders to review the management of their remaining share ownership in the grid companies.

BNG and the effects of the crisis

The bank has managed to hold its own very well in this crisis. Naturally, BNG has not escaped some of the consequences of the crisis, but it has been affected to a much lesser degree than many other market participants. The highest international credit ratings have contributed to the continuation of lending to its core client groups virtually without interruption. This is a performance we can be proud of, but very great efforts will be needed if it is to be repeated in the current year. Many of our competitors have, to some extent, been reluctant to provide financing. This emphasizes the importance of BNG's role as a lender to local authorities and public sector institutions in all market conditions.

The crisis is affecting the bank in various areas. The bank's liquidity is under greater pressure than normal. The loss of investor confidence in financial institutions meant that access to long-term funding in the last quarter dried up for BNG as well. Clients, by contrast, are interested in longer-term loans as interest rates are low in absolute terms. This forces the bank to tighten up its liquidity risk management and adjust the risk spreads for clients in the long-term segment in particular. Obtaining funds for short-term lending has posed no problems at all. In their flight to quality, many investors have sought the safety of BNG for the temporary placement of their surplus funds.

The bank's loan portfolios consist, to a large extent, of receivables from or guaranteed by (lower-tier) government bodies. The quality of these receivables is and remains intrinsically high. In the context of liquidity risk management, the collateral deposited with the Central Bank was increased in the past year. This is necessary to provide for the possibility of the bank being forced to seek the assistance of the Central Bank. In addition, the bank has a portfolio of interest-bearing securities, which also plays an important role in the management of the liquidity position in normal market conditions. As virtually all financial assets have become illiquid, this function no longer exists in the current situation, and the sale of these assets at a fair price is therefore temporarily unavailable as a source of funding.

The bank's profitability was influenced by the crisis in both a positive and a negative sense. As a result of a sharp increase in the credit spreads but above all the liquidity spreads required by investors, the value of part of the assets on the bank's balance sheet declined. Insofar as these assets are shown on the balance sheet under *Financial Assets at Fair Value through the Income Statement*, these unrealized negative market value adjustments are recorded in the income statement. The credit quality of these assets is, after all, still very good by present standards. As the cash flows are not in doubt, a permanent write-down is not considered necessary. As time passes, the unrealized negative market value adjustments will be reversed and flow back into the bank's income statement.

The impossibility of placing long-term issues in the fourth quarter meant that the bank was reliant on shorter-term funding. As the interest expenses for this type of funding are, on average, much lower than for long-term funding, this had a positive one-time effect on the interest result in 2008. The increase in new loans and advances also helped to boost the bank's result to some extent. If risk spreads for long-term funding remain at the present high levels, BNG's result will suffer in the years ahead.

The bank's solvency is suffering to a limited extent from the crisis. Insofar as the result remains under pressure, the retained profit will be smaller. The amount by which assets are written down for accounting purposes is relatively small in relation to the capital, and has only a limited effect on the bank's solvency. The fact that the possibility of selling a major part of the assets at normal prices has also reduced the flexibility of the balance sheet in the context of solvency management. The bank's solvency position has deteriorated in relative terms since the market requirements for bank solvency have risen and banks have complied to these requirements in many cases with government support. In an absolute sense, the solvency has remained stable and at a high level.

BNG obtains most of its funding in the international capital market. In the past year, the competitive position changed significantly as a result of the crisis. First of all, the extent to which government authorities had recourse to the capital market in order to finance rescue packages and mounting budget deficits showed an unexpected increase. This meant greatly increased competition for BNG. In addition, there is growing competition from bank bond loans backed by the guarantee facilities widely introduced by national governments. This intensifying competition for investors' euros means that the bank has to pay higher credit and liquidity risk spreads. Although BNG endorses the need for government measures, it notes that their disruptive effect on the market may increasingly pose a problem for the bank itself.

Strategy
BNG's public mission is unique. BNG is the bank of and for local authorities and public sector institutions. Through its specialized financial services, BNG helps to minimize the cost to the public of social provisions. In the coming years, the bank wants to further reinforce its position as expert in the financing of social provisions. Guaranteed lending remains the bank's core activity, with municipalities and provinces, housing associations and healthcare and educational institutions continuing to be the most important client groups. In these sectors, a slight shift towards non-guaranteed loans and advances is evident. Examples of this include the initiatives to set up more public-private partnerships in almost all sectors, and the allocation of responsibility to healthcare and educational institutions for their own buildings.

The bank's strategy is aimed at responding to the client's changing needs and offering solutions for increasingly complex financing needs. In this way, the bank contributes knowledge and expertise to help its clients, mainly municipalities and housing associations, find solutions through public-private partnerships. This creates new opportunities for finance arrangements within such partnerships. In order to continue achieving the bank's long-term profit objectives, policy has been implemented with a view to engaging in activities that generate slightly higher returns. This strategy is also supported by the foreign portfolio and investments in publicly traded paper with the highest credit quality in the European Union. Preconditions for this strategy are the careful monitoring of the risk profile, operational effectiveness and efficiency and maintenance of the bank's strong financial position.

Products and services

Lending is and remains the bank's core activity. BNG and its subsidiaries also provide payment services and consultancy services, participate in regional and property development and offer sustainable investments and investments that are in keeping with the Local and Regional Government Financing Act (Wet fido).

Loans and advances

The bank wishes to be able to provide loans and advances to its most important client groups at all times. It operates in open competition with other market participants. The bank was able to achieve this ambition even in such a turbulent year as 2008. At the same time, it succeeded in responding to the demand for more complex products. More and more parties are approaching BNG for project finance. Where other banks have, for a variety of reasons, become more tentative about providing loans, BNG has made every effort to continue its service.

As a result of increased demand in almost all sectors, long-term lending to client groups rose by EUR 3.1 billion to EUR 10.5 billion in 2008, of which EUR 8.7 billion represented guaranteed loans. New business was high, especially in the last quarter. In this difficult period in the financial markets, BNG continued to the best of its ability to fulfill its objective of providing loans and advances to local authorities and public sector institutions in all market conditions. The bank has thus further strengthened its position in the market. The overall long term loan portfolio on the basis of principal increased to over EUR 66 billion (year-end 2007: EUR 62 billion). The municipalities and housing portfolios grew by EUR 1.1 billion and EUR 3.1 billion respectively. Lending to the other sectors was up slightly. BNG's market share also rose in the sectors that are most important to it. Its share of the municipalities sector was almost 75% in 2008. Short-term lending to clients averaged EUR 3.9 billion in 2008.

Regional development

Ontwikkelings- en Participatiebedrijf Publieke Sector (OPP) is dedicated to regional development and realizes spatial planning projects, in close cooperation with government parties, while taking account of public interests. Risk sharing and limitation structures are set up in such a manner that the control of the (semi-)public organization is not impaired, thereby safeguarding the interests of the municipalities and society. OPP generated a profit after tax of EUR 2 million in 2008 (2007: EUR 7 million). The fall in profit in comparison with 2007 was due to a change in the manner of determining results in 2007. As a consequence, the results of the early years of OPP were accounted for almost entirely in the 2007 result.

BNG Vastgoedontwikkeling (BVG) promotes the feasibility of urban restructuring and specific spatial planning projects through the use of property expertise and venture capital within socially acceptable frameworks. The cooperation between BNG and BVG increases the financial feasibility of property plans. BVG ended the financial year with a modest profit.

Consultancy

BNG Consultancy Services (BCS) is the advisory subsidiary of BNG and carries out consultancy assignments for various parties including municipalities, provinces, housing associations and healthcare institutions. The assignments include supporting public administrators and management with strategic decision-making (e.g. in relation to investments in projects and assets), second opinions and feasibility studies (e.g. in the field of PPP), risk management implementation or support with achieving an in-control status. BCS has extensive training offerings in these fields and provides customized training on a frequent basis. The financial year was concluded with a modest profit.

Investments

BNG Capital Management (BCM) is dedicated to providing specialized financial services in the fields of asset management, securities brokerage and investment consultancy. BCM is an important player in financial resources in accordance with the Local and Regional Government Financing Act. Municipalities traditionally constitute an important client group, but urban regions, provinces and a growing number of educational institutions and housing associations have also entrusted funds to BCM. The assets under management by BCM amounted to EUR 2.5 billion at the end of 2008, which was the same as at year-end 2007. Six of the nine investment funds managed by BCM invest in sustainable projects. A partnership agreement was concluded for this purpose in early 2008 with Dutch Sustainability Research, which supports market participants with the development and implementation of socially responsible investment policy. BCM concluded 2008 with a net profit of approximately EUR 2 million, which was comparable to the 2007 profit.

Payments

BNG delivers products and services that enable clients to organize their payments and liquidity management efficiently and effectively. A pivotal role is played by the 'My BNG' portal. One key component of this portal is the electronic banking module, which gives BNG clients safe and rapid access to payment services on the internet. In 2008, this module was made suitable for SEPA transfers. The Single Euro Payments Area (SEPA) has been developed in order to make payment transactions within the eurozone effective and inexpensive for consumers, business users and banks. Government bodies are expected to lead the way in the acceptance of SEPA. BNG is responding to these developments and will provide its clients with extra advice and support in 2009 with regard to the introduction of new products such as the SEPA direct debit. BNG managed to retain its strong position in the field of payments in the reporting year. The number of payment transactions processed for clients increased slightly in 2008 compared to the previous year. The processing of the funds flows between the central government and lower authorities was again carried out by BNG in the year under review. Over half of the total of these flows was credited to the Municipalities Fund.

Funding

The bank's long-term funding is almost entirely carried out through the issuance of bonds under the standardized Debt Issuance Programme. The size of this programme was increased in mid-2008 from EUR 70 billion to EUR 80 billion.

For long-term lending and refinancing, the bank attracted long-term funding of EUR 13.1 billion in 2008 (2007: EUR 11.3 billion). The number of issues was 67 (2007: 71). The average weighted term of the issues fell by 1.1 year to 4.2 years. In 2008, BNG issued in ten different currencies (2007: 14). The currency and interest rate risk is fully hedged.

BNG's funding policy is designed to respond to investor wishes with optimum flexibility. This strengthens relations with investors and enables the bank to attract funding on highly competitive terms. The bank itself raises loans in several currencies, with the terms and conditions tailored to the needs of both institutional and private investors. The share of euro-denominated issues amounted to 35% in 2008. Apart from the euro, bonds were principally denominated in U.S. dollars (44%). Each year, the bank issues a number of benchmark loans so that BNG yield curves in euros and U.S. dollars are and continue to be available to institutional investors. In 2008, BNG issued seven benchmark loans in euros and U.S. dollars (2007: 4) varying in size from 1.0 to 2.0 billion. The euro equivalent of the total amount of issued benchmark loans was EUR 6.3 billion (2007: EUR 4.9 billion).

In the second half of 2008, activities in the international capital markets declined drastically. Despite its excellent creditworthiness, BNG too found it virtually impossible to meet its needs for long-term funds at the start of the fourth quarter. In December, the activities in the capital market cautiously resumed. For the time being, the risk spreads for long-term issues which the bank must pay over and above the risk-free interest rates are higher than ever. As a consequence of these developments, BNG relied more on its ECP Programme in 2008 than in previous years. The size of this programme was increased accordingly at the end of 2008 by EUR 5 billion to EUR 15 billion. The flight to quality means that the bank is in great demand for the placement of short-term funds.

Results

BNG achieved net profit of EUR 158 million in 2008 (2007: EUR 195 million). Higher interest expenses caused by the additional payment of EUR 500 million to the shareholders in December 2007 and the unrealized negative *Results Financial Transactions*, on the one hand, and higher interest income, especially as a result of the bank's money market transactions, on the other, were attributable, on balance, to the decline in profit. *Profit before Tax* was EUR 182 million, EUR 56 million (24%) lower than in 2007. The 2008 tax charge declined by EUR 19 million to EUR 24 million, partly as a consequence of an adjustment of approximately EUR 6 million to the corporation tax payable for 2006.

The higher *Interest Result* was mainly attributable to the increase in short-term funding in the last few months of 2008. The relatively large difference between short-term and long-term interest rates, in the fourth quarter in particular, had a favorable effect on the bank's result. The growth of long-term loans and advances contributed to the increase in the interest result.

Income from Associates and Joint Ventures amounted to EUR 1 million negative (2007: EUR 13 million positive). This decline in income was mainly attributable to a fall in the results achieved by OPP participations and a decrease of EUR 5 million in the value of Transdev-BNG-Connexxion-Holding B.V. An adjustment to the determination of results led to a high non-recurring result being reported for OPP in 2007. In addition, a final dividend was received in 2007 from BNG-VNG Beheer Holding B.V., the former Gemnet Holding B.V.

The *Commission Result* rose by EUR 6 million to EUR 20 million (2007: EUR 14 million), mainly as a result of an increase in the fee income from the lending business. The result from payment transactions is also improving. *Other Income* rose to EUR 9 million (2007: EUR 4 million). Besides the increased income from consultancy services, this item includes the sale of a business property.

The item *Results Financial Transactions* declined in the period under review by EUR 72 million to EUR 64 million negative (2007: EUR 8 million positive). The uncertainty in the financial markets resulted in unprecedented high credit and, above all, liquidity spreads and hence a sharp fall in prices. Trading in non government bonds stopped almost entirely in the second half of 2008. As a result, it has become virtually impossible to put a market value on these transactions. The unrealized market value adjustments of interest-bearing securities, which are included in the item *Financial Assets at Fair Value through the Income Statement*, resulted in a write-down of EUR 98 million (2007: EUR 13 million negative). However, as the credit quality of these transactions is still excellent and the future cash flows are not in doubt, there is no need for impairments. Despite almost perfect hedge accounting, the result of transactions involved in hedge accounting ultimately ended up at EUR 10 million positive as a consequence of major changes in short-term interest rates (2007: EUR 4 million positive). The results on sales in 2008 of assets available for sale amounted to EUR 6 million positive (2007: EUR 2 million positive). The unrealized result on other transactions through the income statement was EUR 18 million positive, once again due to the fall in short-term rates (2007: EUR 15 million positive).

Compared with the previous year, *Operating Expenses* dropped by EUR 5 million to EUR 61 million. The outsourcing of the payment operations and the data centre in 2007 meant that a break-even situation occurred with respect to expenditure and income from payment transactions.

The balance sheet

Total assets increased by almost 10% to EUR 101.4 billion in 2008. This increase occurred mainly in the last few months as a consequence of the sharp decline in the yield curve. On the assets side of the balance sheet, the large increase in loans and advances is noteworthy. In addition to the increase in long-term lending (especially in the first two quarters of 2008), the credit crisis also played an important role here. Political pressure led to an adjustment of the IFRS accounting rules. This enables the reclassification of assets that have become illiquid from *Financial Assets Available for Sale* to *Loans and Advances* and *Banks* items. The bank decided at the end of October 2008 to reclassify EUR 5.2 billion (on the basis of outstanding principal) in interest-bearing securities with retroactive effect to July 1, 2008.

The reclassified interest-bearing securities are part of a portfolio of investments in public high-quality Western European paper. These investments are intended for liquidity management and to compensate for declining loans and advances with relatively high rates of return. The outstanding principal of these investments declined in relation to year-end 2007 by over EUR 0.8 billion to EUR 11.4 billion. These investments include covered bonds and residential mortgage-backed securities (RMBS). These have a Triple A rating and relate only to the most creditworthy parts of the securitizations. The underlying mortgages are prime mortgages in Western European countries. The outstanding principal of the RMBS investments is EUR 4.3 billion, of which EUR 1.1 billion is guaranteed by the Dutch government. The covered bonds (outstanding principal of EUR 1.4 billion) are also backed by high-quality assets. The impact of the credit crisis led to an unrealized negative market value adjustment of the RMBS investments of EUR 150 million before tax, of which EUR 141 million has been recognized through the revaluation reserve as part of equity. The remainder has been taken to the result. The covered bonds were written down by EUR 47 million in 2008, of which EUR 22 million through equity.

In addition to parts of the abovementioned investments in covered bonds and residential mortgage-backed securities, the movement in *Financial Assets at Fair Value through the Income Statement* was determined, for the majority of unrealized market value movements (EUR 50 million negative) by the investments in publicly traded paper with monoline credit insurance (outstanding principal EUR 0.5 billion). The underlying cash flows of these transactions are also not in doubt.

Loans and Advances rose by EUR 9.7 billion to EUR 75.7 billion. Eliminating the effect of reclassification, the share of loans and advances to or guaranteed by government bodies stabilized at 91% of this item. Within *Financial Assets Available for Sale*, which were more than halved to EUR 5.2 billion, this share rose by 4 percentage points to 36%, once again excluding reclassification. The *Banks* item decreased by EUR 1.1 billion, mainly due to the maturation of the mortgage fund portfolio. *Other Financial Assets* and *Other Financial Liabilities* increased by EUR 5.8 billion and EUR 2.1 billion respectively, mainly as a consequence of the decline in the yield curve.

On the liabilities side of the balance sheet, the *Banks* item fell to EUR 3.3 billion (2007: EUR 6.1 billion). Many temporarily surplus funds were placed with BNG, especially in the last few months of 2007. In addition, the bank had at that time raised EUR 1.2 billion of short-term funds through repo transactions. *Equity* declined by EUR 0.1 billion to EUR 2.0 billion. The net profit was inadequate to offset the dividend payment and the decline of the revaluation reserve. The (unrealized) reduction of the revaluation reserve has no influence on the solvency ratios. The capital ratio – realized equity as a percentage of total assets – fell slightly to 2% in comparison with year-end 2007. Both the BIS-ratio tier 1 and the BIS-ratio remained unchanged in 2008 at the high levels of 18% and 20% respectively.

Proposed profit appropriation

The net profit came to EUR 158 million (2007: EUR 195 million), which is available for distribution and for addition to the reserves. On the basis of the current dividend policy, it is proposed to pay a dividend of 50% of the net profit (2007: 50%). This works out to a dividend payment of EUR 79 million (2007: 97 million). The remainder will be added to the reserves. The dividend amounts to EUR 1.42 (2007: EUR 1.75) per share with a nominal value of EUR 2.50.

Personnel and organization

Human resources
At year-end 2008, the bank employed 241 staff members, which does not include the staff at subsidiaries. This total comprised 72 women and 169 men. Expressed in full-time equivalents (FTEs), the number of employees increased from 226 to 229. Including the consolidated subsidiaries, the number of FTEs was 280 (2007: 278). The staff turnover rate (not including the effects of outsourcing) was over 8% in 2008. The turnover rate was mainly caused by staff departures resulting from the 2007 reorganization. The contracts of 12 employees were terminated at the bank's initiative. These employees were able to make use of the Social Plan which is specifically aimed at providing assistance in finding work elsewhere. A total of six employees left the bank at their own initiative. The bank recruited 22 new employees. The hiring of external staff increased slightly. On average, there were eight (2007: seven) external employees throughout the year. The absenteeism rate fell again, down from 3.3% in 2007 to 2.8% in 2008, and was therefore well within the internal standard. The year 2008 saw the completion of the more process-oriented restructuring of the organization. This meant that a few more positions in the sales organization disappeared and new jobs were created. The remuneration policy was also adjusted. On the basis of result-oriented agreements, the bank is now striving for stronger performance and a better distribution of the available remuneration. The quality of the performance now determines the level of the variable pay. Once again, BNG employees showed strong commitment, enabling the bank to achieve good results. A sincere word of thanks is therefore due to our employees for their hard work and engagement.

Employees' Council
The Employees' Council held seven meetings with the Executive Board in 2008, three of which were attended by members of the Supervisory Board. The main topic was the introduction of the new remuneration policy. The Employees' Council will also be actively involved in the evaluation. Other topics discussed were the bank's financial position and strategy as well as the social policy, the Health & Safety Annual Plan, compliance and compensation & benefits. Extra elections for the Employees' Council were held on January 31, 2008. From that date, the Employees' Council has once again had its full complement of nine members. The Employees' Council itself met seven times and participated actively in the Interbank Employee Representation Platform. During the annual theme lunch, the Council exchanged views with the Supervisory Board and the Executive Board.

Socially responsible operations

Socially responsible operations are a fundamental part of BNG's mission. Trust and a good reputation are of crucial importance in enabling BNG to play an effective and sustainable role in society. Therefore, the trust that clients, investors and shareholders have in the bank and its staff are essential to the continuity of its business. Integrity and transparency are of key importance in building and retaining trust and a good reputation. Employees are required to comply with a code of conduct and integrity. This code – the BNG Company Code – provides BNG and its staff with guidelines for their actions and conduct. Managers are encouraged to actively raise the subject of integrity with employees.

As the bank of and for local authorities and public sector institutions, BNG attaches great importance to the healthy and stable development of society. The financing of social and environmentally friendly initiatives is a logical consequence of the activities of our clients as defined in our articles of association. Specific examples of environmental projects in this context are the funding of energy-efficient heat pump systems in new construction projects and of a factory for producing biofuel from rapeseed. Examples of social projects include the funding of broad-based schools and sheltered accommodation projects and the funding of the foundation known as Dutch International Guarantees for Housing (DIGH). This foundation makes affordable housing possible for people on low incomes in developing countries and countries in the process of an economic transition.

In providing its financial services to government bodies and parties associated with government bodies, BNG does not rule out any activities in advance. Decisions on the provision of services take into account the economic feasibility and risk. BNG carefully assesses ethical issues by reference to its own values and standards. Projects must be politically accepted. The client should also have the necessary approvals and permits. In this way, BNG respects public decisions arrived at by democratic means.

BNG takes account of the environment in its own business operations. In its own building, BNG uses energy-efficient computers, sensor lighting, low-energy light fittings and a heat recycling system. It also separates waste for recycling and purchases office supplies on the basis of environmentally conscious criteria. BNG has a policy of reducing paper consumption and digitizing the information systems. Recycled materials are used wherever possible. With regard to commuting, the bank encourages the use of public transport by entering into collective agreements with Dutch Railways. Under the company lease scheme, staff members are given financial incentives to choose the most environmentally friendly cars.

