Annual Report 2010

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.

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, payment services and electronic banking to consultancy and asset management. BNG also participates in public-private partnerships.

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

Subsequent to 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.

Selected financial data

In millions of euros

	2010	2009	2008	2007	2006
Total assets	118,533	104,496	101,365	92,602	90,098
Loans and advances	86,851	79,305	75,699	66,037	64,994
- of which granted to or guaranteed by public authorities	75,247	67,164	64,782	60,219	60,059
- of which reclassified out of the *Financial assets available for sale* item	3,724	4,226	4,569	–	–
Equity [1]	2,259	2,253	1,979	2,053	2,576
- of which unrealized revaluation	(62)	49	(29)	104	220
Equity per share (in euros) [1][2]	41.68	39.58	36.06	35.00	42.31
Equity as a percentage of total assets [1][2]	2.0%	2.1%	2.0%	2.1%	2.6%
BIS-ratio core capital (tier 1) [1]	20%	19%	18%	18%	24%
BIS-ratio total capital [1]	20%	20%	20%	20%	26%
Profit before tax	337	350	182	238	255
Net profit	257	278	158	195	199
Profit per share (in euros)	4.61	4.98	2.84	3.50	3.57
Proposed dividend	128	139	79	97	99
Dividend as a percentage of consolidated net profit	50%	50%	50%	50%	50%
Dividend per share (in euros)	2.30	2.49	1.42	1.75	1.78
Additional payment	–	–	–	500	500
Additional payment per share (in euros)	–	–	–	8.98	8.98
Number of staff (in FTEs) at year-end [3]	276	277	274	266	368
- of which employed by subsidiaries	45	58	51	52	42

|1 In December 2007 and December 2006, additional payments of EUR 500 million each (EUR 8.98 per share) were made to shareholders. The payment was charged to the reserves.
|2 Excluding revaluation reserve.
|3 As of 2010 this includes only those FTEs that affect BNG's staff costs. The comparative figures have been adjusted.

Profile

Accounting for the social responsibility of one's actions is essential, especially for banks. BNG is a bank. A bank that operates solely in the social sectors that are linked to the government. It is essential that the bank helps minimize the cost of social provisions to the public. In order to do so, BNG must be able to raise funding at favorable rates. BNG's 'counter' must be kept open, even in times of crisis. These goals require a safe bank like BNG.

Corporate Social Responsibility (CSR) is not just ticking off a list of criteria. These criteria are important, but more important is the full awareness of everyone involved of the bank's role towards the client and the community. These interests are also served by satisfied shareholders and staff, as well as by money and capital market parties who have confidence in the bank. Keeping this in balance and contributing towards a well-developed society, aimed at sustainability, is what CSR is all about.

BNG is a special bank, given its government shareholders, clients and operating area. In our view, the core of the bank is socially responsible by nature. But this is not sufficient. BNG takes the interest of CSR seriously. The bank strives for the greatest possible link between CSR and the core of the bank – its lending. This creates both dilemmas and discussions. We must ensure that we retain the balance mentioned above in everything we do.

Sometimes developments in our society lead to a period of imbalance before a new balance can be achieved. This is currently the case, for example for the position of clients who have not always been served well by banks. Clients are receiving more attention. This could also result in BNG discontinuing certain products clients want, if these products are no longer considered to be socially responsible. BNG sees this as a positive development.

We want to be as transparent as possible. Everybody is allowed to know what we do. We give account for our actions, not only in an annual report but in many other ways, such as on our websites, in articles, lectures, speeches and numerous discussions.

We want to retain our role. This means our creditworthiness must be maintained. We want all the bank's stakeholders to value our efforts, which means we must know our stakeholders' concerns and how we can serve them best. Besides lending, this also includes offering advice regarding numerous financial questions and providing services in the fields of investment, area development and public-private partnerships. Furthermore, it is important to mention that BNG does not strive for profit maximization. However, shareholders must be satisfied with the return on their investment. A large portion of BNG's profit is returned as dividend to the shareholders, who decide democratically on how that money is spent.
In relation to its staff, the bank highly values an open and honest culture in which staff are given room to accept their own responsibilities. Dedicated and motivated staff are key assets.

It is a matter of course that the bank operates in an environmentally aware manner. BNG shows its involvement in Dutch society in a very special way, by contributing towards the stimulation of art and culture.

Attention is paid to CSR throughout this annual report. It is the first time BNG presents a social annual report (which is only available in Dutch) that meets stringent demands. In the coming years, the bank will strive to strengthen its CSR policy and the implementation of this policy.

Contents

Organization

Organization [1]

Management

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

Mrs P.J.E. Bieringa [1959]
Managing Director Public Finance

G.J. Thomas [1950]
Managing Director Secretary

F.C.M. Janse [1966]
Manager Marketing and Communications

R.C.J. de Jong [1968]
Manager Internal Audit

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

O. Labe [1969]
Managing Director Treasury (from 1 June 2010)

P.H. Verloop [1949]
Managing Director Treasury (until 1 June 2010)

B.P.M. van Dooren [1957]
Manager Capital Markets

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

R. van Woerden [1958]
Managing Director Processing

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

H.R. Noordam [1966]
Manager Risk Control

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

|1 Each member of the Executive Board is responsible for several directorates and (staff) departments. It is illustrated which Managing Directors and Department Heads report directly to the members of the Executive Board. The organizational structure as a diagram (organogram) can be found on the bank's website (www.bng.nl). The organization of the risk management function is included in the risk section of the annual report.

Supervisory Board [2]

H.O.C.R. Ruding [3][4] [1939]
Chairman
Former Vice-chairman of the Executive Board of Citicorp/Citibank, New York, former Minister of Finance

Mrs Y.C.M.T. van Rooy [3][4] [1951]
Vice-chairman as well as Secretary
Chairman of the Board of Governors of the University of Utrecht

R.J.N. Abrahamsen [5] [1938]
Former Managing Director and Chief Financial Officer KLM Royal Dutch Airlines

H.H. Apotheker [6] [1950]
Acting Mayor of the municipality of South-west Friesland

Mrs H.G.O.M. Berkers [5][6] [1955]
Former member of the Executive Board of Catharina Hospital in Eindhoven

Mrs S.M. Dekker [6] [1942]
Former Minister of Housing, Spatial Planning and the Environment

W.M. van den Goorbergh [3][4][5] [1948]
Former Vice-chairman of the Executive Board of Rabobank Nederland

R.J.J.M. Pans [3][4] [1952]
General Director of the Association of Dutch Municipalities

A.G.J.M. Rombouts [6] [1951]
Mayor of the municipality of 's-Hertogenbosch

|2 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 gain personally. The Supervisory Board members receive a fixed annual remuneration, which is not dependent on the bank's performance in any year.
The remuneration policy for the Supervisory Board is published on the bank's website (www.bng.nl). There are no 'interlocking directorships' between Supervisory Board members mutually or between Supervisory Board members and Executive Board members. Supervisory Board members hold no shares in the company.

|3 Member of the Selection and Appointment Committee as referred to in Article 16 of the Articles of Association.

|4 Member of the Remuneration Committee as referred to in Article 16 of the Articles of Association.

|5 Member of the Audit & Risk Committee as referred to in Article 16 of the Articles of Association.

|6 Member of the Market Strategy Committee as referred to in Article 16 of the Articles of Association.

Employees' Council

Mrs S.P.D. Huizer [1968]
Chairman

J.H. Boom [1951]
Secretary

L.H.J.M. Tulfer [1950]
Vice-chairman

G.J. van Duffelen [1978]

Mrs F.N. Elderhorst-Brussee [1976]

P.J. van Emmerik [1964]

M.P.H. Erens [1968]

M.W.J. Oostendorp [1963]

F.W.A. Zwetsloot [1971]

Details of Members of the Executive Board [7]

C. van Eykelenburg
Appointed to the Executive Board on 1 January 2005 and appointed as Chairman of the Executive Board on 15 October 2008. His appointment as Chairman of the Executive Board is for a four year period. This appointment can be extended.
In connection with his position with BNG, Mr Van Eykelenburg is a board member/treasurer of the NVB (Dutch Banking Association).
He is also Chairman of the Supervisory Board of Codarts, Chairman of the Supervisory Board of GITP International BV, a board member of Stichting Het Expertise Centrum (HEC) and Chairman of the Board of the W.F. Hermans Institute.

J.J.A. Leenaars
Appointed to the Executive Board on 15 October 2002. His appointment as a Member of the Executive Board is for an indefinite period of time.
In connection with his position with BNG, Mr Leenaars is a member of the Supervisory Board of the Stichting Waarborgfonds HBO, a member of the Board of Stichting Centrum voor Onderzoek van de Economie van de Lagere Overheden (COELO), a member of the Supervisory Board of N.V. Trustinstelling Hoevelaken, a member of the Advisory Board of Uitgevende Instellingen Euronext and Chairman of the Supervisory Boards of BNG subsidiaries Hypotheekfonds voor Overheidspersoneel BV, BNG Gebiedsontwikkeling BV and BNG Vermogensbeheer BV.
Mr Leenaars is also Professor of Accounting Information at the University of Amsterdam, Vice-chairman of the Supervisory Board of the Chassé Theatre in Breda, Chairman of the Advisory Council of ILFA and a member of the Supervisory Board of NAC Breda.

J.C. Reichardt
Appointed to the Executive Board on 15 October 2008. His appointment as a Member of the Executive Board is for a four year period. This appointment can be extended.
In connection with his position with BNG, Mr Reichardt is Chairman of the Supervisory Board of Data B. Mailservice BV, a member of the Supervisory Board of BOEI BV, a member of the Supervisory Affairs Committee of the NVB (Dutch Banking Association) and a member of the Supervisory Boards of BNG subsidiaries Hypotheekfonds voor Overheidspersoneel BV, BNG Gebiedsontwikkeling BV and BNG Vermogensbeheer BV.
Mr Reichardt holds no additional positions.

[7] Duties and responsibilities of (the members of) the Executive Board are described in the Executive Board Regulations, published on the Bank's website (www.bng.nl).

Details of the Members of the Supervisory Board [8] [9]

H.O.C.R. Ruding

Chairman

Former Vice-chairman of the Executive Board of Citicorp/Citibank, New York, former Minister of Finance

Appointed on 12 May 2004, reappointed on 28 April 2008 and eligible for reappointment in 2012.
Mr Ruding is a member of the Supervisory Board of Corning Inc. (U.S.) and RTL Group (Luxembourg).
He holds several additional national and international positions.

Mrs Y.C.M.T. van Rooy

Vice-chairman as well as Secretary

Principal position: Chairman of the Board of Governors of the University of Utrecht

Appointed on 12 May 2004, reappointed on 28 April 2008, eligible for reappointment in 2012.
Mrs Van Rooy is deputy Crown-appointed member of the Social and Economic Council. She holds nine additional positions.

R.J.N. Abrahamsen

Former Managing Director and Chief Financial Officer of KLM Royal Dutch Airlines

Appointed on 17 May 2006, reappointed on 26 April 2010, eligible for reappointment in 2014.
Mr Abrahamsen is a member of the Supervisory Board of TNT NV. He is a member of four other Supervisory Boards and holds one additional position.

H.H. Apotheker

Principal position: Acting Mayor of the municipality of South-west Friesland

Appointed on 16 May 2002, reappointed on 17 May 2006, reappointed for the second time on 26 April 2010, due to retire in 2014.
Mr Apotheker is a member of one other Supervisory Board.

Mrs H.G.O.M. Berkers

Former member of the Executive Board of Catharina Hospital in Eindhoven

Appointed on 27 April 2009, eligible for reappointment in 2013.
Mrs Berkers is a member of the Supervisory Board of NV Industriebank LIOF and holds one other additional position.

Mrs S.M. Dekker

Former Minister of Housing, Spatial Planning and the Environment

Appointed on 24 May 2007, eligible for reappointment in 2011.
Mrs Dekker is a member of the Supervisory Board of DHV Groep, Chairman of the Supervisory Board of the Dutch Land Registry and Chairman of the Strategic Advisory Council Construction and Underground of TNO.
She holds eight additional positions.

W.M. van den Goorbergh

Former Vice-chairman of the Executive Board of Rabobank Nederland

Appointed on 15 May 2003, reappointed on 24 May 2007, eligible for reappointment in 2011.
Mr Van den Goorbergh is Chairman of the Supervisory Boards of DELA, De Welten Groep Holding BV and NIBC Bank NV. He is a member of the Supervisory Board of Mediq NV. He is also Vice-chairman of the Board of the Catholic University of Nijmegen, 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 Dutch Municipalities

Appointed on 15 May 2003, reappointed on 24 May 2007 and eligible for reappointment in 2011.
Mr Pans is Chairman of the Supervisory Committee of Zorggroep Almere and Chairman of the Supervisory Board of Coloriet and holds three additional positions.

A.G.J.M. Rombouts

Principal position: Mayor of the municipality of 's-Hertogenbosch

Appointed on 18 May 2000, reappointed on 12 May 2004, reappointed for the second time on 28 April 2008, due to retire in 2012.
By virtue of his principal position Mr Rombouts is Chief of the North-Brabant Police Force, Chairman of the North-Brabant Security Zone and Chairman of the General Management of Stadsgewest 's-Hertogenbosch.
He holds twelve additional positions.

[8] Duties and responsibilities of (the members of) the Supervisory Board are described in the Supervisory Board Regulations, published on the bank's website (www.bng.nl). Supervisory Board members are appointed for a period of four years and can be reappointed twice in accordance with the Dutch corporate governance Code. The profile of the Supervisory Board and their retirement schedule can also be found on the bank's website.

[9] Supervisory Board memberships and additional positions are detailed if they relate to listed companies of insofar as it is considered relevant to the performance of the tasks as a member of BNG's Supervisory Board. All members of BNG's Supervisory Board have Dutch nationality.

Report of the Supervisory Board

Report of the Supervisory Board

Annual accounts and dividend proposal
The annual report of N.V. Bank Nederlandse Gemeenten, which is herewith presented among other information, includes the annual accounts and the report drawn up by the Executive Board for the year 2010. The annual accounts for 2010 have been given an unqualified opinion by Ernst & Young Accountants LLP. We propose to shareholders that they approve the annual accounts and discharge the members of the Executive Board and the Supervisory Board for their management and supervisory duties, as reflected in the annual accounts and the annual report. Upon adoption of the annual accounts and the profit appropriation included in it, a dividend of EUR 2.30 per share with a nominal value of EUR 2.50 will be distributed for the 2010 financial year (2009: EUR 2.49).

Profile of the Supervisory Board
In 2010 the profile of the Supervisory Board was expanded to include the general stipulations of the Dutch Banking Code applicable for members of Supervisory Boards and members of Audit & Risk Committees. The revised profile was discussed during the General Meeting of Shareholders on 26 April 2010. In 2010 the composition of the Supervisory Board was consistent with the amended profile.

Composition of the Supervisory Board
During the year under review the composition of the Supervisory Board remained unchanged.

In connection with the retirement by rotation of Mr R.J.N. Abrahamsen and Mr H.H. Apotheker, individual profiles were drawn up within the framework of the profile of the entire Board in 2009. Based on these profiles, assessment interviews were held with the gentlemen concerned.
The Board decided to nominate them for reappointment. On 26 April 2010 they were reappointed by the General Meeting of Shareholders. On the same date the shareholders took note of the individual profiles drawn up in connection with the announced retirement by rotation in 2011 of Mrs S.M. Dekker, Mr W.M. van den Goorbergh and Mr R.J.J.M. Pans. During the annual evaluation of its functioning, the Supervisory Board concluded that with the recommendation to reappoint the persons mentioned above, the Board and the Audit & Risk Committee would continue to meet the desired profile and the Board would include a sufficient number of members to enable it, and its Committees, to function properly.

The composition of the Supervisory Board is included in the section Organization. This section provides the details of each Supervisory Board member which are relevant to fulfilling the duties of Supervisory Board members.

Permanent education of the Supervisory Board
As of 1 January 2010, a permanent education program was set up for all members of the Board. In 2010 this program for the entire Supervisory Board included a component covering Corporate Governance and integrity. The speakers were Prof R. Jeurissen (Professor of Business Ethics at Nyenrode Business University) and Prof A. Schilder RA (former Director of Supervision at DNB and Chairman of IAASB). For the members with specific skills and experience in the financial sector, a meeting about Risk Management was arranged in which Dr P. Hilbers (Divisional Director of Supervision at DNB and Professor of Financial Institution Supervision at Nyenrode Business University) dealt with Capita Selecta from Basel III. For the other members of the Board, Prof D.A. de Waard (Professor of Auditing at the University of Groningen) arranged a meeting about relevant developments in the financial sector in relation to the development of BNG and, in particular, sustainability and Corporate Social Responsibility.
All the Board members participated in the permanent education program. No use was made of the offered opportunity to indicate individual training wishes and follow a tailor-made course. The effectiveness of the program was evaluated by the Board, which concluded that the program achieved its objective and that the set-up of the program should remain the same in 2011. The Board also decided which of the topics mentioned in the Dutch Banking Code should be handled in 2011.

Profile of the Executive Board
Although not required by the Banking Code, the Executive Board has voluntarily drawn up a profile of itself, in which the general stipulations of the Dutch Banking Code regarding Executive Board members are taken into account.
In 2010 the profile was discussed with and approved by the Supervisory Board. In 2010 the Executive Board was composed and functioned in accordance with the profile.

Permanent education of the Executive Board
All the members of the Executive Board participated in all the components of the permanent education program for the Supervisory Board. In addition, in 2010 two members of the Executive Board participated in training geared to their individual requirements at Euromoney and a third member of the Executive Board attended the Nomura Central Bankers Conference 2010. The evaluations of these training programs were discussed during the annual evaluation discussions with the members of the Executive Board.
The Supervisory Board concluded that the Executive Board members meet the Expertise Policy of AFM and DNB, which is expected to come into force during 2011.

Performance of the Supervisory Board
In 2010 the Supervisory Board's annual evaluation of its own performance was carried out under the independent guidance of Mr H.E. van Wijk (Van Wijk Consultancy, for Management and Supervision). On 7 January 2011 Mr Van Wijk presented his written report to the Board, after which it was discussed by the Board. The availability and willingness of Supervisory Board members to attend meetings of the Supervisory Board and its Committees gave no cause for comment. Mr Van Wijk's conclusion was that the Supervisory Board performed well although there were several points requiring attention, such as safeguarding the long-term presence of sufficient financial expertise within the Board, the age diversity of members and the importance of permanent education on an individual basis.
The Supervisory Board agreed with Mr Van Wijk's conclusions and will follow up on them during 2011.

Activities of the Audit & Risk Committee
The Audit & Risk Committee met three times during the year under review. All the meetings were attended by the internal and external auditors. For the review in the plenary Supervisory Board meeting the committee prepared the decision-making on the interim and annual 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 were present during the review of the financial statements in the Supervisory Board meeting. In addition, the Audit & Risk Committee prepared the decision making for the review by the plenary Board meeting with regard to the policy on risk management (including the risk management policy and profile, risk management systems, capital allocation and liquidity commitment), the status report on the loan portfolio subject to solvency requirements, the sector analyses, the reporting related to the Triple A investment portfolio and the implementation of the Dutch Banking Code (items product approval, amendments to the Audit & Risk Committee Charter and amendments to the Internal Audit Charter). Moreover, the Audit & Risk Committee discussed the development of the credit process, the opportunities for financing the public housing sector, the impact on BNG of the Basel Committee's new regulation, the 2009 Compliance Report, the 2009 Incidents Report, the 2011 Compliance Program, the 2011 IAD Annual Plan and the external auditor's audit plan regarding BNG's 2010 annual accounts. These topics were also discussed by the plenary Board. As a standard, the Audit & Risk Committee consults the internal and external auditors once a year without the presence of the Executive Board. No points of special interest emerged from this consultation in 2010.

Activities of the Remuneration Committee
The Remuneration Committee met once during the year under review. The committee prepared the decision-making in the Supervisory Board meeting with regard to the Executive Board's variable remuneration targets for 2010, the remuneration report and the evaluation of the remuneration policies for the Executive Board and the senior management, the principles of the remuneration policy for the remaining staff and the connection between these policies, including the highest variable remuneration.

Activities of the Selection and Appointment Committee
The Selection and Appointment Committee met twice in the year under review. For the Supervisory Board meeting, the committee prepared the decision-making with regard to the amendment of the Board's profile, the (re)appointment of Supervisory Board members, the profile of the Executive Board, the reporting regarding the Executive Board's variable remuneration targets for 2009, the division of tasks within the Executive Board, the additional positions of Board members and the permanent education program for the Supervisory Board and the Executive Board.

Activities of the 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. In addition, the committee prepared decision-making in the plenary Supervisory Board meeting on the long-term vision, the aspects of Corporate Social Responsibility relevant for BNG and the 2011 annual plan.

Activities of the Supervisory Board
During the reporting period the Supervisory Board met six times. Besides the points mentioned above, the following subjects came up for discussion: the 2011 annual plan and budget, the social policy, the implementation of the Dutch Banking Code, integral treasury banking with lending facilities for local authorities and the public support order concerning housing associations. The plenary Board approved, among other things, the long-term vision, the 2011 annual plan and budget, the risk policy, the profile of the Executive Board, the senior management remuneration policy and the bank's policy related to Corporate Social Responsibility. The Board discussed the highest variable remunerations within the bank and concluded that these are in accordance with BNG's remuneration policy.

Remuneration policy for the Executive Board members
The remuneration policy for Executive Board members is partly determined by government policy, the Dutch Corporate Governance Code and, from January 2010, also by the Dutch Banking Code. The remuneration policy for members of BNG's Executive Board is within the framework of these codes and was approved by the General Meeting of Shareholders on 27 April 2009 as follows.

The remuneration policy is designed to enable the bank to recruit and retain qualified and professional executives. In assessing the remuneration policy of BNG, it is important to realize that BNG is a banking institution with a current balance sheet total of approximately EUR 120 billion. The shares are held by the Dutch State and local authorities. In competition with other banks it provides credit facilities, both solvency free and subject to solvency requirements, to local authorities and public sector institutions. BNG depends on the international capital markets for its funding. Because of its triple A status, the bank has a competitive funding position. This enables BNG to contribute to attractive financing of public investments, as described in the bank's Articles of Association. Retaining this status is therefore of the highest importance.

BNG's goal is to be able to finance the public domain in good times as well as in difficult circumstances. This requires permanent attention to maintaining the balance between a competitive pricing policy and a reasonable return. Effective operations at the lowest cost possible are key to achieving this.
BNG falls within the scope of the Dutch 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 supervision of business conduct of the Financial Markets Authority (AFM).

On the one hand BNG wants to achieve employment conditions and remuneration for its Executive Board in line with the market. On the other hand the bank aims to moderate top remunerations. In line with the market means: determined on the basis of a comparison with what is common in the Dutch labor market relevant to BNG. For this comparison a reference group of financial and comparable institutions in the (semi-)public as well as the private sector[10] has been defined in consultation with the shareholders.
In comparing remunerations, independent external advice is sought whereby the remunerations are related to the weighting of (top) positions (comparable with management positions at BNG) in the reference group. In determining the weighting of the positions at BNG, the bank's profile as set out above is taken into account. In order to assess whether the remunerations are in line with the market, the median of the fixed plus all the variable remunerations in the reference group is taken as a starting point.

In regard to the aim of moderating top remunerations, the shareholders insisted on establishing a maximum amount for the remuneration of BNG's Executive Board. In consultation with the shareholders and in accordance with the remuneration policy of the central government regarding State participations, it has been established that in 2009 the sum total of the fixed and variable remuneration for new executives is limited at EUR 310,000. This remuneration limit will be increased each year (from 2010 onwards) by the general increase in the collective labor agreement for the General Banking Industry. In order to deviate from this remuneration limit, approval of the shareholders is needed.

The established remuneration policy is integrally applicable to executives appointed after January 2009. In the case of newly-appointed executives their career history will also be taken into account. The existing employment contracts of the previously appointed executives will be respected. Any room offered by these contracts to tune the remuneration to the policy indicated above will be utilized. In principle the Supervisory Board will consider two-yearly whether developments within the reference group justify adjustments to the employment conditions of the Executive Board.

[10] The reference group comprises: AFM, Agentschap Financiën, DNB, FMO, IBG, NWB, SVB, UWV, councillors of large cities, AEGON, APG, Cordares, De Lage Landen, Delta Lloyd Groep, Friesland Bank, ING Group, NIBC, PGGM, Rabobank, Robeco, SNS Reaal, Triodos Bank and Van Lanschot.

Primary remuneration
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 to be achieved by the Executive Board. These objectives are tuned to the bank's long-term strategy and are concrete and ambitious. On the one hand they consist of several quantitative targets. In addition, qualitative targets are agreed upon which are relevant to the bank's operations and/or the individual performance of the executives.

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 variable remuneration per annum for each Executive Board member amounts to not more than 35% of the fixed remuneration. If with regard to quantitative targets the performance is 'on target', 70% of the maximum variable remuneration will be paid.

At the end of the year, the Executive Board reports on the actual results versus the agreed 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. Half the variable remuneration is paid out at the start of the year following the year to which the targets were applicable. The other half of the variable remuneration is awarded conditionally and paid out three years later, unless it proves that the achievement of the targets has jeopardized the continuity of BNG in the longer-term.
The results in respect of the agreed quantitative targets reported by the Supervisory Board are verified by the external auditor.

The procedures followed are disclosed and explained in the annual report. The targets set and the 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 in the General Meeting of Shareholders about the agreed objectives and accompanying targets for the current year.

Other employment conditions

Pension funding
The provisions of the pension regulation of Stichting Pensioenfonds ABP (average wage system) are applicable to the fixed remuneration. No pension rights are accrued in respect of the variable remuneration component.

