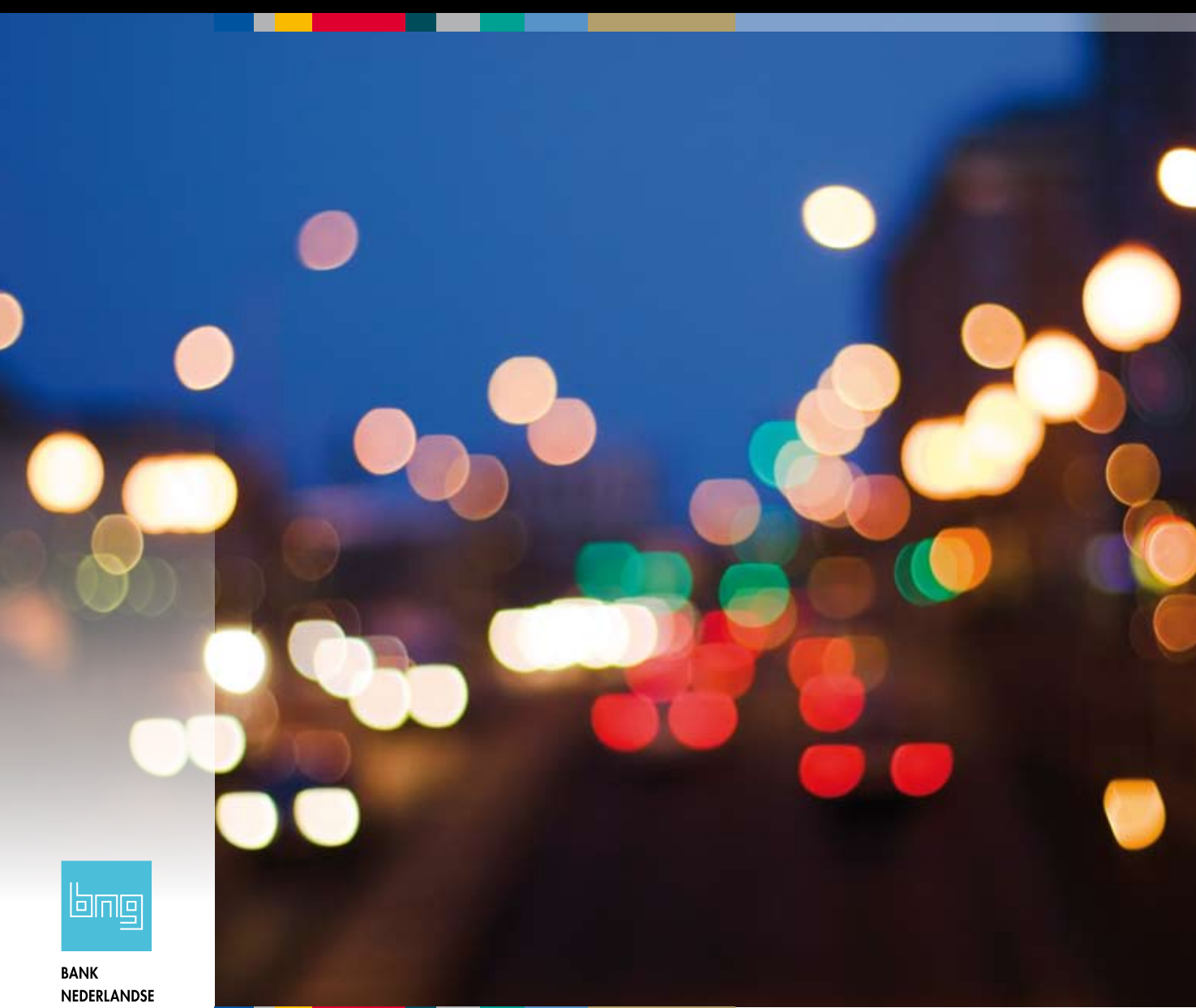


# HIGHLIGHTS 2007



BANK  
NEDERLANDSE  
GEMEENTEN



N.V. Bank Nederlandse Gemeenten (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.