BNG is a socially committed bank and demonstrates this not only by funding social facilities but also by making one-time donations to various good causes. In doing so, BNG focuses above all on the cultural side of Dutch society. Employees are given the opportunity of exchanging their annual Christmas hamper for a donation to a good cause. Increasing use is made of this possibility. In addition to one-time donations, BNG has set up the BNG Cultuurfonds, a fund dedicated to stimulating art and cultural activities. In addition, BNG Cultuurfonds sponsors four different cultural awards: the BNG New Literature Award, the BNG New Theater Makers Award (in association with Theater Instituut Nederland), the BNG Workspace Project Award (in association with Filmhuis Den Haag) and the annual award for the Nationaal Concours (Young Musical Talent Award).

Corporate governance

The term corporate governance refers to the existence of proper governance structures within an organization, and the implementation of sound entrepreneurial practices. These include integrity, transparency, proper supervision and accountability for the supervision. The Dutch Corporate Governance Code (the Code) consists of principles and best practices. The rudiments for sound management are formulated in the principles, which have been elaborated into 'best practices.' The starting point of the Code is that listed companies should adhere to these principles. Non-application of the best practices is permitted, subject however to the condition that any such instances are disclosed and explained in the annual report in accordance with the 'comply or explain' principle.

At BNG, the pursuit of good corporate governance has been a matter of policy for years. The bank attaches great importance to the Code and its key concepts of transparency and integrity, which is evident given the role that BNG plays within the Dutch public financing system and its resulting strong commitment to society at large. BNG complies with the Code. The bank adheres to the principles of good corporate governance, while duly observing the statutory two-tier rules ('structuurregime') insofar as they affect a company's corporate governance structure. The regulations, codes, schemes and reporting procedures used within BNG are consistent with the Code. A separate section is devoted to 'corporate governance' on the bank's website [www.bng.nl], where these documents have been posted.

There is only one area in which the bank does not follow the Code. BNG has not implemented the recommendation in relation to proxy voting. Given the character of the bank and the origin of its shareholders, BNG does not believe this to be necessary. The bank attaches great value to its direct contacts with shareholders. To this end, for example, a theme meeting is organized every year after the General Meeting of Shareholders (GMS). In past years, the shareholders' representatives attending the GMS and the theme meeting represented – on average – approximately 60% of the bank's share capital. As an aside, it is worth noting that the shareholders are also clients, which means that frequent contact already exists between the bank and the shareholders' representatives. The powers of control at the shareholders' meetings are proportionate to the level of contributed capital. Pursuant to the Articles of Association, the bank may not cooperate in issuing depositary receipts for shares.

The various risks attendant on the bank's activities are dealt with separately in the notes to the consolidated financial statements. Considerable attention is paid to BNG's internal risk management and control systems. These are organized on the basis of the regulations under the international guidelines adopted in the context of the international capital accord Basel II. The structure has been described in an internal risk management framework that covers all risks identified by BNG. The framework is closely connected with the Capital Management Plan, which is revised and discussed annually with the Dutch Central Bank.

Audits by the Internal Audit Department are carried out to achieve independent verification of the proper operation of the internal risk management and control systems. The bank's risk management and control systems performed effectively in the year under review, and provide a reasonable degree of assurance that the financial reports contain no inaccuracies of material significance. In and of themselves, these systems are, of course, incapable of providing absolute certainty about the realization of the company's objectives and the prevention of errors, fraud and infringements of laws and rules. However, there are no indications that the risk management and control systems will not function effectively in 2009. Internal control demands continuous attention. More stringent laws and regulations, the evolving environment and stricter policies impose growing demands on the internal risk control requirements.

The external auditor evaluates the financial reporting and the internal control insofar as relevant in the context of the audit of the financial statements. The auditor's findings are reported in the management letter to the Executive Board and the Supervisory Board. The internal and external auditors are represented at the meeting of the Audit Committee of the Supervisory Board and the Plenary Board meeting at which the financial statements are discussed.

Declaration of responsibility

Insofar as we are aware, the financial statements provide a true and fair view of the assets, liabilities, financial position and results of BNG and the subsidiaries included in the consolidation. The annual report provides a true and fair view of the position on the date of the balance sheet, and the performance of BNG (and its consolidated subsidiaries whose figures have been included in the consolidated financial statements) during its financial year. The annual report also describes the material risks facing BNG.

Outlook for 2009

BNG's market strategy remains focused on providing specialized services at the lowest possible cost, regardless of market conditions. BNG aspires to be a reliable partner, offering its clients excellent services, including adequate access to the money and capital markets. In 2009, its marketing and communications policy will reflect the positioning of the bank and its subsidiaries on a more integrated basis. The current year brings major uncertainties. The crisis has expanded from the financial sector to the real economy. Most economies in the Western world are facing recession. Although the bank's clients are mainly government bodies or government-related institutions, it remains to be seen to what extent their activities will be influenced by the crisis. This could mean that existing trends in the bank's markets will change. One of these trends concerns public-private partnerships in relation to major investment and other projects. The higher spread which must currently be paid for the credit risk makes this approach relatively expensive. The availability of funding for more risky projects is another important element in assessing feasibility. The bank does not exclude the possibility that clients will become more hesitant – at least temporarily – about entering into new projects involving public-private partnerships.

The turbulence in the financial markets is also affecting the availability and pricing of funding in 2009. While, in the past, the rates included only a low risk spread, this is now much higher. This applies to the bank and its clients. The bank endeavours to maintain its strong market position and to consolidate and, where possible, to strengthen its relationship with clients. Forecasts about the extent of lending in 2009 are very hard to make in the present market conditions.

Large parts of the payment operations and the data centre have been outsourced to Ordina BPO B.V. At the end of 2008, Ordina Holding N.V., the parent company, indicated that it wished to dispose of these activities in 2009. The continuity of the processes for the clients and the bank will continue to be guaranteed in all circumstances.

The bank seeks to strike the best possible balance between market share, risk and return. As far as credit risk management is concerned, the bank has drawn up a plan to implement a model-based approach to credit risk. This also takes account of the ambitions formulated in respect of risk management and the projected further improvement of business operations and operational risk management.

As matters stand at present, the staff complement will probably stabilize or increase fractionally in 2009. The consolidated operating expenses are expected to fall slightly. In particular, the costs of office accommodation will decrease as all staff members are once again located in a single office building.

If the difficult conditions in the capital markets persist, allowance must be made for a decline in net profit. As credit and liquidity risks are highly priced by the market, BNG's (re)financing costs will be higher. Account must also be taken of a large number of uncertain factors. The most important is the movement in the value of the assets which are recognized in the balance sheet at market value and whose (unrealized) movement in value is shown in the income statement. Despite the high quality of the loans and assets in the investment portfolios, the future results will be strongly influenced by these value movements. Although the bank applies hedge accounting wherever possible, fluctuations in results connected with hedge accounting were strong in the past year, partly due to the great volatility of interest rates. If interest rates remain volatile, the possibility of similar fluctuations occurring in 2009 also cannot be excluded. The projected underlying development of results will be in line with that in the year under review. However, in view of all the uncertainties, the bank does not consider it possible to make a reliable forecast about the 2009 result.

Executive Board
C. van Eykelenburg, *Chairman*
J.J.A. Leenaars
J.C. Reichardt

The Hague, March 6, 2009

Financial statements

Consolidated Balance Sheet as of December 31, 2008

In millions of euros

	December 31, 2008	December 31, 2007
Assets		
Cash and Cash Equivalents	497	485
Banks 1	8,956	10,067
Loans ands Advances 1	75,699	66,037
Financial Assets at Fair Value through the Income Statement 2	3,001	2,989
Financial Assets Available for Sale 3	5,185	10,483
Other Financial Assets 4	7,695	1,882
Associates and Joint Ventures 5	105	102
Property and Equipment 6	24	19
Other Assets 13	203	536
Assets Held for Sale 7	-	2
Total Assets	**101,365**	**92,602**
Liabilities		
Banks 8	3,285	6,140
Funds Entrusted 8	6,439	6,468
Subordinated Loans 8	170	163
Debt Securities 9	79,157	70,005
Financial Liabilities at Fair Value through the Income Statement 10	791	246
Other Financial Liabilities 11	9,359	7,250
Other Liabilities 13	185	277
Total Liabilities	99,386	90,549
Equity 14	1,979	2,053
Total Liabilities and Equity	**101,365**	**92,602**

Consolidated Income Statement 2008

In millions of euros

		2008		2007
- Interest Income 15	4,524		3,868	
- Interest Expenses 16	4,247		3,603	
Interest Result		277		265
Income from Associates and Joint Ventures 17		(1)		13
- Commission Income 18	25		20	
- Commission Expenses 19	5		6	
Commission Result		20		14
Results Financial Transactions 20		(64)		8
Foreign Exchange Results 21		2		0
Other Income 22		9		4
Subtotal		**243**		**304**
Staff Costs and Other Administrative Expenses				
- Staff Costs 23	32		36	
- Other Administrative Expenses 24	27		26	
		59		62
Depreciation 25		2		4
Other Operation Expenses 26		0		0
Subtotal		**61**		**66**
Profit before Tax		**182**		**238**
Taxation 12				
- Movement in Deferred Taxes	-		(1)	
- Taxes	(24)		(42)	
		(24)		(43)
Net Profit		**158**		**195**

The numbers stated with the items refer to the notes to the Consolidated Financial Statements.

The Hague, March 6, 2009

Executive Board	C. van Eykelenburg, *Chairman* J.J.A. Leenaars J.C. Reichardt
Supervisory Board	H.O.C.R. Ruding, *Chairman* Y.C.M.T. van Rooy, *Secretary* R.J.N. Abrahamsen H.H. Apotheker S.M. Dekker W.M. van den Goorbergh R.J.J.M. Pans A.G.J.M. Rombouts W.K. Wiechers

Consolidated Cash Flow Statement 2008

In millions of euros

		2008		2007
Cash Flow from Operating Activities				
Profit before Tax		182		238
Adjustments for:				
- Depreciation	2		4	
- Additions to Provisions	-		3	
		2		7
Cash Flow Generated from Operations		184		245
- Movement in Banks (not due on demand)	(1,151)		1,497	
- Movement in Loans and Advances	(1,998)		1,939	
- Movement in Funds Entrusted	(408)		1,162	
- Taxes Paid/Received	(22)		(20)	
- Other Movements in Cash Flow from Operating Activities	(1,741)		(1,866)	
		(5,320)		2,712
*Total Cash Flow from Operating Activities **		(5,136)		2,957
Cash Flow from Investing Activities				
Investments and Acquisitions				
- Financial Assets at Fair Value through the Income Statement and Financial Assets Available for Sale	(4,559)		(4,847)	
- Associates and Joint Ventures	(5)		(68)	
- Property and Equipment	(7)		(1)	
		(4,571)		(4,916)
Disposals, Redemptions and Sales				
- Financial Assets at Fair Value through the Income Statement and Financial Assets Available for Sale	6,145		4,654	
- Associates and Joint Ventures	-		4	
- Property and Equipment and Assets Held for Sale	2		3	
		6,147		4,661
Total Cash Flow from Investing Activities		1,576		(255)
Cash Flow from Financing Activities				
Receipts in Respect of Debt Securities		24,746		15,611
Repayments in Respect of Debt Securities		(21,106)		(18,004)
Dividend Paid		(97)		(599)
Total Cash Flow from Financing Activities		3,543		(2,992)
Net Movement in Cash and Cash Equivalents		(17)		(290)
Cash and Cash Equivalents as of January 1		244		534
Cash and Cash Equivalents as of December 31		**227**		**244**
Cash and Cash Equivalents as of December 31 is comprised of the following:				
- Cash and Cash Equivalents		497		485
- Cash Equivalents under the Banks (Asset) item		20		10
- Cash Equivalents under the Banks (Liability) item		(290)		(251)
		227		**244**

* In 2008 interest received totalled EUR 6,256 million while interest paid amounted to EUR 5,484 million

Consolidated Statement of changes in Equity 2008

In millions of euros

	December 31, 2008	December 31, 2007
Share Capital		
Balance Unchanged	139	139
Share Premium Reserve		
Balance Unchanged	6	6
Revaluation Reserve		
Opening Balance	104	220
Unrealized Value Movements in Financial Assets Available for Sale	(132)	(151)
Realized Value Movements in Financial Assets Available for Sale	(6)	5
Deferred Taxes	5	30
Closing Balance	(29)	104
Currency Translation Account	(3)	(1)
Other Reserves		
Opening Balance	1,610	2,012
Appropriation from Profit Previous Financial Year	98	98
Additional Payment to Shareholders	-	(500)
Closing Balance	1,708	1,610
Net Profit	158	195
Total Equity	**1,979**	**2,053**

Accounting Principles

General Company Information
The financial statements were issued by the Executive Board for publication on March 6, 2009 and will be presented to the General Meeting of Shareholders for adoption on April 27, 2009. BNG is a statutory two-tier company under Dutch law (structuurvennootschap). Half of the bank's share capital is held by the State of the Netherlands and the other half by municipal authorities, provincial authorities and a water board. BNG is established in The Hague, the Netherlands and has no subsidiary branches.

Most Important Accounting Principles Applied for Valuation and Determination of Results
The consolidated financial statements were prepared on the basis of amortized cost with the exception of the following items: *Financial Assets at Fair Value through the Income Statement, Financial Assets Available for Sale, Other Financial Assets, Financial Liabilities at Fair Value through the Income Statement* and *Other Financial Liabilities*. These balance sheet items are recognized on the basis of fair value. In addition, *Associates and Joint Ventures* are stated according to the equity method. All amounts in the consolidated financial statements are presented in millions of euros, unless stated otherwise. The euro is the functional currency of BNG.

Applicable Laws and Regulations
The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted within the European Union.

The new/revised standards applied by BNG in 2008 have no significant impact on the financial statements. This concerns the following standards:
- IFRIC 11: IFRS 2 – Group and Treasury Share Transactions
- IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

On October 15, 2008, the EU adopted a number of adjustments to IAS 39 and IFRS 7 (amendments to IAS 39: Financial Instruments: Recognition and Measurement; and IFRS 7: Financial Instruments: Disclosure) which permits an entity to reclassify financial instruments in some circumstances. Mainly as a consequence of the credit crisis, BNG has used these amendments to reclassify part of the *Financial Assets Available for Sale* and transfer them to the *Banks* and *Loans and Advances* balance sheet items. The intention is retain these items for the foreseeable future. Once trade in the portfolio (or parts of it) resumes, the possibility of partial sale is not excluded. The reclassification has not been recognized in the comparative figures.
For further information about this reclassification, reference is made to note 27 [page 57] to the consolidated financial statements.

BNG has decided against the early adoption of new standards and interpretations. Early adoption of these new standards and interpretations would not have any significant effect on the financial statements. This concerns the following standards:
- IFRS 8: Operating Segments
- IAS 1: Presentation of Financial Statements Revised
- IAS 23: Borrowing Costs Revised
- IAS 27: Consolidated and Separate Financial Statements Revised
- IFRS 2: Share-based Payment: Vesting Conditions and Cancellations
- IAS 32 and IAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation
- IFRS 1 and IAS 27: Cost of an Investment in a Subsidiary, jointly-controlled entity or associate
- IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items
- IFRS 3: Business Combinations Revised
- IFRIC 12: Service Concession Arrangements
- IFRIC 13: Customer Loyalty Programmes
- IFRIC 15: Agreements for the Construction of Real Estate
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation

Accounting Principles of Consolidation
Each year BNG prepares consolidated financial statements for the parent company and its subsidiaries. The financial statements of the parent company and its subsidiaries, as used in the preparation of the consolidated financial statements, were drawn up as of the same reporting date, and are based on uniform principles. All intragroup transactions and balances, including income, expenses and dividends, have been fully eliminated in the consolidated financial statements. The consolidated financial statements comprise all subsidiaries in which BNG has the power to exercise control. Control is presumed to exist when BNG, either directly or indirectly through group companies, holds more than half the voting rights or exercises control in some other manner. Group companies are consolidated in full from the date that control has been obtained until such time that control ceases to exist or all related risks and benefits have been transferred to third parties. A minority interest held by a third party is included in *Equity*. In determining whether

BNG has control over investment funds in which it holds units or shares, the financial interests held for BNG's own account, as well as its role – or that of its subsidiaries – as fund manager, are taken into consideration. The reporting periods of group companies included in the consolidation coincide with those of BNG.

The Use of Estimates

Where necessary, the amounts disclosed in this report are based on management estimates and assumptions. The most important estimates relate to the determination of the fair value of financial instruments for which there is no active market. Estimates are also used in determining the provision for incurred losses and deferred taxes. BNG uses valuation models to determine the fair value of financial instruments for which there is no active market. The outcomes of these models are based on various assumptions, including the discount rate and future cash flows. Differences in the assumptions may have a significant effect on the reported values.

BNG periodically evaluates the estimates and assumptions it applies. Any revisions are reported in the year in which the estimate is revised and are also recognized in the estimates for future years.

Fair Value of Financial Instruments

The fair values are based on quoted market prices or, if unavailable, on modeled valuation techniques. Valuation techniques are generally used to determine the fair value of unlisted assets and liabilities and OTC derivatives. This concerns generally accepted techniques and methods such as models for option prices, discounted cash flows, forward pricing and credit spreads. Account is taken of contractual provisions and use is made of available objective market data such as yield curves, correlations, volatilities and credit spreads. No use is made of assumptions that are not supported by market prices or market rates.

Netting

Assets and liabilities are only netted when and insofar as it is beyond doubt that the net and simultaneous settlement of the amount receivable and the amount payable can be legally enforced, and there is a definite intention to settle either the net amount as such or both items simultaneously.

Foreign Currencies

The consolidated financial statements are prepared in euros. Monetary transactions in foreign currencies are translated on the balance sheet date, and the subsequent profits and losses – with the exception of the hedge of a net investment in a foreign operation - are recognized in the foreign exchange result in the income statement. The exchange result on a net investment in a foreign operation is recognized in equity. Non-monetary assets and liabilities denominated in foreign currencies that are recognized at cost are converted at the prevailing exchange rate upon first-time recognition. Any items in the balance sheet and income statement of group companies that are not reported in euros are translated as follows:

- assets and liabilities are translated at the closing rate on the date of the balance sheet;
- income and expenses are translated at the average rate over the financial year;
- translation differences are reported under Equity, in the Currency Translation Account item.

When eliminating intercompany relations in respect of monetary items, foreign exchange differences must be recognized within the group through the consolidated income statement.

Associates and Joint Ventures

Associates and joint ventures are stated according to the equity method. Associates are companies over which BNG is able to exercise significant influence. Joint ventures are contractual arrangements where BNG and other parties enter into an economic activity over which they exercise joint and proportionate control.

Financial Assets and Liabilities

Financial assets and liabilities are recognized on trade date basis. This means they are recognized from the moment the bank is entitled to the benefits or is liable for the obligations arising from the contractual provisions of a given financial instrument. These include the traditional financial instruments (loans, interest-bearing securities and debt securities) as well as derivatives.

Financial assets and liabilities are initially recognized at fair value plus the transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability, with the exception of the transactions recognized at fair value and results recognized through the income statement. The transactions included in these balance sheet items are measured at fair value without the addition of transaction costs. After their initial recognition, the financial assets and liabilities are measured at amortized cost or fair value, depending on the classification of the transaction. In addition to the notional amount, the amortized cost (amortization value) consists of accrued interest, settled transaction costs and/or premiums or discounts that are distributed in accordance with the compound annual interest method over the contractual interest rate maturity of the transaction.

Financial derivatives are stated as assets (positive fair value) or liabilities (negative fair value). Value movements of financial derivatives are recognized in the income statement in full.

Derecognition of Financial Assets and Liabilities
A financial asset is no longer recognized in the balance sheet if:
- there is no longer a contractual right to receive cash flows from the asset; or
- BNG has retained the right to receive cash flows from the asset, but has assumed a contractual obligation to pass these cash flows on, in full and without material delay, to a third party subsequent to a special arrangement; or
- the contractual rights to receive cash flows from the asset and virtually all the risks and benefits of this asset have been transferred, or control over this asset has been transferred.

A financial liability is no longer recognized in the balance sheet if the obligation specified in the contract has been discharged or cancelled, or has expired.

If an existing financial asset or liability is contractually exchanged for another asset or liability from the same counterparty on substantially the same terms, the new asset or liability is treated as a continuation of the existing asset or liability at the same balance sheet value. No results from sale are recognized in this case.

As far as the sale of financial assets and liabilities is concerned, BNG applies the First In, First Out (FIFO) principle. Within this context, the difference between the proceeds from the transfer and the book value of the asset or liability is immediately and fully recognized in the income statement.

Derivatives
Derivatives are valued at cost when first recognized. Later they are recognized at fair value and any value adjustments are recognized in the income statement under *Results Financial Transactions*. Derivatives with a positive market value are presented on the balance sheet as assets under *Financial Assets at Fair Value through the Income Statement* and *Other Financial Assets*. Derivatives with a negative market value are presented on the balance sheet as liabilities under *Financial Liabilities at Fair Value through the Income Statement* and *Other Financial Liabilities*.

Embedded derivatives are valued separately if the following conditions are fulfilled:
- there is no close connection between the economic characteristics and risks of the embedded derivative and those of the host contract, and
- the host contract is not valued at fair value, with value adjustments recognized through the income statement, and
- a separate instrument on the same terms would fulfill the definition of a derivative.

Derivatives that fulfill these conditions are valued at fair value at the moment of conclusion of the contract and value adjustments are recognized in the income statement. Contracts are re-assessed only if there has been a change in the contractual terms which materially affects the expected cash flows.

Hedge Accounting
The bulk of the interest rate risk to which the bank is exposed in relation to its financial assets or liabilities is customarily hedged by means of financial instruments. In market value terms, value movements resulting from interest rate fluctuations are counteracted. Insofar as the hedge relationship is effective, hedge accounting enables the bank to neutralize in principle the difference in result recognition between the hedging instrument and the hedged item. Only derivatives can be classified as a hedging instrument and these must be stated at fair value in the balance sheet. In principle, the counterpart in the hedging relationship – i.e., the hedged item – is usually recognized at amortized cost. On the date a derivative transaction is entered into, the bank designates it as a fair value hedge (or not) of the asset or liability item in its balance sheet.