Emoluments
The Executive Board members receive a reasonable annual allowance for business expenses.

The members of the Executive Board have the use of a car, which is provided by BNG. They are also entitled to the services of a chauffeur for business trips.

Like other BNG staff, Executive Board members are eligible for various benefits, including health insurance, mortgage financing schemes, a study allowance, a long-term service bonus and special leave.

The members of the Executive Board own no shares or options in BNG, and receive no additional remuneration through the bank's subsidiaries.

Term and termination of employment contracts
A term of four years will be stipulated in the employment contracts of Executive Board members appointed after 17 February 2006. This employment contract also stipulates that either party may terminate the contract as of the end of any month, with due observance of a three months' notice for the Executive Board members and a six months' notice for BNG. There will be no entitlement to compensation unless:
- the contract is terminated on BNG's initiative and this termination is not exclusively or mainly based on acts, omissions or the performance of the involved Executive Board member;
- the termination of the employment contract is a result of a change in the power or control structure in the company, such that it cannot reasonably be required from the involved Executive Board member that he or she continues to hold this position.

In both cases BNG will be liable for compensation not exceeding the annual salary most recently received plus holiday allowance (the fixed component of the remuneration).

Realization of the variable remuneration targets for 2010

Regarding the variable remuneration for 2010, a market share target (weighting factor 25%) for lending to municipalities, housing associations and healthcare institutions, as well as a target for other lending activities (weighting factor 10%) was set, following the year plan 2010. Next to these, a return target (weighting factor 30%) was set. The qualitative targets set (weighting factor 35%) include agreements on cost control, the development of models for a model-approach to credit risk assessment and control, and the preparation/implementation of a revised, and fitting for BNG, prudent liquidity policy within the framework of the International Framework for Liquidity Risk Measurement, Standard and Monitoring published by the Basel Committee. 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 2010 and that this entails an award of 98% of the maximum variable remuneration (2009: 86%).
The Supervisory Board considers this result to be reasonable and did not use its discretionary authority to adjust the variable remuneration. The Supervisory Board also concluded that there was no reason to consider reclaiming variable remuneration awarded for previous years.

Outcome of the remuneration policy for 2010 and the outlook for the coming years

The current executives were appointed before 1 January 2009. The existing employment contracts of these executives will be respected. Taking into account the realization of the variable remuneration for 2010, the outcome of the remuneration policy for 2010 read as follows.

No shares, options or any other emoluments are involved. The amount of the variable remuneration for 2010 (i.e. 34%) is within the range set in advance of at least 0% and at the most 35% of the fixed remuneration.

For 2011 and subsequent years no changes to the current remuneration policy are anticipated, with the exception of the implementation of the relevant provisions in the Dutch Banking Code. The fixed remuneration of the current executives remains unchanged in 2011 (except for increases under collective labor agreements) as well as the proportion between the fixed and variable remuneration components.

Variable remuneration targets for 2011

The mission of BNG is translated into the following strategic objectives: retaining substantial market shares in the Dutch public and semi-public domain and achieving a reasonable return for shareholders. In line with this the following targets have been set for the variable remuneration for 2011. For 2011 a market share target (weighting factor 15%) has been set for the lending activities in the municipal, housing associations and healthcare sectors, as well as a business target for other lending activities (weighting factor 10%), following the year plan 2011. Next to these a return target (weighting factor 40%) has been set. Apart from these quantitative targets qualitative targets have been set (weighting factor 35%). For 2011 they include the implementation of a new risk management application, the achievement of CSR targets and the further embedding of the Dutch Banking Code within the BNG organization. The total costs should fall within the budget determined for 2011.

Remuneration of Executive Board members (in thousands of euros)

	2010	2009	2010*	2009	2010	2009	2010	2009
	Fixed remuneration		Variable remuneration		Total		Pension contributions	
C. van Eykelenburg	439	439	75	133	514	572	140	136
J.J.A. Leenaars	360	360	56	99	416	459	116	115
J.C. Reichardt	312	266	53	80	365	346	51	46
	1,111	**1,065**	**184**	**312**	**1,295**	**1,377**	**307**	**297**

* In 2010 this amounts to the half of the variable remuneration for 2010. The other half of the variable remuneration has been granted conditionally and will be paid in three years time unless it proves that achieving the targets has jeopardized the continuity of BNG in the long term.

At the beginning of 2012, the Supervisory Board will decide to what extent these targets have been realized. The variable percentage linked to this achievement will fall between a minimum of 0% and a maximum of 100%. In case of a realized percentage of 0% no variable remuneration will be paid. With regard to a realization of 100%, the variable remuneration for 2011 will be 35% of the fixed remuneration. Half of the variable remuneration is granted conditionally and paid three years later unless it proves that achieving the targets has jeopardized the continuity of BNG in the long term.

Contact with the Employees' Council
The Supervisory Board was represented at two of the seven consultative meetings between the Executive Board and the Employees' Council. In 2010 there was also a theme meeting between the Supervisory Board, the Executive Board and the Employees' Council. The interactions with the Employees' Council are highly appreciated.

The Supervisory Board commends the Executive Board and staff for the results achieved in 2010. The bank did a commendable job in fulfilling its essential role in the public sector.

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

The Hague, 4 March 2011

Report of the Executive Board

Report of the Executive Board

BNG looks back on a very positive year, despite market conditions continuing to be uncertain. A more than reasonable return for shareholders was combined with record scores with regard to new lending and market shares. Virtually all the bank's objectives were achieved in 2010.

BNG closes the period under review with a net profit of EUR 257 million, a decrease of EUR 21 million compared with 2009. The net profit was positively influenced by a significantly higher interest result, primarily due to the increase in the long-term lending portfolio and by the prudent use of the continuing steep interest rate curve. By contrast, in 2010 the result financial transactions was negative, mainly due to the debt crisis in various Euro-countries. The proposed dividend pay-out to shareholders is EUR 128 million. This amounts to EUR 2.30 per share (2009: EUR 2.49).

The global economy recovers faster than expected. The emerging countries in particular contribute to the increasing growth of international trade. Primarily due to higher exports, the western countries were able to come out of the recession. A number of financially weaker European countries experienced problems due to rising government deficits, in most cases as a result of the measures required to rescue local banks. The consequences for these countries include steeply-rising interest rates. The uncertainty regarding the future of the euro caused by this situation led to considerable turmoil and volatility on the capital markets. This had a net negative influence on parts of the assets valued at fair value.

The bank's clients were confronted with various setbacks, such as cutbacks, disappointing project revenues and (uncertainties regarding) new regulation. In 2010 the demand for long-term lending rose to a record high, primarily from housing associations anticipating the new regulation and profiting from the historically low interest rates. In 2010 long-term lending to clients rose to EUR 16.3 billion, an increase of 89% compared with 2009. Due to the reticence of competitors to match BNG's competitive price levels and clients' needs for sometimes very long maturities, BNG's market shares were also higher than ever before in all sectors.

In 2010 BNG was able to improve on its 2009 liquidity profile by raising more long-term funding with slightly better conditions. In 2010 the bank expanded its circle of potential investors by integrating the so-called Rule 144A into the existing Debt Issuance Programme. This has given American institutional investors the possibility of investing directly in the bank's issues. The triple A ratings were reconfirmed and investor confidence in the bank remained high.
In 2010 the bank raised a record amount of EUR 18.2 billion (2009: EUR 14.5 billion) in long-term funding for lending and refinancing purposes. The bank is also able to meet its short-term liquidity requirements at favorable conditions.

BNG's strategy remains aimed at the social interest, even in difficult circumstances, offering specialized services at the lowest possible cost. Solvency-free lending, both standard and tailor-made, is and will remain BNG's core activity. The bank also offers its clients risk-weighted lending and payment services. The bank strives to be a reliable partner, to retain its strong market position and to continue, and where possible improve, its customer relationships.

At the end of 2010 the Basel Committee for Banking Supervision issued new guidelines, under the denomination Basel III, regarding the capital requirements banks must meet in the future. In principle, BNG subscribes to such new regulation, but also notes that the proposals will have side effects for banks that have weathered the crisis well. For BNG the primary bottleneck of the Basel proposals is the intention to fix the leverage ratio at 3% as of 2018. BNG is studying the current proposals and investigating ways to be able to comply with this regulation in due course. Of course, the bank has pointed out to the involved parties the unfavorable effects this regulation will have on specialized banks such as BNG.
In addition to the amendments to the Basel legislation and regulation there will also be far-reaching changes to the accounting rules (IFRS). The necessary adjustments and the risk management of the bank will therefore require investments in new systems and additional staff.

Economic developments

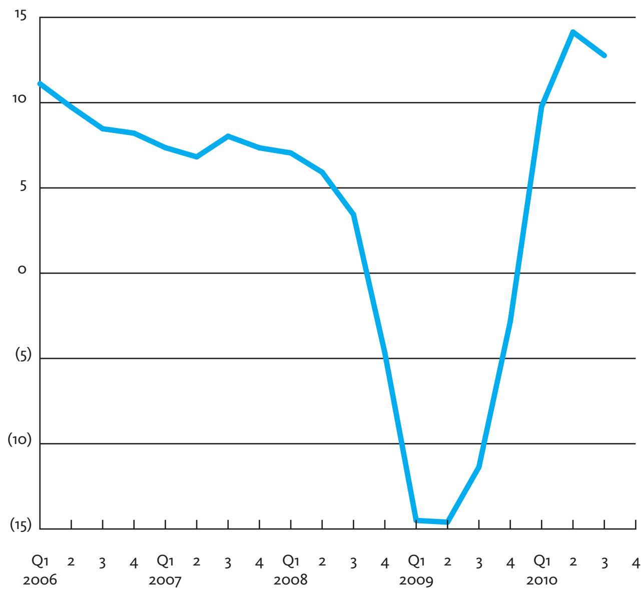
After the worst crisis since the 1930s, the global economy once again showed an upwards trend during 2010. In the emerging countries, which were not or hardly affected by the financial crisis, productivity increased considerably. The growing demand from China and other emerging countries led to more international trade (see graph 1). As a result the western countries were able to come out of the recession in 2010. Despite this the unutilized capacity was substantial and unemployment was high, which meant that during the year under review inflation in the leading industrial countries remained at a record low.

The cyclical developments in the different countries and regions varied considerably. In the United States, where the government continued to follow an extremely expansive budget policy, the rise in domestic demand was relatively strong. Households, stimulated by lower taxation, spent more although trust in the economy remained low. During 2010 corporate investment in both property, plant and equipment and inventories also increased. By contrast, activities in the housing construction sector decreased once the government's fiscal stimulation measures were terminated in the spring of 2010. Export from the United States did, however, expand considerably.

The economic recovery in the Euro zone was clearly more modest than in the United States and was primarily caused by export and investments in inventories. The German economy, which is relatively open and has a very large and strong industrial sector, grew robustly during 2010. France and the northern Euro countries made a partial recovery from the severe shrinkage of 2009, once again thanks to increasing export. Developments in the financially weaker Euro countries were less favorable. Not only had the competitive position of these countries weakened dramatically in the preceding years, they were also confronted with sharply-rising interest rates due to growing government deficits, resulting in dwindling investor confidence. By spring 2010 the Greek government's financing problems had become that large that confidence in the euro was also jeopardized. The other Euro countries, in cooperation with the European Union and the International Monetary Fund (IMF), were forced to come to the rescue. As a result of the Greek crisis a temporary liquidity support measure was introduced. In autumn, Ireland was the first and until now the only Euro country to make use of this measure. Since then, agreement regarding a permanent liquidity support measure has been reached in the EU. This measure will come into force in 2013. One major difference with the current temporary measure is that the new regulation must enable debt restructuring. This means that in the future private investors, such as pension funds and banks, will no longer remain unaffected.

During the year under review the easy monetary policy was maintained by the major central banks, although policies varied per country and region. In autumn, the American central bank (Fed) decided to implement a second program of quantitative monetary expansion ('QE2'). Under this program the central bank can purchase government loans amounting to USD 600 billion until the end of June 2011. The objective of this policy is not only to maintain the low interest rates and thus support economic growth, but also

Graph 1, growing international trade in percentage, year on year (source: Thomson Reuters Datastream)



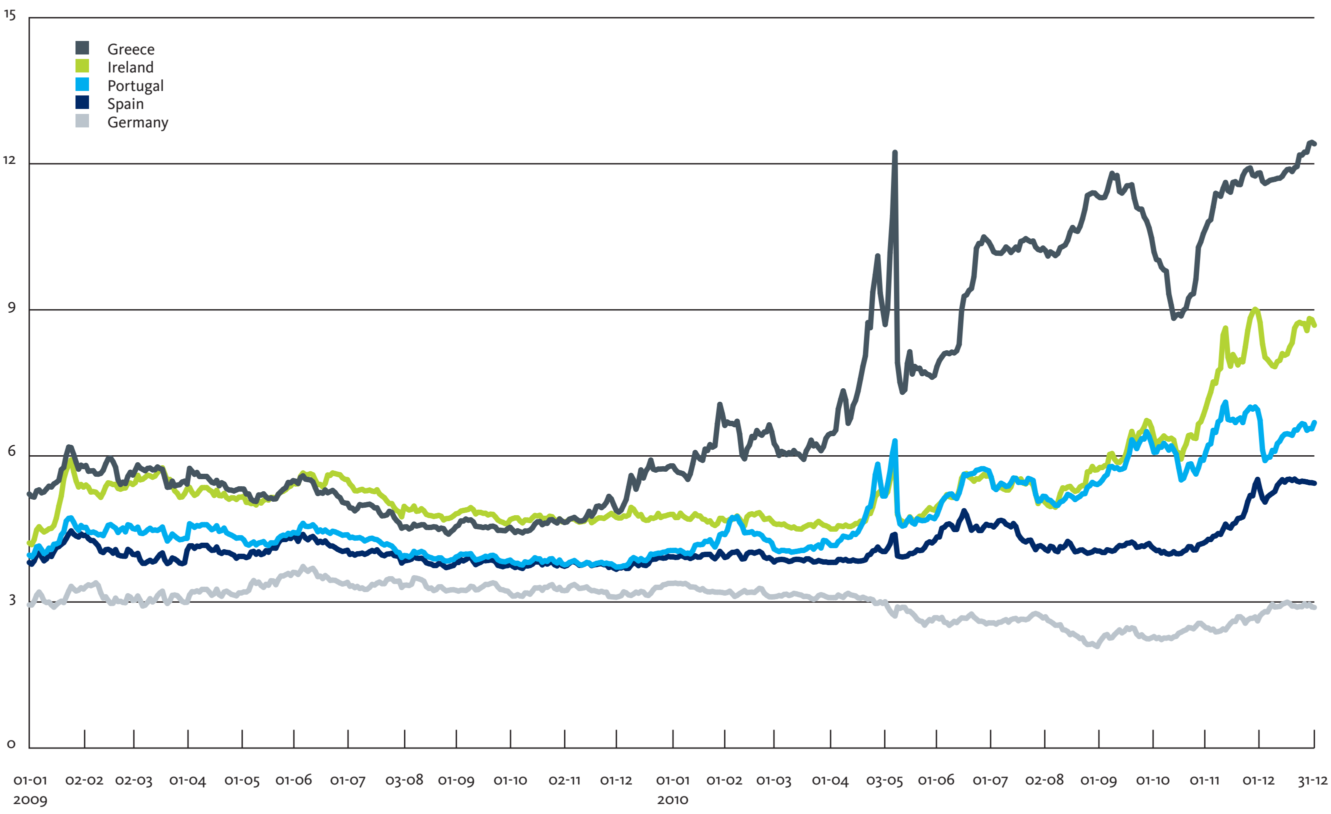
to prevent deflation. The Federal Funds Rate – the American interbank interest rate – was maintained at 0 to 0.25 percent. By contrast, the European Central Bank (ECB) decided to reduce the liquidity expansion measures. The ECB has bought a far lower amount of government loans than the Fed and has also prevented these purchases from leading to an increase in the amount of money within the Euro zone. The refinancing interest rate has remained unchanged at 1.0 percent.

In 2010 the long-term interest rates in the leading security markets fell. This was not only due to moderate inflation expectations, but also the fiscal problems in several Euro countries, which increased as the year progressed. The result was a greater investor preference for bonds that were considered relatively safe. The return on ten-year American government loans dropped from 3.8% to 3.3%. The German long-term interest rate decreased by the same extend to 2.9%. The long interest rate in the Netherlands remained in the wake of the German interest rate and ended 2010 at 3.1%. This contrasted sharply with interest rate development in the weaker Euro countries. Although Greece beat them all with an increase of 6.5% to 12.4%, the long-term interest rates in Ireland, Portugal and Spain also rose sharply in 2010 (graph 2).

Even though the economic recession is considered to be over, BNG expects that the western countries will continue to feel the effects for many years. The governments that prevented a severe economic recession in 2008 and 2009 through budgetary measures, should continue implementing far-reaching cost-savings and restructuring measures. The growing government deficits and debts are unbearable, especially considering the increasing age of the population and its consequences on government spending.
The cutbacks will put the brakes on economic growth in the coming years. The economic and social effects will be considerable, especially in the financially weaker Euro countries where the governments must implement drastic measures, such as lowering benefit payments and civil servant salaries.

In our opinion, lending will not develop as sharply as in the recent past. In the coming years the banks will have to adjust their operations in anticipation of new, more stringent, international regulation. This means that banks, partly under the influence of an increasing aversion to risk, must become more reticent when it comes to lending.
On the other hand, the growth in demand for loans is expected to slow down, specifically in countries in which households' mortgage debts have risen substantially in relation to their property.

Graph 2, 10-year interest rates in a number of Euro countries (source: Thomson Reuters Ecowin)



New legislation and regulation

In 2010 the outlines of important new legislation and regulation for banks, including Basel III and IFRS, became clear. There are still uncertainties because many points still need to be defined in detail. Nevertheless it can be concluded that the impact, especially of the Basel legislation and regulation, will be substantial and could also affect BNG's business model. The introduction of the leverage ratio in 2018, in particular, and two liquidity ratios will have major consequences for the bank's operations. The amendments to the IFRS regulation will, according to the current situation, have far-reaching effects on the arrangement of the balance sheet and the composition of the income statement from 2013 on. The current proposals could also change banks' results significantly. The expectation is that most banks, contrary to BNG, should report more assets at market value, which will lead to greater result volatility.

In December 2010 the Basel Committee for Banking Supervision issued the most recent guidelines of Basel III. Although for most banks the focus is primarily on the new capital demands in respect of the risk-weighted solvency ratios, the focus of BNG is primarily on the Basel proposal to fix the minimum standard of the (not risk-weighted) leverage ratio [11] at a minimum of 3 percent as of 2018. This will demand a substantial expansion of the bank's capital or a significant lowering of the balance sheet total. The liquidity ratios are expected to have consequences for, among other aspects, the size and composition of the interest-bearing securities portfolio. BNG is studying the current proposals and investigating ways to comply with this regulation in due course. The bank has also pointed out to the supervisors and interest groups, the undesirable effects this regulation will have on specialized banks such as BNG. Despite the uncertainties and the apparently long implementation period, preparation of the necessary decisions should start now.

|11 In broad terms this ratio amounts to equity divided by the balance sheet total. Because the leverage ratio does not take the risks related to the assets into account, it could have an unfavorable effect on banks with a large solvency-free portfolio.

Impact on clients

Public sector

At the time the municipal budgets for 2011 were drawn up and the local political decision-making regarding these budgets took place, the contents of the coalition agreement were still unknown. In many cases municipalities, anticipating a presumed major intervention in the municipal fund, implemented a package of relatively severe cost-saving measures. Various surveys have shown that most municipalities have offset the expected cutback through reducing staff and by economizing cultural facilities.

The coalition agreement did indeed include many measures affecting municipal finances, but the development of the municipal fund was more favorable than anticipated. The standardization system will be restored as of 2012, after having been frozen from 2009 to 2011. This means that from 2012 on the development of the municipal fund will once again parallel the development of national finances and the 2011 national budget will be based on increasing government expenditure in the coming years (an expected cumulative amount of EUR 14 billion). The restoration of the standardization system also means that the municipalities contribute towards the State's austerity program (cumulative EUR 18 billion). The expected consequences for the municipal fund are coupled with many assumptions and economic factors, such as inflation and economic growth.

In addition to the announced cutbacks, the coalition agreement also includes a substantial reduction in specific benefits, such as those related to the Social Employment Act (Wet sociale werkvoorziening, WSW) and the Employment and Social Security Act (Wet werk en bijstand, WWB). There is also a firm commitment to the transfer of duties. Two major transferring operations involve child and adolescent welfare and the day-to-day spending and management of the Exceptional Medical Expenses Act (AWBZ). If these plans are not coupled with sufficient funding, as well as empowerment and implementation scope, this could lead to considerable financial risks for municipalities. Many measures in the coalition agreement still need to be worked out in more detail. The measures contained in the agreement, and the amounts coupled with these measures, can still change. The State and the local authorities' representatives must reach a new administrative agreement in order for the measures announced in the coalition agreement to be put into effect.

The crisis in the housing market and the economic crisis have led to a sharp decrease in demand for sites for both housing and commercial construction. Investigation into the financial effects of the crisis on municipal development companies (commissioned by the Association of Dutch Municipalities and the Ministry of Housing, Spatial Planning and Environment) have shown that, in the coming years, municipalities will miss out on around EUR 2.4 billion in income from area development. Of this amount, around EUR 1 billion relates to necessary impairment of municipally owned land. This will be charged directly to the general reserves. The remainder is related to the loss of estimated future income. This amount will not be charged to the reserves, but will limit the possibilities for investments in spatial planning, which used to be mainly financed by profits from the area development companies.

The reserves of the area development companies have decreased substantially in a short time. Payments out of the general reserve for area development into the municipal general services, for example to stimulate urban renovation and financially uneconomic projects, are temporarily out of the question. Supplementary payments from the general services already took place in a limited number of municipalities. The capital position of most municipalities is such, that it is expected that the deterioration of the results from area development can be absorbed. The current problems within area development do, however, also provide a stimulus for, for example, innovation in other forms of cooperation and alternative forms of funding.

Public housing

The coalition agreement includes points that affect the housing market in general and housing associations in particular. The inflation-linked rent policy has been continued. A steeper rent increase is only permitted for incomes over EUR 43,000 in order to encourage movement up the housing ladder. In addition, it has been proposed that tenants are given the right to purchase their rented house at a reasonable price. The levy imposed to generate special project support for the 40 designated neighborhoods will be abolished, but from 2014 on the rental sector must contribute towards the costs of the rental surcharge by means of another levy. A major portion of this levy, which is expected to amount to EUR 760 million a year, will be charged to the housing associations.

The coalition agreement also emphasizes the importance of a free housing market. Housing associations should therefore focus more on the people who have no alternative. Whether this means that the operating domain of housing associations will be restricted, is still unclear.
The cabinet has announced it will present proposals that will improve housing associations' performance as companies with a social task and ensure the external supervision by an independent housing authority. These themes are expected to be addressed in the revised Housing Act (Woningwet) in 2012 or 2013.

In December 2009 the European Commission published a decree [12] in which the regulation concerning permissible state support for housing associations was included.
The relevant key component of state support is the government's guarantee on Dutch Social Housing Guarantee Fund (WSW) loans. In November 2010 the Minister of the Interior and Kingdom Relations presented an interim regulation which implemented a number of the points in this decree. This regulation came into force on 1 January 2011 and will remain in force until the revised Housing Act becomes law.

In broad terms the interim regulation deals with three points. First it makes a clear distinction between activities that may receive state support and those that may not. On balance this means that housing associations may carry out less of their activities using loans guaranteed by the Dutch Social Housing Guarantee Fund. The second component is that allocation rules are applicable for houses for which state support is received: at least 90% of these houses should be allocated to households with an income of less than EUR 33,614. The third component of the regulation concerns stipulations relating to public tendering of social housing development by housing associations.

During the year under review the demand for funding was very high. This was caused by a combination of historically low long-term interest rates and large volumes of refinancing. Housing associations were also anticipating the interim regulation mentioned above.
The housing association sector still has a very firm financial basis. This position is emphasized by the possibility of securing loans via the Dutch Social Housing Guarantee Fund and the related state guarantee. The supervision of the sector also plays a major role. However, the availability of current assets to invest with is under pressure. As a result of the crisis in the housing market, housing associations experienced difficulties with selling houses, especially newly built homes. The consequences of the interim regulation also had a negative effect on the creditworthiness of housing associations. The rental income adjusted for inflation was under pressure and the internal compensation between rent and sales was hampered. In light of the developments mentioned above, the housing associations expect to invest considerably less in the coming years.

Healthcare

If healthcare is to remain affordable, accessible and of a high quality in the future, far-reaching measures are vital. With the aging of the population the demand for healthcare rises. Innovations in medical techniques and medication also result in increasingly higher costs for treating patients. At the same time, the aging of the population is creating an imminent shortage of staff. Last but not least, the healthcare sector is experiencing considerable problems due to the lack of definitive regulation, which makes it difficult for healthcare institutions to safeguard their future funding.

In recent years government policy has been aimed at the introduction of a regulated free market in the healthcare sector. The healthcare sector is currently in a transition phase. The government, by introducing a series of cohesive legislation amendments, wants to transform the healthcare sector from a centrally-offered (supply driven) system into a regulated free market (demand driven) system in which care institutions, clients and insurance companies are given more space to determine for themselves how care will be provided. One component of this transition is the shift to a funding system based on the performance delivered by the care institution (performance-related payment) instead of on the available production capacity (budget-related payment). The aim is also to provide space for the conditional permission of regulated profit distribution.
The current cabinet is following the basic ideas of this policy.