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

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

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

#### Selected Financial Data<sup>1</sup>

*In millions of euros*

	2007	2006	2005	2004	2003
Total Assets	92,602	90,098	91,671	88,586	83,905
Loans and Advances	66,037	64,994	64,166	62,836	61,152
of which Granted to or Guaranteed by Public Authorities	60,219	60,059	58,287	56,407	53,951
Equity <sup>2,3</sup>	2,053	2,576	3,145	2,592	2,565
of which Unrealized Revaluation	104	220	354		
Equity per Share (in euros) <sup>3,4</sup>	35.00	42.31	50.09	46.55	46.06
Equity as a Percentage of Total Assets <sup>3,4</sup>	2.1%	2.6%	3.0%	2.9%	3.1%
BIS-Ratio Core Capital (Tier 1) <sup>3</sup>	18%	24%	32%	26%	25%
BIS-Ratio Total Capital <sup>3</sup>	20%	26%	33%	27%	27%
Profit before Tax <sup>5</sup>	238	255	276	301	304
Net Profit after Tax <sup>6</sup>	195	199	311		
Profit per Share (in euros)	3.50	3.57	5.58	5.40	5.45
Dividend	97	99	134	129	274
Dividend as a Percentage of the Consolidated Net Profit	50%	50%	43%	43%	90%
Dividend per Share (in euros)	1.75	1.78	2.40	2.32	4.91
Additional Payment to Shareholders	500	500			
Additional Payment to Shareholders per Share (in euros)	8.98	8.98			
Employees (in FTEs) at Year-End	226	346	376	412	413

<sup>1</sup> From 2005 onwards, the selected financial data are based on the International Financial Reporting Standards as agreed upon within the European Union. The figures up to 2005 are based on Dutch GAAP. Consequently, the figures from 2005 onwards are not entirely comparable with earlier years.

<sup>2</sup> Beginning in 2005, Equity includes an unrealized revaluation reserve due to the adoption of IFRS.

<sup>3</sup> In December 2007, as well as in December 2006, an additional payment of EUR 500 million was made to shareholders (EUR 8.98 per share). The payments were charged to the reserves.

<sup>4</sup> Excluding the revaluation reserve.

<sup>5</sup> BNG became liable to pay corporation tax effective January 1, 2005.

<sup>6</sup> The net profit after tax in 2005 is higher than the profit before tax as a consequence of the incorporation of the first fiscal valuation for corporation tax. This is a one-off adjustment.

The bank's consolidated *net profit after tax* decreased to EUR 195 million (2006: EUR 199 million). The *profit before tax* for 2007 declined by EUR 17 million to EUR 238 million. Partly due to the reduction in the corporation tax rate from 29.6% in 2006 to 25.5% in 2007, the tax charge for 2007 came to EUR 43 million (2006: EUR 56 million).

The *interest result* fell by EUR 35 million, principally due to the financing charges of the additional payment to shareholders of EUR 500 million in December 2006, and the decrease in incidental interest income due to early redemptions at the request of clients.

The *results financial transactions* increased by EUR 8 million, mainly as a result of unrealized fair value movements of derivatives. Despite the application of hedge accounting, a relatively low volatility of results due to fair value movements is inevitable. Turmoil in the financial markets had a limited impact on the bank's results. Even though the credit risk in the BNG portfolios is extremely small and concentrated within Europe - with an overriding emphasis on the Netherlands - the fair value accounting method means that the bank is not entirely immune to the current turbulence. This led to a negative market value adjustment of EUR 121 million, of which EUR 13 million has been taken as an unrealized charge to the income statement. The remainder was deducted from equity. In view of the high credit quality of these assets, there is no question of impairments. The operating expenses remained at a level comparable to 2007. Due to the outsourcing of the payment operations and the data centre with effect from May 1, 2007, a shift has occurred from *staff costs* to *other administrative expenses*.

Despite stiff competition, the market share and size of the extended long-term lending remained at a high level, comparable to that of last year. BNG maintained its highest credit ratings (Triple A) and stand-alone ratings in 2007, whilst investor confidence in the organization remained robust. In 2007, EUR 11.3 billion of long-term finance was raised by means of 71 issues.

At the General Meeting of Shareholders in May 2007 it was decided to make a further additional payment of EUR 500 million to the shareholders in mid-December 2007. This payment fits in with the long-term capitalization and dividend policy adopted in 2006. The BIS ratio core capital at year-end 2007 decreased, partly due to the additional payment, to just over 18% (2006: 24%). The capital ratio dropped from 2.6% in 2006 to 2.1%. Both ratios thus approached the policy limits of 18% and 2.0% respectively.