Fair value hedge accounting is applied only when formal documentation is available with respect to the hedging instrument, the hedged item, the relationship between them and the objective of the hedge. This hedge documentation provides the underlying evidence that the hedge may be expected to be effective and how this effectiveness is determined.

Effectiveness means that during the reporting period there are opposing risks by virtue of the relationship between the hedging instrument and the hedged item within the limits defined by IAS 39 (80% to 125%). In addition, evidence that the hedge remains effective for its remaining term is also demonstrated. The ineffective portion of the hedge relationship is always recognized directly in the income statement.

As soon as a hedge ceases to meet the aforementioned hedge accounting conditions, or as soon as the hedged item or hedging instrument matures or is sold, the hedge relationship is terminated. The difference between the preceding balance sheet valuation and the amortized cost of the hedged item is amortized over the remaining term of the hedged item.

BNG applies two types of fair value hedge accounting: micro hedging and portfolio hedging. Micro hedging relates to individual transactions where interest rate risk exposure is concerned, which transactions become involved in an economic hedging relationship. In the case of micro hedging, there is a demonstrable one-to-one relationship between the hedged item and the hedging instrument. Portfolio hedging concerns a group of transactions that are hedged for interest rate risk using several derivatives. There is no one-to-one relationship between hedged items and hedging instruments -it is demonstrated at portfolio level that the derivatives concerned compensate the fair value changes of the related assets arising from interest rate movements. Due to the lack of a direct relationship between the assets and the derivative instruments used for the purposes of hedging, the fair value adjustment – unlike the micro hedging situation – is recognized as a single line item in the balance sheet item *Other Financial Assets*.

Cash and Cash Equivalents
This item includes all legal tender and deposits with the Dutch Central Bank available on demand.

Banks and Loans and Advances
Receivables from banks and loans and advances to clients for purposes other than trading are recognized under these assets and are carried at amortized cost.

In addition, interest-bearing securities (MTNs and bonds) are partly included in these items, insofar as these are not traded on an active market. Loans and advances are recognized net of any provisions deemed necessary. Under IFRS, BNG first determines whether there are any indications of impairments of any loans and advances that are individually significant for the formation of a provision. In the case of non-material loans and advances, the provision is determined at individual or aggregate level, taking into account the amounts that are expected to be received after impairment.

In 2008 part of the *Financial Assets Available for Sale* was reclassified and transferred to *Banks* and *Loans and Advances*. After reclassification these assets were initially recognized at fair value on July 1, 2008 and the difference between the fair value and the redemption value on July 1, 2008 is amortized over the remaining terms of the individual contracts.

Lease Agreements
BNG has entered into financial lease agreements under which nearly all risks and rewards attached to the ownership – with the exception of the legal ownership title – are transferred to the lessee. BNG acts as lessor under these agreements. The balance sheet value of a lease receivable is equal to the discounted value of the lease payments on the basis of the implicit interest rate of the lease agreement plus any guaranteed residual value. Financial lease receivables are stated in the balance sheet as *Loans and Advances*.

Financial Assets and Financial Liabilities at Fair Value through the Income Statement
These balance sheet items consist, on the one hand, of assets and liabilities included in the trading portfolio and, on the other hand, of specific derivatives transactions that do not qualify for hedge accounting in conformity with the conditions prescribed in IAS 39.

Finally, the balance sheet items include transactions that are voluntarily designated as measured at fair value, with value movements being recognized in the income statement ('fair value designation'). BNG uses this option occasionally to measure individual assets such as loans and interest-bearing securities at fair value, with full result recognition through the income statement. Fair value designation of transactions takes place if:
- its purpose is to exclude an accounting mismatch;
- a portfolio is managed and evaluated on the basis of fair value;
- it concerns an instrument with an embedded derivative that would otherwise have to be separated.

The fair value designation of transactions, which is irrevocable, always takes place at the moment the transaction is entered into.

Financial Assets Available for Sale
Interest-bearing securities and equity instruments for which an active market exists are classified under *Financial Assets Available for Sale*. They are measured at fair value and revaluations are recognized in equity. If the interest-bearing securities are involved in a fair value hedge relationship, the effective part of the hedge is accounted for in the result, and not in equity. The amortized interest result and any currency revaluation are recognized directly in the income statement. In the event that the interest-bearing securities or equity instruments concerned are sold or impaired, the cumulative fair value movement is deducted from equity and recognized in the income statement.

Other Financial Assets and Other Financial Liabilities
These balance sheet items reflect the market values of the derivatives that form part of a hedge accounting relationship (with regard to both interest rate risk and currency risk hedges). In addition, these items include portfolio hedging value adjustments. These value adjustments refer to the effective part of movements in market value resulting from hedging the interest rate risk of assets that are hedged at a portfolio level.

Assets and Liabilities Held for Sale
Assets and liabilities are designated as held for sale if their book value will be mainly realized by means of a sales transaction that is expected to take place within twelve months. These assets or liabilities are recognized at the lower of book value or fair value minus selling expenses.

Financial Guarantee Contracts
Financial guarantee contracts are stated initially at fair value, being the received premium, in the *Other Liabilities* item. Subsequent valuation takes place at the highest of the best estimate of the expenditures required to settle the existing financial obligation on the balance sheet date and the amount of the premium to be amortized. The received premium is accounted for in the *Commission Income* item in the income statement.

Property and Equipment
All real estate and personal property owned by the bank, such as buildings and permanent installations, are valued at cost, net of accumulated depreciation, taking any impairment into account. Depreciation rates are based on the useful economic lives of the assets in question. The useful life and residual value are reviewed annually. Depreciation is calculated on a straight-line basis and is charged to the income statement. Land is not depreciated.

Banks, Funds Entrusted, Subordinated Loans and Debt Securities
Borrowings and debt securities are carried at amortized cost in the balance sheet. The amortized cost is adjusted for the effective part of the change in the fair value of the transactions involved in a fair value hedge. Debt repurchased is removed from the balance sheet with the difference between the net proceeds and the book value recognized directly in the income statement.

Pension Provisions and Employee Benefits
The bank treats its pension obligations on the basis of a defined contribution plan because its pension scheme has been transferred to an industry pension fund that does not segregate into individual company pension plans. Neither does it administer separate accounts. The industry pension fund is not in a position to supply information necessary to calculate an adequate pension provision. The employer's contribution of the premium is recognized in the income statement in the year to which it relates. In as much as additional amounts are required, they are likewise charged directly to the income statement

Separate provisions are formed for other employee benefits that qualify as defined benefit plans. BNG applies the 'corridor' method in this respect, whereby actuarial differences within a specific bandwidth are not recorded. Actuarial differences that fall outside this bandwidth are added or charged to the income statement. These other employee benefits relate to the continued granting of mortgage loan interest rate discounts for the benefit of both active employees and retired employees. The level of the provisions determined is calculated by independent actuarial experts. The costs relating to the employee benefits are recognized as staff costs in the income statement.

Reorganization Provision

BNG forms reorganization provisions insofar as obligations have been entered into with respect to reorganizations. The provisions are based on detailed plans and are formed after parties involved have been informed of the key components of the plan and well-founded expectations have been raised that the reorganization will actually be implemented. If the time effect is material, the provisions are determined by discounting future cash flows.

Taxation

The amount of tax is calculated on the basis of the statutory rates of taxation, and in accordance with applicable tax legislation. Deferred tax assets and liabilities are recognized for temporary differences between the carrying value and fiscal value. Deferred tax assets are recognized only if taxable profits are expected to be available in the near future to compensate these temporary differences. Both deferred tax assets and deferred tax liabilities are carried at nominal value. All deferred tax assets and liabilities are stated in the accounts of the head of the fiscal entity. Group companies that form part of the fiscal entity apply the determined rate.

Equity

The balance sheet is drawn up before profit appropriation. This means that the full result for the financial year is presented as part of equity. Equity includes a revaluation reserve in which the unrealized fair value movements of *Financial Assets Available for Sale* are recognized. This revaluation reserve also includes the fair value adjustments recognized until July 1, 2008 relating to assets reclassified in 2008 and transferred from *Financial Assets Available for Sale* to *Banks* and *Loans and Advances*. This part of the revaluation reserve will be amortized over the remaining terms of the reclassified assets. The revaluation reserve is adjusted for deferred taxes based on the expected fiscal settlement if the asset concerned would be sold on the balance sheet date. In the event of sale these cumulative revaluation results are recognized in the income statement. As far as transactions involved in hedge accounting are concerned, the effective part of the fair value movements are added or charged to the income statement during the period that the transactions are involved in a hedge relationship.

Interest Income and Interest Expenses

Interest income and interest expenses for all interest-bearing instruments included in the balance sheet are determined on the basis of amortized cost. The effective interest method is used to determine amortized cost. The difference between the net proceeds and the book value at sale of transactions measured at amortized cost are also accounted for under interest income or interest expenses, respectively.

Results Financial Transactions

This item includes the market value adjustments of derivatives, hedged items and fair value designated transactions, where these value movements as well as the ineffective part of the hedged risk in case of fair value hedge accounting are recognized in the income statement. Upon sale, the results of *Financial Assets Available for Sale* are also stated in this item. These results consists of a release from the accumulated revaluation in equity and the difference between the book value and the net proceeds of sale.

Foreign Exchange Result

Assets and liabilities in foreign currencies are translated on the balance sheet date, at the end-of-day closing rates. All revaluations of monetary items are directly added or charged to the foreign exchange results. Further details are included under 'Foreign Currencies' [page 39].

Commission Income and Commission Expenses

Commissions and fees paid or received are recognized in full in the income statement in the period in which the services were rendered.

Cash Flow Statement
The Cash flow statement is prepared according to the indirect method. The cash flows are categorized into cash flows from operating, investing and financing activities. The cash and cash equivalents include the available cash balances, the balances due on demand that are held at (central) banks and overnight bank deposits. The movements in loans and advances, funds entrusted and amounts receivable from and due to banks are included in the cash flow from operating activities.

Investing activities comprise purchases, sales and redemptions in the investment portfolio as well as purchases and sales of associates, joint ventures and property and equipment. Drawdowns or repayments of subordinated loans, debt securities and paid-out dividends are presented as financing activities.

Statement of changes in Equity
The Statement of changes in equity shows the movements of items recognized as equity.

Accounting Principles for Comparative Figures
The comparative figures are based on the same accounting principles as the financial statements for 2008.

In millions of euros

	December 31, 2008	December 31, 2007
Assets		
1 Banks and Loans and Advances	84,655	76,104

This item comprises all receivables from banks and the extended loans and advances insofar as measured at amortised cost, as well as interest-bearing securities insofar as these are not traded on an active market .

	December 31, 2008	December 31, 2007
Banks	8,956	10,067
Loans and Advances	75,699	66,037
	84,655	76,104

The analysis of loans and advances by remaining contractual term to maturity is as follows:

	December 31, 2008	December 31, 2007
Up to three months	12,620	10,968
Longer than three months but not longer than one year	8,135	8,901
Longer than one year but not longer than five years	34,841	30,338
Longer than five years	29,059	25,897
	84,655	76,104

In the remaining term to maturity distribution, interest receivables and contractual repayments have been taken into account.

Under collateral agreements BNG has provided collateral worth EUR 4,060 million (2007: EUR 3,076 million), mainly to bank counterparties.

The *Loans and Advances* item contains financial lease agreements in the amount of EUR 57 million (2007: EUR 37 million)

The *Loans and Advances* item includes a provision for an amount of EUR 30 million (2007: EUR 30 million) in connection with possible lower cash flows in the future. No changes occurred in the provision.

	December 31, 2008	December 31, 2007
2 Financial Assets at Fair Value through the Income Statement	3,001	2,989

This includes assets specifically designated as measured at fair value, with value movements being recognized in the income statement, derivatives not involved in a hedge accounting relationship.

	December 31, 2008	December 31, 2007
Fair value of derivatives	791	382
Loans and Advances	810	697
Securities	1,400	1,910
	3,001	2,989

The redemption value of the loans and advances and securities traded in a active market is EUR 2,129 million (2007: 2,467 million).

	December 31, 2008	December 31, 2007
The analysis according to remaining contractual term to maturity is as follows (excluding derivatives):		
Up to three months	62	313
Longer than three months but not longer than one year	58	187
Longer than one year but not longer than five years	389	465
Longer than five years	1,701	1,642
	2,210	2,607

	December 31, 2008	December 31, 2007
3 Financial Assets Available for Sale	5,185	10,483

This includes fixed- and variable-rate bonds and other interest-bearing securities issued by public authorities and others, insofar as these are not included as *Financial Assets at Fair Value through the Income Statement*.

	December 31, 2008	December 31, 2007
Item breakdown:		
Public Sector	3,830	2,737
Banks	389	905
Other Financial Institutions	844	6,248
Non-Financial Institutions	73	585
Investments in Participating Interests	49	8
	5,185	10,483
The analysis according to remaining contractual term to maturity is as follows:		
Up to three months	109	405
Longer than three months but not longer than one year	260	1,048
Longer than one year but not longer than five years	2,937	4,402
Longer than five years	1,879	4,628
	5,185	10,483

Transfer without derecognition

In 2008, the bank sold approximately EUR 830 million (2007: EUR 650 million) of bonds whilst simultaneously concluding swaps, with which it retained entitlement to the cash flows and remained exposed to the risks. For this reason, the bonds were not derecognized.

	December 31, 2008	December 31, 2007
4 Other Financial Assets	7,695	1,882

This balance sheet item includes the fair value of derivatives involved in a hedge accounting relationship and the value adjustments concerning the effective part of the market value adjustments due to interest rate risk of assets hedged at portfolio level.

	December 31, 2008	December 31, 2007
Derivatives involved in a hedge accounting relationship	4,526	2,701
Market value adjustment of assets hedged at portfolio level	3,169	(819)
	7,695	1,882

	2008	2007	December 31, 2008	December 31, 2007
5 Associates and Joint Ventures			105	102
Associates	interest			
- Dataland B.V., Rotterdam	30%	30%	0	0
- Data B Mailservice Holding B.V., Leek	38%	38%	1	1
- N.V. Trustinstelling Hoevelaken, The Hague	40%	40%	0	0
- Transdev-BNG-Connexxion Holding B.V., The Hague *	25%	25%	50	55
- Tenman B.V., Amsterdam	33%	33%	0	0
			51	56
	2008	2007		
Joint Ventures	interest			
- Joint Ventures OPP, various			54	46
- BNG-VNG Beheer B.V., The Hague	50%	50%	0	0
- Stichting GemLease, The Hague	50%	50%	0	0
			54	46

For a description of the Associates and Joint Ventures , please refer to note 38 [page 80].

* This company holds two-thirds of the shares in Connexxion Holding N.V.

	December 31, 2008	December 31, 2007
6 Property and equipment	24	19

The movement of this balance sheet item is as follows:

	2008	2007	2008	2007		
Historical Cost	Property		Equipment			
Value as of January 1	43	49	9	48	52	97
Investments	4	-	3	1	7	1
Transferred to Assets Held for Sale	-	(4)	-	-	-	(4)
Disposals *	-	(2)	-	(40)	-	(42)
Value as of December 31	47	43	12	9	59	52
Depreciation						
Accumulated amounts as of January 1	25	26	8	45	33	71
Depreciation during the year	2	1	-	3	2	4
Transferred to Assets Held for Sale	-	(2)	-	-	-	(2)
Depreciation of disposals *	-	-	-	(40)	-	(40)
Accumulated amounts as of December 31	27	25	8	8	35	33
Book value as of December 31	20	18	4	1	24	19

Estimated useful life	
Buildings	33 1/3 years (maximum)
Technical installations	15 years
Machinery & installations	5 years
Hardware and software	3 years

	December 31, 2008	December 31, 2007
7 Assets Held for Sale	-	2

This concerns a commercial building which BNG decided to sell in 2007. The building was transferred in the first half of 2008. The profit of EUR 2 million made on the sale has been included in the income statement under the *Other Income* item.

* Equipment was transferred in 2007 within the context of the outsourcing programme. The equipment in question was almost written off.

	December 31, 2008	December 31, 2007
Liabilities		
8 Banks, Funds Entrusted and Subordinated Loans	9,894	12,771

This includes debts to banks, funds entrusted and subordinated loans insofar as not embodied in debt securities and not belonging to the trading portfolio.

	December 31, 2008	December 31, 2007
Deposits and other money market funds at banks	3,285	6,140
Funds Entrusted	6,439	6,468
Subordinated Loans	170	163
	9,894	12,771

The analysis according to remaining contractual term to maturity is as follows:

	December 31, 2008	December 31, 2007
Up to three months	5,062	8,282
Longer than three months but not longer than one year	973	1,439
Longer than one year but not longer than five years	2,521	1,106
Longer than five years	1,338	1,944
	9,894	12,771

BNG has no collateral position (2007: EUR 1,175 million) under repurchase transactions at the end of 2008. The repurchase transactions are included in the *Banks* item and have a short term.

	December 31, 2008	December 31, 2007
9 Debt Securities	79,157	70,005

This includes debenture loans and other issued negotiable debt instruments with either fixed or variable interest rates, and not belonging to the trading portfolio. With an issue, bonds that have not been sold are deducted from the issue in question. Debt securities denominated in foreign currency are stated at the closing rate on December 31.

This balance sheet item is made up as follows:

	December 31, 2008	December 31, 2007
Debenture loans and euro notes	67,733	65,486
Medium Term Notes	62	109
Certificates of deposit	11,362	4,410
	79,157	70,005

The analysis according to remaining contractual to maturity is as follows:

	December 31, 2008	December 31, 2007
Up to three months	13,318	7,580
Longer than three months but not longer than one year	10,950	10,408
Longer than one year but not longer than five years	36,871	32,175
Longer than five years	18,018	19,842
	79,157	70,005

	December 31, 2008	December 31, 2007
10 Financial Liabilities at Fair Value through the Income Statement	791	246

This includes liabilities that are specifically designated as measured at fair value with value movements being recognized in the income statement, the derivatives that are not included in a hedge accounting relationship.

	December 31, 2008	December 31, 2007
11 Other Financial Liabilities	9,359	7,250

This balance sheet item concerns the fair value of derivatives involved in a hedge accounting relationship

12 Taxation

The bank's subjective exemption from corporation tax ceased to apply on January 1, 2005. The legislation provides that results belonging to the periods predating the liability to tax are not subject to taxation. On this basis part of the results for the past four financial years and the current financial year is attributable to the period before January 1, 2005. In 2006, agreement was reached with the tax authorities about the exemption amount (EUR 668 million) resulting from the initial valuation of the financial instruments in BNG's fiscal opening balance sheet as of January 1, 2005. The exemption amount was increased by EUR 26 million to EUR 694 million at year-end 2006 due to the valuation in the fiscal opening balance sheet as of January 1, 2005 of a subsidiary that forms part of the bank's tax entity.

A deferred tax asset was formed in favor of income for financial assets and liabilities whose valuation as of January 1, 2005 for the fiscal opening balance sheet differed from the commercial valuation. Changes in the official rates are taken into account when determining the size of the deferral. The amount of the deferral is set off against tax payable over a five-year period. This term is based on the average weighted remaining term of the financial assets and liabilities, excluding derivatives and transactions with a term or remaining term to maturity of less than one year.

No deferred tax asset was formed for financial assets and liabilities whose valuation as of January 1, 2005 for the fiscal opening balance sheet corresponded with the commercial valuation. This one-off tax benefit will be deducted from the tax charge over a five-year period. The resulting tax benefit is reflected in the net profit through lower current taxes. EUR 17 million was settled during the period under review, leaving a further EUR 16 million to be settled as of January 1, 2009. The amount to be settled has an expected remaining maturity of one year.

	December 31, 2008	December 31, 2007
The reconciliation between the stated tax charge and the nominal tax rate is as follows:		
Profit before Tax	182	238
Tax levied at the statutory nominal rate of taxation in the Netherlands of 25.5% (2007: 25.5%)	(46)	(61)
Tax credit concerning corporation tax exempted results for which no tax deferrals have been formed.	17	17
Results subject to participation exemption	(1)	1
Tax adjustments from previous years	6	1
Taxes in the Consolidated Income Statement	(24)	(42)
This is an effective tax rate of 13% (2006: 18%).		
The reconciliation between the stated tax charge and the actual tax charge is as follows:		
Taxes in the Consolidated Income Statement	(24)	(42)
Adjustment for tax credit for which a tax deferral has been formed	19	15
Adjustment for current taxation from previous years	-	(2)
Other adjustments for items measured at fair value	15	4
Tax receivable or tax payable according to fiscal statement	10	(25)
Pre-paid corporation tax	22	20
Tax receivable or tax payable	32	(5)
Statement of the deferred tax asset in the balance sheet:		
Opening balance	74	62
Fiscal treatment opening balance sheet January 1, 2005, treatment regarding subsidiary	-	(1)
Fiscal treatment opening balance sheet, apportionment during financial year	(19)	(15)
Movement deferred tax assets	5	28
	60	74

The movement of the deferred taxes for *Financial Assets Available for Sale* is recognised in the Revaluation Reserve in Equity. The other movements are recognised in the income statement.

	December 31, 2008	December 31, 2007
The deferred tax asset is made up as follows:		
Adjustment for tax credit for which a tax deferral has been formed	22	41
Revaluation *Financial Assets Available for Sale*	38	33
	60	74

	December 31, 2008	December 31, 2007
The deferred tax liability is made up as follows:		
Fair value movements of transactions involved in a hedge accounting relationship	3	1
Fair value movements of derivatives not involved in a hedge accounting relationship and other transactions	20	5
	23	6

13 Other Assets and Other Liabilities

Other Assets		
Deferred Tax Asset 12	60	74
Tax Receivebla 12	32	-
Other Assets	111	462
	203	536
Other Liabilities		
Tax Payable 12	-	5
Deferred Tax Liability 12	23	6
Employee Benefits Provision	2	2
Reorganization Provision	3	6
Other Liabilities	157	258
	185	277

The Employee Benefit Provision concerns a provision for mortgage loan interest rate discounts for both current and retired employees. This provision is of a long-term nature.