The way in which healthcare property is funded has also changed dramatically. Until 2008 the government-regulated permit system meant that the funding risk ultimately rested with the government. This had consequences for the funding of the capital expenses of healthcare institutions. These expenses are no longer guaranteed by the government, but depend on the institution's production. As a result of the performance-related payment system, a number of healthcare institutions have experienced problems acquiring sufficient cover for their funding expenses.

|12 With decree E2/2005 of 30 August 2010 the European Commission stated that lending by BNG is not classified as state support.

In several cases this has led to the depreciation of the property's book value. The Ministry of Health, Welfare and Sport (Volksgezondheid, Welzijn en Sport, VWS) has announced transition regulation for both the cure and the care sector which should solve the major problems.

Public-private partnerships: DBFM(O)

BNG is a major financer of projects carried out on the basis of an integrated contract, DBFM(O). Under a DBFM(O) contract the various components of a construction project, Design, Build, Finance, Maintain and (possibly) Operate, are transferred from the public sector to a private supplier, which in most cases means a consortium of private parties.

This form of contracting-out has proven successful, especially at a central government level. The DBFM(O) Progress Report published by the Ministry of Finance in mid 2010 shows that, for the majority of these projects, DBFM(O) has a clear added value. The new cabinet wants to encourage this form of public-private partnership, especially when it comes to executing infrastructure projects.

The step to the use at a decentralized (local) level in the development of social real estate such as educational, health care or municipal real estate or local infrastructure has, however, only been taken to a very limited extent. Unfamiliarity with this form of contracting-out has played a major role. Which is why, during 2010, BNG developed a DBFM(O) simulation to help local-level administrators understand what a DBFM(O) contract can mean for social real estate in practice.

Strategy

BNG is the bank of and for local authorities and public sector institutions. BNG's specialized services help to minimize the costs 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 domains 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 endeavor. Solvency-free lending remains the bank's core activity, with local authorities, housing associations and healthcare and educational institutions being the most important client groups.

Substantial market shares means that BNG aims to provide more than half of the overall long-term solvency-free lending to local authorities, housing associations and healthcare institutions on a cost-effective basis. A reasonable return for the shareholders translates to the bank's objectives to realize a net return on its equity of at least 3% above the average return on the long-term lending portfolio. These strategic objectives were once again achieved in 2010. Market shares in the core sectors were above target with high revenue. This was partly due to the fact that the bank constantly kept its counter open. The profitability on equity developed favorably. The bank's funding and liquidity policies enabled favorable margins to be embedded in long-term business for the coming years. The top ratings were retained and BNG is considered to be one of the safest banks in the world.

In the coming years BNG wants to further reinforce its position as an expert in the financing of public provisions. The bank's strategy is aimed at responding to the client's (changing) needs by closely monitoring government policy and offering solutions to increasingly complex financing needs. Although the crisis caused a temporary setback, the bank expects a gradual shift to non-guaranteed lending and/or lending subject to solvency requirements in almost all sectors. Examples of this include the initiatives to set up more public-private partnerships in almost all sectors and the allocation of responsibility for their own accomodations to healthcare and educational institutions. The bank contributes knowledge and expertise in order to offer solutions in 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 was implemented several years ago with the aim to engage in activities that generate slightly higher returns. Examples of this are the foreign credit portfolio [13] and investments in publicly traded securities from countries in the European Union with the highest creditworthiness. In 2010 it was decided to once again focus the lending exclusively on the Dutch market. Foreign lending will be the exception rather than the rule. Investments in public securities from EU countries will be made if the securities fit within the bank's liquidity management policy and the country's credit rating is at least AA/Aa3 on the acquire date. Preconditions for this strategy are the careful monitoring of the risk profile, operating effectiveness and efficiency and maintaining the bank's strong financial position.

|13 Under the Articles of Association it is possible for BNG to lend funds to governments in the European Union and to institutions affiliated to these governments. In this connection BNG will limit itself to lending in EU member states with a sovereign rating of at least AA-/Aa3. Lending to foreign clients amounts to approx. 1% of the bank's total lending. BNG also invests in foreign interest-bearing securities for the purpose of liquidity management.

Products and services

Lending is and remains the bank's core activity. BNG also provides payment services, consultancy services and participation in regional development, and offers sustainable investments that are in line with the Local and Regional Authorities Financing Act (Wet Fido). The major products and services of the bank are described in its corporate brochure, which is published on the bank's website.

Loans and advances

In 2010 BNG proved emphatically its role as lender to government authorities and institutions in the public sector. Where most competitors reduced their long-term credit provision to public authorities and institutions, or even turned their backs completely on these client groups, BNG continued its lending unabatedly.

Because of the historically low interest rates for long-term lending, cautiously decreasing spreads for credit and liquidity risk and uncertainties regarding future guarantee options for clients in the housing association sector, the demand for long-term lending rose to a record high in 2010. Competitors' reticence, which was partly due to the demand for loans with for exceptionally high maturities, led to BNG's market shares being higher than ever before in every sector.

Compared with 2009, BNG's lending to client groups rose by 89% to EUR 16.3 billion. A relatively large portion – EUR 6.3 billion – concerned loans with a payment date after 2010. Although lending subject to solvency requirements did not rise to the same extent, it did increase by a satisfactory 27% to EUR 1.7 billion. Since the crisis, this form of lending has been relatively expensive as a result of the necessarily higher risk spreads. The demand for lending subject to solvency requirements has also been under pressure, due to the postponement or even cancellation of investment plans as a result of the worsening economic outlook.

The overall long-term loan portfolio to clients on the basis of principal amounts increased to EUR 74.0 billion (year-end 2009: EUR 68.7 billion), especially due to the growth of EUR 3.0 billion in the housing sector. Lending to local authorities and healthcare institutions also showed a relatively robust growth of over EUR 2.0 billion and EUR 0.3 billion respectively. The other sectors showed a slight growth or remained more or less stable.

Despite the sharp rise in demand for long-term lending and the slightly higher interest rates in the short-term segment, the demand for short-term lending also remained high. Compared with 2009, average short-term lending to clients fell by just EUR 0.2 billion to EUR 5.6 billion.

Consultancy

BNG Advies supports BNG's clients in making strategic investment decisions. In an increasingly complex environment, public organizations are far more often faced with issues in which multiple interests must be combined and risks are higher. With a growing shortage of funds, more must be realized with less money. This requires innovative solutions and well-considered decisions. BNG Advies supports clients in finding these solutions. The involvement of private partners is becoming increasingly more important in this context.

Area development

BNG Gebiedsontwikkeling realizes spatial planning projects. This is done in close cooperation with government parties taking public interests into account. Risk sharing and limitation structures are set up in such a manner that the control of the (semi-)public organization is not impaired. At the end of 2010 BNG Gebiedsontwikkeling participated in 26 partnership structures with a total equity of EUR 47 million. No new projects were started in 2010.

BNG Gebiedsontwikkeling is currently facing difficult market conditions as a result of the economic crisis. Negative aspects include sales in current participations coming to a standstill and land prices dropping. In addition, the market is continuously on the move due to amendments in legislation, changing insights and other developments in the area of partnership structures. In view of the negative developments and the uncertainties, an extremely cautious approach is being taken to new participations.

Asset management

BNG Vermogensbeheer focuses on asset management for authorities and other public sector institutions. Its clients include municipalities, urban regions and provinces as well as educational organizations, housing associations and other organizations in the utility and the healthcare sector.

BNG Vermogensbeheer has prudent investment objectives and applies, amongst other regulation, the principles of the underlying legislation and regulation applicable for local authorities – Local and Regional Authorities Financing Act (Wet Fido – Financiering decentrale overheden) and the Ruddo Regulation (Loans, Advances and Derivatives (Local Authorities) Regulation), as a basis for the development and management of its investment funds and the management of individually tailored investment portfolios.

Sustainable investments and sustainable portfolios lead to the most satisfying solutions for clients, also when it comes to return. To be able to invest sustainably, BNG Vermogensbeheer cooperates with specialized institutes. BNG Vermogensbeheer manages around one third of the total issued assets of municipalities and provinces.

In 2010 the volume of assets managed by BNG Vermogensbeheer fell to EUR 4.1 billion as a result of the expiry of a temporary mandate. The net managed capital in investment funds rose slightly. In 2011 the volume of assets under management is expected to rise to over EUR 5.0 billion due to a long-term mandate acquired in December 2010.

Payment services and e-banking
BNG provides products and services that enable clients to organize their payments and liquidity management. A pivotal role in the service is played by the 'Mijn BNG' ('My BNG') web portal. One key component of this portal is the electronic banking module 'BNG Betalingsverkeer' ('BNG Payment services'), which enables BNG clients to process their payments quickly and safely via the internet.

From 2008 onwards, BNG has made sure that BNG Betalingsverkeer is suitable for transfers in connection with the Single Euro Payments Area (SEPA). SEPA has been developed in order to make payment transactions within the Euro zone effective and inexpensive for consumers, business users and banks. The market expects the government to lead the way in using SEPA. BNG is responding to these developments and will provide its clients with extra advice and support in 2011 with regard to the introduction of new SEPA products, such as the SEPA Direct Debit and the migration from PIN to Maestro.

BNG managed to retain its strong position in the field of payment transactions in the year under review. The number of transactions processed for clients amounted to 79 million in 2010 and was slightly higher compared with the previous year. The processing of the fund flows between the central government and local authorities (the so-called Rijksverrekening (State settlement)) was also carried out by BNG in the year under review without any problems. To ensure that BNG continues to process its clients' payment transactions efficiently and safely in the future, a start will be made in 2011 on replacing the current core-banking platform.

Funding

The bank's long-term funding is almost entirely carried out through the issuance of bonds under the standardized Debt Issuance Programme, which amounts to EUR 80 billion. 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.

In 2010 BNG's liquidity profile has improved compared to 2009. The bank was able to raise more long-term funding on slightly better conditions. Despite the outbreak of the European debt crisis, the average spreads paid by the bank fell in 2010. When compared to the spreads paid by the State – which is a major reference point for the bank's clients – the bank's funding position improved slightly. The bank also continued to be able to meet its short-term liquidity requirements against attractive conditions.
By integrating the so-called Rule 144A into the existing Debt Issuance Programme, BNG offered American investors the option of participating directly in the bank's issues. At the end of September 2010, BNG was able to place (part of an) issue of USD 1.5 billion for the first time directly with American investors. The bank regards this option as a good addition to its circle of potential investors.

For lending and refinancing purposes, BNG obtained a record amount of long-term funding in 2010 of EUR 18.2 billion (2009: EUR 14.5 billion), of which EUR 17.0 billion (2009: EUR 13.9 billion) was raised through 119 standardized issues. The weighted average maturity of the newly acquired long-term funding was 6.9 years, 2.2 years more than in 2009. In 2010 the bank issued in 11 different currencies, one more than in 2009. The currency and interest risks of bonds are fully hedged. The share of euro-denominated issues amounted to 49% in 2010. Apart from the euro, bonds were principally denominated in US dollars (over 26%).

Each year the bank issues a number of benchmark loans, so that BNG yield curves in euros and US dollars are and continue to be available to institutional investors. In 2010 BNG issued eleven benchmark loans in euros and US dollars with amounts varying from 1.0 to 2.0 billion. The euro equivalent of the total issuing amount of benchmark loans in 2010 was EUR 10.5 billion (2009: EUR 9.1 billion).

Results

In 2010 BNG realized a net profit of EUR 257 million, a drop of EUR 21 million compared with 2009. The net profit was positively influenced by a significantly higher interest result. By contrast, in 2010 the result financial transactions was very negative, primarily due to the debt crisis in various Euro countries. Profit before tax in the year under review amounted to EUR 337 million (2009: EUR 350 million). The tax expenses for 2010 increased by EUR 8 million to EUR 80 million.

In 2010 the interest result rose to EUR 410 million (2009: EUR 337 million), primarily due to the expansion of the long-term lending portfolio and the improved return on the portfolio. Several incidental factors also made a positive contribution towards the interest result. The result from early redemption of loans initiated by clients amounted to EUR 15 million more than in 2009 and incidental income of EUR 5 million was recognized in connection with interest receivable related to the corporate tax returns for 2005 to 2008.

The result financial transactions was EUR 37 million negative in 2010 (2009: EUR 40 million positive). This result was due mainly to the net negative unrealized revaluation of interest-bearing securities and structured loans for which the changes in value were recognized in the income statement. On balance the credit and liquidity spreads on interest-bearing securities increased, mainly due to the financial problems of several Euro countries. The credit quality of this interest-bearing securities portfolio continues to be excellent and future cash flows are not in doubt.
The spreads of several structured loans, initiated by BNG itself, also rose slightly.
In contrast to the preceding years, the result financial transactions was also negatively influenced by the unrealized market value changes of transactions involved in hedge accounting, due to the higher short-term interest rates in 2010. However, the bank's hedge accounting did work almost perfectly. Positive and negative results from hedge accounting cancel each other out in the longer term. Finally, the result financial transactions was positively influenced by the sale of interest-bearing securities and dividends received.

The crisis had a negative effect on the expected results from participations by BNG Gebiedsontwikkeling. Although positive returns are still expected with regard to almost all participations, BNG decided to completely impair the equity invested in one of its participitions, as a result of the negative developments in this specific case. This impairment, which as in 2009 amounted to around EUR 3 million, is incorporated in the Other income item.

The commission result fell by EUR 1 million compared with 2009 to EUR 29 million. The commissions received from lending, project financing and payment services were fractionally lower than in 2009. Since the second half of 2009, commission income from the subsidiary BNG Vermogensbeheer has shown a positive development through an increase in activities, as a result of various local authorities investing the revenues from selling their shares in utility companies.

The negative developments in BNG's area development portfolio was also the main reason why the incurred loss provision was increased by over EUR 4 million to EUR 31 million. This negative result is recognized separately in the income statement under the item additions to the loss incurred provision.

In 2010 the consolidated total operating expenses amounted to around EUR 63 million. This is an increase of EUR 2 million compared with 2009, but the expenses remained within budget. The increase was primarily due to higher costs of hiring and consultancy in the second half of the year.

Between 2005 and 2009, BNG included the effects of the introduction of the corporate tax obligation in the annual figures. As a result the tax burden in these years was moderated. From 2010 on, this effect has disappeared and the tax burden is more in line with the nominal tax rate.
In 2010, in consultation with the Dutch tax authority, BNG switched to using IFRS valuations for financial instruments when determining the tax returns with retroactive effect to 2005. In addition to the considerable simplification of tax returns, and subsequent cost savings for the Dutch tax authority and the bank, this led to a reduction of the tax expense for 2010 by EUR 6 million.

The balance sheet

In the period under review BNG's balance sheet total rose sharply to EUR 118.5 billion, an increase of EUR 14.0 billion compared with the end of 2009. This increase was mainly caused by the expansion of lending to clients. The balance sheet item loans and advances rose by EUR 7.6 billion to EUR 86.9 billion. Market factors, such as the lower long-term interest rates and the drop of the euro compared with primarily the US dollar and the British pound, also made a major contribution towards the balance sheet increase. The volatility of both currencies and interest rates was higher than ever before and, therefore, so too were the accounting effects of this volatility. By contrast, the economic effects were limited because BNG hedges all currency risks and the majority of interest rate risks with derivatives. The effect of these hedge transactions is mainly expressed in the balance sheet items other financial assets and liabilities, banks and debt securities.

The balance sheet item other financial assets rose by EUR 5.5 billion to EUR 13.5 billion. The largest part of this item concerns derivatives with a positive market value that serve to hedge interest rate and currency risks of bond loans on the liabilities side of the balance sheet. The counterparty risks in these derivatives transactions are mitigated by mutual collateral obligations.

On the liabilities side of the balance sheet, the market factors mentioned earlier were the main reason why the item debt securities increased by EUR 12.4 billion to EUR 92.3 billion. The liabilities item banks increased by EUR 0.4 billion, primarily due to cash collateral received from collateral obligations related to derivatives contracts. Some of these funds were placed with the central bank for a very short term, causing an incidental rise of the asset item cash and cash equivalents to EUR 1.1 billion. The item other financial liabilities rose by EUR 0.5 billion to EUR 9.3 billion, mainly due to the lower long-term interest rate.

The balance sheet items financial assets available for sale and financial assets valued at fair value through the income statement rose slightly compared with 2009, mainly as a result of lowering of long-term interest rates and the purchase of short-term interest-bearing securities.
The underlying assets comprise structured loans primarily from investments in European government bonds, covered bonds and residential mortgage-backed securities (RMBS). These long-term investments are held mainly for the purpose of liquidity management. Compared with the end of 2009, the remaining principle of these investments fell by over EUR 1.3 billion to EUR 13.4 billion.

The bank's equity remained virtually the same as at the end of 2009 and amounted to just under EUR 2.3 billion. Besides the addition of the net profit, the dividend pay-out over 2009 of EUR 139 million was paid in 2010 and the revaluation reserve fell by EUR 111 million to EUR 62 million negative. This unrealized market value change concerns the reduced value of the assets recognized under the balance sheet item financial assets available for sale and was due to the increased credit and liquidity spreads of assets, especially in peripheral Euro countries.

BNG's strong solvency position is reflected in the high BIS tier 1 ratio which, due to the increased profit, rose to 19.6%. The BIS total ratio rose to 20.4%. The capital ratio – the realized equity as a percentage of the balance sheet total – stabilized at just under 2.0%. The slight drop below the internal limit of 2.0% was due to the increase of the balance sheet total as a result of the accounting effects described above. If these effects are excluded, as is stipulated in the (not yet definitive) Basel III regulation concerning the leverage ratio, the capital ratio at the end of 2010 would have been 2.1%.

Proposed profit appropriation
After processing the taxes, the net profit for 2010 came to EUR 257 million (2009: EUR 278 million), which is available for dividend distribution and addition to the reserves.
On the basis of the current dividend policy it is proposed, as in 2009, to pay a dividend of 50% of the profit after tax. This works out at a dividend payment of EUR 128 million (2009: EUR 139 million). The remainder will be added to the reserves. The dividend amounts to EUR 2.30 (2009: EUR 2.49) per share with a nominal value of EUR 2.50.

Staff and organization

Human resources

Including its subsidiaries BNG employed 290 employees at the end of 2010, 90 women and 200 men. Expressed in full-time equivalents (FTEs), the number of employees fell from 277 to 276 in the period under review. The staff turnover amounted to 7.5% in 2010. A quarter of this turnover was caused by (early) retirement of employees. A third of the turnover related to employees leaving the bank on their own initiative. The employment of the other employees who left was terminated on the initiative of BNG.

The bank recruited 22 new employees in 2010. The hiring of external manpower rose by two people to an average of 10 employees. Absenteeism due to illness fell from 3.2% to 1.9%.

In 2010 a series of meetings was held during which the core values of BNG – trustworthy, professional and contemporary – were discussed with all the bank's employees and translated into personal and team values. The positive results have led to plans to follow up these meetings in 2011.

BNG's remuneration policy has been evaluated in the past year. The most important conclusion was that the policy was satisfactory. Once again performance-related agreements were made with all employees, in which targets were set regarding results to be achieved, cooperation and customer orientation.

BNG regularly offers job-related training and education within the framework of permanent education. These initiatives are aimed at the constant improvement of the quality of the staff and, therefore, the bank's processes. In 2010 the focus was on a number of topics, including improving the quality of the credit proposals and the introduction of a new model for writing these proposals.

Further information regarding the social aspects of the bank's operations is included in the social annual report, which is published on the bank's website (only available in Dutch).

Employees' Council

The Employees' Council held seven meetings with the Executive Board in 2010, two of which were attended by members of the Supervisory Board. During these meetings ideas were exchanged constructively about various subjects.

In 2010 the Employees' Council, together with the Executive Board, discussed a wide range of topics with the emphasis on the 2010 Annual Plan, the continuity of the outsourcing, changes in the credit process and the evaluation of the remuneration policy. Other topics discussed included BNG's core values and the introduction in due course of a new employment costs regulation, as well as the bank's financial position and long-term vision, the social policy, the Health & Safety Annual Plan, compliance subjects and the employment conditions.

The Employees' Council itself held fourteen formal meetings and kept in contact with the employees about various subjects in a number of ways, including consultation and communication via the intranet. The Employees' Council held discussions with the Supervisory Board and Executive Board during the annual theme lunch and participated actively in the Interbank Employee Representation Platform organized by BNG in June 2010.

Corporate social responsibility

BNG strives to be a financial institution that is assured of the appreciation of its stakeholders. This means that the bank continuously forms a picture of the social issues it comes in contact with and anticipates and responds to them in a fitting and alert manner. BNG is at the heart of the community and is directed by the same community.

BNG's guiding principle is that it wants to answer the funding demands of its clients at all times, even when market conditions are difficult. Contributing towards the sustainable investments of clients by providing financial services is the logical extension of this. BNG does not strive for return maximization but for a reasonable return on equity. The client is central to BNG's mission.

Corporate social responsibility is linked directly to the bank's core activities. With the help of its financial and social annual reports and its websites, the bank strives for the maximum transparency regarding its activities and operations. In the light of its purpose BNG has defined themes that reflect its social orientation: safe banking, responsible growth, dedicated staff, environmentally aware operations and contributions towards art and culture.

On grounds of its high creditworthiness BNG is perceived to be a trustworthy institution by investors and financial counterparties. This enables the bank to raise funds on the international money and financial markets at a low cost. Retaining its strong purchasing position is the cornerstone for achieving the bank's mission and sets the boundaries for the risk the bank will accept.

Much of the bank's profit is returned to the shareholding authorities in the form of dividend. Together with the bank's low tariffs the bank charges its clients, this means that the financial advantages are ultimately translated into accessibility to healthcare and education, the affordability of social rental housing and the quality of the Dutch infrastructure.

BNG adheres to an open culture in which integrity issues can be discussed and in which employees are given the room to accept their own responsibility. Against this background, the staff's many years of expertise and experience are extremely valuable, as is the recruitment and retention of good, motivated employees. Training is a policy spearhead, employee satisfaction the key indicator.

It is a matter of course that the bank operates in an environmentally aware manner. BNG's contribution towards the stimulation of art and culture also demonstrates the bank's involvement in Dutch society.
Extensive information regarding the way in which the bank fulfils its corporate social responsibility can be found in the social annual report (only available in Dutch), which is published on the bank's website.

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 supervision. At BNG, the pursuit of good corporate governance is a matter of policy, which is evident given the role that BNG plays within the Dutch public financing system and its resulting strong commitment to society at large.

The Dutch Corporate Governance Code
The Dutch Corporate Governance Code has so-called principles and best practices. The rudiments of sound management are formulated in the principles, which, in their turn are 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. A partly adjusted version of the Code was published in December 2008. BNG complies with the adjusted Code. The bank adheres to the principles of good corporate governance stipulated in the Code, 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 where these documents have been posted.

There is only one area in which the bank does not follow the Dutch Corporate Governance Code. BNG has not implemented the recommendation in relation to a distant voting process. Given the nature of the bank and the origin of its shareholders, BNG does not consider 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. Besides that, it is worth noting that the shareholders are also clients, which means that frequent contact already exists between the bank and shareholders' representatives. The powers of control at the shareholders' meeting are proportionate to the level of contributed capital. Pursuant to the Articles of Association, the bank may not cooperate in issuing depository receipts for shares.

Principles for a controlled remuneration policy
The principles for a controlled remuneration policy, formulated by the Dutch Central Bank (De Nederlandsche Bank, DNB) and the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten, AFM), are in-line with certain sections of the Dutch Corporate Governance Code. This involves widely applicable principles which are meant as a guideline for a prudent and customer-oriented remuneration policy. Compliance with the principles is given attention as part of the supervision by DNB of controlled business operations. BNG has implemented the principles in its remuneration policy and has accounted for this policy on its website. BNG will, where necessary, bring its remuneration policy in line with DNB's Principles for a Controlled Remuneration Policy (Regeling beheerst beloningsbeleid Wft 2011) which went into force on 1 January 2011.

Dutch Banking Code
The Dutch Banking Code took effect on 1 January 2010. The Dutch Banking Code includes principles which are also in line with the Dutch Corporate Governance Code and several can be considered a further elaboration of the principles for a controlled remuneration policy by DNB and the AFM. The Dutch Banking Code applies to all banks operating in the Netherlands that have a license pursuant to the Dutch Financial Supervision Act.

The manner in which BNG has implemented each component of the Banking Code is explained below. See also the reference table in Enclosure B of this annual report. All the charters, profiles, models, explanations and organograms referred to can be viewed on the bank's website.

Supervisory Board

Profile (2.1.1, 2.1.3, 2.1.4, 2.1.6, 2.2.2)
The general provisions of the Dutch Banking Code stipulate that members of the Supervisory Board and members of the Audit and Risk Committees should be integrated in the profile of the Supervisory Board. The availability of Supervisory Board members is also addressed in this profile. The profile is discussed in the General Meeting of Shareholders.

Size (2.1.2)
The bank's Articles of Association stipulate that the Supervisory Board must comprise at least nine and not more than eleven members. The Board determines the number of its members. The current Board comprises nine

members and remained unchanged during the year under review. Given the size and complexity of BNG, the Board considers this number sufficient to enable the Board, and its committees, to function properly.

Individual profiles (2.1.4, 2.1.5)

As of 2010, when Supervisory Board members retire by rotation, individual profiles are drawn-up that fit within profile draw-up for the entire Board. The individual profiles are made known to the General Meeting of Shareholders at the time the relevant vacancies are announced. In case of a reappointment an evaluation discussion takes place with the individual concerned, during which his or her expertise is compared with the requirements of the individual profile.

Remuneration (2.1.7)

The remuneration of the Supervisory Board members is not dependent on BNG's results. The remuneration regulations for the Board were determined by the General Meeting of Shareholders on 24 May 2007. Whether the remuneration is fitting in relation to the character of the company, the desired quality of Supervisory Board members, the necessary availability for the function and the time required to carry out the duties will be reassessed during 2011. If there is reason to do so a proposal to adjust the remuneration regulations will be put before the General Meeting of Shareholders.

Permanent education (2.1.8, 2.1.9)

In addition to the three-day introduction program for new Supervisory Board members, since 2010 BNG has had a program of permanent education for all Supervisory Board members during which, in every case the topics specified in the Dutch Banking Code are addressed. The annual program of permanent education comprises a component for the Supervisory Board as a whole, a component for the members with specific expertise and experience in the financial sector and a component for the remaining members. In addition, each year the Supervisory Board members are given the opportunity to make known their individual training requests. An evaluation of the effectiveness of the program of permanent education forms part of the annual evaluation of the Supervisory Board.

Evaluation (2.1.6, 2.1.9, 2.1.10)

Once a year the Supervisory Board discusses its own functioning, the functioning of its committees and, if there is a reason to do so, the functioning of its individual members. This discussion includes an evaluation of the effectiveness of the program of permanent education, the availability and dedication of every member of the Board, the culture within the Board and the relationship between the Supervisory Board and the Executive Board. As a rule, the evaluation is prepared by the Secretary of the Supervisory Board on the basis of a written questionnaire completed by the Supervisory Board and Executive Board members, supplemented with information obtained verbally by the Secretary. Once every three years, commencing in 2010, the annual evaluation is conducted under independent supervision.

Audit & Risk Committee (2.2.1)

The Audit & Risk Committee prepares the Supervisory Board's discussions in respect of BNG's risk profile and related risk management. The Committee also prepares the decision-making process of the plenary Supervisory Board with regard to issues that include 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.

Executive Board

Profile (3.1.1, 3.1.2)

The general stipulations related to Executive Board members contained in the Dutch Banking Code are a component of the profile the Executive Board has drawn-up of itself. This profile has been discussed with and approved by the Supervisory Board.

Permanent education (3.1.3, 3.1.4, 3.1.5)

The full Executive Board participates in all the components of the program of permanent education set-up for the Supervisory Board. In addition, each year every Executive Board member follows a training course that is tailored to his or her individual requirements. The content of the individual training requirements and an evaluation of the training courses followed are discussed during the annual evaluation discussions with the Executive Board members.

Division of tasks (3.1.6, 3.1.7, 3.1.8)

The division of tasks within the Executive Board, also in respect of the responsibilities for risk management, is defined in the Executive Board profile and also shown in the bank's organogram. The division of the portfolio is evaluated in detail each year by the Supervisory Board. In particular the Supervisory Board assesses the presence of the desired separation of functions, whether the tasks are evenly divided and the availability of the Executive Board members in relation to the additional positions they hold.

Stakeholders (3.2.1)

For the purpose of balancing the interests of the different groups involved with the bank, for a number of years BNG has employed a stakeholder model. This model was drawn-up with the objective of enabling strategy and business processes to be geared to each other as far as possible. The model provides a schematic insight into who BNG considers its stakeholders are and which critical success factors relevant to the relationship can be distinguished, both from the stakeholder's perspective (what does the stakeholder want from BNG) and from the bank's perspective (what does the bank itself want to achieve). For the Executive Board this model forms a guiding framework for weighing-up stakeholders' interests, taking into account the continuity of the bank, the social environment in which the bank operates and legislation, regulation and codes applicable to the bank.

Focus on client interests and duty of client care (3.2.2)

'Focus on client interests' ('Klant centraal') is the determinator for BNG's identity. BNG is the bank of and for public authorities and institutions. With its specialist services the bank contributes towards keeping the costs of social provisions for the public as low as possible. The bank's shareholders are also its clients and the bank does not strive to achieve maximum profit. In this context, 'focus on client interests' means that BNG and its staff, through their own professionalism and responsibilities and in dialogue with the client, think and act in the interests of the client. To this end the bank's services and client care is tuned to the needs and professionalism of the client. BNG has no retail clients; the bank's clients are professional market parties. Nevertheless BNG feels a far-reaching duty of care towards its clients. In 2011 'focus on client interests' will be further embedded into BNG's operating processes.

Moral-ethical statement (3.2.3, 3.2.4)

The Executive Board members have unconditionally and with no additions, signed the moral-ethical statement as understood in the Dutch Banking Code. The moral-ethical statement is embedded in the BNG Corporate Code. New employees receive a copy of this Code when they join BNG. In 2010 the core values of BNG were discussed with all the bank's employees during a number of team sessions with the aim of positively influencing their awareness of the values and their conduct. In 2011 a further series of team sessions will be organized during which the implications of the moral-ethical statement for the employees will be elaborated.

Risk management

Division of tasks (4.1, 4.2, 4.4)

Given the limited size and complexity of BNG's risks the Supervisory Board has concluded that a combined Audit and Risk Committee will suffice. To this end, in 2010 the existing Audit Committee was converted into an Audit & Risk Committee. The Audit Committee was already charged with preparing the Supervisory Board's discussions in respect of the functioning of the internal risk management and control systems and the risk reports were already a topic for discussion within the Audit Committee. Due to the nature and size of the BNG company, all decisions with material consequences for the risk profile, capital allocation or liquidity commitment were already taken by the Executive Board.
In accordance with the Dutch Banking Code, the bank's risk appetite, risk policy and risk profile, capital allocation and liquidity commitment are included in the assignment of the Audit & Risk Committee.

Risk appetite (4.1, 4.3)

BNG's risk policy is a topic discussed each year by the Audit & Risk Committee and the Supervisory Board. In this context, as of 2010 the (current) risk appetite will be discussed and approved by the Supervisory Board after a preparatory discussion in the Audit & Risk Committee. Interim material changes to the risk appetite will be decided in the same way.

Product approval process (4.5)

In 2010 BNG set-up a product approval process. Changes to existing products or proposals to introduce new products must first go through a product approval process during which it will be assessed whether BNG, in the light of its mission, vision and policy, should include the new product in its services package. The duty of care BNG owes its clients is a key consideration. Responsibility for setting-up the administration of financial products rests at a central level and relate to the formulation and filing for the purpose of, among other aspects, risk management and reporting. The risk management function is responsible for an evaluation framework that specifies specific demands regarding the degree and quality of understanding of approved products. These demands also apply to the measurability of the risks related to approved products, in order that the Executive Board has a timely and constant quantitative and qualitative understanding of the risks related to the allocated capital. The way the product approval process is set-up and the responsibilities are allocated is approved by the Executive Board. In 2010 the Internal Audit

Department (IAD) carried out an audit of the product approval process and reported its findings to the Executive Board. The IAD informed the Audit & Risk Committee via the management letter.

Audit

The task of the Executive Board (5.1)

The way in which the Executive Board ensures the systematic control of managing risks inherent to BNG's (business) activities is described elsewhere in this chapter under section In Control statement.

Positioning and task of the internal audit function (5.2, 5.3)

The IAD holds an independent position within BNG. The head of IAD reports directly to the Chairman of the Executive Board and has a reporting line to the Chairman of the Audit & Risk Committee. The IAD's positioning and tasks as specified in the Dutch Banking Code are laid-down in an Internal Audit Charter.

Regular exchange of information (5.4)

For the purpose of information exchange the manager of IAD and the external auditor are present during the Audit & Risk Committee meetings. In this context, the annual risk analysis and the audit plans of the IAD and the external auditor are also topics of consultation.

Reporting by the external auditor (5.5)

Each year the IAD carries out an audit of the quality and effectiveness of the governance, the risk management and the control processes within the bank. The IAD's findings are the basis on which the external auditor forms his own opinion. In the context of the external auditor's general audit of the annual financial statements, the external auditor reports his findings to the Executive Board and the Supervisory Board in the management letter.

Tripartite consultation (5.6)

Since 2010 the existing tripartite consultation between the Dutch central Bank, the external auditor and the IAD has been intensified to twice each year. In 2010 the topics discussed included the risk analyses and findings and the audit plans of the DNB, the external auditor and the IAD.

Remuneration policy

General (6.1.1)

BNG's remuneration policy complies with the AFM and DNB principles for a controlled remuneration policy.
The remuneration policy for Executive Board members is determined partially on the basis of government policy and the Dutch Corporate Governance Code and, as of 1 January 2010, also by the Dutch Banking Code. This policy was approved by the General Meeting of Shareholders on 27 April 2009 and is integrally applicable to Executive Board members appointed after 1 January 2009. The existing employment conditions of Executive Board members appointed earlier are respected.
BNG justifies the way in which it has implemented the principles related to a controlled remuneration policy on its website. The remuneration policy for the Executive Board members is described in the Report of the Supervisory Board in this annual report. The remuneration policy for the senior management and other employees is published on the bank's website (www.bng.nl).

Governance (6.2.1, 6.2.2)

The remuneration policy for Executive Board members is reassessed biannually by the Supervisory Board. The first of these assessments will take place in 2011. The height of the variable remuneration within the bank is discussed annually by the Supervisory Board. The remuneration policy for the bank's senior management and the principles of the remuneration policy for other employees were discussed and approved by the Supervisory Board in 2010.
BNG does not offer substantial retention, exit and welcome packages.

Total income (6.3.1)

The sum of the fixed and variable remunerations of BNG Executive Board members appointed after 1 January 2009 amounts to a maximum of EUR 310,000. From 2010 on this upper limit will be increased by any general increase specified in the General Labor Agreement for Bank Employees. This upper limit may only be exceeded with the approval of the shareholders. The starting point for determining the market conformity of the remuneration is the median of the fixed remuneration plus all variable remunerations in a well defined reference group.

Termination recompense (6.3.2)

The termination recompense for Executive Board members may never exceed one time the last annual salary plus holiday allowance (the fixed component of the remuneration).

Long-term variable remuneration component (6.3.3, 6.3.4)

As of 2010 half of the variable remuneration is awarded conditionally and paid out three years later unless it appears that achieving the targets has jeopardized BNG's long-term continuity. BNG's remuneration policy does not include the awarding of shares or share options.

Long-term targets (6.4.1)

The variable remuneration targets are tuned to the bank's long-term strategy. The selected targets and the achievement of these targets is reported in the Report of the Supervisory Board in such a way that the interests of BNG and its shareholders are not jeopardized. The Supervisory Board also informs the General Meeting of Shareholders, with due regard for the interests of BNG, regarding the agreed targets and target values for the current year.

Fixed/variable remuneration ratio (6.4.2)

Within the remuneration policy the variable remuneration that may be awarded amounts to a maximum of 35% of the fixed remuneration; this is well within the maximum of 100% specified in the Dutch Banking Code. The variable remuneration is paid exclusively in cash. The system is set-up in such a way that 70% of the maximum variable remuneration relates to the defined quantitative targets.

Performance criteria for the variable remuneration (6.4.3, 6.4.4)

The Supervisory Board members are jointly responsible for the fulfilling of the joint tasks of the Supervisory Board. Each member is accountable for the fulfillment of this responsibility. BNG also follows a moderated remuneration policy as explained above. Given the size of the BNG organization and BNG's maximum variable remuneration compared with the maximum specified in the Dutch Banking Code, the Supervisory Board deems the development of a policy that includes an evaluation of the performances of the business units of the individual Executive Board members and an adjustment for (estimated) risks and capital costs would be unnecessarily complex.

Authorization of the Supervisory Board (6.4.5, 6.4.6)

Since 2010 the Supervisory Board has been authorized to, at its discretion and in exceptional circumstances, adjust the variable remuneration if in its opinion it would lead to unfair or unintended outcomes. The Supervisory Board is also authorized to claim back variable remuneration that has been awarded on the basis of incorrect (financial) information.

In 2010 the Internal Audit Department (IAD) carried out an audit of the implementation of the Dutch Banking Code within BNG and reported its findings to the Executive Board.

In Control Statement

The various risks attendant on the bank's activities are discussed each year in BNG's annual report. Considerable attention is paid to BNG's internal risk management and control systems. These are organized on the basis of the regulation under the international guidelines adopted in the context of the international Capital Accord Basel II. The structure has been described in a internal risk management framework that covers all risks identified by BNG. This framework is closely connected to the Capital Management Plan. This plan is periodically reviewed and discussed 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. These systems alone 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 2011. The internal risk management of banks is receiving a great deal of attention and stricter legislation and regulation in this field are imminent. The internal risk management system receives constant attention.
The implemented improvements to the product approval process have, to a great extent, already been put into effect. The continued development of the risk management will also be on the agenda during 2011.

The external auditor evaluates the financial reporting, the quality and effectiveness of the functioning of the governance, the internal risk management and control processes insofar as they are relevant in the context of the audit of the financial statements. The auditor's findings are reported in the auditor's report and the management letter to the Executive Board and the Supervisory Board.
The internal and external auditors are represented at the meeting of the Audit & Risk Committee of the Supervisory Board and the Plenary Supervisory Board meeting at which the financial statements are discussed.

Declaration of responsibility

In the opinion of the Executive Board 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 the financial year. The annual report also describes the material risks facing BNG.

Outlook for 2011

The outlook for 2011 cannot be separated from the current uncertain market conditions and the effects these will have on the trust in and tempo of the economic recovery.

BNG's clients are mainly comprised of national and local authorities or institutions affiliated to these authorities. The cutbacks announced by the new cabinet will have consequences for many of the bank's clients. Various local authorities have announced cost reductions. The negative developments in ongoing projects of local authorities and housing associations has led to a cautious approach to starting new activities. As a result, the level of new long-term lending in 2011 is expected to be lower than it was in 2010. This development is strenghtened by the fact that the volume of new loans with future settlement dates increased considerably in 2010.

In line with the anticipated reduction in lending, BNG's funding needs in 2011 will also be lower than in the record year 2010. In 2011 the bank will strive to further improve its liquidity position and funding profile.

The difference between the long-term and short-term interest rate could also have a favorable effect on the 2011 interest result. How large this effect will be is partly dependent on the speed with which the economic recovery occurs and the influence of this recovery on the interest rate curve. The interest result for 2011 is expected to be in line with the interest result for 2010. The contribution of the result financial transactions is by definition uncertain, partly due to the continuing volatility of the financial markets.

Although the credit portfolio of the bank is of a very high quality, it cannot be excluded that the creditworthiness of the odd debtor could be impaired as a result of the current crisis. This might make a further addition to the incurred loss provision necessary.

BNG monitors developments in legislation and regulation extremely closely. The increasing pressure of regulation from the various regulators and supervisory bodies requires close attention. Increasing regulation and the resulting intensifying of reporting obligations put a heavy financial and operational burden on a relatively small organization such as BNG. The announced amendments in IFRS and the Basel Accord will, in particular, have consequences for BNG's profitability, services and business operations. It is possible that the bank will be forced to adjust its dividend policy in order to be able to comply with the more stringent capital demands in due course.

The workforce at BNG is expected to increase fractionally in 2011. The bank must invest in new systems and staff. An expansion of the workforce is, for example, anticipated in the areas of risk management and the implementing of regulation. This, together with increases under the collective labor agreement, will cause a slight rise in total expenses. Consolidated total expenses of EUR 65 million are anticipated.

BNG will remain the bank for the public social interest and will continue offering specialized financial services at the lowest possible cost even in difficult market conditions. The bank aims to be a reliable partner, to retain its strong market position and to continue, and where possible improve, its relationship with its clients.

BNG is looking forward to 2011 with confidence. The interest result is expected to be at about the high level as 2010. However, given the volatility of the financial markets against the background of the international debt crisis and all the other uncertainties, the bank does not consider it wise to make a statement regarding the 2011 net profit.

Consolidated financial statements

Consolidated balance sheet as of 31 December 2010

In millions of euros

	31-12-2010	31-12-2009
Assets		
Cash and cash equivalents	1,073	655
Banks 1	7,382	7,683
Loans and advances 1	86,851	79,305
Financial assets at fair value through the income statement 2	3,052	2,983
Financial assets available for sale 3	6,412	5,531
Other financial assets 4	13,457	8,002
Associates and joint ventures 5	109	106
Property and equipment 6	21	23
Other assets 11, 12	176	208
Total assets	**118,533**	**104,496**
Liabilities		
Banks 7	6,037	5,615
Funds entrusted 7	7,677	7,070
Subordinated loans 7	92	174
Debt securities 8	92,321	79,935
Financial liabilities at fair value through the income statement 9	649	351
Other financial liabilities 10	9,320	8,854
Other liabilities 11, 12	178	244
Total liabilities	116,274	102,243
Equity 13	2,259	2,253
Total liabilities and equity	**118,533**	**104,496**

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

Consolidated income statement 2010

In millions of euros

	2010	2010	2009	2009
– Interest income 14	1,898		2,628	
– Interest expenses 15	1,488		2,291	
Interest result		410		337
Income from associates and joint ventures 16		2		2
– Commission income 17	35		36	
– Commission expenses 18	6		6	
Commission result		29		30
Result financial transactions 19		(37)		40
Addition to the incurred loss provision 20		(4)		–
Other income 21		0		2
Total income		**400**		**411**
– Staff costs 22	35		35	
– Other administrative expenses 23	26		24	
Staff costs and other administrative expenses		61		59
Depreciation 24		2		2
Total expenses		**63**		**61**
Profit before tax		**337**		**350**
– Changes in deferred taxes	(1)		–	
– Taxes	(79)		(72)	
Taxation 11		(80)		(72)
Net profit		**257**		**278**

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

Consolidated statement of comprehensive income 2010

In millions of euros

		2010		2009
Net profit		257		278
Changes in currency translation account		1		(3)
Changes in other reserves		(2)		0
Changes in revaluation reserve				
– Unrealized value movements	(97)		65	
– Realized value movements	(12)		2	
– Changes in deferred taxes	(2)		11	
		(111)		78
Results recognized directly in equity (after taxation)		(112)		75
Total		**145**		**353**

Consolidated cash flow statement 2010

In millions of euros

		2010		2009
Cash flow from operating activities				
Profit before tax		337		350
Adjustments for:				
– Depreciation	2		2	
– Impairment	3		4	
– Associates and joint ventures	(2)		(1)	
– Unrealized results through the income statement	49		(40)	
– Additions to provisions	4		–	
		56		(35)
Cash flow generated from operations		393		315
Movement in banks (not due on demand)	1,239		3,943	
Movement in loans and advances	(5,042)		(945)	
Movement in funds entrusted	72		557	
Movement in derivatives	884		(1,489)	
Taxes paid	(37)		(19)	
Other movements in cash flow from operating activities	(451)		(365)	
		(3,335)		1,682
*Total cash flow from operating activities**		(2,942)		1,997
Cash flow from investing activities				
Investments and acquisitions:				
– Financial assets at fair value through the income statement and financial assets available for sale	(1,373)		(541)	
– Associates and joint ventures	(3)		(4)	
– Property and equipment	(1)		(2)	
		(1,377)		(547)
Disposals, repayments and redemptions:				
– Financial assets at fair value through the income statement and financial assets available for sale	1,436		1,028	
– Associates and joint ventures	–		1	
– Property and equipment	1		–	
		1,437		1,029
Total cash flow from investing activities		60		482
Cash flow from financing activities				
Receipts in respect of debt securities		27,629		23,738
Repayments in respect of debt securities		(24,015)		(25,800)
Subordinated loans		(83)		–
Dividend paid		(139)		(79)
Total cash flow from financing activities		3,392		(2,141)
Net movement in cash and cash equivalents		510		338
Cash and cash equivalents as of 1 January		565		227
Cash and cash equivalents as of 31 December		**1,075**		**565**
Cash and cash equivalents as of 31 December is comprised of the following				
– Cash and cash equivalents		1,073		655
– Cash equivalents under the banks (asset) item		2		20
– Cash equivalents under the banks (liability) item		–		(110)
		1,075		**565**

* Interest received amounted to EUR 5,531 million while interest paid amounted to EUR 5,066 million.

Consolidated statement of changes in equity 2010

In millions of euros

2010	Share capital	Share premium reserve	Revaluation reserve	Currency translation account	Other reserves	Unappro-priated profit	Total
Opening balance	139	6	49	(6)	1,787	278	2,253
Realized results	–	–	–	–	–	257	257
Unrealized results	–	–	(111)	1	(2)	–	(112)
Dividend payment	–	–	–	–	(139)	–	(139)
Appropriation from profit previous financial year	–	–	–	–	278	(278)	0
Closing balance	**139**	**6**	**(62)**	**(5)**	**1,924**	**257**	**2,259**

2009	Share capital	Share premium reserve	Revaluation reserve	Currency translation account	Other reserves	Unappro-priated profit	Total
Opening balance	139	6	(29)	(3)	1,708	158	1,979
Realized results	–	–	–	–	–	278	278
Unrealized results	–	–	78	(3)	–	–	75
Dividend payment	–	–	–	–	(79)	–	(79)
Appropriation from profit previous financial year	–	–	–	–	158	(158)	0
Closing balance	**139**	**6**	**49**	**(6)**	**1,787**	**278**	**2,253**

Accounting principles for the consolidated financial statements

General company information

The financial statements were issued by the Executive Board for publication on 4 March 2011 and will be presented to the General Meeting of Shareholders for adoption on 26 April 2011. BNG is a statutory two-tier company under Dutch law (structuurvennootschap). Half of the bank's share capital is held by the Dutch State and the other half by municipal authorities, provincial authorities and a district 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 are 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. The balance sheet item *Associates and joint ventures* is 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 are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted within the European Union and with Part 9, Book 2 of the Dutch Civil Code.

In the financial statements for 2010 BNG applied the new/revised standards, adjustments and interpretations represented below. The application of these standards had no significant effect on the financial statements for 2010. This concerns the following standards, changes and interpretations:

- Revised IFRS 3 – Business Combinations
- Amendments to IAS 27 – Consolidated and Separate Financial Statements
- Amendments to IAS 39 – Financial Instruments: Recognition and Measurement: Eligible Hedged Items
- Revised IFRS 1: First Time Adoption of IFRS
- Improvements to IFRSs (issued April 2009)
- Amendments to IFRS 2: Group Cash-settled Share-based Payment Transactions
- Amendments to IFRS 1: Additional Exemptions to First-time Adopters
- IFRIC 17 – Distributions of Non-cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers
- Amendments to IFRIC 9 and IAS 39: Embedded Derivatives

BNG has decided against the early adoption of new or adjusted standards and interpretations. Early adoption of these new standards and interpretations would not have had any significant effect on the financial statements for 2010. This concerns the following standards:

- Amendments to IAS 32 – Financial Instruments: Presentation: Classification of Rights Issues
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments
- Revised IAS 24: Related Party Disclosures
- Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement
- Amendments to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures
- Improvements to IFRSs (issued May 2010)

At the end of 2009, IFRS 9: Financial Instruments: Classification and Measurement was issued. This standard will replace IAS 39 Financial Instruments: Recognition and measurement. This standard will come into effect in 2013 and has not yet been adopted by the European Union. BNG is examining the effect of this new standard and it is not out of the question that the application of this standard will have a significant impact on equity and net profit.

Segmented information

IFRS 8 'Operating segments' stipulates that segmentation is dependent on the way in which the organization is managed. Whether or not the management's internal performance measurement is based on separate segments should be evaluated. BNG's Executive Board does not base its analysis and decision-making related to performance measurement on such segmentation. The information contained in the financial statements and the notes relates to the segment recognized by the Executive Board.

Accounting principles for 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 intergroup 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 controlling power. Control is presumed to exist when BNG, either directly or indirectly through group companies, holds more than half of the voting rights or exercises control in some other manner. Group companies are consolidated in full from the date that the control has been obtained until such time that this 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. In general, no use is made of assumptions that are not supported by market data.

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 currency
The consolidated financial statements are prepared in euros. Monetary transactions in foreign currencies are translated on the balance sheet date, and the subsequent results – with the exception of the hedge of a net investment in a foreign operation – are recognized in the foreign exchange result. 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 in equity, in the currency translation account item.

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 on their operational and financial policy but it has no control. In general, significant influence is assumed when BNG holds between 20% and 50% of the shares or voting rights. 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 a transaction 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, financial assets and liabilities are measured at amortized cost or at 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 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 pursuant 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 sales 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. They are subsequently recognized at fair value and any value adjustments are recognized in the income statement item Result financial transactions. Derivatives with a positive market value are presented on the balance sheet as assets under the *Financial assets at fair value through the income statement* item if they are not involved in a hedge accounting relationship and under the Other financial assets item if they are involved in a hedge accounting relationship.
Derivatives with a negative market value are presented on the balance sheet as liabilities under the *Financial liabilities at fair value through the income statement* item if they are not involved in a hedge accounting relationship and under the *Other financial liabilities* item if they are involved in a hedge accounting relationship.

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 instruments and the hedged item. BNG only uses derivatives 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 the 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%-125%). In addition, evidence that the hedge remains effective for the remaining term is also demonstrated. The ineffective portion of the hedge relationship is always recognized directly in the income statement.

As soon as the 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 hedge 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, but 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 purpose 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 asset items 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 the provision for incurred losses deemed necessary. Under IFRS, BNG first determines whether there are indications of impairment of individual loans and advances to form this provision, taking into account the amounts that are actually expected to be received after the impairment. With regard to other Loans and advances the provision is determined at aggregate level.
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 1 July 2008 and the difference between the fair value and the redemption value on 1 July 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 benefits attached to the ownership – with the exception of the legal ownership title – are transferred to the lessee. BNG acts as a 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 and including any guaranteed residual value. Financial lease receivables are stated in the balance sheet item *Loans and advances*.

Financial assets and Financial liabilities at fair value through the income statement
These balance sheet items include derivatives transactions that do not qualify for fair value hedge accounting in conformity with the conditions set by 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 and liabilities 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 had 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 the *Financial assets available for sale* item. 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.