The reorganization provision concerns the outsourcing of the payment operations and IT processes, and the streamlining of the organization. The financial obligations arising from this reorganization are expected to be settled before December 31, 2010.

The movements in the discounted value of the net liability in relation to the defined benefits are as follows:

Employee Benefits Provision		
Net liability as of January 1	2	3
Other movements in the provision	-	(1)
Net liability as of December 31	2	2
Reorganization Provision		
Net liability as of January 1	6	7
Additions chargeable to income	0	4
Expenditures chargeable to provision	(3)	(5)
Net liability as of December 31	3	6

	December 31, 2008	December 31, 2007
14 Equity	1,979	2,053
Because BNG has no minority interests after consolidation, the entire consolidated equity can be attributed to the shareholders. The items included in equity are explained below.		
Share Capital	139	139
The authorized capital is divided into 100 million shares with a face value of EUR 2.50, of which 55,690,720 shares have been issued and fully paid up. The number of shares in circulation remained unchanged during the financial year. There are no issued shares that are not fully paid up. BNG and the subsidiaries hold no company shares. None of the shares carry preferential rights or are subject to restrictions. There are no options that give entitlement to the issuance of shares upon exercise.		
Share Premium Reserve	6	6
There were no movements in 2008		
Revaluation Reserve	(29)	104
Equity contains a revaluation reserve in which the unrealized fair value movement with respect to the *Financial Assets Available for Sale* item is recognized. This item is adjusted for a deferred tax liability. Upon sale of relevant assets, the related cumulative result included in equity will be transferred to the income statement.		
Currency Translation Account	(3)	(1)
This concerns foreign exchange differences arising from the translation of the results of a net investment in a foreign entity.		
Other Reserves	1,708	1,610
After the appropriations from the distributable profit pursuant to the Articles of Association have been determined, the General Meeting of Shareholders decides which portion of the remaining profit will be added to the reserves.		
Net Profit	158	195
The balance sheet was prepared prior to the proposed profit appropriation. This item represents the result achieved after accounting for the corporation tax.		
Number of shares outstanding	55,690,720	55,690,720
Proposed dividend per share in euros	1.42	1.75
Proposed Dividend		
Primary dividend pursuant to the Articles of Association	7	7
Proposed dividend above the primary dividend pursuant to the Articles of Association	72	90
	79	97

	2008	2007
15 Interest Income	4,524	3,868

This includes the interest income from loans and advances, deposits and investments, as well as the results from financial instruments used to hedge interest rate and currency risks. In addition, the other credit-related income received is included in this item.

	2008	2007
Financial Assets at Fair Value through the Income Statement	96	123
Derivatives not involved in a hedge accounting relationship	226	90
Derivatives involved in a portfolio fair value hedge accounting relationship	68	(249)
Financial Assets Available for Sale not involved in a hedge accounting relationship	160	227
Financial Assets involved in a fair value hedge accounting relationship	2,977	3,163
Financial Assets at amortized cost	917	474
Other interest income	80	40
	4,524	3,868

	2008	2007
16 Interest Expenses	4,247	3,603

This includes the cost of borrowing and related transactions as well as other interest-related charges.

	2008	2007
Derivatives not involved in a hedge accounting relationship	190	40
Derivatives involved in a micro fair value hedge accounting relationship	287	(80)
Financial Liabilities involved in a micro fair value hedge accounting relationship	2,392	2,204
Financial Liabilities at amortized cost	1,310	1,372
Other interest expenses	68	67
	4,247	3,603

	2008	2007
17 Income from Associates and Joint Ventures	(1)	13

This item includes income from Associates and Joint Ventures.

	2008	2007
Income from Associates	(5)	1
Income from Joint Ventures	4	12
	(1)	13

For a specification of the Associates and Joint Ventures, please refer to note 38 [page 80].

	2008	2007
18 Commission Income	25	20
This item includes income received and to be received for services provided to third parties.		
Commission income may be broken down as follows:		
- Income from loans and credit facilities	19	14
- Income from trust and other fiduciary activities	6	6
	25	20
19 Commission Expenses	5	6
This item relates to fees paid or to be paid for services rendered by third parties in relation to loans and credit facilities.		
20 Result Other Financial Transactions	(64)	8
This item relates to (un)realized results from fair value movements of financial instruments that are measured at fair value movement through the income statement. These are almost wholly compensated by market value movements of the derivatives entered into offset these transactions. This item also includes the results due to sale of available for sale transactions.		
Financial Assets at Fair Value through the Income Statement	187	(171)
Derivatives not involved in a hedge accounting relationship	(269)	175
Derivatives involved in a hedge accounting relationship	(946)	1,773
Financial Assets Available for Sale not involved in a hedge accounting relationship	9	(1)
Financial Assets involved in a fair value hedge accounting relationship	4,168	(1,719)
Financial Liabilities involved in a micro fair value hedge accounting relationship	(3,213)	(49)
	(64)	8
21 Foreign Exchange Results	2	0
This item includes the foreign exchange results.		
22 Other Results	9	4
This includes all results not covered under any of the aforementioned items.		

	2008	2007
23 Staff Costs	32	36
The staff costs are made up of:		
Wages and salaries	21	24
Pension costs	4	5
Social security costs	2	2
Addition to provisions	0	4
Other staff costs	5	1
	32	36
24 Other Administrative Expenses	27	26
25 Depreciation	2	4
26 Other Operating Expenses	0	0

23 Staff Costs

The staff costs are made up of:

24 Other Administrative Expenses

These include among others costs of outsourcing, rent and maintenance of property and equipment, printing costs, training expenses and advertising costs.

25 Depreciation

For a specification of this item, see the notes on Property and Equipment.

26 Other Operating Expenses

This includes all other operating expenses.

Fees paid to external auditors (in thousands of euros)

The fees paid to the external auditors are classified under *Other Operating Expenses*. In conformity with article 382a, Title 9, Book 2 of the Civil Code, a breakdown of the fees paid to the external auditors for audit and non-audit services is given below.

	2008	2007
1. Audit of the financial statements	292	368
2. Other audit engagements	55	53
3. Tax consultancy services	5	13
4. Other non-audit services	12	28
	364	462

27 Reclassification of Financial Assets Available for Sale

On October 15, 2008 the EU adopted a number of adjustments to IAS 39 and IFRS 7 (amendments to IAS 39: Financial Instruments: Recognition and Measurement anf IFRS 7: Financial Instruments: Disclosure) which permit an entity to reclassify financial instruments in some circumstances, for example illiquid markets. BNG has used these amendments to reclassify part of the *Financial Assets Available for Sale* and transfer them to the *Banks* and *Loans and Advances* balance sheet items. The intention is retain these items for the foreseeable future. Once trade in the portfolio (or parts of it) resumes, the possibility of partial sale is not excluded. The reclassification does not affect the results and comparative figures.

The effective interest rate of the reclassified assets is a weighted average of 5.1% and is in the bandwidth from 2.8% to 6.3%. In view of the high credit status of the reclassified assets, the calculation is based on the original cash flows.

	with reclassification	without reclassification	effect of reclassification
Balance sheet value as of December 31, 2008			
Financial Assets Available for Sale	5,185	9,974	(4,789)
Banks	8,956	8,464	492
Loans and Advances	75,699	71,130	4,569
Equity	1,979	1,707	272
- of which revaluation reserve	(29)	(301)	272

	31-12-2008 with reclassification	31-12-2008 without reclassification	31-12-2007 without reclassification
Reclassified assets			
Balance sheet value	5,061	4,789	5,351
Fair value	4,789	4,789	5,351
Unrealized market value movement in equity	(234)	(506)	(33)

	2008 with reclassification	2008 without reclassification	2007 without reclassification
Unrealized market value movement transferred to equity	(201)	(473)	(24)

28 Risk Section

Risk Management

General

Risk management at BNG is determined by the bank's objective to offer its shareholders a reasonable return, subject to the key condition that its excellent creditworthiness remains intact. Since 2007, the bank has reported in conformity with Basel II regulations. The 'Standardized approach' is applied to credit risk, whilst the 'Basic indicator approach' is used for operational risk. The bank wishes to takes steps internally to introduce model-based credit risk management, the aim being to enhance the quality of the credit process and monitor credit quality.

The bank's internal approach to risks is in line with the Basel II regulations. Some developments in 2008 are explained below. Afterwards, each type of risk is discussed separately, indicating how the bank is exposed to the risk in question and the controls that have been put in place. The risks discussed are, successively, credit risks, market risks and operational risks. Specific risks, such as integrity risk, IT risk and outsourcing risk, fall within operational risk. Attention is also devoted to liquidity and funding risk and the capital management policy.

Developments in 2008

2008 was a very challenging year for the financial world. This is particularly true for bank risk management. The turmoil in the financial markets caused numerous special circumstances. Credit spreads and, especially, liquidity spreads rose sharply, even in respect of assets that could still be classified as very safe. Spreads too fluctuated wildly. In addition, interest rates and exchange rates were unusually volatile. Market rates also exhibited unusual patterns of behavior; returns on long-term swap rates, for example, were well below the returns on government bonds of comparable maturity.

These and other circumstances have made it more difficult than normal to quantify risks. Many quantitative models have proved to be less usefull in extreme circumstances. The bank has responded by using different risk criteria and analyzing unusual or unexpected results of risk models and, where necessary, supplementing them with qualitative analyses.

The most far-reaching event was that the capital market dried up almost entirely – an event which poses a threat to every bank. As raising short-terms funding proved to be no problem for BNG, its liquidity was assured. BNG is seen as a safe haven. Liquidity management was intensified in order to identify and manage the effects of the barely functioning or non-functioning capital markets in the second half of the year. This enabled the bank to continue providing credit to its clients throughout the year. The bank's capital position also remained within the prescribed limits at all times.

In the year under review the bank implemented a so called risk control framework. This is basically a framework for identification of the different types of risk, the allocation of the different responsibilities for these risks and the references to the relevant policy documents. The framework has also served since 2008 to underpin the in-control statements issued by the Management and the Executive Board.

As an element of risk management, liquidity risk was uncoupled from market risk in 2008 and made the subject of separate policy. Steps were also taken in the field of capital allocation. This concerned the specific allocation of capital to the bank's various activities. A scenario-development cycle was started in the fields of stress testing and scenario analysis. The results of the scenarios were analyzed and possible decisions and measures and responses were determined.

The bank is investing continuously in order to cope with the increasing complexity of financial instruments and the stricter regulatory requirements. If risk management and reporting on risk management are to be complete and reliable, it is essential for the records of the cash flows from production to be as full and clear as possible.

Risk Management Organization

The bank has three risk management committees on which the members of the Executive Board and the responsible Managing Directors have a seat. Each committee addresses a specific risk area. These three dedicated Executive Board meetings focus on Organizational Policy, Asset & Liability Policy and Commercial Policy. These policies deal with the policy choices on operational risk, market and liquidity risk and credit risk respectively. Capital management policy, which in fact touches on all these risks, has been assigned to Commercial Policy, as the decisions taken there affect the capital allocation.

Decisions on whether credit risks are actually entered into are taken by three independent committees within the frameworks of the Commercial Policy. These committees – the Credit Committee, the Financial Counterparties Committee and the Investment Committee – are chaired by various members of the Executive Board.

BNG applies a risk-averse strategy in relation to requests for project finance coupled with the provision of venture capital. Participation is not an end in itself, but a means to become or remain involved in projects as a lender. Decision-making is always routed through the Executive Board and, depending on the amount involved, the Audit Committee and Chairman of the Supervisory Board or the plenary Supervisory Board.

Risk management matters are largely dealt with by the Risk Control Department. This department classifies, quantifies and monitors the risks and reports to the responsible committees. The risks concerned are credit risk, market risk, liquidity risk, operational risk and other risks. The Credit Risk Assessment Department is responsible for assessing individual credit proposals independently of the commercial departments.

The Internal Audit Department (IAD) regularly carries out operational audits to assess the design, operation and effectiveness of the risk management systems, and to verify compliance with the relevant laws and regulations. The IAD has an independent position within the bank. The bank also has an independent Compliance Officer, who oversees compliance with relevant laws and regulations. The tasks and duties, position and powers of the compliance function are laid down in the BNG Compliance Charter.

The Executive Board periodically discusses the set-up and operation of the internal risk management and control systems with the Supervisory Board and the Audit Committee.

Credit Risk

Credit risk is the risk that a client or counterparty will default on its contractual obligations or suffer a decline in creditworthiness. Credit risk is inherent in the activities of a bank. In 2008, the bank again suffered no losses in respect of its credit portfolio. The overwhelming majority of the assets is directly or indirectly government-guaranteed. The credit risk policy aims to manage these risks. BNG has set up an internal risk management organization for this purpose, in line with the increasing diversity and complexity of the lending operations and has the following structure:

- The lending frameworks are set by Executive Board / Commercial Policy, in which all members of the Executive Board, as well as the Managing Directors responsible for the conclusion of transactions and the day-to-day credit risk management are represented.
- The Credit Committee makes decisions about credits to clients.
- The Financial Counterparties Committee decides on limits for transactions with financial institutions.
- The Investment Committee decides on investment proposals in respect of interest-bearing securities.
- The independent Risk Control and Credit Risk Assessment Departments are responsible for assessing, quantifying and reporting on credit risk.

The group of clients is restricted by the bank's Articles of Association, which only permit lending to clients with sufficient government involvement. As a consequence, the overwhelming majority of the credit portfolio consists of loans and advances extended to, or guaranteed by, public authorities. Other long-term lending is nearly always covered by collateral while covenants are used to mitigate risk further. To reduce credit risk exposure to financial counterparties, BNG seeks to enter into netting agreements with such parties whenever possible. In addition, bilateral collateral agreements have been concluded with the principal financial counterparties to mitigate related credit risks.

Non-guaranteed lending is preceded by a creditworthiness analysis. This analysis results in the determination of the risk, and the award of an internal rating. Based partly on this rating, the decision-making procedure and the maximum credit risk that the bank is willing to assume are determined. BNG reviews all non-guaranteed facilities at least once a year, and adjusts internal ratings where appropriate. BNG's internal ratings correspond with the external ratings of the large rating agencies up to the level of A-/A3 [see table below].

A limit is fixed for financial counterparties on the basis of a creditworthiness analysis. External ratings are expressly taken into account in this connection. This limit is revised at least once a year. The exposures to financial counterparties are checked daily against the limits. The Financial Counterparties Committee receives reports on this.

Developments in credit risk management
A study carried out in 2008 examined to what extent BNG would benefit from the use of credit risk models in managing and assessing credit risk. Using these models, internal ratings can be determined on the basis of a number of input variables. In this way it is possible to obtain a consistent, quantitative formulation of the credit risk. It was concluded that BNG could improve its credit risk management by applying this method. It was therefore decided to develop and implement credit risk models. This will be analyzed in more detail in 2009.

Rating								
Extern	AAA/Aaa	AA+/Aa1	AA/Aa2	AA/Aa3	A+/A1	A/A2	A-/A3	BBB+/Baa1 or lower
Intern	A	B+	B	B-	C+	C	C-	D of E

The statements from page 61 provide a quantitative insight into the credit risk at year-end 2008.

Financial Assets	December 31, 2008 Balance Sheet value	December 31, 2007 Balance Sheet value
Banks and Loans and Advances	84,655	76,104
Financial Assets at Fair Value through the Income Statement	3,001	2,989
Financial Assets Available for Sale	5,185	10,483
Other Financial Assets [1]	7,695	1,882
	100,536	91,458
Of which derivatives and market value adjustments hedge accounting [1]	(8,486)	(2,264)
	92,050	89,194

Breakdown of concentration risk by market segments, in percentages	December 31, 2008 Balance Sheet value	December 31, 2008 Risk Weighted Amount in % [2]	December 31, 2007 Balance Sheet value	December 31, 2007 Risk Weighted Amount in % [2]
Public sector	27,158	6.3%	25,659	5.0%
Housing	34,965	12.9%	31,655	7.7%
Energy, Water and Telecom	2,186	18.9%	1,811	17.0%
Healthcare	6,046	10.5%	6,017	8.5%
Transport, Logistics and the Environment	1,858	10.9%	1,785	10.1%
Education	889	5.2%	689	5.2%
Credit institutions	9,253	11.2%	11,150	21.8%
Other financial institutions	7,447	13.6%	8,094	15.8%
Miscellaneous	2,248	10.5%	2,334	8.9%
	92,050	100.0%	89,194	100.0%

The main risk concentrations occur in the market segments in which loans and advances are not guaranteed. Collateral and security are provided by counterparties for almost all loans and advances that are not guaranteed.

The loans and advances not under guarantee include facilities to a limited number of banks, including but not limited to lending in connection with collateral obligations.

The loans and advances without guarantee also include ten (2007: nine) counterparties with loans and advances of more than 10% of the BIS' own funds.

|1 The balance sheet value of *Other Financial Assets* includes the market value adjustment by virtue of fair value hedge accounting.
|2 Percentages are related to the total risk weighted amount.

	December 31, 2008		December 31, 2007	

The derivatives are almost exclusively related to interest-rate swap and cross-currency interest-rate swaps. These contracts are only entered into with highly creditworthy financial counterparties. In addition, the credit risk has been mitigated further by means of netting and collateral agreements.

The analysis according to remaining contractual term to maturity of the financial assets expressed as balance sheet values excluding derivatives is as follows:

	December 31, 2008	December 31, 2007
Up to three months	12,791	11,686
Longer than three months but not longer than one year	8,453	10,136
Longer than one year but not longer than five years	38,167	35,205
Longer than five years	32,639	32,167
	92,050	89,194

Maximum Credit Risk

This statement provides insight into the maximum credit risk of all financial assets without taking the fair value of any collateral or security into account if the counterparty is unable to meet its obligations. These financial assets are stated at balance sheet values, with the exception of contingent liabilities and irrevocable facilities. These are stated at nominal value.

	December 31, 2008		December 31, 2007	
Cash and Cash Equivalents		497		485
Derivatives		6,043		3,083
Banks and Loans and Advances	84,655		76,104	
Financial Assets at Fair Value through the Income Statement	2,210		2,607	
Financial Assets Available for Sale	5,185		10,483	
		92,050		89,194
Contingent liabilities		849		841
Irrevocable facilities		6,491		5,669
		105,930		99,272

Credit Equivalents of Derivatives stated as Assets in the Balance Sheet

The credit risk of derivatives is relatively small, even though the size of notional amounts was EUR 193 billion as of December 31, 2008 (2007: EUR: 173 billion). With the exception of foreign exchange derivatives these contractual notional amounts only serve as a unit of calculation, and often give no indication of the size of the cash flows or the derivative-related risk. The credit equivalent of the derivatives portfolio is a better indicator in this context. The credit risk is expressed in terms of credit equivalents on the basis of regulations of the Dutch Central bank. The credit equivalents consist of the market value including a premium for future risk.

	December 31, 2008	December 31, 2007

The contracts with a positive value - the contracts where the bank would suffer a loss in the event of counterparty default - are relevant in this case. In addition, the theoretical notional amounts are multiplied by certain maturity and volatility-dependent percentages. The sum of these two values gives an indication of the credit risk (credit equivalent). The credit equivalent of the derivatives portfolio weighted for debtor risk amounted to EUR 0.7 billion (2007: 0.4 billion).

Credit Equivalents	December 31, 2008	December 31, 2007
Interest rate contracts	1,047	738
Currency contracts	1,021	979
Total	2,068	1,717
Cash -collateral received	28	8
Total after deduction of cash-collateral	2,040	1,709

This figures are shown net of the positive and negative fair value of contracts per counterparty.
There was no capital requirement for the market risk with respect to open currency positions in 2008.

Maturity Analysis of Assets that have fallen due without impairment	December 31, 2008	December 31, 2007
Less than 30 days	4	7
31 to 60 days	0	0
61 to 90 days	0	0
More than 91 days	0	1
Total	4	8

All assets that have fallen due relate to the *Loans and Advances* item. BNG has not invoked any guarantees and has not obtained any assets by taking possession of any collateral in 2008 or 2007.

Financial Instruments by Category

December 31, 2008

	Financial assets at fair value through the income statement	Derivatives	Derivatives involved in a hedge accounting relationship	Financial assets available for sale not involved in a hedge accounting relationship	Financial assets involved in a portfolio fair value hedge accounting relationship	Financial assets and financial liabilities involved in a micro fair value hedge accounting relationship	Financial assets and liabilities at amortized cost	**Total**
Assets								
Banks					2,820		6,136	8,956
Loans and advances					60,777	163	14,759	75,699
Financial assets at fair value through the income statement	2,210	791						3,001
Financial assets available for sale				1,288	3,897			5,185
Other financial assets			4,526		3,169			7,695
Total assets	**2,210**	**791**	**4,526**	**1,288**	**70,663**	**163**	**20,895**	**100,536**
Liabilities								
Banks							3,285	3,285
Funds entrusted						643	5,796	6,439
Subordinated loans						81	89	170
Debt securities						51,556	27,601	79,157
Financial liabilities at fair value through the income statement		791						791
Other financial liabilities			9,359					9,359
Total liabilities		**791**	**9,359**			**52,280**	**36,771**	**99,201**

Financial Instruments by Category December 31, 2007

	Financial assets at fair value through the income statement	Derivatives	Derivatives involved in a hedge accounting relationship	Financial assets available for sale not involved in a hedge accounting relationship	Financial assets involved in a portfolio fair value hedge accounting relationship	Financial assets and financial liabilities involved in a micro fair value hedge accounting relationship	Financial assets and liabilities at amortized cost	**Total**
Assets								
Banks					3,944		6,123	10,067
Loans and advances					58,107		7,930	66,037
Financial assets at fair value through the income statement	2,607	382						2,989
Financial assets available for sale				6,131	4,352			10,483
Other financial assets			2,701		(819)			1,882
Total assets	**2,607**	**382**	**2,701**	**6,131**	**65,584**		**14,053**	**91,458**
Liabilities								
Banks						11	6,129	6,140
Funds entrusted						445	6,023	6,468
Subordinated loans						76	87	163
Debt securities						47,589	22,416	70,005
Financial liabilities at fair value through the income statement		246						246
Other financial liabilities			7,250					7,250
Total passiva		**246**	**7,250**			**48,121**	**34,655**	**90,272**

Financial Assets and Financial Liabilities at Fair Value through the Income Statement

The market values of financial assets and financial liabilities at fair value through the income statement include a spread for credit risk. Value movements resulting from changes in credit risk are derived from changes in these spreads. The risk profile of individual clients and financial instruments is assessed periodically. The spread for credit risk is adjusted where necessary.

The change in the market values of *Financial Assets at Fair Value through the Income Statement* as a result of a changed credit risk spread amounts cumulatively to EUR 144 million negative (2007: EUR 20 million negative) and to EUR 124 million negative for 2008 (2007: EUR 30 million negative).

The change in the market values of *Financial Liabilities at Fair Value through the Income Statement* as a result of a change in credit risk spread amounts cumulatively to EUR 3 million negative (2007: EUR 2 million positive) and EUR 5 million negative for 2008 (2007: EUR 4 million positive).

Market Risk

General

Market risk is the risk that the value of a portfolio of the bank falls due to changes in market prices. Examples of market prices are interest rates, exchange rates, and bond and share prices. BNG pursues an active interest rate risk management policy, but a highly restrictive policy for other market risks. The bank has an internal market risk policy, describing the risk attitude for each type of market risk as well as the organization of the risk management and the method of risk limitation and reporting.

Interest Rate Risk

The aim of BNG's interest rate risk management policy is to generate an additional return on equity by taking advantage of movements in market rates. The precondition governing this policy is strict control of the risks attendant on these interest rate positions, both in terms of economic value and in terms of volatility of the annual result and of the regulatory compliance. Responsibility for the interest rate risk management policy resides with the Executive Board. The implementation of this policy has been delegated to the Asset & Liability Committee (ALCO) in which all members of the bank's Executive Board are represented. Alongside the Executive Board, the Managing Directors responsible for Treasury and Economic Research, as well as the Head of Risk Control, are also represented in ALCO.

Based on market outlooks prepared by Treasury and Economic Research, ALCO periodically determines the bank's interest rate vision and sets the limits – within the fixed frameworks formulated for this purpose – that Treasury is required to observe. The Risk Control Department is responsible for the independent monitoring of the risk as well as for providing advice in relation to the design of the risk management process. The department provides reports to ALCO and may identify risks and give advice on a solicited and unsolicited basis.

The day-to-day implementation of the interest rate risk policy is the responsibility of the Treasury Directorate. This directorate is responsible for hedging the market risks that occur as a consequence of the commercial activities and for managing the bank's interest rate risk position. Treasury is also responsible for the market data used for pricing. To ensure a clear division of duties, the day-to-day revaluation of financial instruments is carried out within the Processing Department, while Risk Control is responsible in terms of subject matter.

BNG employs a range of risk measures and risk management systems for controlling interest rate risks. Best practice techniques are used. In addition, the bank develops its own models and systems where necessary. The most important risk measures applied at BNG are duration, interest rate sensitivity per time bucket and Value at Risk. These interest rate risk measures complement each other and, in combination with several other indicators, constitute a basis for making risks transparent and controllable within defined limits. To this end, reports are formulated for various target groups based on various levels of detail and using various time frequencies. In addition, techniques such as scenario analysis and stress testing are employed on a limited scale to obtain insight into market value movements resulting from severe interest rate shocks. These supplement the measures that are suitable for estimating risks under 'normal' market conditions.

Scenario analysis and stress testing are used by BNG to obtain additional insight into the relationships between interest rate risk and market value. One frequently applied scenario for obtaining insight into the risks occurring under extreme circumstances is a direct parallel interest rate shock of plus or minus 200 basis points. Such a shock of plus 200 basis points (a rate hike of 2%) as of the end of 2008 would have decreased the total market value of the interest-bearing instruments in the balance sheet by EUR 207 million. A shock of minus 200 basis points would have increased the market value by EUR 179 million. The scenario of plus or minus 200 basis points is also prescribed under Basel II regulations to express the maximum relationship between market risk and equity. This is known as the outlier criterion. If the outlier criterion is exceeded, the supervisor initiates an investigation and may take measures. The outlier criterion could be reached with a duration of about 10 and an interest rate scenario of plus or minus 200 basis points. The bank's market risk policy stipulates that the duration may never exceed 10.

The impact of an instantaneous interest rate shock on the market value.

	31-12-2008	31-12-2007	31-12-2008	31-12-2007	31-12-2008	31-12-2007	31-12-2008	31-12-2007
	Total market value movement		Impact on the income statement		Impact on equity		Long-term impact on the income statement	
Interest rate shock								
+200 bp	(207)	(250)	+ 21	(81)	(32)	(13)	(196)	(156)
-200 bp	+ 179	+ 301	(40)	+93	+ 35	+ 13	+ 184	+195
Accounting classification			Fair value through the income statement		Fair value through equity		Amortized cost	

The impact of an interest rate shock on the market value does not follow an entirely linear pattern relative to the size of the shock. An instantaneous rise in interest rates of 200 basis points leads to a fall in market value of EUR 207 million (see table) while, for instance, an instantaneous interest rate increase of 100 basis points leads to a fall in market value of EUR 103 million. By analogy, a shock of minus 100 basis points leads to an increase in market value of EUR 97 million. In addition to the above, various scenarios are used to review the impact of interest rate movements on the interest rate result of the current and next financial year. A direct parallel interest rate increase of 50 basis points at year-end 2008 would have led to a 1.5% decline in the expected interest result for 2009. An identical decrease in the yield curve would have led to a 1.6% increase in the interest result. A direct parallel interest rate increase or decrease of 100 basis points at year-end 2008 would have reduced the interest result by 3.1% or boosted it by 3,0%.

Credit Spreads, Liquidity Spreads And Interest Rate Risk Management

BNG's interest rate position is determined on the basis of the entire portfolio of assets and liabilities. As BNG's portfolio has a relatively low credit risk, the market prices of assets and liabilities have traditionally been close to the swap rates, which are used as reference rates for interest rate risk management. The bank's interest rate risk position could be managed by valuations based on these swap rates, as the value of the portfolio was largely dependent on the development of swap rates. Fluctuations in credit spreads were limited and had little effect on the interest rate risk position. This situation changed drastically in 2008 when market liquidity dried up almost entirely. Even bonds with the highest rating, whose cash flows were in no way in doubt, were traded at spreads that were sometimes hundreds of basis points above the swap rate. This development resulted in major fluctuations in the value of Equity and greatly complicated the management of the interest rate risk position. The bank is examining ways of improving its management of this position.

Foreign Exchange Risk

Because the bank attracts the majority of its funding in foreign currency, the currency positions are potentially large. The bank's policy is to hedge the foreign exchange risk in full. Small currency exposures may occur occasionally, particularly where hedging would not be cost-efficient. These are limited. Part of the market risk management framework is devoted to foreign exchange risks.

Equity Risk

In certain instances, the bank engages in transactions whose value depends partly on underlying equity prices. In these cases, the risks arising from movements in the market prices of these equities are fully hedged by means of derivatives.

Liquidity and Funding Risk

General

Liquidity risk is defined as the possibility that the bank will be unable at any given moment to meet its payment obligations without incurring unacceptable losses. This type of risk is perceived to be the biggest threat to banks and can occur very unexpectedly. The bank monitors its liquidity position on a day-to-day basis, using a liquidity maturity calendar and long-term liquidity forecasts that are updated regularly. The liquidity position is also subject to a limits system.

BNG boasts a strong liquidity position, partly because its balance sheet consists predominantly of assets with a generally good market liquidity, which can also serve as collateral for the central bank. Due to its excellent creditworthiness and good reputation, the bank continues to enjoy easy access to the financial markets, also in difficult market conditions. Its sources of funding are sufficiently diversified. In addition, the bank can rely on extensive borrowing capacity from the Central Bank based on the collateral deposited there. BNG's liquidity position easily meets the requirements of the central bank. Alongside the objective of ensuring that the bank is able to meet its payment obligations in the short term, the liquidity policy aims to retain the bank's excellent creditworthiness, thus avoiding a deterioration of its future funding position. To this end, the longer-term liquidity requirements are monitored. The daily operational management of the liquidity position is carried out by the Treasury Directorate. ALCO receives independent reports on the accompanying limits from Risk Control.

Developments

The turmoil in 2008 did not leave BNG unscathed. The bank is part of the international system and therefore has to cope with the functioning of the capital markets and fund flow exchanges with financial counterparties. When banks encountered liquidity problems worldwide after the summer of 2008 and the capital market was virtually inaccessible, the bank put its liquidity contingency plan into effect. It expanded its information system and upped the frequency of the information. Each week the bank's liquidity was discussed within ALCO. At the same time, additional procedures for lending and pricing were introduced. This ensured that the bank was always able to raise short-term funding and to continue lending without interruption. Nor was it necessary to make use of the ECB's lending facility. As regards its funding position, the bank views with concern the developments in the international capital markets, the partial nationalization of the financial sector and the guarantee facilities for financial institutions. Implicit or explicit guarantees of the Dutch state and other authorities do not support BNG's relative funding position. Nonetheless, the bank was still able in the first few months of 2009 to raise funding in the international money and capital markets at competitive rates.

Maturity Financial Liabilities Categorized by Term to Contractual Maturity
The amounts shown represent all non-discounted future cash flows of the financial liabilities

December 31, 2008

	Up to three months	Longer than three months but not longer than one year	Longer than one year but not longer than five years	Longer than five years	**Total**
Banks	896	696	1,598	97	3,287
Funds Entrusted	3,526	959	1,007	1,719	7,211
Subordinated Loans	1	7	30	266	304
Debt Securities	9,088	15,337	40,453	25,341	90,219
Financial Liabilities at Fair Value through the Income Statement (payable)	4,165	2,234	534	1,426	8,359
Financial Liabilities at Fair Value through the Income Statement (receivable)	(3,885)	(2,046)	(358)	(1,346)	(7,635)
Other Financial Liabilities (payable)	1,235	8,971	27,026	28,000	65,232
Other Financial Liabilities (receivable)	(1,106)	(7,477)	(21,549)	(22,798)	(52,930)
Other Liabilities	15	10	-	-	25
	13,935	18,691	48,741	32,705	114,072

December 31, 2007

	Up to three months	Longer than three months but not longer than one year	Longer than one year but not longer than five years	Longer than five years	**Total**
Banks	4,160	1,110	299	784	6,353
Funds Entrusted	4,254	393	912	1,805	7,364
Subordinated Loans	1	7	31	277	316
Debt Securities	8,501	12,114	38,844	31,915	91,374
Financial Liabilities at Fair Value through the Income Statement (payable)	2,347	991	317	467	4,122
Financial Liabilities at Fair Value through the Income Statement (receivable)	(2,499)	(1,029)	(273)	(447)	(4,248)
Other Financial Liabilities (payable)	2,584	11,836	33,186	44,536	92,142
Other Financial Liabilities (receivable)	(2,206)	(11,047)	(31,213)	(42,529)	(86,995)
Other Liabilities	10	34	2	(131)	(85)
	17,152	14,409	42,105	36,677	110,343

Operational Risk

General
Operational risk is defined under Basel II as the risk of losses resulting from inadequate or failing internal processes and systems, staff errors or external events. To make the management of operational risks more transparent, BNG manages integrity risk, IT risk and outsourcing risk separately, alongside the other operational risks. Each risk has its own control system. Line management carries primary responsibility for controlling the operational risks within the bank's processes and systems. It receives support from specialized departments. The management of operational risks is based on the 'Sound Practices' included in the Basel II regulations.

BNG aspires to minimize both the size and number of operational risks. While operational risks need not be fully mitigated, they must be acceptable and controllable. Each business process, both primary and secondary, is periodically tested by means of self-assessments for (implied) operational risks. To this end, internal and external environment analyses are performed to add focus to these self-assessments. Where necessary, proposals are made for controls or additional controls, and their timely implementation is monitored. Residual risks are presented to the responsible Managing Director, who advises the Executive Board on acceptance of these residual risks. Independently of the risk self-assessments, the IAD carries out audits of the design, existence and effectiveness of controls.

In 2008, operational risks did not lead to a significant loss. However, the growth in the number of complex transactions does increase the risk of operational errors in the settlement and management. The bank will make further improvements to the quality of the organization and systems in order to ensure that the growing complexity remains manageable.

Integrity Risk
Integrity risk is described as the impairment of BNG's reputation as well as the existing or future threat to the institution's equity and results due to inadequate compliance with internal and external laws and regulations. In this connection, (evolving) social norms in terms of integrity are taken into account as far as possible. The integrity policy is laid down in an internal company code. The bank sees integrity as an integral part of its operations. The BNG Company Code is the overriding guideline for the actions of BNG and its staff. At BNG, integrity and reliability take precedence over pure financial gain.

IT Risk
The IT risk is defined as the existing or future threat to equity and results arising from inadequate IT strategy and policy, shortcomings in the applied technologies or incorrect use of the information processing systems. Within this context, it is immaterial whether a system is managed by BNG or a service provider. The basic objectives that the information security policy is designed to achieve are an uninterrupted functioning of the information systems and a reduction of the complexity of the IT environment.

Prevention is the first priority to control IT risks. The preventative measures are aimed at the avoidance or fastest possible detection of (potential) incidents and the limitation or fastest possible restoration of any resulting damage. An operational back-up test is carried out annually to establish whether the services can be continued on emergency systems in the event of a calamity. This test was performed in 2008 and led to the conclusion that the services can indeed be continued on the emergency systems, should the need arise.

Due to the diversity and complexity of the financial instruments in the bank's portfolio, the limits of the functionality of the financial systems and the (present) organization are becoming visible. Whereas virtually fully standardized and automated processing is appropriate for more uniform guaranteed lending, a more customized system is necessary for more complex and often unguaranteed credits. A working group has been set up by the Executive Board to consider the future information infrastructure. The working group will advise in 2009.

Outsourcing Risk
In 2007, the bank's payment operations (including related IT), data centre and workplace management were outsourced to Ordina BPO. A 'demand' organization serves as the link between this party and the bank. The arrangements regarding the required level of service are laid down in 'Service Level Agreements', with monthly reporting on performance levels. The activities carried out at Ordina BPO continue to fall under the risk analyses performed by

the bank. Alongside periodic audits by BNG's Internal Audit Department, the bank also demands a statement from the external auditor of Ordina BPO on the quality of services performed. The operational service is provided by Ordina BPO to the satisfaction of the bank. It became apparent in late 2008 that Ordina BPO was operating at such a loss that Ordina Holding N.V. intended to sell it off in 2009. Alternatively, the activities of Ordina BPO could be transferred to third parties. BNG and other customers will be kept informed of developments by Ordina. BNG is currently considering a number of scenarios designed to ensure the continuity of the relevant processes in all circumstances.

Capital Management Policy

Under Basel II a bank must have a formal capital management policy, indicating how the bank deals with the relationship between quantifying expected and unexpected risks and determining the required economic capital to absorb these risks. In this connection, the bank defines its capital as total equity excluding the revaluation reserve.

The objective of the capital management policy is to guarantee that the bank can continue to meet its financial obligations without interruption, even under the most adverse conditions. This is achieved by identifying and quantifying risks, by calculating the capital requirements, and by assessing the capital adequacy. The capital management policy has been formalized by means of a capital management plan. The first version of the capital management policy was followed by a second version in the spring of 2008 following dialogue with the supervisory authority (the supervisory review process – SREP). The development of the capital management policy is an ongoing process that will involve periodic adjustments to the capital management plan.

Capital limits (trigger ratios) have been set for market risk, credit risk and operational risk. These are limits which, if exceeded, will trigger measures such as risk mitigation, the raising of extra capital or the adjustment of the capital objective. The capital limit per risk is monitored and reported by the Risk Control Department. The trigger ratios for economic capital were not exceeded in 2008.

Capital Adequacy

The standards set by the Dutch Central Bank for the principle capital ratios are based on the Capital Adequacy Directives of the European Union and the Basel Committee for Banking Supervision. These ratios compare the bank's total capital and core capital with the total of risk-weighted assets and off-balance sheet items as well as the market risk of the trading portfolios. The minimum required percentages for the bank's total capital and core capital amount to 8 per cent and 4 per cent of the risk-weighted assets respectively.

The table below gives an overview of the available capital and the minimum required capital according to the supervisor. In BNG's case, this means that the minimum required capital is almost entirely related to the equity that must be maintained for non-guaranteed loans and advances. Loans and advances to, or guaranteed by, public authorities are not subject to capital adequacy requirements.

	31-12-2008		31-12-2007	
	Minimum required	Present	Minimum required	Present
Total Capital	831	2,083	805	2,014
BIS-ratio	8%	20%	8%	20%
Core Capital	416	1,915	402	1,852
BIS-ratio tier 1	4%	18%	4%	18%

29 Fair Value of Financial Instruments

The fair value is the amount for which an asset can be traded or an obligation settled between well-informed independent parties who are willing to enter into a transaction. The value of financial instruments measured at fair value in the balance sheet is determined on the basis of quoted market prices, insofar as these financial instruments are traded in an active market. Financial instruments that are not traded in an active market, or for which no market is maintained, are measured on the basis of quoted prices of comparable instruments. If no quoted prices of comparable instruments are available, the fair value is determined on the basis of valuation models and techniques customarily used in the financial sector, typically models based on net present value calculations and option pricing models. Input for these models is based on objectively verifiable market prices.
Spread curves are used to determine the fair value of financial instruments involving credit risk where a theoretical valuation is required. These spreadcurves are constructed on the basis of the swap curve and a spread for credit risk that depends on the creditworthiness of the debtor.
The spread also takes into account received collateral, guarantees and maturities. In virtually all cases, the bank is reliant on theoretical valuations in respect of its debtors. The bank has grouped its debtors on the basis of comparability of credit risk, and has allocated a risk-related spread to each group. In addition, the spread depends on the term to maturity of a financial instrument. Insofar as financial instruments have the character of a forward contract, the official forward prices are used, including forward yield curves and forward exchange rates. In the case of complex hybrid instruments, the constituent parts of the instrument are measured separately on the basis of the aforementioned techniques and models. The fair value of the entire instrument is determined as the sum of the fair value of its constituent parts.

Overview of Fair Values of Financial Instruments	31-12-2008		31-12-2007	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Cash and Cash Equivalents	497	497	485	485
Banks and Loans and Advances	84,655	88,486	76,104	75,715
Financial Assets at Fair Value through the Income Statement	3,001	3,001	2,989	2,989
Financial Assets Available for Sale	5,185	5,185	10,483	10,483
Other Financial Assets *	7,695	4,526	1,882	2,701
Total Financial Assets	101,033	101,695	91,943	92,373
Banks and Funds Entrusted	9,724	9,922	12,608	12,709
Subordinated Loans	170	200	163	181
Debt Securities	79,157	79,749	70,005	69,925
Financial Liabilities at Fair Value through the Income Statement	791	791	246	246
Other Financial Liabilities	9,359	9,359	7,250	7,250
Total Financial Liabilities	99,201	100,021	90,272	90,311

* The *Other Financial Assets* item includes a fair value adjustment of EUR 3,169 million positive (2007: EUR 819 million negative) as a result of portfolio fair value hedging. This adjustment is almost entirely related to *Banks* and *Loans and Advances*. The amount concerns the accounting recognition of the effective parts of the hedged market value movements. See note 30 [page 74] for a description of the way in which market risks are hedged using derivatives.

The following table provides an overview of the valuation of transactions, which are shown at fair value in the balance sheet.

December 31, 2008

	Valuation based on Quoted Market Prices	Valuation Technique based on Market Observable Inputs	Valuation Technique Based on Non-Market Observable Inputs	**Total**
Financial Assets at Fair Value through the Income Statement	84	1,860	1,057	3,001
Financial Assets Available for Sale	2,092	2,970	123	5,185
Other Financial Assets	-	4,526	-	4,526
	2,176	9,356	1,180	12,712
Financial Liabilities at Fair Value through the Income Statement	-	791	-	791
Other Financial Liabilities	-	9,359	-	9,359
	-	10,150	-	10,150

December 31, 2007

	Valuation based on Quoted Market Prices	Valuation Technique based on Market Observable Inputs	Valuation Technique Based on Non-Market Observable Inputs	**Total**
Financial Assets at Fair Value through the Income Statement	378	2,555	56	2,989
Financial Assets Available for Sale	2,810	7,665	8	10,483
Other Financial Assets	-	2,701	-	2,701
	3,188	12,921	64	16,173
Financial Liabilities at Fair Value through the Income Statement	-	246	-	246
Other Financial Liabilities	-	7,250	-	7,250
	-	7,496	-	7,496

The part of the portfolio valued by techniques based on non-observable market data was clearly larger in 2008. This increase was due mainly to the fact that observable market data for similar paper did not properly reflect the current fair value. The fair value treated as obtained by non-observable market data is determined, among other things, on the basis of observable market data that have been adjusted to take account of management assumptions concerning liquidity. The increase consists in particular of government-guaranteed paper (EUR 500 million) and paper insured by monoliners (EUR 488 million).

30 Hedging Risks with Derivatives

BNG applies economic hedging in order to eliminate nearly all foreign exchange risks and keep interest rate risks at the desired level. To this end, the bank has put in place a system of limits and procedures that are strictly adhered to and monitored on a daily basis. Foreign exchange and interest rate risks are principally hedged with the aid of derivatives. The treatment of derivatives and hedged items in the balance sheet and income statement is such that they are aligned with the actual economic hedging. BNG processes this hedging relationship under IFRS in two ways: micro and portfolio fair value hedging. In the paragraph on the accounting principles, the conditions are described that need to be met before these forms of hedge accounting can be applied. Micro fair value hedging (MH) is applied to individual transactions involved in an economic hedge relationship to offset interest rate risks. This form of hedging is applied to nearly all debt issues denominated in foreign currencies, including issues under the standardized Debt Issuance Programme. The foreign exchange and interest rate risks are hedged by means of derivatives, principally cross currency interest rate swaps. The issues are fully offset in the derivative so that, on a net basis, issues in foreign currency are converted into euros. Both the issue and the accompanying derivatives can contain structures, such as options, which are also fully offset. Within BNG, the effectiveness of this type of hedging relationship was almost perfect in recent years. The marginal ineffectiveness is recognized in the income statement. The revaluation of MH-transactions is accounted for in the same balance sheet item as the hedged transactions.