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 amount of either the best estimate of the expenditures required to settle the existing financial obligation on the balance sheet date or 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 property and equipment owned by the bank, such as buildings and permanent installations, is valued at cost, net of accumulated depreciation, taking any impairment into account. The depreciation period is determined on the economic life span of the assets in question. The economic life span 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 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-wide pension fund that does not segregate into individual company pension plans. Neither does it administer separate accounts. The industry-wide 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. Insofar 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 pension 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 parent company of the fiscal unit.
Group companies that form part of the fiscal unit 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 movements recognized until 1 July 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 assets concerned would immediately 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 is 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. In the event of a sale of transactions valued at amortized cost, the difference between the book value and the sales value is also recognized under *Interest income* or *Interest expenses* respectively.

Result 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 consist of a release from the accumulated revaluation reserve in equity and the difference between the book value and the net proceeds of the 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 result*. See also under 'Foreign currencies'.

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 interbank call loans. These funds have an original term of not more than three months, are easily convertible into fixed amounts and are subject to a negligible risk of value movements.
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 repayment 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 movement in items recognized as equity.

Accounting principles for comparative figures

The comparative figures are based on the same accounting principles as the financial statements for 2010, except for the application of new IFRS standards.

In millions of euros

	31-12-2010	31-12-2009
Assets		
1 Banks and Loans and advances	94,233	86,988

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.

	31-12-2010	31-12-2009
Banks	7,382	7,683
Loans and advances	86,851	79,305
	94,233	86,988
Of which an incurred loss provision is included in the item *Loans and advances*.	31	27
	94,264	87,015

Under collateral agreements BNG has provided collateral worth EUR 1,337 million (2009: EUR 3,420 million) mainly to bank counterparties.

The *Loans and advances* item contains financial lease agreements in the amount of EUR 56 million (2009: EUR 57 million).

Movement in the incurred loss provision	31-12-2010	31-12-2009
Opening balance	27	30
Additions during the financial year	4	–
Withdrawals during the financial year	–	(3)
Closing balance	31	27

	31-12-2010	31-12-2009
2 Financial assets at fair value through the income statement	3,052	2,983

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

	31-12-2010	31-12-2009
Fair value of derivatives	860	828
Loans and advances	878	804
Securities	1,314	1,351
	3,052	2,983

The redemption value of the loans and advances and securities is EUR 2,131 million (2009: EUR 2,135 million).

	31-12-2010	31-12-2009
3 Financial assets available for sale	6,412	5,531

This includes fixed and variable rate bonds and other interest-bearing securities issued by public authorities and others, insofar as these are not included in the *Financial assets at fair value through the income statement* item.

	31-12-2010	31-12-2009
Breakdown of this item:		
Public sector	4,478	3,772
Banks	826	392
Other financial institutions	876	1,136
Non-financial institutions	172	171
Investments in participating interests	60	60
	6,412	5,531

Transfer without derecognition
The bank sold EUR 1,480 million worth of bonds (2009: EUR 1,480 million), whilst simultaneously concluding swaps, with which it retained entitlement to the cash flows and remained exposed to the risks (total return swaps). For this reason, the bonds were not derecognized in the balance sheet. No new transactions were closed in 2010.

4 Other financial assets

	31-12-2010	31-12-2009
Other financial assets	13,457	8,002

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 risks of assets hedged at a portfolio level.

	31-12-2010	31-12-2009
Derivatives involved in a hedge accounting relationship	10,082	5,262
Market value adjustment of assets hedged at a portfolio level	3,375	2,740
	13,457	8,002

5 Associates and joint ventures

	Interest 2010	Interest 2009	31-12-2010	31-12-2009
Associates and joint ventures			109	106
Associates				
– Dataland BV, Rotterdam	30%	30%	0	0
– Data B Mailservice Holding BV, Leek	45%	38%	1	1
– N.V. Trustinstelling Hoevelaken, The Hague	40%	40%	0	0
– TBCH BV, The Hague*	25%	25%	52	51
			53	52
Joint ventures				
– BNG Gebiedsontwikkeling BV, various	*See note 38*		56	54
			109	106

For a description of the associates and joint ventures activities, please refer to note 38.

* This company, Transdev-BNG-Connexxion Holding BV, holds 66.67% of the shares in Connexxion Holding NV.

	31-12-2010	31-12-2009
6 Property and equipment	21	23

The movement of this balance sheet item is as follows:

	Property		Equipment			
	2010	2009	2010	2009	31-12-2010	31-12-2009
Historical cost						
Value as of 1 January	48	47	11	10	59	57
Investments	–	1	1	1	1	2
Disposals	(1)	–	–	–	(1)	–
Value as of 31 December	47	48	12	11	59	59
Depreciation						
Accumulated amounts as of 1 January	27	26	9	8	36	34
Depreciation during the year	2	1	–	1	2	2
Accumulated amounts as of 31 December	29	27	9	9	38	36
Book value as of 31 December	18	21	3	2	21	23

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

	31-12-2010	31-12-2009

Liabilities

	31-12-2010	31-12-2009
7 Banks, Funds entrusted and Subordinated loans	13,806	12,859

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

	31-12-2010	31-12-2009
Deposits and other money market funds at banks	6,037	5,615
Funds entrusted	7,677	7,070
Subordinated loans	92	174
	13,806	12,859

	31-12-2010	31-12-2009
8 Debt securities	92,321	79,935

This includes debenture loans and other issued negotiable debt instruments with either fixed or variable interest rates. With regard to 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 31 December.

This balance sheet item is made up as follows:

	31-12-2010	31-12-2009
Debenture loans and euro notes	81,714	70,491
Medium Term Notes	55	62
European Commercial Paper	10,552	9,382
	92,321	79,935

	31-12-2010	31-12-2009
9 Financial liabilities at fair value through the income statement	649	351

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

	31-12-2010	31-12-2009
10 Other financial liabilities	9,320	8,854

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

	31-12-2010	31-12-2009

11 Taxation

BNG has paid corporate tax since 2005. In 2006, agreement was reached with the tax authorities regarding the exemption amount (EUR 668 million) resulting from the initial valuation of the financial instruments in BNG's fiscal opening balance sheet as of 1 January 2005. Between 2005 and 2009 BNG gradually reduced the exempted amount on the fiscal result. During these years this put pressure on the commercial tax burden and the tax payable. By the end of 2009 the exempted amount had been fully written off.

In 2010, on the initiative of the tax authorities, BNG closed two bilateral agreements ('vaststellingsovereenkomsten') on the corporate tax returns for the periods 2005 – 2009 and 2010 – 2012. The agreements are applicable for the BNG fiscal unit. The outcome of the agreements is that all financial instruments are both commercially and fiscally processed in accordance with IFRS principles of valuation, with the exception of transactions classified as Financial assets available for sale. Fiscally all transactions within this category are valued at the lower of the cost price and the market value. The fiscal result deviates from the commercial result if, on balance, unrealized losses have arisen, or the revaluation reserve is negative from the transactions concluded after 1 January 2005. The negative result is charged to the fiscal profit. If the revaluation reserve increases, the positive amount is added to the fiscal annual profit up to the amount of the historical cost price. In the tax returns for the years up to and including 2009 BNG, on balance, deducted EUR 216 million in unrealized losses from the fiscal result. These unrealized losses are expected to be settled fiscally in the future. In addition, the adjustment of the tax returns for prior years have led to a one-time reduction of EUR 6 million in the tax payable for 2010.

	31-12-2010	31-12-2009
The reconciliation between the tax charge and the nominal tax rate is as follows:		
Profit before tax	337	350
Tax levied at the statutory nominal rate of taxation in the Netherlands of 25.5% (2009: 25.5%)	(86)	(89)
Tax credit with regard to corporate tax exempted results for which no tax deferrals have been formed	–	17
Tax adjustments from previous years	6	–
Other results exempt from corporate tax	1	–
Taxation in the consolidated income statement	(79)	(72)
This is an effective tax rate of 23% (2009: 21%)		
The reconciliation between the tax charge and the actual tax charge is as follows:		
Taxation in the consolidated income statement	(79)	(72)
Adjustment for tax relief for which a tax deferral has been formed	–	18
Adjustment for *Financial assets available for sale*	(6)	–
Adjustment for current taxation in previous years	(7)	(1)
Other adjustments for items measured at fair value	–	5
Tax receivable or tax payable according to fiscal settlement	(92)	(50)
Prepaid corporate tax	82	51
Tax payable/receivable	(10)	1
Statement of the deferred tax asset in the balance sheet		
Opening balance	53	60
Fiscal treatment opening balance sheet at 1 January 2005 treatment regarding subsidiary	(1)	–
Fiscal treatment opening balance sheet; apportionment during financial year	–	(18)
Movement deferred tax assets	(49)	11
	3	53

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.

The deferred tax asset is made up as follows:		
Adjustment for tax credit for which a tax deferral has been formed	3	4
Revaluation of *Financial assets available for sale**	–	49
	3	53

* This deferral relates to the unrealized losses of the interest-bearing securities bought after 1 January 2005. The part of the interest-bearing securities portfolio bought before that date is valued in the fiscal opening balance sheet.

	31-12-2010	31-12-2009
Statement of the deferred tax liability in the balance sheet		
Opening balance	28	23
Amount released from fair value movements of transactions involved in a hedge accounting relationship	(4)	1
Amount released from fair value movements of transactions not involved in a hedge accounting relationship	(24)	4
Positive revaluation of *Financial assets available for sale*	1	–
Value movement transaction of a net investment in a foreign entity	13	–
	14	28
The deferred tax liability is made up as follows:		
Revaluation of *Financial assets available for sale*	1	–
Transaction of a net investment in a foreign entity	13	–
Fair value movements of transactions involved in a hedge accounting relationship	–	4
Fair value movements of derivatives and other transactions that are not involved in a hedge accounting relationship	–	24
	14	28

12 Other assets and Other liabilities

	31-12-2010	31-12-2009
Other assets		
Deferred tax asset	3	53
Tax receivable	–	2
Other assets	173	153
	176	208

The other assets are primarily composed of amounts receivable from lending to clients.

	31-12-2010	31-12-2009
Other liabilities		
Tax payable	10	1
Deferred tax liability	14	28
Employee benefits provision	2	2
Other liabilities	152	213
	178	244

The other liabilities are primarily composed of amounts payable related to derivatives and lending to clients.

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

	31-12-2010	31-12-2009
Employee benefits provision		
Net liability as of 1 January	2	2
Other movements to the provision	–	–
Net liability as of 31 December	2	2

	31-12-2010	31-12-2009
13 Equity	2,259	2,253
Because BNG has no minority interests after consolidation, the entire consolidated equity can be attributed to 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 each, 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 issue of shares upon exercise.		
Share premium reserve	6	6
There were no movements in 2010.		
Revaluation reserve	(62)	49
Equity contains a revaluation reserve in which the unrealized fair value movement with respect to the *Financial assets available for sale* item is recognized. The deferred tax liability has been deducted from this item. If these assets are sold, the cumulative result recognized in equity is transferred to the income statement.		
Currency translation account	(5)	(6)
This concerns foreign exchange differences arising from the translation of the results of a net investment in a foreign entity.		
Other reserves	1,924	1,787
After the appropriations from the distributable profit pursuant to the Articles of Association have been determined, the General Meeting of Shareholders decides what portion of the remaining profit will be added to the reserves.		
Unappropriated Profit	257	278
The balance sheet was prepared prior to profit appropriation. This item represents the result achieved after deduction of the corporate tax.		
Number of shares outstanding	55,690,720	55,690,720
Proposed dividend per share in euros	2.30	2.49
Proposed dividend		
Primary dividend pursuant to the Articles of Association	7	7
Proposed dividend above the primary dividend pursuant to the Articles of Association	121	132
	128	139

	2010	2009
14 Interest income	1,898	2,628

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.

	2010	2009
Financial assets at fair value through the income statement	68	69
Derivatives not involved in a hedge accounting relationship	86	116
Derivatives involved in a portfolio fair value hedge accounting relationship	(1,757)	(1,096)
Financial assets available for sale not involved in a hedge accounting relationship	8	41
Financial assets involved in a fair value hedge accounting relationship	3,154	3,141
Financial assets at amortized cost	305	345
Other interest income	34	12
	1,898	2,628

	2010	2009
15 Interest expenses	1,488	2,291

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

	2010	2009
Derivatives not involved in a hedge accounting relationship	115	115
Derivatives involved in a micro fair value hedge accounting relationship	(1,828)	(981)
Financial liabilities involved in a micro fair value hedge accounting relationship	2,505	2,229
Financial liabilities at amortized cost	687	910
Other interest expenses	9	18
	1,488	2,291

	2010	2009
16 Income from associates and joint ventures	2	2

This item includes income from associates and joint ventures.

	2010	2009
Income from associates	1	1
Income from joint ventures	1	1
	2	2

For a description of the associates and joint venture activities, please refer to note 38.

	2010		2009
17 Commission income		35		36

This item includes income received and to be received for services provided to third parties.

		2010		2009
Breakdown of Commission income:				
– Income from loans and credit facilities		27		29
– Income from fiduciary activities		8		7
		35		36

	2010	2009
18 Commission expenses	6	6

This item relates to fees paid or to be paid for services rendered by third parties in relation to loans and credit facilities.

	2010	2009
19 Result financial transactions	(37)	40

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 entirely 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.

	2010	2010	2009	2009
Market value adjustment as a result of changes in credit and liquidity spreads				
– Of which investments	(31)		26	
– Of which structured loans	(14)		(22)	
		(45)		4
Result from hedge accounting				
Financial assets involved in a fair value hedge accounting relationship	723		(407)	
Financial liabilities involved in a micro fair value hedge accounting relationship	(359)		826	
Derivatives involved in a hedge accounting relationship	(372)		(412)	
		(8)		7
Result from sales of financial assets available for sale		12		–
Other market value movements		4		29
		(37)		40

	2010	2009
20 Addition to the incurred loss provision	(4)	0

This includes the addition to the incurred loss provision. This provision is recognized in the balance sheet item *Loans and advances*.

	2010	2009
21 Other income	0	2
The other income consists of:		
– Foreign exchange result	(2)	0
– Impairment of financial assets available for sale receivable	–	(1)
– Impairment of associates and joint ventures	(3)	(3)
– Income from consultancy services	5	6
	0	2
22 Staff costs	35	35
The staff costs are made up of:		
Wages and salaries	23	22
Pension costs	4	5
Social security costs	2	2
Addition to provisions	0	1
Other staff costs	6	5
	35	35
23 Other administrative expenses	26	24

Among other things, these expenses include the cost of outsourcing, rent and maintenance of property and equipment, printing costs, training expenses and advertising costs.

	2010	2009
24 Depreciation	2	2

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

25 Fees paid to external auditors

(in thousands of euros)

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

	2010	2009
1. Audit of the financial statements	320	304
2. Other audit engagements	190	98
3. Tax consultancy services	–	7
4. Other non-audit services	12	339
	522	748

26 Breakdown of balance sheet value according to remaining contractual terms to maturity

The summaries below show the breakdown of the balance sheet value into the remaining contractual terms of all financial instruments excluding derivatives.

31-12-2010

	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
Cash and cash equivalents	1,073	–	–	–	1,073
Banks	2,525	294	4,086	477	7,382
Financial assets at fair value through the income statement (excluding derivatives)	32	61	715	1,384	2,192
Loans and advances	11,090	9,272	35,516	30,973	86,851
Financial assets available for sale	1,167	1,200	1,920	2,125	6,412
Total assets	15,887	10,827	42,237	34,959	103,910
Banks	4,101	965	748	223	6,037
Funds entrusted	3,790	197	1,055	2,635	7,677
Debt securities	13,846	11,270	45,742	21,463	92,321
Subordinated loans	1	3	13	75	92
Total liabilities	21,738	12,435	47,558	24,396	106,127

31-12-2009

	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
Cash and cash equivalents	655	–	–	–	655
Banks	3,899	253	3,189	342	7,683
Financial assets at fair value through the income statement (excluding derivatives)	29	86	697	1,343	2,155
Loans and advances	7,435	8,917	33,977	28,976	79,305
Financial assets available for sale	111	374	3,251	1,795	5,531
Total assets	12,129	9,630	41,114	32,456	95,329
Banks	1,849	1,865	1,724	177	5,615
Funds entrusted	4,463	523	771	1,313	7,070
Debt securities	8,498	13,457	39,572	18,408	79,935
Subordinated loans	1	7	26	140	174
Total liabilities	14,811	15,852	42,093	20,038	92,794

27 Reclassification of financial assets available for sale

On 15 October 2008 the EU adopted several amendments to IAS 39 and IFRS 7 (amendments to IAS 39: Financial Instruments: Recognition and Measurement and 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* item and transfer them to the *Banks* and *Loans and advances* balance sheet items. The intention is to retain these assets 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 realized results.

The effective interest rate of the reclassified assets is a weighted average of 5.1% and ranges 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 31 December 2010			
Financial assets available for sale	6,412	10,448	(4,036)
Banks	7,382	6,890	492
Loans and advances	86,851	83,127	3,724
Equity	2,259	2,079	180
– of which revaluation reserve	(62)	(242)	180
Balance sheet value as of 31 December 2009			
Financial assets available for sale	5,531	10,107	(4,576)
Banks	7,683	7,189	494
Loans and advances	79,305	75,079	4,226
Equity	2,253	2,109	144
– of which revaluation reserve	49	(95)	144

	31-12-2010 with reclassification	31-12-2010 without reclassification	31-12-2009 with reclassification	31-12-2009 without reclassification
Reclassified assets				
Balance sheet value	4,216	4,036	4,720	4,576
Fair value	4,036	4,036	4,576	4,576
Unrealized market value movement in equity	(182)	(362)	(209)	(353)
Unrealized market value movement transferred to equity	27	(9)	25	153

28 Risk section

General

The organization of BNG's risk management is based on 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 reports to the regulator in conformity with Basel II regulation. With regard to the credit risk the 'standardized approach' is applied. For operational risk the 'basic indicator approach' is applied. In addition, the bank has developed internal rating models to improve the quality of the credit process and monitor the creditworthiness of counterparties.

Taking and managing risks is inherent to the bank's operations. Operating as a lending organization is not possible without accepting a certain degree of credit, liquidity and operational risk. As far as market risks are concerned, a large part can be hedged. However, the bank is willing to assume risk in a controlled manner, in the expectation that this will lead to an additional return.

Developments in 2010

Financial markets

The year 2010 continued to be dominated by the turmoil in the financial markets. The capital markets were more accessible to the bank than in 2009, but the spreads, especially for longer-term funding, continued to be higher than before the crisis. The bank was forced to pass these spreads on to the clients. Despite this, there was a high demand for loans with very long maturities. Where liquidity risk was concerned, a fee had to be charged because of the uncertainty regarding the future prices for refinancing the funding of these extra long maturity loans. The intensified liquidity management implemented in 2008 continued unchanged in 2010.

Internal credit risk assessment models

In October 2010 three internal credit risk assessment models were implemented: one for Public Housing, one for Energy, Water, Telecommunications, Transport, Logistics and Environment and one for Healthcare and Education. These models operate alongside the more qualitative systems of internal ratings used until now. Two additional models, for Project Financing and Financial Counterparties have been developed and were in the shadow run phase at the end of 2010.
The aim of these models is to make the credit assessment process more objective and transparent. The need arose due to the increasing complexity of the bank's non-guaranteed lending. In the course of time, and under strict conditions from the supervisor, DNB, the internal models could be used in the solvency calculation.

Risk appetite

BNG's risk policy has been a regular discussion topic between the Executive Board and the Supervisory Board for years.
The discussion was prepared using (an update of) a memorandum regarding BNG's risks and risk management. In the context of the Dutch Banking Code, it has been emphasized that a tuning of the so-called risk appetite between the Executive Board and the Supervisory Board should be a component of the governance structure. The handling of this memorandum meant that the essence of this provision of the Dutch Banking Code had already been implemented to a great extent (if not fully). Nevertheless, it was decided to evaluate the approach and align it with the Dutch Banking Code terminology.

The risk appetite indicates the extent of risk the bank allowes in order to create value and it makes the bank's risk profile transparent. The elaboration provides risk criteria based on the bank's strategic objectives and the expectations of the different stakeholders. These principles name the major qualitative and quantitative policy aspects related to each risk.
The qualitative criteria encompass those of DNB and AFM.
It is examined whether the risks are in-line with the principles and if the current status is reported. The primary objective is to map the risks as well as the reasons why these risks were taken. Guidelines and – for elements – possible boundaries are added to this analysis. In 2011 further attention will be given to the translation of the risk appetite to increase the awareness and conduct of the bank's processes.

Basel III

The regulations announced in 2010 and known as Basel III, will be implemented in the coming years. New ratios for liquidity risks and for the non-risk weighted relationship between equity and the size of the balance sheet (leverage ratio) could, in particular, have major consequences for BNG's capital policy and business model, and therefore its risk management. The height of the leverage ratio will not be definitely determined until 2017. If this remains the same as the 2010 proposals, the bank will have to retain more capital because all solvency-free loans to public authorities will count in full for the leverage ratio. In 2011, the bank will examine whether amendment of the capitalization and dividend policy is necessary.

Project participations
BNG incidentally participates in projects with a modest amount of venture capital, in order to get involved as a lender in these projects. In view of the market conditions in this sector, in mid 2010 the bank decided not to enter into new capital participations in projects.

Risk management organization

The bank has three dedicated management meetings in which the members of the Executive Board and the responsible Managing Directors have a seat. Each meeting addresses a specific risk area. These three dedicated management meetings relate to Organizational Policy, Asset & Liability Policy and Commercial Policy, in which the policy choices with regard to the operational risk, market and liquidity risk and credit risk respectively are dealt with.

The bank has a risk control framework in which a distinction is made between different types of risks, the responsibilities coupled with these risks and the different policy documents in which the acceptance and management of these risks is described. The Capital Management Policy is a component of this framework. This covers all types of risks – regardless of whether or not capital must be retained for them – and is the responsibility of Commercial Policy since they take decisions affecting the capital allocation.

Decisions on actually taking credit risks in the form of granting individual credit facilities or making other investments are taken by three independent committees within the framework of the Commercial Policy. This relates to the Credit Committee, the Financial Counterparties Committee and the Investment Committee. They are all chaired by various members of the Executive Board. Management of the so-called strategic risk is the direct responsibility of the Executive Board.

Risk management is concentrated within 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. In addition, the Credit Risk Assessment department, independently of the bank's commercial departments, takes care of assessing and advising on credit risk and revision proposals by clients and financial counterparties. The special credit activities of the bank, relating to guidance, management and settlement of problem loans, are also covered by the responsibility of this department. 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 regulation. The IAD has an independent position within the bank. The bank also has an independent Compliance Officer, who oversees compliance with relevant laws and regulation. 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 & Risk Committee. Topics which are stipulated in the Dutch Banking Code are addressed explicitly.

Risk Control Framework

Credit risk	Market risk	Liquidity risk	Operational risk	Strategic risk
– Counterparty risk – Settlement risk – Concentration risk	– Interest rate risk – Foreign exchange risk – Spread risk	– Short-term – Long-term	– General – IT risk – Outsourcing risk – Integrity risk – Legal risk	– Competitive risk – Dependency risk – Reputation risk – Investment climate

Capital management policy

Disclosure policy

Credit risk

Definitions

- Credit risk is the risk that a client or counterparty will default on its (financial) obligations and also includes the settlement risk, the counterparty risk and the concentration risk.
- Counterparty risk is the risk that a party defaults on payments related to a financial transaction at the moment the payment must be carried out.
- Settlement risk is the risk that a party fails to comply with the conditions of a contract (or a group of contracts) at the time of settlement.
- Concentration risk is the degree of spread of a bank's exposure over the number of debtors and the variety of those debtors.

General

In order to control this credit risk BNG has set up an internal risk management organization. It has been brought into line with the increasing diversity and complexity of granting credit facilities and has the following structure:

- The lending frameworks are set by the Executive Board.
- The Credit Committee decides on granting credit facilities with solvency requirements to clients.
- The Financial Counterparty 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 department (at portfolio level) and Credit Risk Assessment department (for individual transactions subject to solvency requirements) are responsible for assessing, quantifying and reporting on credit risk. These departments are independent of the Public Finance and Treasury directorates that engage in the credit risks.

Counterparty risk

The bank faces credit risk on its market parties pursuant to the Articles of Association and on its financial counterparties.

Market parties pursuant to the bank's Articles of Association
The Articles of Association only allow lending to clients with sufficient involvement of public authorities. As a consequence, the overwhelming majority of the credit portfolio consists of loans and advances extended to public authorities and/or guaranteed by public authorities. Due the virtual lack of credit risk within this portfolio the process of credit assessment and lending to these clients is on an efficient straight-through basis.

Lending subject to solvency requirements is preceded by a creditworthiness analysis. This analysis results in the determination of the risk and the award of an internal rating. Partly on the basis of this rating, the decision-making procedure and the maximum credit risk that the bank is willing to assume are determined. These risks are nearly always covered by collateral and covenants are used to mitigate risk further.

In addition, BNG reviews all non-guaranteed facilities at least once a year. Depending on the client's creditworthiness and the character of the credit facility, the creditworthiness is assessed and the internal rating updated.

BNG sets internal ratings that recognize both the transactional aspects and the client-specific aspects. At the end of 2010, 28 debtors had an internal credit rating of D or E, which means the relevant debtors are considered for special management.

Since 1 October 2010 the internal credit rating of some of the client segments has also been determined with the aid of the internal credit assessment models. The risk of non-payment is determined on the basis of client-specific quantitative and qualitative information. The transactional components, such as the received collateral, are added to determine the size of any eventual loss due to non-payment.

Financial counterparties
A limit is fixed for financial counterparties on the basis of a creditworthiness analysis. Because the bank only conducts its business with financial counterparties who have external ratings, these ratings are the most qualifying factor in the assessment. The rating agencies usually have an information advantage when it comes to assessing financial institutions. In the near future, however, an internal model for the credit assessment of financial counterparties will also go into effect to support the limit determination.

To reduce credit risk exposure to financial counterparties, BNG uses netting agreements, whenever possible, with such parties (ISDA). In addition, BNG has entered into bilateral collateral agreements with the major financial counterparties (Credit Support Annex). Several years ago a monthly collateral exchange procedure was still accepted. However, since 2009 the risk profile related to financial market parties has changed and most of the collateral agreements have been converted into daily exchange procedures. As in the preceding years no credit loss was suffered on financial counterparties in 2010.

Settlement risk

The greatest settlement risks arise in transactions with financial counterparties. The aforementioned ISDA/CSA agreements serve not only to mitigate the counterparty risk but also to limit the settlement risk because payments back and forth are netted.

Concentration risk

Some degree of concentration risk is inherent to the bank's mission. The credit provision is concentrated because the bank serves the Dutch public sector. In addition, a considerable portion of the exposure is susceptible to the value development of real estate in the public sector. In most cases this risk is mitigated through guarantees provided by public authorities and by the guarantee funds WSW in the social housing segment and WFZ in the healthcare segment.

The lending subject to solvency requirements is subject to a lending policy and a limit structure. Policy memorandums stipulate which type of credit the bank will and will not provide to certain sectors.

Another form of concentration risk is country risk. BNG only lends to parties in EU countries and has specified a general limit on foreign long-term investment of 15% of the balance sheet total, as well as limits on individual countries which are determined partly on the basis of the external country ratings. In many cases the foreign loans are guaranteed by the relevant governments. At the end of 2010 the total foreign exposure in balance sheet value was EUR 12.5 billion, of which EUR 9.0 billion – 7.6% of the balance sheet total – was long-term.

At the end of 2010 the exposure related to the financially weaker EU countries was as follows:

	AAA	+AA-	+A-	+BBB-	None	**Total**
Ireland						
ABS/MBS	395	20				415
Italy						
Government bonds		1,364				1,364
ABS/MBS	189	93	16			298
Loans and advances		35				35
IBS with government guarantee			32			32
	189	1,492	48	0	0	1,729
Portugal						
ABS/MBS	84					84
Loans and advances		52	90		73	215
Covered bonds		25				25
IBS with government guarantee					20	20
Miscellaneous			120			120
	84	77	210	0	93	464
Spain						
Government bonds	50					50
ABS/MBS	571	343	55	41		1,010
Loans and advances		112	9			121
Covered bonds	1,094	135				1,229
IBS with government guarantee	76		46			122
Miscellaneous		80				80
	1,791	670	110	41	0	2,612
Total exposure	**2,459**	**2,259**	**368**	**41**	**93**	**5,220**

These exposures concern government bonds, covered bonds, lending to market parties pursuant to the Articles of Association and investments in the safest parts of asset backed securities (ABS) and mortgage backed securities (MBS). In 2010 all cash flows from foreign spreads were received on time and in full. Thus far, the bank has not needed to make any provisions for future cash flows. The Irish exposure concerns securitizations of mortgages in Portugal and Germany.

At the end of 2009 the exposure related to the financially weaker EU countries was as follows:

	AAA	+AA-	+A-	+BBB-	None	Total
Ireland						
ABS/MBS	434	20				454
Italy						
Government bonds		1,361				1,361
ABS/MBS	71	262				333
Loans and advances		38				38
IBS with government guarantee			36			36
	71	1,661	36	0	0	1,768
Portugal						
ABS/MBS	92					92
Loans and advances		88	60		79	227
Covered bonds	25					25
IBS with government guarantee					22	22
Miscellaneous			120			120
	117	88	180	0	101	486
Spain						
Government bonds	50					50
ABS/MBS	708	348	59			1,115
Loans and advances		115	9			124
Covered bonds	1,119	110				1,229
IBS with government guarantee	121	46				167
Miscellaneous		80				80
	1,998	699	68	0	0	2,765
Total exposure	**2,620**	**2,468**	**284**	**0**	**101**	**5,473**

Developments

In 2011 the development and implementation of the internal credit risk assessment models will be continued. In addition, as a result of the turmoil in the financial markets, the bank will evaluate its risk willingness in respect of the different types of risk. This could lead to changes in the credit risk policy. Special attention will be paid to credit facilities to regional development projects. As a result of the reduced construction activities since the crisis the risk level of these projects has increased. BNG is currently cautious when it comes to entering into new participations or accepting new credit risks in such projects.

The following statement provides a quantitative insight into the credit risk at year-end 2010.

	31-12-2010	31-12-2009
	Balance sheet value	Balance sheet value
Financial assets		
Banks and loans and advances	94,233	86,988
Financial assets at fair value through the income statement	3,052	2,983
Financial assets available for sale	6,412	5,531
Other financial assets*	13,457	8,002
	117,154	103,504
Of which derivatives and market value adjustments hedge accounting*	(14,317)	(8,830)
	102,837	94,674

	31-12-2010		31-12-2009	
	Balance sheet value	In percent	Balance sheet value	In percent
Breakdown by market segments				
Public sector	33,378	33%	27,799	30%
Housing	40,085	39%	37,382	40%
Energy, Water and Telecom	2,074	2%	2,188	2%
Healthcare	7,325	7%	6,545	7%
Transport, Logistics and the Environment	1,801	2%	1,681	2%
Education	1,146	1%	963	1%
Credit institutions	6,616	6%	7,976	8%
Other financial institutions	8,073	8%	7,908	8%
Miscellaneous	2,339	2%	2,232	2%
	102,837	100%	94,674	100%

	31-12-2010		31-12-2009	
	Of which subject to solvency requirements	In percent	Of which subject to solvency requirements	In percent
Breakdown by market segments				
Public sector	677	3%	588	3%
Housing	1,222	6%	1,393	7%
Energy, Water and Telecom	2,017	10%	2,058	11%
Healthcare	1,919	9%	1,412	7%
Transport, Logistics and Environment	829	4%	854	4%
Education	965	5%	778	4%
Credit institutions	5,293	25%	4,404	23%
Other financial institutions	6,426	30%	6,653	34%
Miscellaneous	1,628	8%	1,467	7%
	20,976	100%	19,607	100%

* The balance sheet value of Other financial assets includes the market value adjustment by virtue of hedge accounting.

The main risk concentrations occur in the market segments with lending subject to solvency requirements. Collateral and security are provided by counterparties for almost all loans and advances that are subject to solvency requirements.
The loans and advances subject to solvency requirements to credit institutions include facilities to a limited number of banks, including but not limited to lending in connection with collateral obligations.
The loans and advances subject to solvency requirements also include 9 (2009: 11) counterparties with loans and advances of more than 10% of the BIS' own funds.

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.

	31-12-2010		31-12-2009	
Cash and cash equivalents		1,073		655
Derivatives		10,942		6,090
Banks and loans and advances	94,233		86,988	
Financial assets at fair value through the income statement (excl. derivatives)	2,192		2,155	
Financial assets available for sale	6,412		5,531	
		102,837		94,674
Contingent liabilities		478		873
Irrevocable facilities		10,092		5,980
		125,422		108,272

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

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 212 billion as of 31 December 2010 (2009: EUR 196 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.
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 notional amounts are multiplied by certain maturity and product 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 on 31 December 2010 to EUR 817 million (2009: EUR 571 million).

	31-12-2010	31-12-2009
Credit equivalents		
Interest rate contracts	1,631	1,006
Currency contracts	2,510	645
Total	4,141	1,651
Cash collateral received	2,036	272
Total after deduction of cash collateral	2,105	1,379

Incorporated in these figures is the effect of netting the positive and negative market value of the contracts per counterparty.
There was no capital requirement for the market risk with respect to open currency positions in 2010.

Maturity analysis of assets that have fallen due without impairment	31-12-2010	31-12-2009
Up to 30 days	1	1
31 to 60 days	0	0
61 to 90 days	1	0
More than 90 days	0	0
Total	2	1

All assets that have fallen due relate almost fully to the *Loans and advances* item. BNG has not invoked any guarantees and has not obtained any assets by taking possession of any collateral year end of 2010 and year end of 2009.

Financial instruments by category

31-12-2010

	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					1,724		5,658	7,382
Loans and advances					66,398	162	20,291	86,851
Financial assets at fair value through the income statement	2,192	860						3,052
Financial assets available for sale				2,320	4,092			6,412
Other financial assets			10,082		3,375			13,457
Total assets	**2,192**	**860**	**10,082**	**2,320**	**75,589**	**162**	**25,949**	**117,154**
Liabilities								
Banks							6,037	6,037
Funds entrusted						2,130	5,547	7,677
Subordinated loans							92	92
Debt securities						71,478	20,843	92,321
Financial liabilities at fair value through the income statement		649						649
Other financial liabilities			9,320					9,320
Total liabilities		**649**	**9,320**			**73,608**	**32,519**	**116,096**

Financial instruments by category 31-12-2009

	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					1,511		6,172	7,683
Loans and advances					62,380	146	16,779	79,305
Financial assets at fair value through the income statement	2,155	828						2,983
Financial assets available for sale				1,558	3,973			5,531
Other financial assets			5,262		2,740			8,002
Total assets	**2,155**	**828**	**5,262**	**1,558**	**70,604**	**146**	**22,951**	**103,504**
Liabilities								
Banks						227	5,388	5,615
Funds entrusted						674	6,396	7,070
Subordinated loans						84	90	174
Debt securities						58,346	21,589	79,935
Financial liabilities at fair value through the income statement		351						351
Other financial liabilities			8,854					8,854
Total liabilities		**351**	**8,854**			**59,331**	**33,463**	**101,999**

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 change in credit risk spread amounts cumulatively to EUR 168 million negative (2009: EUR 113 million negative) and EUR 55 million negative for 2010 (2009: EUR 31 million positive).

The movement 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 10 million negative (2009: EUR 11 million negative) and to EUR 1 million positive for 2010 (2009: EUR 8 million negative).

Interest-bearing securities portfolio (IBS)
BNG's IBS portfolio is held for its liquidity management and consists of high-quality bonds largely eligible as collateral at the central bank. This portfolio also serves to obtain a supplementary return on equity.

The table below includes the assets on the basis of outstanding principle amounts and they are classified into type and rating level. The assets originate from the balance sheet items *Banks, Loans and advances, Financial assets available for sale* and *Financial assets at fair value through the income statement.*

31-12-2010

	AAA	+AA-	+A-	+BBB-	None	Total
Domestic						
Government bonds	733					733
IBS with government guarantee	273					273
IBS with National Mortgage Guarantee	1,187	69	437			1,693
Covered Bonds	190					190
Building Society		1,198				1,198
Medium Term Notes			174			174
ABS/MBS	1,141					1,141
Miscellaneous	142	255	113			510
	3,666	**1,522**	**724**	**–**	**–**	**5,912**
Foreign						
Government bonds	666	1,544				2,210
IBS with government guarantee	843	50	46		20	959
Covered Bonds	1,244	160				1,404
Medium Term Notes	58	80				138
ABS/MBS	1,323	456	71	41		1,891
Miscellaneous	73	342	210	225		850
	4,207	**2,632**	**327**	**266**	**20**	**7,452**
Total	**7,873**	**4,154**	**1,051**	**266**	**20**	**13,364**

31-12-2009

	AAA	+AA-	+A-	+BBB-	None	Total
Domestic						
Government bonds	505					505
IBS with government guarantee	96				269	365
IBS with National Mortgage Guarantee	1,138	79	472			1,689
Building Society		317	1,080			1,397
Medium Term Notes	5		173			178
ABS/MBS	1,541					1,541
Miscellaneous	20	355	125			500
	3,305	**751**	**1,850**	**–**	**269**	**6,175**
Foreign						
Government bonds	654	1,538				2,192
IBS with government guarantee	1,244	46	70		22	1,382
Covered Bonds	1,309	110				1,419
Medium Term Notes	56	80				136
ABS/MBS	1,585	439	59			2,083
Miscellaneous*	666	372	157	100		1,295
	5,514	**2,585**	**286**	**100**	**22**	**8,507**
Total	**8,819**	**3,336**	**2,136**	**100**	**291**	**14,682**

* In this item (column AAA) includes a securitization of EUR 487 million in which are placed, amongst others, loans and advances sold by BNG for EUR 330 million.

Market risk

Definitions

- Market risk is the current or future threat to the equity and result of the organization, due to changes in market prices. There are different types of market risk. BNG recognizes interest rate risk, foreign exchange risk and fluctuations in credit and liquidity spreads.
- Interest rate risk is the risk for the annual result and equity that occurs from unfavorable changes in market interest rates.
- Foreign exchange risk is the risk for the annual result and equity that occurs from unfavorable changes in foreign currency exchange rates.
- Spread risk is the risk for the annual result and equity that occurs from unfavorable changes in credit risk spreads and liquidity spreads.

Interest rate risk

BNG follows an active interest rate exposure policy aimed at generating an additional return on equity by capitalizing on movements in market prices. The precondition governing this policy is control of the risks attendant on these interest rate exposures, 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 exposure policy resides with the Executive Board. The implementation of this policy has been delegated to the Asset & Liability Committee (ALCO) in which the members of the Executive Board are represented. Alongside the Executive Board, the Managing Directors responsible for Treasury, Public Finance 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.

Risk Control is responsible for the independent monitoring of the market risk as well as for providing advice in relation to the organization of the market risk management. The department provides reports to ALCO and may identify risks and offer advice either solicited or unsolicited.

The day-to-day interest rate risk management 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 risk exposure. Treasury is also responsible for the market data used for pricing. To ensure a clear division of duties, the revaluation of financial instruments is carried out within the Processing Directorate, while Risk Control is responsible with respect to the content. BNG employs a range of risk measures and risk management systems for controlling interest rate risks. Best practice techniques are used. If necessary, the bank develops its own frameworks, models and systems.

The most important risk measures applied at BNG are duration, interest rate sensitivity per time interval 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. 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. The scenario of plus or minus 200 basis points is also prescribed under Basel II regulation 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. In addition, the bank has internal limits serving as an early warning. The bank's market risk policy stipulates that the duration may never exceed 10.
The adjacent table gives the impact of an instantaneous change in the interest rate at year-end 2010. It shows the market value movement caused by this change. It is split into the manner in which it ultimately ends up in the income statement of the bank. Finally, the right hand column represents the estimated impact of the market value movement on the interest result of the bank in the years after 2011.

The impact (before tax) of an instantaneous interest rate shock on the market value as of 31 December 2010 (31 December 2009).

	Total market value movement		Impact on the income statement		Impact on equity		Long-term impact on the income statement	
	2010	2009	2010	2009	2010	2009	2010	2009
Interest rate shock								
+200 bp	(268)	(354)	(13)	(18)	(14)	(25)	(241)	(311)
–200 bp	+165	+349	+3	+2	+15	+26	+147	+321
Accounting classification			Fair value through the income statement		Fair value through equity		Amortized cost	

Only a small part of the market value movements is directly expressed in the income statement and/or equity. In the example with the scenario of a rise in interest rates of 200 basis points, EUR 13 million negative immediately ends up in the annual result and EUR 255 million negative in future years. Of the EUR 255 million negative during the future years, EUR 14 million negative ends up directly in equity. It is estimated that the underlying interest result will be influenced negatively by 3% next year.

The table shows that a relatively big shock in the market value as a result of changes in interest rates only has a relatively small impact on the bank's annual result. This is caused by the fact that the bank's results are mainly recognized in the income statement on the basis of amortized cost. The profits and losses as a result of changes in the interest rates are amortized over a much longer period in the result. This is the result of the hedging strategy of the bank which is applied intentionally in order to achieve an annual result that is as stable as possible. Complex structured products are less suitable for hedge accounting, resulting in the fact that some of the assets are recognized at fair value through the income statement.

Foreign exchange risk

Because the bank attracts the majority of its funding in foreign currency, the currency exposures 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 exposures are limited.

Credit spreads, liquidity spreads and interest rate risk management

BNG's interest exposure is determined on the basis of the entire portfolio of assets and liabilities. The interest rate risk position is determined with the help of an interest rate curve built up from market swap rates. As BNG's portfolio on the balance sheet has a relatively low credit risk, the spreads have traditionally been very low compared to this swap curve. Due to the crisis these spreads are now higher, which somewhat complicates the management of the interest rate risk position. That is why the bank uses additional information to analyze the interest rate position with and without these risk spreads. Risk position limitation still takes place on the basis of market prices including these risk spreads.

Market risk management developments

At this moment BNG sees no reason to revise its interest rate exposure policy. With regard to market risk, more attention must be paid to scenario analysis in the coming years, particularly to more complex scenarios in which different events are combined. The increase in regulations regarding market risks relates primarily to the field of trading portfolios. BNG does not have any trading portfolios. The valuation of assets and liabilities is very important for the determination and management of market risks. BNG invests continuously to bring this to a higher level.

Liquidity and funding risk

Definitions

- Liquidity risk is the current or future threat to the bank's equity and result as a result of the possibility that the bank will be unable at any given moment to meet its payment obligations without incurring unacceptable costs or losses.
- The short-term liquidity risk is the risk that in the short-term the bank cannot attract sufficient funds to meet its payment obligations.
- The refinancing risk or the long-term liquidity risk is the risk that, as a result of the development of its own creditworthiness, the bank cannot attract any or sufficient funds at prices that will safeguard the continuity of the bank.

General

Liquidity risk is perceived to be the biggest threat to banks and can occur very unexpectedly. The financial world has become more aware of this than ever before, since the turmoil on the markets caused various banks to suddenly crash, while some others could only just be saved.
In order to monitor its liquidity position the bank has a liquidity maturity calendar which is updated daily and it formulates long-term liquidity forecasts on a weekly basis. 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 which can also serve as collateral for the central bank. The bank has an extensive borrowing capacity on the basis of the collateral actually provided. In addition, a part of the assets is held explicitly for liquidity purposes. Due to its excellent creditworthiness and good reputation, the bank continues to enjoy sufficient access to the international financial markets, even in difficult market conditions.

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 also aims to retain the bank's excellent creditworthiness, thus maintaining its strong future funding position. To this end, among other things, the longer-term liquidity requirements are monitored. The long-term liquidity position is determined on the basis of future cash flows. The funding deficits as of 31 December are within the bank's limits.

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 international money and capital markets functioned better in 2010 than they had in 2009, but still not as well as before. Stricter monitoring of the liquidity position was also applicable throughout 2010.
The developments brought about by Basel III that will take place between 2013 and 2018 are casting their shadow ahead. The introduction of new liquidity ratios will have its impact on the business models of banks. BNG has already projected its portfolio and business model on the basis of these new ratios, insofar as the precise calculation of these ratios has been made clear. Because the weighting factors of several types of bonds have not yet been determined, the outcomes are not certain as of yet. With the help of a separate liquidity portfolio, the bank is preparing liquidity management within which these ratios can be regarded. This portfolio can also be used as an instrument to manage capital ratios. In 2011 this management will be carried out regularly in order to get timely experience with it.

Analysis of financial assets and liabilities according to remaining contractual terms to maturity

The amounts shown represent all non-discounted future cash flows of the financial assets and liabilities. For analysis into periods to maturity of the guarantees granted and irrevocable commitments please see notes 32 and 33.

31-12-2010

	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
Cash and cash equivalents	1,073	–	–	–	1,073
Banks	2,527	347	4,384	928	8,186
Financial assets at fair value through the income statement (excluding derivatives)	(33)	79	837	3,013	3,896
Loans and advances	11,110	9,612	39,653	54,098	114,473
Financial assets available for sale	1,161	1,217	2,057	3,587	8,022
Other assets	76	–	–	–	76
Total assets	15,914	11,255	46,931	61,626	135,726
Banks	(4,102)	(972)	(997)	–	(6,071)
Funds entrusted	(3,759)	(201)	(950)	(5,600)	(10,510)
Debt securities	(13,811)	(11,372)	(49,318)	(30,329)	(104,830)
Subordinated loans	(1)	(3)	(16)	(163)	(183)
Other liabilities	(79)	–	–	–	(79)
Total liabilities	(21,752)	(12,548)	(51,281)	(36,092)	(121,673)
Gross balanced derivatives					
Assets					
Assets amounts receivable	7,981	5,087	30,191	29,710	72,969
Assets amounts payable	(6,812)	(3,614)	(24,398)	(24,395)	(59,219)
	1,169	1,473	5,793	5,315	13,750
Liabilities					
Liabilities amounts receivable	5,429	5,307	14,063	25,194	49,993
Liabilities amounts payable	(6,355)	(6,937)	(19,520)	(28,867)	(61,679)
	(926)	(1,630)	(5,457)	(3,673)	(11,686)
Total derivatives	243	(157)	336	1,642	2,064
Total general	**(5,595)**	**(1,450)**	**(4,014)**	**27,176**	**16,117**

31-12-2009

	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
Cash and cash equivalents	655	–	–	–	655
Banks	3,887	206	3,613	489	8,195
Financial assets at fair value through the income statement (excluding derivatives)	28	103	916	3,025	4,072
Loans and advances	7,457	9,268	38,562	51,103	106,390
Financial assets available for sale	98	382	3,473	3,056	7,009
Other assets	41	–	–	–	41
Total assets	12,166	9,959	46,564	57,673	126,362
Banks	(2,168)	(1,879)	(1,880)	(467)	(6,394)
Funds entrusted	(4,064)	(532)	(889)	(2,026)	(7,511)
Debt securities	(8,470)	(13,576)	(42,849)	(26,148)	(91,043)
Subordinated loans	(1)	(7)	(29)	(259)	(296)
Other liabilities	(128)	–	–	–	(128)
Total liabilities	(14,831)	(15,994)	(45,647)	(28,900)	(105,372)
Gross balanced derivatives					
Assets					
Assets amounts receivable	5,044	7,692	20,189	22,913	55,838
Assets amounts payable	(4,421)	(6,204)	(17,240)	(20,103)	(47,968)
	623	1,488	2,949	2,810	7,870
Liabilities					
Liabilities amounts receivable	4,123	4,147	18,949	25,069	52,288
Liabilities amounts payable	(4,827)	(6,120)	(24,101)	(27,517)	(62,565)
	(704)	(1,973)	(5,152)	(2,448)	(10,277)
Total derivatives	(81)	(485)	(2,203)	362	(2,407)
Total general	**(2,746)**	**(6,520)**	**(1,286)**	**29,135**	**18,583**

Operational risk

Definitions

- Operational risk is the risk of losses resulting from inadequate or failing internal procedures and systems, staff errors or external events. Operational risk includes the following risks:
- IT-risk: the risk that, due to inadequate support from information technology, operating processes and information facilities are insufficiently sound, are interrupted or are insufficiently secure.
- Outsourcing risk: the risk that the continuity, integrity and/or quality of the tasks outsourced to third parties or the equipment and staff made available by these third parties, are jeopardized.
- Integrity risk: the risk that the bank's integrity is impaired due to the dishonest, unethical conduct of the organization or its staff regarding compliance with laws, regulation and the social and other standards set by the bank.
- Legal risk: the risk coherent with (changes to and compliance with) legislation and regulation, the possible threat to its legal position, including the possibility that contractual conditions cannot be enforced or are not correctly documented.

General

The line management is primarily responsible for managing the operational risks of the bank's processes and systems. It receives support from specialized departments. The management of operational risks is based on 'sound practices' included in the Basel II regulation.
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-assessment 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 addition, periodic integrity analyses are carried out from within the compliance function.

BNG records operational incidents above a certain size. To this end, staff engaged in the operational process report incidents to Risk Control. In addition to recording, Risk Control examines in consultation with the departments whether the processes, systems or procedures have to be adjusted in order to prevent incidents in the future. Every four months a report is issued to the Executive Board, Board of Directors and Heads of departments. Annually, the Executive Board and the Audit & Risk Committee of the Supervisory Board receive a report of the incidents with a possible impact of more than EUR 100,000.
The incidents report for 2010 contained 3 entries.

IT-risk

The objectives of information security policy are an uninterrupted and verifiable functioning of the information systems and a reduced 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 2010 and led to the conclusion that the services can indeed be continued on the emergency systems should the need arise.

Due to the increased diversity and complexity of the financial instruments in the bank's portfolio, the limits of the functionality of the financial systems and the (present) organizational are becoming visible. After a preliminary investigation and a selection process, it was decided in 2010 to acquire and implement a risk management system which will deal with the majority of the problem areas.
Implementation will take place in limited-sized subprojects. The first subjects concern the management of credit limits for credit facilities and a revised security administration. Decisions regarding new functionality for asset & liability management, liquidity management and scenario analysis by means of other modules of the same system will be taken later, partly on the basis of experiences with the first subprojects. The expected total implementation time is approximately three years, but the first modules will go into operation in 2011.

Outsourcing risk

After the turbulent year 2009, in which the insourcer Ordina BPO was taken over by the Centric organization and the activities were continued under the name Centric Financial Solutions & Services (Centric FSS), 2010 also presented Centric FSS with the necessary challenges. The measured occupancy sometimes resulted in limited flexibility although the agreed service levels were achieved. BNG is confident that Centric FSS can and will continue to provide the operational service required to BNG's satisfaction in 2011.

The outsourced activities are payment services and current account administration, the computer centre and work station management. The activities carried out by Centric FSS are linked with BNG's activities via service level agreements and a demand organization within BNG.
The spearheads of the cooperation with Centric FSS for 2011 are the further development of the platform for payment services, upgrading the office automation, including document management and the work station, and implementation of the aforementioned new external risk management system.