With portfolio fair value hedging (PH), the interest rate risk of a group of transactions is hedged by means of a group of derivatives. The hedging relationship is constructed and controlled at an aggregated level, thus precluding relationships with individual transactions. The effectiveness of the portfolio hedging relationships, like that of the micro hedging relationships, was almost perfect in recent years. To prevent higher complexity as well as additional hedging costs, choices were made in accordance with the bank's policy not to involve cash flows with a maturity of less than one year in portfolio hedging. The results that arise from this policy are recognized in the income statement. Any ineffectiveness that occurs is also recognized in the income statement. The revaluations of PH-items are accounted for in the balance sheet under *Other Financial Assets*. With both types of hedging, the derivatives in question are measured at fair value and included in the *Other Financial Assets* and *Other Financial Liabilities* items.

Though BNG uses derivatives for economic hedging purposes, it is not possible in all cases to include these in a hedge accounting relationship, as permitted by IFRS. The fair values of derivatives that are not involved in a hedge accounting relationship are stated in the balance sheet under *Financial Assets at Fair Value through the Income Statement* if the value is positive, or under *Financial Liabilities at Fair Value through the Income Statement* if the value is negative. For the few derivatives where this is the case, the hedged item is also designated as a *Financial Asset at Fair Value through the Income Statement* so that, on a net basis, the volatility of the result arising from derivatives is limited.

Derivatives are included in various balance sheet items, depending on their treatment under IFRS. Derivatives are always recognized in the balance sheet at fair value. Derivatives contracts with a positive fair value are stated as assets while derivatives with a negative value are stated as liabilities.

	31-12-2008	31-12-2007
Derivatives in a Hedge Accounting Relationship (Fair Value Hedge)		
Other Financial Assets	4,526	2,701
Other Financial Liabilities	(9,359)	(7,250)
Derivatives not in a Hedge Accounting Relationship		
Financial Assets at Fair Value through the Income Statement	791	382
Financial Liabilities as Fair Value through the Income Statement	(791)	(246)

The notional amounts of the derivatives listed below are categorized by balance sheet item and type of derivative

	31-12-2008		31-12-2007	
	Notional amount	Fair value	Notional amount	Fair value
Other Financial Assets				
Swaps	65,114	4,526	62,664	2,701
Forwards	-	-	-	-
Options	-	-	-	-
	65,114	4,526	62,664	2,701
Other Financial Liabilities				
Swaps	103,177	(9,359)	93,923	(7,250)
Forwards	-	-	-	-
Options	-	-	-	-
	103,177	(9,359)	93,923	(7,250)
Financial Assets at Fair Value through the Income Statement				
Swaps	7,618	576	6,667	352
Forwards	4,748	153	1,809	12
Options	1,388	62	1,516	18
	13,754	791	9,992	382
Financial Liabilities at Fair Value through the Income Statement				
Swaps	4,891	(314)	2,428	(141)
Forwards	5,619	(412)	2,981	(91)
Options	1,057	(65)	967	(14)
	11,567	(791)	6,376	(246)

With respect to credit risk on derivatives, BNG receives security from counterparties. As of 31 December 2008, this security amounted to EUR 28 million (2007: EUR 8 million).

31 Related Parties

Transactions with Related Parties
The State of the Netherlands owns 50% of the outstanding shares of BNG. Transactions with the State include bonds traded on public markets. BNG also extends loans and advances guaranteed by the State. In view of the nature of these transactions, they are not treated as transactions with related parties. In 2007, BNG acquired a 25% interest in Transdev-BNG-Connexxion Holding B.V. This company has acquired two-thirds of the shares in Connexxion Holding N.V. from the State.

Mr C. van Eykelenburg was granted a loan in 2008. The amount outstanding at year-end was EUR 716,000. The average interest rate on the loan is 4.3%. The loan has been granted on BNG's standard staff terms.

BNG's Principal Decision-Making Bodies
The most important decisions and acts of management are taken/performed by the Executive Board. The policy pursued is assessed and supervised by the Supervisory Board.

Remuneration of the Executive Board
The remuneration of the Executive Board is based on the principles formulated in the remuneration policy, which is included in the Report of the Supervisory Board to Shareholders. The remuneration of the Executive Board comprises a fixed and a variable component. Since 2002, the fixed remuneration component has only been adjusted by the percentages resulting from the Collective Labour Agreement for the General Banking Industry.

The variable remuneration as of 2004 has been set at a maximum of 35% of the fixed remuneration, less the obligatory employee's part of the ABP pension contribution. The award of the variable remuneration depends on the degree to which the objectives set by the Supervisory Board have been achieved, and is paid out in the year following the reporting year. Detailed information on the remuneration policy is included in the Report of the Supervisory Board to Shareholders.

The realization of the variable remuneration targets for 2008 led to the award of 95% of the maximum variable remuneration (2007: 89%). The members of the Executive Board received an allowance for business expenses of EUR 3,900 in 2008 (2007: EUR 3,900). This allowance will not be adjusted for 2009. Directors and employees do not own BNG shares or options and receive no additional remuneration through subsidiaries of the bank.

Remuneration of the Supervisory Board
The remuneration of the Supervisory Board was amended by the General Meeting of Shareholders in 2007. The remuneration policy targets market-compatible compensation that does not depend on the company's result. The actual level of remuneration is determined on the basis of the nature of the company, the envisaged quality of the Supervisory Board Members, the required availability for the task as well as the time commitment. It also reflects aspects of responsibility and liability. Members of the Supervisory Board who were appointed or resigned during the financial year received pro rata remuneration. Members forming part of the Audit Committee, the Selection and Appointment Committee, the Remuneration Committee or the Market Strategy Committee received an additional allowance for these duties. Furthermore, the Chairman of the Supervisory Board received an allowance alongside the basic remuneration. These allowances are explained in the statement of the Remuneration of Supervisory Board Members. The members of the Supervisory Board received an expense allowance of EUR 1,500. In addition, members forming part of one or several committees received an expense allowance per committee of EUR 500 (Audit Committee, Market Strategy Committee) and EUR 250 (Remuneration Committee, Selection and Appointment Committee) respectively. Former Supervisory Board members received no remuneration. Supervisory Board members do not own BNG shares or options and received no remunerations through subsidiaries of the bank.

Remuneration of Executive Board Members (in thousands of euros)

	Fixed Remuneration 2008	2007	Variable Remuneration 2008	2007	Pension Contributions 2008	2007	Total 2008	2007
P.O. Vermeulen (resigned as of October 15, 2008)	340	416	104	119	121	134	565	669
C. van Eykelenburg	371	345	116	98	113	111	600	554
J.J.A. Leenaars	356	345	108	98	113	111	577	554
J.C. Reichardt (appointed as of October 15, 2008)	53	-	18	-	7	-	78	-
	1,120	**1,106**	**346**	**315**	**354**	**356**	**1,820**	**1,777**

Remuneration of Supervisory Board Members (in thousands of euros) *

	2008	2007
H.O.C.R. Ruding, *Chairman*	31	31
Mrs Y.C.M.T. van Rooy, *Vice-chairman and Secretary*	23	23
R.J.N. Abrahamsen	23	23
H.H. Apotheker	23	23
Mrs S.M. Dekker *(appointed as of May 24, 2007)*	23	15
W.M. van den Goorbergh	23	23
R.J.J.M. Pans	23	23
A.G.J.M. Rombouts	23	23
W.K. Wiechers	35	32
J.A.M. Hendrikx, *(resigned as of May 24, 2007)*	-	14
	227	**230**

* Including additional allowances and excluding expenses.

Off-balance Sheet Commitments	December 31, 2008	December 31, 2007
32 Contingent Liabilities	849	841

This includes all commitments arising from transactions for which the bank has issued guarantees on behalf of a third party. For a limited part these guarantees are covered by a counter-guarantee from public authorities. This mainly concerns Letters of Credit which the bank has issued on behalf of clients in the utility sector. BNG states contingent liabilities at the maximum accounting loss that would need to be compensated in the event of counterparty.

33 Irrevocable Facilities	6,491	5,669

This includes all irrevocable commitments that may lead to the granting of loans and advances.

Master agreements concerning the unused part of credit facilities	3,489	2,562
Contracted loans and advances to be extended in the future	3,002	3,107
	6,491	5,669

These contracted loans and advances are granted in accordance with the contracts, as follows:

Up to three months	922	920
Longer than three months but not longer than one year	1,014	1,223
Longer than one year but not longer than five years	1,066	964
Longer than five years	-	-
	3,002	3,107

Nearly all these loans and advances have a contractual term to maturity longer than 5 years. The average interest percentage is 4.4%. These commitments are included in the interest rate risk management of the entire portfolio.

34 Encumbered Assets	9,590	6,887

In view of the security provided for money market transactions and lending transactions, parts of the assets are not freely disposable.

The bank has extended debenture loans and subordinated loans to the Dutch Central Bank as collateral for funds withdrawn.	9,575	5,697
The bank has also extended security to financial institutions for repurchase transactions. The security will be cancelled when the transactions expire.	-	1,175
Security extended to other financial institutions.	15	15
	9,590	6,887

35 Responsability Statement

Members of the Executive and Supervisory Boards of the company and employees acting on behalf of the company as member of the Executive Board or Supervisory Board of one or more participating interests of the company are indemnified by the company against any personal liability, except in cases of deliberate intent or gross negligence.

36 Events Subsequent to the Balance Sheet Date

There were no events subsequent to the balance sheet date that require disclosure or adjustments to the figures in the financial statements.

37 Long-term Capitalization and Dividend Policy

A review was carried out in 2006 to assess the desired and necessary capitalization of BNG, partly in view of the bank's liability to pay corporation tax since 2005. This resulted in a long-term policy which, alongside the dividend, permits additional payments chargeable to the freely distributable reserves. This policy is conditional on the continuing trust of rating agencies and investors in the bank's excellent creditworthiness. The bank's funding position depends on this trust, and may not be in any way jeopardized. The policy currently assumes a standard pay-out ratio of 50% of the net profit.

In future, the bank may make additional payments chargeable to the freely distributable reserves of no less than EUR 200 million and no more than EUR 500 million (in amounts of EUR 100 million). These payments will be made if and insofar as the BIS-ratio tier 1 and the capital ratio remain higher than 18% and 2.0% respectively after the proposed additional payment. Payments as described above will only be made once a year.

All decisions on future additional payments will be discussed with the rating agencies in order to gain assurances that the proposed payment will have no adverse effects on the ratings of the bank and, hence, its funding position. In addition, the Dutch Central Bank, acting in its capacity as supervisor, must issue a 'declaration of no objection' for every additional payment. In connection with this policy, an additional payment of EUR 500 million was made to the shareholders both at the end of 2006 and at the end of 2007. Under the capitalization and dividend policy presented, no additional payment is expected to be made in 2009.

Additional information accompanying the consolidated financial statements

38 Associates and Joint Ventures

	December 31, 2008	December 31, 2007
Associates		
Transdev-BNG-Connexxion Holding B.V., The Hague Participation in and funding of businesses in the broadest sense. This company holds two-thirds of the shares in Connexxion Holding N.V.	25%	25%
Dataland B.V., Rotterdam A municipal, not-for-profit initiative that aims to make information on registered properties - as held by municipalities and/or other public entities - available to a wide audience.	30%	30%
Data B Mailservice Holding B.V., Leek Provision of services to amongst others public-sector organizations, ranging from printing and mail services to payment-related, direct marketing and messaging services.	38%	38%
N.V. Trustinstelling Hoevelaken, The Hague Acceptance and administration of pledge-related rights and other collateral on behalf creditors of ABN AMRO Hypotheken Groep B.V.	40%	40%
Tenman B.V., Amsterdam Integral approach to PPP process - with risk-bearing participations.	33%	33%
Joint ventures		
BNG -VNG Beheer B.V., The Hague The provision of ITC-related products and services to public-sector organizations among others.	50%	50%
Stichting GemLease, The Hague Acquiring and administration of lease contracts entered into by local government (primarily in relation to computer equipment).	50%	50%

	December 31, 2008	December 31, 2007
Total OPP participaties Joint development and allocation of land with municipal authorities, for own risk and account.		
Ontwikkelingsmaatschappij Jachthaven Drimmelen C.V., Drimmelen	56%	56%
Ontwikkelingsmaatschappij Jachthaven Drimmelen Beheer B.V., Drimmelen	50%	50%
Development and allocation of land for residential construction.		
Ontwikkelingsbedrijf Bedrijvenpark Pannenweg C.V., Nederweert	50%	50%
Ontwikkelingsbedrijf Bedrijvenpark Pannenweg Beheer B.V., Nederweert	50%	50%
Development and allocation of land for industrial estates.		
C.V. Ontwikkelingsmaatschappij Zenkeldamshoek, Goor	80%	80%
Zenkeldamshoek Beheer B.V., Goor	50%	50%
Development and allocation of land for industrial estates.		
Ontwikkelingsmaatschappij De Drieslag Ommen C.V., Ommen	80%	80%
Ontwikkelingsmaatschappij De Drieslag Ommen Beheer B.V., Ommen	50%	50%
Development and allocation of land for industrial estates and residential construction.		
Ontwikkelingsmaatschappij Westergo C.V., Harlingen	41%	41%
Ontwikkelingsmaatschappij Westergo B.V., Harlingen	50%	50%
Development and allocation of land for industrial estates.		
Haventerrein Westzaan C.V., Zaanstad	30%	30%
Bedrijventerrein Westzaan Noord C.V., Zaanstad	40%	40%
Ontwikkelingsbedrijf Haventerrein Westzaan B.V., Zaanstad	50%	50%
Development and allocation of land for industrial estates.		
Ruimte voor Ruimte C.V., 's-Hertogenbosch	24%	24%
Ruimte voor Ruimte Beheer B.V., 's-Hertogenbosch	24%	24%
Development and allocation of land for residential construction.		
Ontwikkelingsmaatschappij 'Het Nieuwe Westland' C.V., The Hague	50%	50%
Ontwikkelingsmaatschappij 'Het Nieuwe Westland' B.V., The Hague	50%	50%
Development and allocation of land for residential construction.		
Ontwikkelingsmaatschappij ROM-S C.V. (Schelluinen), The Hague	50%	50%
ROM-S Beheer B.V. (Schelluinen), The Hague	50%	50%
Development and allocation of land for industrial estates and car park facilities		
Project Suijssenwaerde C.V., The Hague	80%	80%
Project Suijssenwaerde Beheer B.V., The Hague	50%	50%
Development and allocation of land for industrial constructions and holiday properties.		
C.V. Bedrijvenpark Oostflakkee, The Hague	80%	80%
Bedrijvenpark Oostflakkee Beheer B.V., The Hague	50%	50%
Development and allocation of land for industrial estates.		

	December 31, 2008	December 31, 2007
Stallingsbedrijf Glastuinbouw Nederland C.V., The Hague	50%	50%
Stallingsbedrijf Glastuinbouw Nederland Beheer B.V., The Hague	50%	50%
Development and allocation of land for greenhouse farming locations.		
Glastuinbouwontwikkelingsmaatschappij Overbuurtse Polder C.V., Bleiswijk	34%	34%
Glastuinbouwontwikkelingsmaatschappij Overbuurtse Polder Beheer B.V., Bleiswijk	33%	33%
Development and allocation of land for greenhouse farming locations.		
Ontwikkelmaatschappij Meerburg C.V., Zoeterwoude	50%	50%
Ontwikkelmaatschappij Meerburg Beheer B.V., Zoeterwoude	50%	50%
Development and allocation of land for residential construction, sports fields and office buildings.		
ROM-D C.V., The Hague	29%	29%
ROM-D Beheer N.V., The Hague	25%	25%
Development and allocation of land for residential construction and industrial estates.		
Ontwikkelcombinatie De Bongerd C.V., Amsterdam	14%	14%
Ontwikkelcombinatie De Bongerd B.V., Amsterdam	14%	14%
Property development for residential construction and parking facilities.		
Sportstad Heerenveen Grondexploitatie C.V., Heerenveen	50%	50%
Sportstad Heerenveen Grondexploitatie B.V., Heerenveen	50%	50%
Development and allocation of land for sports fields.		
Regionaal bedrijvenpark Laarakker C.V., Cuijk	67%	67%
Regionaal bedrijvenpark Laarakker B.V., Cuijk	50%	50%
Development and allocation of land for industrial estates.		
Wonen Werken Waterman C.V., Rijsbergen	50%	0%
Wonen Werken Waterman B.V., Rijsbergen	50%	0%
Development and allocation of land for residential properties / industrial estate.		
Waalwaardwonen C.V., Zaltbommel	50%	0%
Waalwaardwonen B.V., Zaltbommel	50%	0%
Development and allocation of land for residential properties / industrial estate.		
De Jonge Voorn B.V., Guisveld	0%	80%
Development and allocation of land for residential construction.		

Associates - Summarized financial information

Transdev-BNG-Connexxion Holding B.V., The Hague	31-12-2008	31-12-2007
Balance sheet		
Total assets	50	55
Total liabilities	0	0
Income statement	2008	2007
Income	(5)	0
Profit for financial year	(5)	0

Other Associates	31-12-2008	31-12-2007
Balance sheet		
Total assets	4	4
Total liabilities	4	4
Income statement	2008	2007
Income	7	7
Profit for financial year	0	0

Joint Ventures - Summarized financial information

OPP participating interest	31-12-2008	31-12-2007
Balance sheet		
Fixed assets	11	6
Current Assets	137	138
Total assets	148	144
Equity	55	55
Long-term liabilities	62	39
Current liabilities	31	50
Total liabilities	148	144
Income statement	2008	2007
Income	28	32
Expenses	25	24
Profit for financial year	3	8

Other joint ventures	31-12-2008	31-12-2007
Balance sheet		
Fixed assets	11	9
Current Assets	2	2
Total assets	13	11
Equity	0	0
Long-term liabilities	9	10
Current liabilities	4	1
Total liabilities	13	11
Income statement	2008	2007
Income	10	11
Expenses	10	11
Profit for financial year	0	0

Company Balance Sheet as of December 31, 2008

In millions of euros

	December 31, 2008	December 31, 2007
Assets		
Cash and Cash Equivalents	497	485
Banks 1	8,274	9,228
Loans and Advances 1	75,695	66,048
Financial Assets at Fair Value through the Income Statement 2	2,905	2,957
Financial Assets Available for Sale 3	5,180	10,483
Other Financial Assets 4	7,695	1,882
Participating Interest 5	815	807
Property and Equipment 6	23	18
Other Assets 13	197	524
Assets Held for Sale 7	-	2
Total Assets	**101,281**	**92,434**
Liabilities		
Banks 8	3,130	5,988
Funds Entrusted 8	6,439	6,468
Subordinated Loans 8	170	163
Debt Securities 9	79,157	70,005
Financial Liabilities at Fair Value through the Income Statement 10	791	246
Other Financial liabilities 11	9,359	7,250
Other Liabilities 13	183	269
Total Liabilities	99,229	90,389
Equity 14	2,052	2,045
Total Liabilities and Equity	**101,281**	**92,434**

Company Income Statement 2008

In millions of euros

		2008		2007
- Interest Income 15	4,430		3,839	
- Interest Expenses 16	4,198		3,587	
Interest Result		232		252
Income from Participating Interests 17		(5)		3
- Commission Income 18	20		14	
- Commission Expenses 19	5		6	
Commission Result		15		8
Results Financial Transactions 20		(110)		(11)
Foreign Exchange Result 21		8		0
Other Income 22		3		-
Subtotal		**143**		**252**
Staff Costs and Other Administrative Expenses				
- Staff Costs 23	25		30	
- Other Administrative Expenses 24	24		24	
		49		54
Depreciation 25		2		4
Other Operation Expenses 26		0		0
Subtotal		**51**		**58**
Profit before Tax		**92**		**194**
Taxation 12				
- Movement in Deferred Taxes	-		(1)	
- Taxes	(11)		(35)	
		(11)		(36)
Net Profit		**81**		**158**

The numbers stated with the items refer to the notes to the company financial statements.

Company Cash Flow Statement 2008

In millions of euros

		2008		2007
Cash Flow from Operating Activities				
Profit before Tax		92		194
Adjustments for	2		4	
- Depreciation	-		3	
- Additions to Provisions		2		7
		94		201
Cash Flow Generated from Operations				
- Movement in Banks (not due on demand)	(1,186)		2,184	
- Movement in Loans and Advances	(1,998)		1,937	
- Movement in Funds Entrusted	(408)		1,161	
- Taxes Paid/Received	(13)		(20)	
- Other Movements in Cash Flow from Operating Activities	(1,627)		(1,802)	
		(5,232)		3,460
*Total Cash Flow from Operating Activities **		(5,138)		3,661
Cash Flow from Investing Activities				
Investments and Acquisitions				
- Financial Assets at Fair Value through the Income Statement and Financial Assets Available for Sale	(4,559)		(4,844)	
- Participating Interests	(13)		(774)	
- Property and Equipment	(7)		0	
		(4,579)		(5,618)
Disposals, Redemptions and Sales				
- Financial Assets at Fair Value through the Income Statements and Financial Assets Available for Sale	6,145		4,654	
- Participating Interests	-		4	
- Property and Equipment and Assets Held for Sale	2		1	
		6,147		4,659
Total Cash Flow from Investing Activities		1,568		(959)
Cash Flow from Financing Activities				
Receipts in respect of Debt Securities		24,746		15,611
Repayments in respect of Debt Securities		(21,106)		(18,004)
Dividend Paid		(97)		(599)
Total Cash Flow from Financing Activities		3,543		(2,992)
Net Movement in Cash and Cash Equivalents		(27)		(290)
Cash and Cash Equivalents as of January 1		244		534
Cash and Cash Equivalents as of December 31		**217**		**244**
Cash and cash Equivalents as of December 31 is comprised of the following:				
- Cash and Cash Equivalents		497		485
- Cash Equivalents under the Banks (Asset) item		10		10
- Cash Equivalents under the Banks (Liability) item		(290)		(251)
		217		**244**

* In 2008 Interest received totalled EUR 6,209 million while interest paid amounted to EUR 5,482 million.