Integrity risk
The bank sees integrity as an integral part of its operations. The BNG Company Code is therefore the overriding guideline for the actions of BNG and its staff. At BNG, integrity and reliability take precedence over pure financial gain. The BNG Company Code is published on the bank's website. As a result of the financial crisis the standard for honest business operations was elaborated by the Dutch Banking Code and new laws and regulation in the field of remuneration policy. The bank continued implementing these new laws and regulation in 2010. In addition, in 2010 activities were started to give a more visible and structured organization to the topic Corporate Social Responsibility. The company culture of BNG and its subsidiaries also received specific attention in 2010. In so-called core value sessions all the staff, under external leadership, translated BNG's core values – reliable, professional and contemporary – into their own duties and tasks. BNG also demands that its clients and suppliers conduct their business with integrity and has drawn up rules regarding the acceptance, identification and monitoring of clients and transactions in the context of Customer Due Diligence.

Legal risk
The increased complexity of transactions and agreements makes the timely and comprehensive administration of all contractual stipulations more necessary than ever but also more complicated. This puts their operational manageability under pressure and increases the operational risks. Although this has not yet resulted in losses, the bank considers the implementation of the risk management system mentioned above to be very important for the management and therefore the ability to enforce the contractual agreements with its clients.

Strategic risks

Definitions
- Strategic risk is the risk that strategic decisions can lead to losses and/or the risk of changes outside the organization or group in the field of competitive relationships, stakeholders, reputation and business climate.
  Strategic risk comprises:
- Competitive risk: the risk that the organization's competitive and market position is influenced by the activities, campaigns and/or decisions of (new) competitors.
- Dependency risk: the risk that the influence of and developments related to stakeholders result in conflicting interests with the organization and/or influence the organization's financial position.
- Reputation risk: the risk that the market position of the organization worsens as a result of stakeholders having a negative perception of its image.
- Risks due to the business climate: the risk resulting from changes in the field of the economy, the stock exchange climate, salary and/or purchasing power developments, society, politics and technology.

Competitive risk, dependency risk and business climate
It is not easy for newcomers to enter the market served by BNG. This is because the margins that can be realized on lending are relatively low, which means scale and efficiency are preconditions for a profitable business model. Parties that strive solely for profit maximization will want to penetrate this market to a limited extent only. This means the competitive risk is limited. This does not apply to the dependency risk. BNG is highly dependent on governmental developments. By being involved in these developments in all kinds of ways the bank strives to always be able to respond to changes in its playing field at an early stage. The dependency on social developments, for example in the housing sector, is larger than on indicators such as the stock exchange climate or economic growth. In times of economic stress the bank, thanks to its strong financial position and relatively safe credit portfolio, has a relative advantage over its competitors.
The bank's room to maneuver in the social playing field is limited, but the turmoil on the financial markets has strongly emphasized the use and necessity of a sector bank, such as BNG, which was always there for its clients.

Reputation risk

BNG considers its clients to be professional market parties. Within this context the bank feels the need to exercise a duty of care towards its clients. One reason for this is the far greater complexity of the financial world, in terms of both products and regulation. If clients ask for structured finance products that – in the bank's opinion – are (too) complex, than the bank will clearly point this out to the client. This is particularly applicable when a smaller organization is involved, which does not have the internal expertise to, for example, estimate the development in value of financial instruments under stressful market conditions. In events that occurred in 2010 the bank decided it would not (continue to) provide some products because the risks for the client were considered unacceptable.

Within the framework of the product approval process – which BNG formulated in 2010 – the bank's products were once more critically evaluated. The internal audit department will once again review this process in 2011. The design and operation of this process will be the central issues of this review.

Reputation risk does, of course, also apply in relation to other stakeholders, including the investors and the shareholders. Which is why it is an implicit component of every element of the risk policy. Mitigation of the various risks indirectly protects the bank's reputation.

Capital management and Capital Adequacy

Capital management policy

Under Basel II, a bank must have a formalized capital management policy, indicating how the bank deals with the relationship between quantifying expected and unexpected risks and determining the economic capital to absorb those 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 circumstances. This is achieved by identifying and quantifying risks, by calculating the capital requirements and by assessing the capital adequacy. Capital limits, so-called trigger ratios, have been set for market risks, credit risks and operational risks. These are limit values which, if exceeded, will trigger measures such as risk mitigation, the raising of extra capital or the adjustment of the capital objective. The trigger ratios for economic capital were not exceeded in 2010.

The capital management policy has been formalized by means of a capital management plan. There is consultation with the supervisory authority (the supervisory review process) on the capital management process. In 2010 the supervisory authority approved the capital management policy without imposing discretionary surcharges for the retention of extra capital.
At the end of 2010 the bank further formalized its internal process for the actual allocation of capital to the internal users of capital. This will be included in the capital management policy in 2011.

Capital Adequacy

The standards set by the Dutch Central Bank for the principal 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 plus a spread for operational risk.

The minimum required percentages for the bank's total capital and core capital amount to eight percent and four percent of the risk-weighted assets respectively. The policy of the bank is maintaining low funding costs in order to achieve its mission. Maintaining the highest ratings is a prerequisite for this. From this point of view, the bank has set a minimum limit of 18% for the BIS-ratio core capital (tier 1) within its capitalization and dividend policy. The regulations in connection with Basel III and the higher expectations the markets will have of banks as a result, could lead to a the current capital management policy being reviewed.

	31-12-2010		31-12-2009	
	Minimum requirement	Present	Minimum requirement	Present
Total capital	895	2,280	882	2,239
BIS-ratio total capital	8%	20%	8%	20%
Core capital	447	2,190	441	2,064
BIS-ratio core capital (tier 1)	4%	20%	4%	19%

Capital requirements and risk-weighted assets as from 31 December 2010

	31-12-2010		31-12-2009	
	Basel II Risk-weighted amount	Capital requirements	Basel II Risk-weighted amount	Capital requirements
Credit risk				
Standardized approach (divided into categories)				
Regional authorities	6	0	20	2
Public law authorities	370	30	289	23
Institutions	983	79	1,035	83
Companies	6,830	546	6,779	542
Associations, foundations etc.	748	60	721	58
Covered bonds	159	13	148	12
Securitization	1,131	90	1,215	97
Participation in investment funds	70	6	70	5
Other	226	18	196	16
	10,523	842	10,473	838
Market risk				
Standardized approach	–	–	14	1
Operational risk				
Basic indicator approach	658	53	537	43
Total	**11,181**	**895**	**11,024**	**882**

29 Fair value of financial instruments

The fair value is the amount for which an asset can be traded or an obligation can be 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 that are customarily used in the financial sector. These are mostly 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 spread curves 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 the 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.

	31-12-2010		31-12-2009	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Cash and cash equivalents	1,073	1,073	655	655
Banks and loans and advances	94,233	99,418	86,988	91,044
Financial assets at fair value through the income statement	3,052	3,052	2,983	2,983
Financial assets available for sale	6,412	6,412	5,531	5,531
Other financial assets*	13,457	10,082	8,002	5,262
Total financial assets	118,227	120,037	104,159	105,475
Banks and funds entrusted	13,714	13,819	12,685	12,802
Subordinated loans	92	124	174	203
Debt securities	92,321	92,870	79,935	80,587
Financial liabilities at fair value through the income statement	649	649	351	351
Other financial liabilities	9,320	9,320	8,854	8,854
Total financial liabilities	116,096	116,782	101,999	102,797

* The Other financial assets item includes a market value adjustment of EUR 3,375 million positive (2009: EUR 2,740 million positive) as a result of portfolio fair value hedging, which 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 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 sheets.

31-12-2010

	Valuation on the basis of quoted prices in an active market	Valuation technique based on observable market data	Valuation technique based on non-observable market data	Total
Financial assets at fair value through the income statement	–	2,481	571	3,052
Financial assets available for sale	2,317	3,533	562	6,412
Other financial assets	–	10,082	–	10,082
	2,317	16,096	1,133	19,546
Financial liabilities at fair value through the income statement	–	649	–	649
Other financial liabilities	–	9,320	–	9,320
	–	9,969	–	9,969

31-12-2009

	Valuation on the basis of quoted prices in an active market	Valuation technique based on observable market data	Valuation technique based on non-observable market data	Total
Financial assets at fair value through the income statement	128	2,699	156	2,983
Financial assets available for sale	2,082	3,302	147	5,531
Other financial assets	–	5,262	–	5,262
	2,210	11,263	303	13,776
Financial liabilities at fair value through the income statement	–	351	–	351
Other financial liabilities	–	8,854	–	8,854
	–	9,205	–	9,205

In 2010 no trading in interest-bearing securities with NHG mortgages as collateral took place. Due to the lack of transactions in this type of securities, the observable market data is not representative of the current fair value. As a result, a greater portion of the fair value of BNG's total portfolio is valued using non-observable market data. The fair value labeled as obtained by non-observable market data is partly determined on the basis of observable market data that has been adjusted to take account of management assumptions concerning liquidity.

Statement of changes in valuation technique based on non-observable market data

2010	Financial assets at fair value through the income statement	Financial assets available for sale
Opening balance sheet	156	147
Results:		
– Through the income statement	(14)	1
– Unrealized value movement	–	(14)
Investments	–	7
Cash flows	(22)	(7)
To 'valuation technique based on market observables'	–	–
From 'valuation technique based on market observables'	451	428
Closing balance sheet	571	562

Statement of changes in valuation technique based on non-observable market data

2009	Financial assets at fair value through the income statement	Financial assets available for sale
Opening balance sheet	1,057	123
Results:		
– Through the income statement	23	2
– Unrealized value movement	–	20
Investments	–	11
Cash flows	(45)	(9)
To 'valuation technique based on market observables'	(964)	–
From 'valuation technique based on market observables'	85	–
Closing balance sheet	156	147

The table below shows the sensitivity of the transactions with valuation technique based on non-observable market data with a parallel interest rate movement.

		Effect on balance sheet value with an interest rate movement of			
31-12-2010	Balance sheet value	+10 bp	−10 bp	+100 bp	−100 bp
Financial assets at fair value through the income statement	572	(2)	2	(20)	21
Financial assets available for sale	562	(1)	1	(13)	14
	1,134	(3)	3	(33)	35

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 is 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. The paragraph on accounting principles describes the conditions 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 Program. The foreign exchange and interest rate risks are hedged by means of derivatives, principally cross currency interest rate swaps. The issues are fully offset against the derivatives so that, on a net basis, issues in foreign currencies are converted into euros. Both the issues 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 hedged 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 aggregate level, thus precluding relationships with individual transactions. Within BNG, the effectiveness of portfolio hedging relationships, like that of 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 revaluation of PH-items is accounted for in the balance sheet item *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 the derivatives that are not involved in a hedge accounting relationship are stated in the balance sheet item *Financial assets at fair value through the income statement* if the value is positive, or the balance sheet item *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.

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

	31-12-2010	31-12-2009
Derivatives in a hedge accounting relationship (fair value hedge)		
Other financial assets	10,082	5,262
Other financial liabilities	(9,320)	(8,854)
Derivatives not in a hedge accounting relationship		
Financial assets at fair value through the income statement	860	828
Financial liabilities at fair value through the income statement	(649)	(351)

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

	31-12-2010		31-12-2009	
	Notional amount	Fair value	Notional amount	Fair value
Other financial assets				
Swaps	88,764	10,082	74,090	5,262
Forwards	–	–	–	–
Options	–	–	–	–
	88,764	10,082	74,090	5,262
Other financial liabilities				
Swaps	98,136	(9,320)	97,792	(8,854)
Forwards	–	–	–	–
Options	–	–	–	–
	98,136	(9,320)	97,792	(8,854)
Financial assets at fair value through the income statement				
Swaps	8,504	572	8,530	611
Forwards	6,229	231	6,962	172
Options	968	57	1,162	45
	15,701	860	16,654	828
Financial liabilities at fair value through the income statement				
Swaps	2,746	(411)	3,402	(272)
Forwards	5,548	(171)	2,710	(32)
Options	1,137	(67)	1,037	(47)
	9,431	(649)	7,149	(351)

With respect to credit risk on derivatives, BNG receives security from counterparties. As of 31 December 2010 this security amounted to EUR 2,476 million (2009: EUR 372 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 711,891. 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 the 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 labor agreement for the general banking industry. Management and staff do not own BNG shares or options and receive no additional remuneration via subsidiaries of the bank.

The variable remuneration as of 2004 has been set at a maximum of 35% of the fixed remuneration. The award of the variable remuneration depends on the degree to which the objectives set by the Supervisory Board have been achieved. Detailed information on this is included in the Report of the Supervisory Board to the Shareholders. The realization of the variable remuneration targets for 2010 led to the award of 98% of the maximum variable remuneration (2009: 86%). The members of the Executive Board received an allowance for business expenses of EUR 3,900 in 2010 (2009: EUR 3,900). This allowance will not be adjusted in 2011.

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. Supervisory Board members do not own BNG shares or options and receive no additional remuneration via subsidiaries of the bank.

Members of the Supervisory Board who were appointed or resigned during the financial year received pro rata remuneration. Members of the Audit & Risk 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 the 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 & Risk Committee, Market Strategy Committee) and EUR 250 (Remuneration Committee, Selection and Appointment Committee) respectively. Former Supervisory Board members received no remuneration.

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

	2010	2009
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 H.G.O.M. Berkers (appointed as of 27 April 2009)	29	22
Mrs S.M. Dekker	23	23
W.M. van den Goorbergh	29	27
R.J.J.M. Pans	23	23
A.G.J.M. Rombouts	23	23
W.K. Wiechers (resigned as of 27 April 2009)	–	12
	227	**230**

* Including additional allowances and excluding expenses.

Off-balance sheet commitments

	31-12-2010	31-12-2009
32 Contingent liabilities	478	873

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 with a remaining contractual term of more than five years, 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 the counterparty defaulting.

	31-12-2010	31-12-2009
33 Irrevocable facilities	10,092	5,980

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

	31-12-2010	31-12-2009
Master agreements concerning the unused part of credit facilities	3,816	3,353
Contracted loans and advances to be extended in the future	6,276	2,627
	10,092	5,980

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

	31-12-2010	31-12-2009
Up to three months	1,611	1,095
Longer than three months but not longer than one year	2,391	838
Longer than one year but not longer than five years	2,264	694
Longer than five years	10	–
	6,276	2,627

Nearly all these loans and advances have a contractual term to maturity longer than 5 years. The average interest rate is 2.8% (2009: 4.4%). These commitments are included in the interest rate risk management of the entire portfolio.

	31-12-2010	31-12-2009
34 Assets not freely disposable	12,141	11,643

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

	31-12-2010	31-12-2009
BNG has extended debenture loans and subordinated loans to the Dutch Central Bank as collateral for funds withdrawn.	12,126	11,628
Security extended to other financial institutions	15	15
	12,141	11,643

35 Responsibility statement

Members of the Executive and Supervisory Boards of the company are indemnified by the company against any personal liability, except in cases of deliberate intent or gross negligence. In addition, the company has taken out a directors' liability insurance for members of the Executive and Supervisory Boards and employees acting on behalf of the company as members of the Executive Board or Supervisory Board of one or more participating interests of the company.

36 Events subsequent to the balance sheet date

In the first quarter of 2011, BNG decided to dispose of its 83% interest in Vincent Investments BV, for GBP 500 million. The settlement of this transaction will have no material consequences for the consolidated income statement of the bank and is expected to be completed by the end of the first half of the year.

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 corporate 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 jeopardized in any way. The policy 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-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 assurance 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.

The above capitalization and dividend policy formulated in 2006 must now be considered in light of the forthcoming amendments to the Basel regulations that oblige banks to retain more capital. The new regulations as well as the current capitalization, relative to the agreed minimum within the policy, will mean no additional payments will be made in 2011.

	31-12-2010	31-12-2009
38 Associates and joint ventures		
Associates		
Transdev-BNG-Connexxion Holding BV, The Hague	25%	25%
Participation in and funding of businesses in the broadest sense. This company holds two-thirds of the shares in Connexxion Holding NV.		
Dataland BV, Rotterdam	30%	30%
A municipal nonprofit initiative that aims to make information on registered properties – as held by municipalities and/or other public entities – available to a wide audience.		
Data B Mailservice Holding BV, Leek	45%	38%
Provision of services to, amongst others, public sector organizations, ranging from printing and mail services to payment-related, direct marketing and messaging services.		
NV Trustinstelling Hoevelaken, The Hague	40%	40%
Acceptance and administration of pledge-related rights and other collaterals.		
Joint ventures entered into by BNG Gebiedsontwikkeling BV		
Joint development and allocation of land with municipal authorities, for own risk and account. The parties involved in the joint ventures have equal voting rights, which means no single party has control.		
Ontwikkelingsmaatschappij Jachthaven Drimmelen CV, Drimmelen	50%	56%
Ontwikkelingsmaatschappij Jachthaven Drimmelen Beheer BV, Drimmelen	50%	50%
Development and allocation of land for residential construction		
Ontwikkelingsbedrijf Bedrijvenpark Pannenweg CV, Nederweert	50%	50%
Ontwikkelingsbedrijf Bedrijvenpark Pannenweg Beheer BV, Nederweert	50%	50%
Development and allocation of land for industrial estates		
CV Ontwikkelingsmaatschappij Zenkeldamshoek, Goor	80%	80%
Zenkeldamshoek Beheer BV, Goor	50%	50%
Development and allocation of land for industrial estates		
Ontwikkelingsmaatschappij De Drieslag Ommen CV, Ommen	80%	80%
Ontwikkelingsmaatschappij De Drieslag Ommen Beheer BV, Ommen	50%	50%
Development and allocation of land for industrial estates and residential construction		
Ontwikkelingsmaatschappij Westergo CV, Harlingen	41%	41%
Ontwikkelingsmaatschappij Westergo BV, Harlingen	50%	50%
Development and allocation of land for industrial estates		
Haventerrein Westzaan CV, Zaanstad	30%	30%
Bedrijventerrein Westzaan Noord CV, Zaanstad	40%	40%
Ontwikkelingsbedrijf Haventerrein Westzaan BV, Zaanstad	50%	50%
Development and allocation of land for industrial estates		

	31-12-2010	31-12-2009
Ruimte voor Ruimte CV I, 's-Hertogenbosch	24%	24%
Ruimte voor Ruimte CV II, 's-Hertogenbosch	24%	24%
Ruimte voor Ruimte Beheer BV, 's-Hertogenbosch	24%	24%
Development and allocation of land for residential construction		
Ontwikkelingsmaatschappij 'Het Nieuwe Westland' CV, The Hague	50%	50%
Ontwikkelingsmaatschappij 'Het Nieuwe Westland' BV, The Hague	50%	50%
Development and allocation of land for residential construction		
Ontwikkelingsmaatschappij ROM-S CV (Schelluinen), The Hague	50%	50%
ROM-S Beheer BV (Schelluinen), The Hague	50%	50%
Development and allocation of land for industrial estates and car parking facilities		
Project Suijssenwaerde CV, The Hague	80%	80%
Project Suijssenwaerde Beheer BV, The Hague	50%	50%
Development and allocation of land for residential construction and recreational housing		
CV Bedrijvenpark Oostflakkee, The Hague	80%	80%
Bedrijvenpark Oostflakkee Beheer BV, The Hague	50%	50%
Development and allocation of land for industrial estates		
Stallingsbedrijf Glastuinbouw Nederland CV, The Hague	50%	50%
Stallingsbedrijf Glastuinbouw Nederland Beheer BV, The Hague	50%	50%
Development and allocation of land for greenhouse farming locations		
Glastuinbouwontwikkelingsmaatschappij Overbuurtse Polder CV, Bleiswijk	33%	33%
Glastuinbouwontwikkelingsmaatschappij Overbuurtse Polder Beheer BV, Bleiswijk	33%	33%
Development and allocation of land for greenhouse farming locations		
Ontwikkelmaatschappij Meerburg CV, Zoeterwoude	48%	50%
Ontwikkelmaatschappij Meerburg Beheer BV, Zoeterwoude	50%	50%
Development and allocation of land for residential construction, sports fields and office buildings		
ROM-D CV, The Hague	29%	29%
ROM-D Beheer NV, The Hague	25%	25%
Development and allocation of land for residential construction and industrial estates		
Ontwikkelcombinatie De Bongerd CV, Amsterdam	14%	14%
Ontwikkelcombinatie De Bongerd BV, Amsterdam	14%	14%
Property development for residential construction and parking facilities		
Sportstad Heerenveen Grondexploitatie CV, Heerenveen	50%	50%
Sportstad Heerenveen Grondexploitatie BV, Heerenveen	50%	50%
Development and allocation of land and operation of sports fields		

	31-12-2010	31-12-2009
Regionaal bedrijvenpark Laarakker CV, Cuijk	67%	67%
Regionaal bedrijvenpark Laarakker BV, Cuijk	50%	50%
Development and allocation of land for industrial estates		
Wonen Werken Waterman BV, Rijsbergen	50%	50%
Wonen Werken Waterman CV, Rijsbergen	50%	50%
Development and allocation of land for residential construction/ industrial estates		
Waalwaardwonen CV, Zaltbommel	50%	50%
Waalwaardwonen BV, Zaltbommel	50%	50%
Development and allocation of land for residential construction/ industrial estates		
De Jonge Voorn BV, Guisveld (Zaandam)	80%	80%
De Jonge Voorn CV, Guisveld (Zaandam)	80%	80%
Development and allocation of land for residential construction		
Centrumplan Den Burg BV, Den Burg (Texel)	50%	50%
Centrumplan Den Burg CV, Den Burg (Texel)	50%	50%
Development and allocation of land for residential construction		
Nieuw Overstad BV, Alkmaar	13%	–
Stadover Markt Beheer BV, Alkmaar	25%	–
Stadover Markt CV, Alkmaar	13%	–
Development and allocation of land for residential construction/ industrial estates		
BiesboschMarinaDrimmelen Vastgoedontwikkeling CV, Drimmelen	50%	50%
BiesboschMarinaDrimmelen Vastgoedontwikkeling Beheer BV, Drimmelen	50%	50%
Construction of recreational housing		
Vastgoedontwikkeling Handelskade OudeTonge VOF, Oude Tonge	50%	50%
Construction of recreational housing and shops		

Associates – summarized financial information

Transdev-BNG-Connexxion Holding BV, The Hague

	31-12-2010	31-12-2009
Balance sheet		
Total assets	52	51
Total liabilities	0	0

Income statement	2010	2009
Income	1	1
Profit for financial year	1	1

Other associates	31-12-2010	31-12-2009
Balance sheet		
Total assets	4	3
Total liabilities	2	2

Income statement	2010	2009
Income	7	6
Profit for financial year	1	0

Joint ventures – summarized financial information

BNG Gebiedsontwikkeling BV participations

	31-12-2010	31-12-2009
Balance sheet		
Fixed assets	–	6
Current assets	159	148
Total assets	159	154
Equity	63	60
Long-term liabilities	11	21
Current liabilities	85	73
Total liabilities	159	154

Income statement	2010	2009
Income	2	32
Expenses	3	30
Result for financial year	(1)	2

The Hague, 4 March 2011

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
	H.G.O.M. Berkers
	S.M. Dekker
	W.M. van den Goorbergh
	R.J.J.M. Pans
	A.G.J.M. Rombouts

Company financial statements

Company balance sheet as of 31 December 2010

In millions of euros

	31-12-2010	31-12-2009
Assets		
Cash and cash equivalents	1,073	655
Banks 1	6,573	6,925
Loans and advances 1	86,854	79,317
Financial assets at fair value through the income statement 2	2,898	2,855
Financial assets available for sale 3	6,402	5,525
Other financial assets 4	13,457	8,002
Participating interests 5	822	816
Property and equipment 6	21	22
Other assets 11, 12	168	205
Total assets	**118,268**	**104,322**
Liabilities		
Banks 7	5,814	5,419
Funds entrusted 7	7,681	7,071
Subordinated loans 7	92	174
Debt securities 8	92,321	79,935
Financial liabilities at fair value through the income statement 9	649	349
Other financial liabilities 10	9,320	8,854
Other liabilities 11, 12	171	257
Total liabilities	116,048	102,059
Equity 13	2,220	2,263
Total liabilities	**118,268**	**104,322**

Company income statement 2010

In millions of euros

		2010		2009
– Interest income 14	1,847		2,574	
– Interest expenses 15	1,482		2,279	
Interest result		365		295
Income from participating interests 16		2		2
– Commission income 17	27		29	
– Commission expenses 18	5		5	
Commission result		22		24
Result financial transactions 19		(31)		42
Addition to the incurred loss provision 20		(4)		–
Other income 21		(4)		(3)
Total income		**350**		**360**
– Staff costs 22	28		27	
– Other administrative expenses 23	23		21	
Staff costs and other administrative expenses		51		48
Depreciation 24		2		2
Operating expenses		**53**		**50**
Profit before tax		**297**		**310**
– Changes in deferred taxes	(1)		–	
– Tax payable	(68)		(62)	
Taxation 11		(69)		(62)
Net profit		**228**		**248**

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

Company statement of comprehensive income 2010

In millions of euros

		2010		2009
Net profit		228		248
Changes in currency translation account		(21)		(36)
Changes in revaluation reserve				
– Unrealized value movement	(97)		65	
– Realized value movement	(12)		2	
– Changes in deferred taxes	(2)		11	
		(111)		78
Results recognized directly in equity (after taxation)		(132)		42
Total		**96**		**290**

Company cash flow statement 2010

In millions of euros

	2010	2010	2009	2009
Cash flow from operating activities				
Profit before tax		297		310
Adjustments for:				
– Depreciation	2		2	
– Additions to provisions	4		–	
– Impairment	–		1	
– Participating interests	(1)		(1)	
– Unrealized results through the income statement	43		(42)	
		48		(40)
Cash flow generated from operations		345		270
– Movement in banks (not due on demand)	1,234		3,933	
– Movement in loans and advances	(5,042)		(945)	
– Movement in funds entrusted	72		557	
– Movement in derivatives	877		(1,490)	
– Taxes paid	(27)		(10)	
– Other movements in cash flow from operating activities	(392)		(322)	
		(3,278)		1,723
*Total cash flow from operating activities**		(2,933)		1,993
Cash flow from investing activities				
Investments and acquisitions:				
– Financial assets at fair value through the income statement and financial assets available for sale	(1,369)		(541)	
– Participating interests	(5)		–	
– Property and equipment	(1)		(1)	
		(1,375)		(542)
Disposals, repayments and redemptions:				
– Financial assets at fair value through the income statement and financial assets available for sale		1,436		1,028
Total cash flow from investing activities		62		486
Cash flow from financing activities				
Receipts in respect of debt securities		27,629		23,738
Repayments in respect of debt securities		(24,015)		(25,800)
Subordinated loans		(83)		–
Dividend paid		(139)		(79)
Total cash flow from financing activities		3,392		(2,141)
Net movement in cash and cash equivalents		520		338
Cash and cash equivalents as of 1 January		555		217
Cash and cash equivalents as of 31 December		**1,075**		**555**
Cash and cash equivalents as of 31 December are comprised of the following:				
– Cash and cash equivalents		1,073		655
– Cash equivalents under the banks (asset) item		2		10
– Cash equivalents under the banks (liabilities) item		–		(110)
		1,075		**555**

* The interest received totaled EUR 5,519 million while interest paid amounted to EUR 5,066 million.