Company Statement of changes in Equity 2008

In millions of euros

	December 31, 2008	December 31, 2007
Share Capital		
Balance Unchanged	139	139
General Reserves		
Share Premium Reserve		
Balance Unchanged	6	6
Other Reserves		
Opening Balance	1,606	2,012
Appropriation Retained Profits Previous Reporting Year accordance with Article 23 (3) of the Articles of Association of BNG	20	20
Appropriation Retained Profits Previous Reporting Year accordance with Article 23 (4) of the Articles of Association of BNG	40	74
Transfer from Legal Reserve Fair Value Increases	(39)	-
Additional Payment to Shareholders	-	(500)
Closing Balance	1,627	1,606
Legal Reserves		
Revaluation Reserve		
Opening Balance	104	220
Unrealized Value Movement of Financial Assets Available for Sale	(132)	(151)
Realized Value Movement of Financial Assets Available for Sale	(6)	5
Deferred Taxes	5	30
Closing balance	(29)	104
Currency Translation Account	189	32
Legal Reserve Fair Value Increases		
Opening balance	0	0
Transfer to general reserves	39	-
Closing Balance	39	0
Net profit	81	158
Total Equity	**2,052**	**2,045**

Accounting principles
In accordance with Part 9, Book 2 of the Netherlands Civil Code, the company balance sheet has been prepared in conformity with IFRS. As far as the financial accounting principles are concerned, reference is made to the notes to the accounting principles of the consolidated financial statements, with the exception of the accounting principles mentioned below.

Participating interests
The participating interests are recognized at cost in the company financial statements. This leads to a difference in equity compared to the consolidated financial statements. In addition, there is a difference compared to the accounting method for dividends. Dividends are recognized at the time of receipt in the income statement in the *Income from Participating Interests* item.

Foreign currencies
The company financial statements are prepared in euros. On the balance sheet date, monetary transactions in foreign currencies are translated at the prevailing daily closing rates, and the results are added or charged to the foreign exchange results. Non-monetary assets and liabilities denominated in foreign currencies that are recognized at cost are immediately translated at the prevailing exchange rate upon first-time recognition.

Hedging of net investments denominated in foreign currency
The company makes use of a derivative to hedge the net investment in foreign currency. Insofar as an effective hedge relationship exists, the translation differences of this instrument are recognized directly in equity in the *Currency Translation Account*.

	December 31, 2008	December 31, 2007
Assets		
1 Banks and Loans and Advances	83,969	75,276

This item comprises all receivables from banks and the extended loans and advances insofar as measured at amortized cost, as well as interest-bearing securities insofar as these are not traded on an active market.

	December 31, 2008	December 31, 2007
Banks	8,274	9,228
Loans and Advances	75,695	66,048
	83,969	75,276
The analysis of loans and advances by remaining contractual term to maturity is as follows:		
Up to three months	12,609	10,966
Longer than three months but not longer than one year	8,096	8,901
Longer than one year but not longer than five years	34,210	29,499
Longer than five years	29,054	25,910
	83,969	75,276

In the remaining term to maturity distribution, interest receivables and contractual repayments have been taken into account.

Under collateral agreements BNG has provided collateral worth EUR 4,060 million (2007: EUR 3,076 million), mainly to bank counterparties.

The *Loans and Advances* item contains financial lease agreements to the value of EUR 57 million (2007: 37 million)

The *Loans and Advances* item includes a provision for an amount of EUR 30 million (2007: EUR 30 million) in connection with possible lower cash flows in the future. No changes occurred in the provision.

	December 31, 2008	December 31, 2007
2 Financial Assets at Fair Value through the Income Statement	2,905	2,957

This includes assets specifically designed as measures at fair value, with value movements being recognized in the income statement, derivatives not involved in a hedge accounting relationship.

	December 31, 2008	December 31, 2007
Fair value of derivatives	695	355
Loans and Advances	810	697
Securities	1,400	1,905
	2,905	2,957

The redemption value of the loans and advances and securities traded in an active market is EUR 2,129 million (2007: 2,467 million).

	December 31, 2008	December 31, 2007
The analysis according to remaining contractual term to maturity is as follows (excluding derivatives):		
Up to three months	62	313
Longer than three months but not longer than one year	58	187
Longer than one year but not longer than five years	389	465
Longer than five years	1,701	1,637
	2,210	2,602

	December 31, 2008	December 31, 2007
3 Financial Assets Available for Sale	5,180	10,483

This includes fixed- and variable-rate bonds and other interest-bearing securities issued by public authorities and others, insofar as these are not included as *Financial Assets at Fair Value through the Income Statement*.

	December 31, 2008	December 31, 2007
Item breakdown		
Public Sector	3,830	2,737
Banks	389	905
Other financial institutions	844	6,248
Non-financial institutions	73	585
Investments in participating interests	44	8
	5,180	10,483

	December 31, 2008	December 31, 2007
The analysis to remaining contractual term to maturity is as follows:		
Up to three months	109	405
Longer than three months but not longer than one year	260	1,048
Longer than one year but not longer than five years	2,937	4,402
Longer than five years	1,874	4,628
	5,180	10,483

Transfer without derecognition

In 2008, the bank sold approximately EUR 830 million (2007: EUR 650 million) of bonds whilst simultaneously concluding swaps, with which it retained entitlement to the cash flows and remained exposed to the risks. For this reason, the bonds were not derecognized.

	December 31, 2008	December 31, 2007
4 Other Financial Assets	7,695	1,882

This balance sheet includes the fair value of derivatives involved in a hedge accounting relationship and the value adjustments concerning the effective part of the market value adjustments concerning the effective part of the market value adjustments due to interest rate risks of assets hedged at portfolio level.

	December 31, 2008	December 31, 2007
Derivatives involved in a hedge accounting relationship	4,526	2,701
Market value adjustment of assets hedged at portfolio level	3,169	(819)
	7,695	1,882

			December 31, 2008	December 31, 2007
5 Participating Interests			815	807
	2008	2007		
Subsidiaries	Interest			
- Vincent Investments B.V., Amsterdam *	83%	83%	714	714
- BNG Capital Management B.V., The Hague	100%	100%	2	2
- BNG Consultancy Services B.V., The Hague	100%	100%	0	0
- Ontwikkelings- en Participatiebedrijf Publieke Sector B.V., The Hague	100%	100%	45	33
- BNG Vastgoedontwikkeling B.V., The Hague	100%	100%	1	1
- Hypotheekfonds voor Overheidspersoneel B.V., The Hague	100%	100%	2	1
			764	751
	2008	2007		
Associates	Interest			
- Dataland B.V., Rotterdam	30%	30%	0	0
- Data B Mailservice Holding B.V., Leek	38%	38%	1	1
- N.V. Trustinstelling Hoevelaken, The Hague	40%	40%	0	0
- Transdev-BNG-Connexxion Holding B.V., The Hague	25%	25%	50	55
- Tenman B.V., Amsterdam	33%	33%	0	0
			51	56
	2008	2007		
Joint ventures	Interest			
- BNG-VNG Beheer B.V., The Hague	50%	50%	0	0
- Stichting Gemlease, The Hague	50%	50%	0	0
			0	0
Total subsidiaries, associates and joint ventures.			815	807

For a specification of the Associates and Joint Ventures activities, please refer to note 38 [page 80] of the consolidated financial statements.

* The investment in Vincent Investments B.V. amounts to GBP 500 million and concerns a transaction with a British bank. Up to 2011 this transaction will cause significant differences between the consolidated and company financial statements. In the Company Income Statement results are only taken upon payment of the dividend or termination of the transaction to the company income statement. Until that time Vincent Investments B.V. will be measured in the company balance sheet at cost, namely EUR 714 million.

	December 31, 2008	December 31, 2007
6 Property and Equipment	23	18

The movement of this balance sheet item is as follows:

	2008	2007	2008	2007	December 31, 2008	December 31, 2007
Historical cost	Property		Equipment			
Value as of January 1	42	46	9	48	51	94
Investments	4	-	3	-	7	-
Transfer to Assets held for sale	-	(4)	-	-	-	(4)
Disposals *	-	-	-	(39)	-	(39)
Value as of December 31	46	42	12	9	58	51
Depreciation						
Accumulated amounts as of January 1	25	26	8	45	33	71
Depreciation during the year	1	1	1	3	2	4
Transfer to Assets held for sale	-	(2)	-	-	-	(2)
Depreciation of disposals *	-	-	-	(40)	-	(40)
Accumulated amounts as of December 31	26	25	9	8	35	33
Book value as of December 31	20	17	3	1	23	18

Estimated useful life:	
Buildings	33 1/3 years (maximum)
Technical installations	15 years
Machinery & installations	5 years
Hardware and software	3 years

	December 31, 2008	December 31, 2007
7 Assets held for Sale	-	2

This concerns a commercial building which BNG decided to sell in 2007. The building was transferred in the first half of 2008. The profit of EUR 2 million made on the sale has been included in the income statement under the *Other Income* item.

* Equipment was transferred in 2007 within the context of the outsourcing programme. The equipment in question was almost written off.

	December 31, 2008	December 31, 2007
Liabilities		
8 Banks, Funds Entrusted and Subordinated Loans	9,739	12,619
This includes debts to banks, funds entrusted and subordinated loans insofar as not embodied in debt securities and not belonging to the trading portfolio.		
Deposits and other money market funds at banks	3,130	5,988
Funds Entrusted	6,439	6,468
Subordinated Loans	170	163
	9,739	12,619
The analysis according to remaining contractual term to maturity is as follows:		
Up to three months	5,062	8,282
Longer than three months but not longer than one year	973	1,439
Longer than one year but not longer than five years	2,366	954
Longer than five years	1,338	1,944
	9,739	12,619
9 Debt Securities	79,157	70,005
This includes debenture loans and other issued negotiable debt instruments with either fixed or variable interest rates, and not belonging to the trading portfolio. With an issue, bonds that have not been sold are deducted from the issue in question. Debt securities denominated in foreign currency are stated at the closing rate on December 31.		
This balance sheet item is made up as follows:		
Debenture loans and euro notes	67,733	65,486
Medium Term Notes	62	109
Certificates of deposit	11,362	4,410
	79,157	70,005
The analysis according to remaining contractual term to maturity is as follows:		
Up to three months	13,318	7,580
Longer than three months but not longer than one year	10,950	10,408
Longer than one year but not longer than five years	36,871	32,175
Longer than five years	18,018	19,842
	79,157	70,005
10 Financial Liabilities at Fair Value through the Income Statement	791	246

This includes liabilities that are specifically designated as measured at fair value, with value movements being recognized in the income statement, the derivatives that are not included in a hedge accounting relationship.

	December 31, 2008	December 31, 2007
11 Other Financial Liabilities	9,359	7,250

This balance sheet item concerns the fair value of derivatives involved in a hedge accounting relationship

12 Taxation

The bank's subjective exemption from corporation tax ceased to apply on January 1, 2005. The legislation provides that results belonging to the periods predating the liability to tax are not subject to taxation. On this basis part of the results for the past four financial years and the current financial year is attributable to the period before January 1, 2005. In 2006, agreement was reached with the tax authorities about the exemption amount (EUR 668 million) resulting from the initial valuation of the financial instruments in BNG's fiscal opening balance sheet as of January 1, 2005. The exemption amount was increased by EUR 26 million to EUR 694 million at year-end 2006 due to the valuation in the fiscal opening balance sheet as of January 1, 2005 of a subsidiary that forms part of the bank's tax entity.

A deferred tax asset was formed in favor of income for financial assets and liabilities whose valuation as of January 1, 2005 for the fiscal opening balance sheet differed from the commercial valuation. Changes in the official rates are taken into account when determining the size of the deferral. The amount of the deferral is set off against tax payable over a five-year period. This term is based on the average weighted remaining term of the financial assets and liabilities, excluding derivatives and transactions with a term or remaining term to maturity of less than one year.

No deferred tax asset was formed for financial assets and liabilities whose valuation as of January 1, 2005 for the fiscal opening balance sheet corresponded with the commercial valuation. This one-off tax benefit will be deducted from the tax charge over a five-year period. The resulting tax benefit is reflected in the net profit through lower current taxes. EUR 17 million was settled during the period under review, leaving a further EUR 16 million to be settled as of January 1, 2009. The amount to be settled has an expected remaining maturity of one year.

	December 31, 2008	December 31, 2007
The reconciliation between the stated tax charge and the nominal tax rate is as follows:		
Profit before Tax	92	194
Tax levied at the statutory nominal rate of taxation in the Netherlands of 25.5% (2007: 25.5%).	(24)	(50)
Tax credit concerning corporation tax exempted results for which no tax deferrals have been formed.	17	17
Results subject to participation exemption	(1)	1
Adjustments to taxes in previous years	6	1
Other results exempt for corporation tax	(9)	(5)
Taxes in de Company Income Statement	(11)	(36)
This is an effective tax rate of 12% (2007: 19%).		
The reconciliation between the stated tax charge and the actual tax charge is as follows:		
Taxes in the Company Income Statement	(11)	(36)
Adjustment for tax credit for which a tax deferral has been formed	19	15
Adjustment for current taxation in previous years	-	(2)
Other adjustments for items measured at fair value	14	4
Tax payment according to fiscal statement	22	(19)
Pre-paid corporation tax	13	20
Tax receivable	35	1
The deferred tax asset in the balance sheet is made up as follows:		
Opening balance	74	62
Fiscal treatment opening balance sheet at January 1, 2005; treatment regarding subsidiary	-	(1)
Fiscal treatment opening balance sheet; apportionment during financial year	(19)	(15)
Movement deferred tax assets	5	28
	60	74

The movement of the deferred taxes for *Financial Assets Available for Sale* is recognized in the Revaluation reserve in Equity. The other movements are recognized in the income statement.

	December 31, 2008	December 31, 2007
The deferred tax is made up as follows:		
Adjustment for tax credit for which a tax deferral has been formed	22	41
Revaluation Financial Assets Available for Sale	38	33
	60	74
The deferred tax liability is made up as follows:		
Fair value movements of transactions involved in a hedge accounting relationship	3	1
Fair value movements of derivatives and other transactions not involved in a hedge accounting relationship and other transactions	20	5
	23	6

13 Other Assets and Other Liabilities

	December 31, 2008	December 31, 2007
Other Assets		
Deferred Tax Asset 12	60	74
Tax Receivable 12	35	1
Other Assets	102	449
	197	524
Other Liabilities		
Deferred Tax Liability 12	23	6
Employee Benefits Provision	2	2
Reorganisation Provision	3	6
Other Liabilities	155	255
	183	269

The Employee Benefit Provision concerns a provision for mortgage loan interest rate discounts for both current and retired employees. This provision is of a long-term nature.

The reorganization provision concerns the outsourcing of the payment operations and IT processes, and the streamlining of the organization. The financial obligations arizing from this reorganization are expected to be settled before December 31, 2010.

The movements in the discounted value of the net liability in relation to the defined benefits are as follows:

	December 31, 2008	December 31, 2007
Employee Benefits Provision		
Net liability of January 1	2	3
Other movements to the provision	-	(1)
Net obligation as of December 31	2	2
Reorganisation Provision		
Net liability as of January 1	6	7
Additions chargeable to income	0	4
Expenditures chargeable to provisions	(3)	(5)
Net liability as of December 31	3	6

14 Equity

	December 31, 2008	December 31, 2007
The items included in equity are explained below		
Share Capital The authorized capital is divided into 100 million shares with a face value of EUR 2.50, of which 55,690,720 shares have been issued and fully paid up.	139	139
General reserve This item includes the additions in the reporting year and previous years. The Articles of Association prescribe that 25 percent of the issued capital (EUR 35 million) is not eligible for distribution.	1,633	1,612
Share Premium Reserve There were no movements in 2008	6	6
Other Reserves After the appropriations from the distributable profit pursuant to the Articles of Association have been determined, the General Meeting of Shareholders decides which portion of the remaining profit will be added to the reserves.	1,627	1,606
	1,633	1,612
Legal Reserves		
Revaluation Reserve Equity contains a revaluation reserve in which the unrealized fair value movement with respect to Financial Assets Available for Sale is recognized. The deferred tax liability has been deducted from this item. If these assets are sold, the cumulative result recognized in equity is taken to the income statement.	(29)	104
Currency Translation Account The Currency Translation Account is recognized because of applying hedge accounting of a net investment in a foreign operation.	189	32
Legal Reserve Fair Value Increases This item relates to the difference between the amortized cost value and the fair value of financial instruments included under Assets in the balance sheet and that are not frequently quoted in the financial markets.	39	0
	199	136
Net Profit The balance sheet was prepared prior to the proposed profit appropriation. This item represents the result achieved after accounting for corporation tax.	81	158
Total Equity	2,052	2,045

	2008	2007
15 Interest Income	4,430	3,839
This includes the interest income from loans and advances, deposits and investments, as well as the results from financial instruments used to hedge interest rate and currency risks. In addition, the other credit-related income received is included in this item.		
16 Interest Expenses	4,198	3,587
This includes the cost of borrowing and related transactions as well as other interest-related charges.		
17 Income from Participating Interests	(5)	3
This includes the income from participating interests.		
18 Commission Income	20	14
This item includes income received and to be received for services provided to third parties.		
19 Commission Expenses	5	6
This item relates to fees paid or to be paid for services rendered by third parties in relation to loans, advances an credit facilities		
20 Results Financial Transactions	(110)	(11)
This item relates to (un)realized results from fair value movements of financial instruments that are measured at fair value with movement through the income statement. These are almost wholly compensated by market value movements of the derivatives entered into to offset these transactions. This item also includes the results due to sale of available for sale transactions. As part of hedge accounting in a net investment in a foreign operation, the result on ineffectiveness is nil.		
21 Foreign Exchange Results	8	0
This item includes the foreign exchange results.		
22 Other Income	3	0
This includes all results not covered under any of the aforementioned items.		

	2008	2007
23 Staff Costs	25	30
The staff costs are made up of:		
Wages and salaries	17	19
Pension costs	4	4
Social security costs	1	2
Addition to provisions	0	4
Other staff costs	3	1
	25	30
24 Other Administrative Expenses	24	24
These include among others cost of outsourcing, rent and maintenance of property and equipment, printing costs, training expenses and advertising costs.		
25 Depreciation	2	4
For a specification of this item, see the notes on Property and Equipment.		
26 Other Operating Expenses	0	0

This includes all other operating expenses

Remuneration of the Executive Board and the Supervisory Board
For details of the remuneration of member of the Executive Board and Supervisory Board, please refer to note 31 [page 76] to the consolidated financial statements.

The Hague, March 6, 2009

Executive Board	C. van Eykelenburg , *Chairman*
	J.J.A. Leenaars
	J.C. Reichardt
Supervisory Board	H.O.C.R. Ruding, *Chairman*
	Y.C.M.T. van Rooy, *Secretary*
	R.J.N. Abrahamsen
	H.H. Apotheker
	S.M. Dekker
	W.M. van den Goorbergh
	R.J.J.M. Pans
	A.G.J.M. Rombouts
	W.K. Wiechers

Other Information

Auditors' Report

To the Shareholders, the Supervisory Board and the Executive Board of N.V. Bank Nederlandse Gemeenten

Report on the Financial Statements
We have audited the financial statements 2008 of N.V. Bank Nederlandse Gemeenten, The Hague, which comprise the consolidated and company balance sheet as at December 31, 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility
Management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Executive Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of N.V. Bank Nederlandse Gemeenten as at December 31, 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on Other Legal Requirements
Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Executive Board is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, March 6, 2009

Ernst & Young Accountants LLP
Signed by A.B. Roeders

Stipulations of the Articles of Association concerning Profit Appropriation

Article 23 of the Articles of Association relating to the distribution of the profit includes the following provisions:

1 Profit may be distributed only after the general meeting of shareholders has adopted the financial statements, from which it appears that such distribution is permitted.
2 The company may make payments to the shareholders from the profits available for distribution only in so far as its equity capital exceeds the amounts of the paid-up part of the capital plus the reserves which have to be kept by law.
3 First of all, if possible, the profits available for distribution shall be used to add an amount of ten percent (10%) of the profit of the financial year as evidenced by the annual accounts to the general reserve; out of any surplus remaining thereafter, the shareholders shall, if possible, be paid five percent (5%) of the nominal amount of their shareholding.
4 The remainder shall be paid to the shareholders in proportion to the nominal amount of their shareholdings, in so far as the general meeting of shareholders does not allocate this to reserves.
5 The company shall be empowered to make interim distributions of profits, subject to the provisions of Article 105, paragraph 4, of Book 2 of the Civil Code.

Proposed profit appropriation

In millions of euros

	2008	2007
Net Profit	158	195
The Proposed profit appropriation is as follows:		
Profit Appropriation Pursuant to the Articles of Association:		
Appropriation to the Reserve Pursuant to Article 23 (3) of the Articles of Association	16	20
Dividend Pursuant to Article 23 (3) of the Articles of Association	7	7
	23	27
Appropriation to the Other Reserves Pursuant to Article 23 (4) of the Articles of Association	63	78
Dividend Pursuant to Article 23 (4) of the Articles of Association	72	90
	135	168

BNG's Objectives as defined in its Articles of Association

Article 2 of the Articles of Association contains the following provisions:

1 The objectives of the company shall be to conduct the business of banker on behalf of public authorities.

2 In the context of its objective as referred to in paragraph 1 the company shall engage, inter alia, in taking in and lending moneys, granting loans in other ways, providing guarantees, executing payments, conducting foreign exchange transactions, acting as adviser and broker in the issue of and trade in securities, and keeping, managing and administering securities and other assets for third parties, as well as to incorporate and to participate in other enterprises and/or legal persons, whose object is connected with or conducive to any of the foregoing. The company shall be empowered to perform all acts which may be directly or indirectly conducive to its objective.

3 The term public authorities as referred to in paragraph 1 means:

a municipalities and other legal persons in the Netherlands under public law as referred to in article 1, paragraphs 1 and 2, of Book 2 of the Civil Code;

b the European Communities and other bodies possessing legal personality to which part of the function of the European Communities has been entrusted pursuant to the treaties establishing the European Communities;

c Member States of the European Communities and other bodies possessing legal personality to which part of the administrative function of such a Member State has been entrusted pursuant to the law of that Member State;

d legal persons under private law:
- half or more of whose managing directors are appointed directly or indirectly by one or more of the bodies referred to at a, b and c of this paragraph;
  and/or
- half or more of whose share capital is provided directly or indirectly by one or more of the bodies referred to at a, b and c;
  and/or
- half or more of the income side of whose operating budget is provided or secured directly or indirectly by one or more of the bodies referred to at a, b and c on the basis of a scheme, bye-law or law adopted by one or more of such bodies;
  and/or
- whose operating budget is adopted or approved directly or indirectly by one or more of the bodies referred to at a, b and c on the basis of a scheme, bye-law or law adopted by one or more of such bodies;
  and/or
- whose obligations towards the company are guaranteed directly or indirectly by one or more of the bodies referred to at a, b and c or will be guaranteed pursuant to a scheme, byelaw or law adopted by one or more of such bodies, for which purpose obligations include non-guaranteed obligations resulting from prefinancing or other financing which, after novation, will create obligations that will be guaranteed by one or more of such bodies pursuant to a scheme, bye-law or law adopted by one or more of such bodies;
  and/or
- who execute a part of the governmental function pursuant to a scheme, bye-law or law adopted by one or more of the bodies referred to at a, b and c.

Annexes

A-BNG Subsidiaries

BNG Capital Management B.V. [BCM] 100%
Koninginnegracht 2
2514 AA The Hague

Management Board
C.P. van Breugel
C.J. de Krijger

P.O. Box 16450
2500 BL The Hague
Tel.: +31 70 - 3 750 245
Fax: +31 70 - 3 750 929
E-mail info@bcmnet.nl

Objective
To provide and develop specialized financial services in the fields of securities brokerage, consultancy, the management of investment funds with a Fido hallmark and customized asset management services to and for public authorities and public interest institutions.

Ontwikkelings- en Participatiebedrijf Publieke sector B.V. [OPP] 100%
Dr. Kuyperstraat 12
2514 BB The Hague

Management Board
J.C.A. Polman
G.C.A. Rodewijk

P.O. Box 16075
2500 BB The Hague
Tel.: +31 70 - 3 119 900
Fax: +31 70 - 3 119 999
E-mail algemeen@oppbv.nl

Objective
To directly or indirectly provide (venture) capital to public authorities and to directly or indirectly participate in and/or co-operate with projects, either with or on behalf of public authorities.

BNG Consultancy Services B.V. [BCS] 100%
Koninginnegracht 2
2514 AA The Hague

Management Board
F.C.M. Janse

P.O. Box 30304
2500 GH The Hague
Tel.: +31 70 - 3 750 884
Fax: +31 70 - 3 649 349
E-mail info@bcs.bng.nl

Objective
To deliver high-quality consultancy services in financial-economic and strategic fields as well as training services in the field of treasury management and other aspects of financial-economic management.

BNG Vastgoedontwikkeling B.V. [BVG] 100%
Dr. Kuyperstraat 12
2514 BB The Hague

Management Board
J.C.A. Polman
G.C.A. Rodewijk

P.O. Box 16075
2500 BB The Hague
Tel.: +31 70 - 3 119 900
Fax: +31 70 - 3 119 999
E-mail: bouwer@bvg.nl

Objective
To support housing associations, healthcare institutions and municipalities with the development and realization of property plans. This takes place through the use of venture capital and expertise within socially acceptable frameworks.

Hypotheekfonds voor Overheidspersoneel B.V. [HVO] 100%
Koninginnegracht 2
2514 AA The Hague

Management Board
J.C.A. Polman
P.H. Verloop

P.O. Box 30305
2500 GH The Hague
Tel.: +31 70 - 3 750 580
Fax: +31 70 - 3 750 967
E-mail: bms@bng.nl

Objective
To finance mortgage loans taken out by civil servants in the employ of a public or municipal organization with which a cooperation agreement has been reached.

Vincent Investments B.V. 83%
Strawinskylaan 3105 Atrium
1077 ZX Amsterdam

Management Board:
A.J. Hooft van Huysduynen
P.M. Hopkinson
P.H. Verloop

Tel: +31 20 – 6 427 675
Fax: +31 20 – 4 064 444

Objective
Borrowing of funds and making investments in securities, entering into (reverse) repo transactions in relation to securities, entering into hedging agreements and holding cash deposits.

B-Key annual figures of the bank from 1915 onwards (*in thousands of euros*)

Financial Year	Issued capital	Paid-up capital	Reserves	Long-Term Borrowings
1915	204	20	0	277
1920	384	84	38	295
1925	1,767	1,767	77	3,533
1930	1,983	1,983	140	15,410
1935	2,900	2,900	231	22,183
1940	3,061	3,061	208	12,883
1945	3,061	3,061	249	10,520
1950	3,105	3,105	454	86,543
1955	3,133	3,133	908	566,825
1960	40,939	7,012	4,538	2,740,538
1965	45,378	7,465	8,168	4,271,975
1970	52,775	14,862	16,427	8,251,283
1975	67,568	29,655	88,489	15,025,688
1980	104,551	66,638	246,586	18,809,227
1981	111,948	74,035	284,250	20,563,058
1982	119,344	81,431	362,754	22,826,819
1983	126,741	95,141	436,537	23,018,006
1984	138,152	106,552	513,225	22,843,430
1985	143,857	112,258	592,637	24,492,553
1986	149,562	117,963	674,429	26,984,054
1987	155,268	123,668	752,796	30,411,173
1988	155,268	123,668	824,995	31,874,574
1989	155,268	123,668	892,191	31,954,215
1990	158,008	126,409	967,389	32,161,023
1991	158,008	126,409	1,011,728	31,079,730
1992	158,008	126,409	1,083,265	29,746,188
1993	158,008	126,409	1,152,996	33,147,989
1994	158,008	126,409	1,224,994	35,943,094
1995	158,008	126,409	1,305,757	39,664,778
1996	158,008	126,409	1,399,815	41,834,574
1997	158,008	126,409	1,547,432	43,497,010
1998	158,008	126,420	1,679,379	45,401,721
1999	158,008	126,420	1,860,763	47,667,792
2000	158,008	126,420	2,075,272	49,286,388
2001	139,227	139,227	2,139,103	52,564,243
2002	139,227	139,227	2,194,764	55,448,477
2003	139,227	139,227	2,159,527	58,671,294
2004	139,227	139,227	2,330,805	64,067,450
2005	139,227	139,227	2,832,809	72,647,410
2006	139,227	139,227	2,336,965	71,207,875
2007	139,227	139,227	1,815,926	69,039,722
2008	139,227	139,227	1,759,853	80,032,181

Financial Year	Long-Term Lending	Short-Term Loans and Advances	Short-Term Borrowings	Profit and Loss Account [1]
1915	57	0	653	2
1920	538	0	257	42
1925	5,149	3,511	3,553	155
1930	17,065	5,722	5,094	187
1935	24,815	7,633	3,311	322
1940	15,877	8,518	4,415	246
1945	13,384	22,262	9,101	232
1950	90,807	53,777	24,427	532
1955	572,623	66,767	47,818	832
1960	2,779,127	71,720	96,116	1,037
1965	4,301,094	281,075	101,298	2,027
1970	8,413,856	438,774	99,466	6,587
1975	15,229,918	600,179	195,233	28,850
1980	19,166,544	1,294,919	141,613	70,489
1981	20,999,362	1,304,916	194,746	76,847
1982	23,241,661	1,026,584	290,715	97,953
1983	23,406,090	963,080	417,796	91,597
1984	22,925,876	1,161,707	473,164	97,678
1985	24,655,812	1,254,453	619,518	100,996
1986	27,188,156	1,805,989	516,630	104,065
1987	30,600,152	1,686,531	442,082	101,762
1988	32,296,882	1,352,895	667,849	109,288
1989	32,489,741	1,666,878	908,875	104,285
1990	32,732,015	2,261,428	919,473	110,461
1991	33,724,611	2,181,086	1,417,843	86,041
1992	34,455,423	1,358,717	2,213,487	118,293
1993	37,818,157	1,483,964	2,625,294	115,437
1994	38,071,862	2,735,454	2,590,526	128,649
1995	40,761,488	2,137,899	2,587,148	137,191
1996	41,870,931	1,933,578	1,902,931	143,444
1997	43,335,947	2,656,811	1,597,669	153,752
1998	45,466,657	2,797,481	1,357,663	169,350
1999	47,171,383	3,082,766	2,111,858	230,081
2000	54,623,328	3,110,394	3,779,636	230,904
2001	59,446,888	3,994,986	8,504,975	249,000
2002	67,046,644	4,792,642	10,115,715	283,127
2003	72,859,621	4,558,707	12,789,138	303,627
2004	73,914,244	5,070,251	11,284,235	300,797
2005	76,019,286	6,947,752	7,155,594	310,833
2006	77,992,839	6,984,629	9,169,497	198,694
2007	78,826,312	10,349,820	13,658,775	195,418
2008	75,741,198	11,079,758	17,473,692	157,701

[1] From 2005 onwards after the liability to pay corporation tax. Because BNG had adopted the International Financial Reporting Standards (IFRS) for annual reporting purposes from January 1, 2005, the compilation and presentation of the figures from 2005 onwards are not entirely comparable with earlier years

C-Shareholders of the bank as of December 31, 2008

shares	55,690,720
Aa en Hunze	52,728
Aalburg	17,550
Aalsmeer	25,857
Aalten	19,305
Abcoude	13,962
Achtkarspelen	87,711
Alblasserdam	9,477
Albrandswaard	3,510
Alkemade	38,025
Alkmaar	175,890
Almelo	174,525
Almere	3,432
Alphen aan den Rijn	95,238
Ameland	3,120
Amersfoort	272,220
Amstelveen	143,520
Amsterdam	617,058
Andijk	3,120
Anna Paulowna	41,496
Apeldoorn	132,093
Appingedam	23,751
Arcen en Velden	7,020
Arnhem	496,470
Assen	85,301
Asten	13,000
Baarle-Nassau	3,510
Baarn	46,800
Barendrecht	32,097
Barneveld	24,570
Bedum	5,265
Beek	11,544
Beemster	7,020
Beesel	66,300
Bellingwedde	12,597
Bennebroek	7,020
Bergambacht	3,510
Bergeijk	80,886
Bergen (L.)	10,530
Bergen (N.H.)	149,994
Bergen op Zoom	41,067
Berkelland	305,877
Bernheze	21,060
Bernisse	13,260
Best	24,570
Beuningen	14,040
Beverwijk	85,605
Bilt, De	218,673
Bildt, Het	73,905
Binnenmaas	105,495
Bladel	62,790
Blaricum	5,967
Bloemendaal	14,040
Boarnsterhim	30,732
Bodegraven	50,934
Boer, Ten	3,510
Bolsward	16,068
Borger-Odoorn	80,340
Borne	107,172
Borsele	39,273
Boskoop	18,720
Boxmeer	38,660
Boxtel	53,385
Breda	257,439
Breukelen	10,803
Brielle	24,414
Bronckhorst	72,384
Brummen	702
Brunssum	86,658
Bunnik	3,000
Buren	23,953
Bussum	97,188
Capelle aan den IJssel	7,722
Castricum	40,872
Coevorden	94,926
Cranendonck	5,000
Cromstrijen	7,020
Cuijk	32,253
Culemborg	8,775
Dalfsen	33,735
Dantumadeel	12,285
Delft	47,385
Delfzijl	39,156
Deurne	99,840
Deventer	292,313
Diemen	8,775
Dinkelland	16,934
Dirksland	19,188
Doesburg	27,612

Doetinchem	62,634
Dongen	23,510
Dongeradeel	76,323
Dordrecht	233,142
Drechterland	15,756
Drenthe (prov.)	87,750
Drimmelen	36,426
Druten	9,477
Duiven	3,510
Echt-Susteren	21,411
Edam-Volendam	29,484
Ede	108,420
Eemsmond	21,060
Eersel	121,021
Eindhoven	171,600
Eijsden	34,905
Elburg	76,830
Emmen	58,266
Enkhuizen	130,650
Enschede	200,343
Epe	60,879
Ermelo	75,075
Etten-Leur	9,828
Ferwerderadiel	5,967
Flevoland (prov.)	75,250
Franekeradeel	34,554
Friesland (prov.)	75,250
Gaasterlân-Sleat	6,669
Geertruidenberg	133,653
Gelderland (prov.)	87,750
Geldermalsen	28,665
Geldrop-Mierlo	30,186
Gemert-Bakel	45,474
Gennep	10,530
Giessenlanden	25,935
Gilze en Rijen	10,179
Goedereede	34,593
Goes	96,369
Goirle	12,636
Gorinchem	96,330
Gouda	82,446
Graafstroom	21,060
Graft-De Rijp	7,020
Groesbeek	60,840

Groningen (prov.)	75,250
Groningen	329,199
Grootegast	9,750
Gulpen-Wittem	26,040
Haag, Den	1,275,456
Haaksbergen	35,958
Haaren	11,278
Haarlem	230,295
Haarlemmerliede en Spaarnwoude	62,790
Haarlemmermeer	60,372
Halderberge	43,524
Hardenberg	64,935
Harderwijk	58,968
Hardinxveld-Giessendam	31,356
Haren	9,126
Harenkarspel	38,376
Harlingen	31,200
Hattem	30,030
Heemskerk	7,722
Heemstede	122,421
Heerde	9,126
Heerenveen	56,355
Heerhugowaard	9,789
Heerlen	424,827
Heeze-Leende	10,020
Heiloo	36,000
Helden	50,700
Helder, Den	211,731
Hellendoorn	24,180
Hellevoetsluis	6,240
Helmond	52,650
Hendrik-Ido-Ambacht	25,818
Hengelo (O.)	174,486
‘s-Hertogenbosch	139,659
Heumen	151,515
Heusden	44,499
Hillegom	49,686
Hilvarenbeek	23,510
Hilversum	120,939
Hof van Twente	157,326
Hoogeveen	17,550
Hoogezand-Sappemeer	31,161
Hoogheemraadschap Hollands Noorderkwartier	17,355
Hoorn	46,098

Horst aan de Maas	74,451
Houten	6,240
Huizen	85,956
Hulst	17,472
IJsselstein	4,563
Jacobswoude	83,694
Kampen	100,893
Kapelle	53,040
Katwijk	144,066
Kerkrade	183,300
Kessel	3,510
Koggenland	29,016
Kollumerland en Nieuwkruisland	22,347
Korendijk	29,718
Krimpen aan den IJssel	32,799
Laarbeek	20,709
Landerd	29,094
Landgraaf	41,301
Landsmeer	24,453
Langedijk	6,318
Lansingerland	15,015
Leek	28,041
Leerdam	17,550
Leeuwarden	116,142
Leeuwarderadeel	72,150
Leiden	347,646
Leiderdorp	97,968
Leidschendam-Voorburg	203,190
Lelystad	5,000
Lemsterland	31,746
Leudal	143,052
Liesveld	13,962
Limburg (prov.)	156,000
Lingewaal	17,550
Lingewaard	19,305
Lisse	18,252
Littenseradiel	8,736
Lochem	60,138
Loenen	3,120
Loon op Zand	41,886
Lopik	26,442
Loppersum	24,102
Losser	17,550
Maarssen	15,600
Maasbree	9,477
Maasdonk	10,530
Maasdriel	20,770
Maasgouw	72,150
Maassluis	61,035
Maastricht	347,334
Margraten	17,550
Marne, De	10,530
Marum	7,020
Medemblik	7,020
Meerlo-Wanssum	7,020
Meerssen	13,689
Menaldumadeel	24,375
Menterwolde	38,688
Meppel	18,915
Middelburg	49,296
Middelharnis	15,600
Midden-Delfland	48,594
Midden-Drenthe	60,138
Mill en St. Hubert	5,265
Millingen aan de Rijn	8,736
Moerdijk	27,027
Montferland	19,756
Montfoort	12,480
Mook en Middelaar	123,708
Moordrecht	17,472
Muiden	3,510
Neder-Betuwe	18,246
Nederlek	33,150
Nederweert	14,040
Neerijnen	14,040
Niedorp	6,942
Nieuwegein	80,184
Nieuwerkerk aan den IJssel	25,000
Nieuwkoop	36,348
Nijefurd	22,815
Nijkerk	32,370
Nijmegen	193,479
Noord-Beveland	6,520
Noord-Brabant (prov.)	40,000
Noord-Holland (prov.)	610,350
Noordenveld	30,771
Noordoostpolder	19,656

Noordwijk	12,636
Noordwijkerhout	8,775
Nuenen, Gerwen en Nederwetten	1,755
Nunspeet	75,075
Nuth	11,232
Oegstgeest	46,059
Oirschot	8,775
Oisterwijk	7,845
Oldebroek	9,750
Oldenzaal	17,550
Olst-Wijhe	18,252
Ommen	79,638
Onderbanken	8,775
Oosterhout	35,100
Oostflakkee	3,120
Oost Gelre	51,363
Ooststellingwerf	18,720
Oostzaan	24,765
Opmeer	19,188
Opsterland	66,651
Oss	60,645
Oud-Beijerland	5,265
Oude IJsselstreek	161,460
Ouder-Amstel	4,914
Ouderkerk	3,510
Oudewater	27,612
Overbetuwe	21,762
Overijssel (prov.)	87,750
Papendrecht	6,318
Pekela	26,130
Pijnacker-Nootdorp	57,564
Purmerend	7,020
Putten	10,530
Raalte	25,987
Reeuwijk	25,896
Reiderland	61,074
Reimerswaal	15,990
Renkum	89,739
Reusel-De Mierden	10,530
Rheden	186,966
Rhenen	61,035
Ridderkerk	89,115
Rijnwaarden	4,914
Rijnwoude	142,896
Rijssen-Holten	304,746
Rijswijk	165,945
Roerdalen	17,199
Roermond	34,749
Ronde Venen, De	23,361
Roosendaal	56,862
Rotterdam	304,785
Rozenburg	16,770
Rucphen	19,656
Schagen	13,611
Scheemda	31,122
Schermer	7,020
Scherpenzeel	3,510
Schiedam	326,352
Schiermonnikoog	7,020
Schijndel	28,782
Schinnen	7,020
Schouwen-Duiveland	23,790
Sevenum	34,866
Simpelveld	6,630
Sint Anthonis	12,285
Sint-Michielsgestel	21,060
Sint-Oedenrode	64,857
Sittard-Geleen	175,266
Skarsterlân	68,484
Sliedrecht	31,200
Slochteren	20,124
Sluis	10,140
Smallingerland	110,292
Sneek	82,329
Soest	123,825
Someren	15,444
Son en Breugel	29,991
Spijkenisse	7,020
Staat der Nederlanden	27.845.360
Stadskanaal	27,339
Staphorst	30,030
Stede Broec	17,823
Steenbergen	11,583
Steenwijkerland	129,675
Stein	19,266
Strijen	6,240
Terneuzen	45,474
Terschelling	3,510

Texel	7,371	Weert	41,379
Teylingen	57,681	Weesp	33,501
Tholen	33,696	Werkendam	9,828
Tiel	36,803	Wervershoof	3,510
Tilburg	71,786	Westerveld	51,987
Tubbergen	30,000	Westervoort	3,510
Twenterand	23,868	Westland	301,860
Tynaarlo	43,243	Weststellingwerf	58,071
Tytsjerksteradiel	48,945	Westvoorne	66,963
		Wierden	21,060
Ubbergen	33,540	Wieringen	6,240
Uden	17,550	Wieringermeer	5,616
Uitgeest	3,510	Wijchen	11,193
Uithoorn	54,522	Wijdemeren	33,930
Urk	3,861	Wijk bij Duurstede	23,751
Utrecht	763,074	Winschoten	88,920
Utrecht (prov.)	87,750	Winsum	10,140
Utrechtse Heuvelrug	201,669	Winterswijk	17,199
		Woensdrecht	11,232
Vaals	17,121	Woerden	123,201
Valkenburg aan de Geul	21,060	Wolden, De	31,122
Valkenswaard	12,987	Wormerland	36,660
Veendam	86,190	Woudenberg	3,510
Veenendaal	86,970	Woudrichem	10,530
Veere	7,020	Wûnseradiel	128,973
Veghel	26,598	Wymbritseradiel	63,492
Veldhoven	35,100		
Velsen	280,410	Zaanstad	416,286
Venlo	99,006	Zaltbommel	3,861
Venray	50,973	Zandvoort	56,862
Vianen	22,698	Zederik	43,017
Vlaardingen	198,198	Zeevang	12,246
Vlagtwedde	16,458	Zeewolde	78
Vlieland	3,510	Zeist	192,075
Vlissingen	70,356	Zevenaar	8,020
Vlist	10,530	Zevenhuizen-Moerkapelle	11,856
Voerendaal	11,232	Zijpe	3,510
Voorschoten	41,184	Zoetermeer	3,510
Voorst	112,983	Zoeterwoude	26,871
Vught	15,795	Zuid-Holland (prov.)	610,350
Waalre	6,318	Zuidhorn	10,140
Waalwijk	29,133	Zundert	104,949
Waddinxveen	17,823	Zutphen	95,940
Wageningen	50,310	Zwartewaterland	23,712
Wassenaar	106,392	Zwijndrecht	47,541
Waterland	14,040	Zwolle	149,097