Company statement of changes in equity 2010

In millions of euros

2010

	Share capital	Share premium reserve	Revaluation reserve	Currency translation account	Legal reserve fair value increases	Other reserves	Unappropriated profit	**Total**
Opening balance	139	6	49	153	0	1,668	248	2,263
Realized results	–	–	–	–	–	–	228	228
Unrealized results	–	–	(111)	(21)	–	–	–	(132)
Transfer legal reserve fair value increases	–	–	–	–	–	–	–	0
Dividend payment	–	–	–	–	–	(139)	–	(139)
Appropriation from profit previous financial year	–	–	–	–	–	248	(248)	0
Closing balance	**139**	**6**	**(62)**	**132**	**0**	**1,777**	**228**	**2,220**

2009

	Share capital	Share premium reserve	Revaluation reserve	Currency translation account	Legal reserve fair value increases	Other reserves	Unappropriated profit	**Total**
Opening balance	139	6	(29)	189	39	1,627	81	2,052
Realized results	–	–	–	–	–	–	248	248
Unrealized results	–	–	78	(36)	–	–	–	42
Transfer legal reserve fair value increases	–	–	–	–	(39)	39	–	0
Dividend payment	–	–	–	–	–	(79)	–	(79)
Appropriation from profit previous financial year	–	–	–	–	–	81	(81)	0
Closing balance	**139**	**6**	**49**	**153**	**0**	**1,668**	**248**	**2,263**

Company accounting principles

In accordance with Part 9, Book 2 of the Dutch 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, with the exception of the accounting principles mentioned below, to the notes to the accounting principles of the consolidated financial statements.

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 result. 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*.

In millions of euros

	31-12-2010	31-12-2009
Assets		
1 Banks and Loans and advances	93,427	86,242

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.

	31-12-2010	31-12-2009
Banks	6,573	6,925
Loans and advances	86,854	79,317
	93,427	86,242
Of which an incurred loss provision is included in the *Loans and advances* item	31	27
	93,458	86,269

Under collateral agreements BNG has provided collateral worth EUR 1,337 million (2009: EUR 3,420 million), mainly to bank counterparties.

The *Loans and advances* item contains financial lease agreements in the amount of EUR 56 million (2009: EUR 57 million).

The movement of the incurred loss provision	31-12-2010	31-12-2009
Opening balance	27	30
Additions during the financial year	4	–
Withdrawals during the financial year	–	(3)
Closing balance	31	27

	31-12-2010	31-12-2009
2 Financial assets at fair value through the income statement	2,898	2,855

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

	31-12-2010	31-12-2009
Fair value of derivatives	707	700
Loans and advances	878	804
Securities	1,313	1,351
	2,898	2,855

The redemption value of the loans and advances and securities is EUR 2,131 million (2009: EUR 2,135 million).

	31-12-2010	31-12-2009
3 Financial assets available for sale	6,402	5,525

This includes fixed and variable rate bonds and other interest-bearing securities issued by public authorities and others, insofar as these are not included in the *Financial assets at fair value through the income statement* item.

Breakdown of this item:		
Public sector	4,478	3,772
Banks	826	392
Other financial institutions	876	1,136
Non-financial institutions	172	171
Investments in participating interests	50	54
	6,402	5,525

Transfer without derecognition
The bank sold EUR 1,480 million worth of bonds (2009: EUR 1,480 million) whilst simultaneously concluding swaps, with which it retained entitlement to the cash flows and remained exposed to risks (total return swaps).
For this reason, the bonds were not derecognized in the balance sheet.
No new transactions were closed in 2010.

4 Other financial assets	13,457	8,002

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 a portfolio level.

Derivatives involved in a hedge accounting relationship	10,082	5,262
Market value adjustment of assets hedged at a portfolio level	3,375	2,740
	13,457	8,002

			31-12-2010	31-12-2009
5 Participating interests			822	816
	Interest			
Subsidiaries	2010	2009		
– Vincent Investments BV, Amsterdam*	83%	83%	714	714
– BNG Vermogensbeheer BV, The Hague	100%	100%	2	2
– BNG Gebiedsontwikkeling BV, The Hague	100%	100%	51	46
– Hypotheekfonds voor Overheidspersoneel BV, The Hague	100%	100%	2	2
			769	764
	Interest			
	2010	2009		
Associates				
– Dataland BV, Rotterdam	30%	30%	0	0
– Data B Mailservice Holding BV, Leek	45%	38%	1	1
– N.V. Trustinstelling Hoevelaken, The Hague	40%	40%	0	0
– Transdev-BNG-Connexxion Holding BV, The Hague	25%	25%	52	51
			53	52
Total subsidiaries and associates			822	816

For a description of the associates and joint ventures, please refer to note 38 of the consolidated financial statements.

* The investment in Vincent Investments BV 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 the 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 Investment BV will be measured in the company balance sheet at cost, namely EUR 714 million.

	31-12-2010	31-12-2009
6 Property and equipment	21	22

The movement of this balance sheet item is as follows:

	Property 2010	Property 2009	Equipment 2010	Equipment 2009	Total 2010	Total 2009
Historical cost						
Value as of 1 January	47	46	11	11	58	57
Investments	–	1	1	–	1	1
Value as of 31 December	47	47	12	11	59	58
Depreciation						
Accumulated amounts as of 1 January	27	26	9	8	36	34
Depreciation during the year	2	1	–	1	2	2
Accumulated amounts as of 31 December	29	27	9	9	38	36
Book value as of 31 December	18	20	3	2	21	22

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

	31-12-2010	31-12-2009

Liabilities

	31-12-2010	31-12-2009
7 Banks, Funds entrusted and Subordinated loans	13,587	12,664

This includes debts to banks, entrusted funds and subordinated loans insofar as they are not embodied in debt securities.

	31-12-2010	31-12-2009
Deposits and other money market funds at banks	5,814	5,419
Funds entrusted	7,681	7,071
Subordinated loans	92	174
	13,587	12,664

	31-12-2010	31-12-2009
8 Debt securities	92,321	79,935

This includes debenture loans and other issued negotiable debt instruments with either fixed or variable interest rates. With regard to 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 31 December.

This balance sheet item is made up as follows:

	31-12-2010	31-12-2009
Debenture loans and euro notes	81,714	70,491
Medium Term Notes	55	62
European Commercial Paper	10,552	9,382
	92,321	79,935

	31-12-2010	31-12-2009
9 Financial liabilities at fair value through the income statement	649	349

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

	31-12-2010	31-12-2009
10 Other financial liabilities	9,320	8,854

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

	31-12-2010	31-12-2009

11 Taxation

BNG has paid corporate tax since 2005. In 2006, agreement was reached with the tax authorities regarding the exemption amount (EUR 668 million) resulting from the initial valuation of the financial instruments in BNG's fiscal opening balance sheet as of 1 January 2005. Between 2005 and 2009, BNG gradually reduced the exempted amount on the fiscal result. During these years this put pressure on the commercial tax burden and the tax payable. By the end of 2009 the exempted amount had been fully written off.

In 2010, on the initiative of the tax authorities, BNG closed two bilateral agreements ('vaststellingsovereenkomsten') on the corporate tax returns for the periods 2005 – 2009 and 2010 – 2012. The agreements are applicable for the BNG fiscal unit. The outcome of the agreements is that all financial instruments are both commercially and fiscally processed in accordance with IFRS principles of valuation, with the exception of transactions classified as Financial assets available for sale. Fiscally all transactions within this category are valued at the lower of the cost price and the market value. The fiscal result deviates from the commercial result if, on balance, unrealized losses have arisen, or the revaluation reserve is negative from the transactions concluded after 1 January 2005. The negative result is charged to the fiscal profit. If the revaluation reserve increases, the positive amount is added to the fiscal annual profit up to the amount of the historical cost price. In the returns for the years up to and including 2009 BNG, on balance, deducted EUR 216 million in unrealized losses from the fiscal result. These unrealized losses are expected to be settled fiscally in the future. In addition, the adjustment of the tax returns for prior years have led to a one-time reduction of EUR 6 million in the tax payable for 2010.

The reconciliation between the tax charge and the nominal tax rate is as follows:

	31-12-2010	31-12-2009
Profit before tax	297	310
Tax levied at the statutory nominal rate of taxation in the Netherlands of 25.5% (2009: 25.5%)	(76)	(79)
Tax credit with regard to corporate tax exempted results for which no tax deferrals have been formed	–	17
Tax adjustments from previous years	6	–
Other results exempt from corporate tax	2	–
Taxation in the company income statement	(68)	(62)

This is an effective tax rate of 23% (2009: 20%).

	31-12-2010	31-12-2009
The reconciliation between the tax charge and the actual tax charge is as follows:		
Taxation in the company income statement	(68)	(62)
Adjustment for tax relief for which a tax deferral has been formed	–	18
Adjustment for *Financial assets available for sale*	(6)	–
Adjustment for current taxation in previous years	(9)	(1)
Other adjustments for items measured at fair value	–	5
Tax receivable or tax payable according to fiscal statement	(83)	(40)
Pre-paid corporate tax	77	45
Tax payable/receivable	(6)	5
Statement of the deferred tax asset in the balance sheet		
Opening balance	53	60
Fiscal treatment opening balance sheet at 1 January 2005 treatment regarding subsidiary	(1)	–
Fiscal treatment opening balance sheet; apportionment during financial year	–	(18)
Movement deferred tax assets	(49)	11
	3	53

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.

	31-12-2010	31-12-2009
The deferred tax asset is made up as follows:		
Adjustment for tax credit for which a tax deferral has been formed	3	4
Revaluation of *Financial assets available for sale**	–	49
	3	53
Statement of the deferred tax liability in the balance sheet		
Opening balance	28	23
Amount released from fair value movements of transactions involved in a hedge accounting relationship	(4)	1
Amount released from fair value movements of transactions not involved in a hedge accounting relationship	(24)	4
Positive revaluation of *Financial assets available for sale*	1	–
Value movement transaction of a net investment in a foreign entity	13	–
	14	28
The deferred tax liability is made up as follows:		
Revaluation of *Financial assets available for sale*	1	–
Transaction of a net investment in a foreign entity	13	–
Fair value movements of transactions involved in a hedge accounting relationship	–	4
Fair value movements of derivatives and other transactions that are not involved in a hedge accounting relationship	–	24
	14	28

* This deferral relates to the unrealized losses of the interest-bearing securities bought after 1 January 2005. The part of the interest-bearing securities portfolio bought before that date is recognized in the fiscal opening balance sheet.

	31-12-2010	31-12-2009

12 Other assets and Other liabilities

Other assets		
Deferred tax asset	3	53
Tax receivable	–	5
Other assets	165	147
	168	205
Other liabilities		
Deferred tax liability	14	28
Tax payable	6	0
Employee benefits provision	2	2
Other liabilities	149	227
	171	257

The employee benefits 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 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 1 January	2	2
Other movements to the provision	–	–
Net liability as of 31 December	2	2

13 Equity

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 each, of which 55,690,720 shares have been issued and fully paid up.

General reserve	1,783	1,674

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.

Share premium reserve	6	6

There were no movements in 2010.

	31-12-2010	31-12-2009
Other reserves After the appropriations from the distributable profit pursuant to the Articles of Association have been determined, the General Meeting of Shareholders decides what portion of the remaining profit will be added to the reserves.	1,777	1,668
	1,783	1,674
Legal reserve		
Revaluation reserve Equity includes a revaluation reserve in which the unrealized fair value movement with respect to the *Financial assets available for sale* item are recognized. The deferred tax liability has been deducted from this item. If these assets are sold, the cumulative result recognized in equity is transferred to the income statement.	(62)	49
Currency translation account The currency translation account is recognized due to the application of hedge accounting to a net investment in a foreign entity.	132	153
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 that are not frequently quoted in the financial markets.	0	0
	70	202
Unappropriated profit The balance sheet was prepared prior to the profit appropriation. This item represents the result achieved after deduction of the corporate tax.	228	248
Total equity	2,220	2,263

	2010	2009
14 Interest income	1,847	2,574

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.

15 Interest expenses	1,482	2,279

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

16 Income from participating interests	2	2

This item includes income from participating interests.

17 Commission income	27	29

This item includes income received and to be received for services provided to third parties.

18 Commission expenses	5	5

This item refers to fees paid or to be paid for services rendered by third parties in relation to loans and credit facilities.

19 Result financial transactions	(31)	42

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 entirely 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 entity, the result on ineffectiveness is nil.

20 Addition to the incurred loss provision	(4)	–

This includes an addition to the incurred loss provision. This provision is recognized in the balance sheet item *Loans and advances*.

	2010	2009
21 Other income	(4)	(3)
The other income consists of:		
– Foreign exchange result	(5)	(2)
– Impairment of financial assets available for sale receivable	–	(1)
– Income from consultancy services	1	–
	(4)	(3)
22 Staff costs	28	27
The staff costs are made up of:		
Wages and salaries	18	17
Pension costs	3	4
Social security costs	2	2
Addition to provisions	0	1
Other staff costs	5	3
	28	27
23 Other administrative expenses	23	21

Among other things, these expenses include the cost of outsourcing, rent and maintenance of property and equipment, printing costs, training expenses and advertising costs.

	2010	2009
24 Depreciation	2	2

For a specification of this item see the notes on *Property and equipment*.

Remuneration of the Executive Board and Supervisory Board
For details of the remuneration of members of the Executive Board and Supervisory Board, please refer to the Report of the Supervisory Board and to note 31 in the consolidated financial statements.

The Hague, 4 March 2011

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
	H.G.O.M. Berkers
	S.M. Dekker
	W.M. van den Goorbergh
	R.J.J.M. Pans
	A.G.J.M. Rombouts

Other information

Independent auditor's 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 accompanying financial statements 2010 of N.V. Bank Nederlandse Gemeenten, The Hague, which comprise the consolidated and company balance sheet as at 31 December 2010, the consolidated and company income statement, statement of comprehensive income, cash flow statement and statement of changes in equity for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 with respect to the financial statements
In our opinion, the financial statements give a true and fair view of the financial position of N.V. Bank Nederlandse Gemeenten as at 31 December 2010 and of its result 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 Dutch Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Executive Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report of the Executive Board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 4 March 2011

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 annual accounts, 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 insofar as its equity capital exceeds the amount 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 shareholding, insofar as the general meeting of shareholders does not allocate this to the 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 Dutch Civil Code.

Proposed profit appropriation

In millions of euros

	2010	2010	2009	2009
Net profit		257		278
The profit appropriation is as follows:				
Appropriation to the *Other reserves* pursuant to Article 23 (3) of the Articles of Association	26		28	
Dividend pursuant to Article 23 (3) of the Articles of Association	7		7	
		33		35
Appropriation to the *Other reserves* pursuant to Article 23 (4) of the Articles of Association	103		111	
Dividend pursuant to Article 23 (4) of the Articles of Association	121		132	
		224		243

BNG's objectives as defined in the Articles of Association

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

1 The objective 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 funds, granting loans in other ways, providing guarantees, executing payments, conducting foreign exchange transactions, acting as advisor 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 objectives are 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, 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, bye-law or law adopted by one or more of such bodies, for which purpose obligations include non-guaranteed obligations resulting from pre-financing 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

Annexes

A BNG Subsidiaries

BNG Gebiedsontwikkeling BV 100%
Dr. Kuyperstraat 12
2514 BB The Hague
The Netherlands

Management Board:
G.C.A. Rodewijk

P.O. Box 16075
2500 BB The Hague
The Netherlands
Telephone: +31 (0)70 3119 900
info@bnggo.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 Vermogensbeheer BV 100%
Koninginnegracht 2
2514 AA The Hague
The Netherlands

Management Board:
C.P. van Breugel
J.J.M. de Wit

P.O. Box 16450
2500 BL The Hague
The Netherlands
Telephone: +31 (0)70 3750 245
info@bngvb.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 sector institutions.

Hypotheekfonds voor Overheidspersoneel BV (HVO) 100%
Koninginnegracht 2
2514 AA The Hague
The Netherlands

Management Board:
Mrs P.J.E. Bieringa
O. Labe

P.O. Box 30305
2500 GH The Hague
The Netherlands
Telephone: +31 (0)70 3750 619
hvo@nationaalspaarfonds.nl

Objective:
The financing of mortgage loans taken out by civil servants in the employ of an affiliated public or municipal organization with which a cooperation agreement has been reached.

Vincent Investments BV 83%
Strawinskylaan 3105 Atrium
1077 ZX Amsterdam
The Netherlands

Management Board:
A.J. Hooft van Huysduynen
P.M. Hopkinson
O. Labe

Telephone: +31 (0)20 6427 675

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

B Reference table – Dutch Banking Code

The overview below indicates which page(s) of the annual report contain(s) information regarding the implementation of each principle of the Dutch Banking Code and, if applicable, how each principle is formally embedded in BNG's governance.

Dutch Banking Code Principle	**Financial annual report page(s)**	**Formal embedding** [1]
2.1.1	12, 35	
2.1.2	12, 35 – 36	
2.1.3	12, 35	
2.1.4	12, 35 – 36	
2.1.5	36	
2.1.6	12 – 13, 35 – 36	
2.1.7	36, 94	
2.1.8	12, 36	Supervisory Board Regulations
2.1.9	12, 36	Supervisory Board Regulations
2.1.10	13, 36	Supervisory Board Regulations
2.2.1	13, 36	Audit & Risk Committee Charter
2.2.2	12, 35	
3.1.1	12, 36	
3.1.2	12, 36	
3.1.3	12, 36	Executive Board Regulations
3.1.4	12, 36	Executive Board Regulations Supervisory Board Regulations
3.1.5	12, 36	
3.1.6	36, 68 – 88	Executive Board Regulations Supervisory Board Regulations
3.1.7	12, 36	Executive Board Regulations
3.1.8	12, 36	
3.2.1	12, 37	
3.2.2	37	
3.2.3	37	Executive Board Regulations
3.2.4	37	
4.1	13, 37	Supervisory Board Regulations Executive Board Regulations
4.2	13, 37	Supervisory Board Regulations
4.3	37, 68	Audit & Risk Committee Charter
4.4	37, 68 – 88	Executive Board Regulations
4.5	37 – 38, 87	Internal Audit Charter
5.1	38 – 40, 68 – 88	Executive Board Regulations
5.2	13, 38	Audit & Risk Committee Charter Internal Audit Charter
5.3	13, 38	Audit & Risk Committee Charter Internal Audit Charter
5.4	13, 38	Audit & Risk Committee Charter Internal Audit Charter
5.5	13, 38	Audit & Risk Committee Charter
5.6	38	Internal Audit Charter
6.1.1	14 – 17, 27, 38	

[1] All regulations, charters, profiles, rules, models, explanations and organograms refered to are published on the bank's website.

Dutch Banking Code Principle	**Financial annual report page(s)**	**Formal embedding** [h]
6.2.1	13, 38	Supervisory Board Regulations
6.2.2	13, 38	Supervisory Board Regulations
6.3.1	14 – 17, 38	
6.3.2	15, 38	
6.3.3	15, 38	
6.3.4	15, 38	
6.4.1	15 – 17, 39	
6.4.2	15, 39	
6.4.3	39	
6.4.4	39	
6.4.5	16, 39	Supervisory Board Regulations
6.4.6	16, 39	Supervisory Board Regulations

C Key annual figures of BNG since 1915

Amounts 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
2009	139,227	139,227	1,974,507	82,638,729
2010	139,227	139,227	1,991,578	87,314,051

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
2009	77,915,557	9,939,636	17,721,605	277,589
2010	90,389,403	12,390,256	18,678,225	256,763

1 Since 2005 after withholding of corporation tax.
Because BNG adopted the International Financial Reporting Standards (IFRS) for the annual accounts as of 1 January 2005, the figures from 2005 on are not totally compatible with earlier years.

D Shareholders of BNG as of 31 December 2010

55,690,720 shares

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
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
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
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
Binnenmaas	105,495
Bladel	62,790
Blaricum	5,967
Bloemendaal	21,060
Boarnsterhim	30,732
Bodegraven	50,934
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
Dantumadiel	12,285
De Bilt	218,673
Delft	47,385
Delfzijl	39,156
De Marne	10,530
De Ronde Venen	23,361
Deurne	99,840
Deventer	292,313
De Wolden	31,122
Den Haag	1,275,456
Den Helder	211,731
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 (province)	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 (province)	75,250
Franekeradeel	34,554
Friesland (province)	75,250
Gaasterlân-Sleat	6,669
Geertruidenberg	133,653
Gelderland (province)	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 (province)	75,250
Groningen (municipality)	329,199
Grootegast	9,750
Gulpen-Wittem	26,040
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
Hellendoorn	24,180
Hellevoetsluis	6,240
Helmond	52,650
Hendrik-Ido-Ambacht	25,818
Hengelo (O.)	174,486
's-Hertogenbosch	139,659
Het Bildt	73,905
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	113,108
Houten	6,240
Huizen	85,956
Hulst	17,472
IJsselstein	4,563
Kaag en Braassem	121,719
Kampen	100,893
Kapelle	53,040
Katwijk	144,066
Kerkrade	183,300
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 (province)	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
Maasdonk	10,530
Maasdriel	20,770
Maasgouw	72,150
Maassluis	61,035
Maastricht	347,334
Margraten	17,550
Marum	7,020
Medemblik	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
Muiden	3,510
Neder-Betuwe	18,246
Nederlek	33,150
Nederweert	14,040
Neerijnen	14,040
Niedorp	6,942
Nieuwegein	80,184
Nieuwkoop	36,348
Nijefurd	22,815
Nijkerk	32,370
Nijmegen	193,479
Noord-Beveland	6,520
Noord-Brabant (province)	40,000
Noord-Holland (province)	610,350
Noorderveld	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
Oldambt	181,116
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 (province)	87,750
Papendrecht	6,318
Pekela	26,130
Peel en Maas	63,687
Pijnacker-Nootdorp	57,564
Purmerend	7,020
Putten	10,530
Raalte	25,987
Reeuwijk	25,896
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
Roosendaal	56,862
Rotterdam	321,555
Rucphen	19,656
Schagen	13,611
Schermer	7,020
Scherpenzeel	3,510
Schiedam	326,352
Schiermonnikoog	7,020
Schijndel	28,782
Schinnen	7,020
Schouwen-Duiveland	23,790
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
Ten Boer	3,510
Terneuzen	45,474
Terschelling	3,510
Texel	7,371
Teylingen	57,681
Tholen	33,696

Tiel	36,803
Tilburg	71,786
Tubbergen	30,000
Twenterand	23,868
Tynaarlo	43,243
Tytsjerksteradiel	48,945
Ubbergen	33,540
Uden	17,550
Uitgeest	3,510
Uithoorn	54,522
Urk	3,861
Utrecht (municipality)	763,074
Utrecht (province)	87,750
Utrechtse Heuvelrug	201,669
Vaals	17,121
Valkenburg aan de Geul	21,060
Valkenswaard	12,987
Veendam	86,190
Veenendaal	86,970
Veere	7,020
Veghel	26,598
Veldhoven	35,100
Velsen	280,410
Venlo	106,026
Venray	54,202
Vianen	22,698
Vlaardingen	198,198
Vlagtwedde	16,458
Vlieland	3,510
Vlissingen	70,356
Vlist	10,530
Voerendaal	11,232
Voorschoten	41,184
Voorst	112,983
Vught	15,795
Waalre	6,318
Waalwijk	29,133
Waddinxveen	17,823
Wageningen	50,310
Wassenaar	106,392
Waterland	14,040
Weert	41,379
Weesp	33,501
Werkendam	9,828
Wervershoof	3,510
Westerveld	51,987
Westervoort	3,510
Westland	301,860
Weststellingwerf	58,071

Westvoorne	66,963
Wierden	21,060
Wieringen	6,240
Wieringermeer	5,616
Wijchen	11,193
Wijdemeren	33,930
Wijk bij Duurstede	23,751
Winsum	10,140
Winterswijk	17,199
Woensdrecht	11,232
Woerden	123,201
Wormerland	36,660
Woudenberg	3,510
Woudrichem	10,530
Wûnseradiel	128,973
Wymbritseradiel	63,492
Zaanstad	416,286
Zaltbommel	3,861
Zandvoort	56,862
Zederik	43,017
Zeevang	12,246
Zeewolde	78
Zeist	192,075
Zevenaar	8,020
Zijpe	3,510
Zoetermeer	3,510
Zoeterwoude	26,871
Zuid-Holland (province)	610,350
Zuidhorn	10,140
Zuidplas	54,328
Zundert	104,949
Zutphen	95,940
Zwartewaterland	23,712
Zwijndrecht	47,541
Zwolle	149,097