The mission of BNG is to provide specialized financial services that help minimize the costs of local authorities and public sector institutions. The strategy is aimed at guaranteeing its position as expert in the financing of social provisions, partly by responding to the client's changing needs. Solvency-free lending is and remains the bank's core activity. Due to the shift in demand toward loans and advances that are subject to capital adequacy requirements, the bank is focusing more than before on transactions with a slightly higher return and a correspondingly higher risk, whilst remaining within the scope of its Articles of Association. As part of its participation policy, BNG took part in the partial privatization of Connexxion in 2007. The streamlining of the organization is aimed at ensuring the effectiveness and efficiency of the bank. In the year under review, a number of processes were redesigned and operations were outsourced for this purpose.

The bank is active in location and property development with Ontwikkelings- en Participatiebedrijf Publieke Sector (OPP) and BNG Vastgoed Ontwikkeling (BVG). BNG Capital Management (BCM) concentrates on investing cash surpluses for clients. In 2007, assets under management grew to EUR 2.5 billion (2006: EUR 2.4 billion). BNG Consultancy Services (BCS) assists the public sector with advisory services. Due to amended regulations, new lending via the Hypotheekfonds voor Overheidspersoneel (HVO) no longer falls within the Articles of Association of BNG, for which reason this wholly-owned subsidiary is expected to be sold in 2008. The dividend proposed for 2007 is EUR 97 million, equivalent to 50% of the net profit after tax. This works out at EUR 1.75 per share (2006: EUR 1.78).

Future results will be structurally lower. This reflects the higher financing charges due to the additional payments to shareholders in 2006 and 2007 up to a total amount of EUR 1 billion. Other causes are the maturation of loans with relatively high margins, the continued low long-term interest rates and the prudent ALM policy in response to the flat yield curve. The net profit after tax for 2008 is expected to be lower. The result may be subject to volatility due to the effects of the application of the International Financial Reporting Standards (IFRS).

N.V. Bank Nederlandse Gemeenten

*Executive Board*

The Hague, March 7, 2008

# Consolidated Balance Sheet as of December 31, 2007

In millions of euros

	31-12-2007	31-12-2006
<b>Assets</b>		
Cash and Cash Equivalents	485	276
Banks	10,067	8,869
Loans and Advances	66,037	64,994
Financial Assets at Fair Value via the Income Statement	2,989	3,467
Financial Assets Available for Sale	10,483	9,703
Other Financial Assets	1,882	2,495
Associates and Joint Ventures	102	37
Property and Equipment	19	26
Other Assets	536	231
Assets Held for Sale	2	-
	<b>92,602</b>	<b>90,098</b>
<b>Liabilities</b>		
Banks	6,140	3,283
Funds Entrusted	6,468	5,127
Subordinated Loans	163	163
Debt Securities	70,005	72,189
Financial Liabilities at Fair Value via the Income Statement	246	159
Other Financial Liabilities	7,250	6,314
Other Liabilities	277	287
	<b>90,549</b>	<b>87,522</b>
Total Liabilities		
Equity	2,053	2,576
<i>Total Liabilities and Equity</i>	<b>92,602</b>	<b>90,098</b>

# Consolidated Income Statement 2007

In millions of euros

	2007	2006
Interest Income	3,868	3,145
Interest Expenses	3,603	2,845
Interest Result	265	300
Income from Associates and Joint Ventures	13	6
Commission Income	20	17
Commission Expenses	6	6
Commission Result	14	11
Results Trading Portfolio	0	(3)
Results Other Financial Transactions	8	3
Results Financial Transactions	8	0
Foreign Exchange Result	0	(1)
Other Income	4	3
<i>Subtotal</i>	304	319
Staff Costs and Other Administrative Expenses		
Staff Costs	36	45
Other Administrative Expenses	26	16
	62	61
Depreciation	4	3
Other Operating Expenses	0	0
<i>Subtotal</i>	66	64
<i>Profit before Tax</i>	238	255
Taxation		
Deferred Tax Asset	-	7
Movement in Deferred Taxes	(1)	(7)
Taxes	(42)	(56)
	(43)	(56)
<i>Net Profit after Tax</i>	195	199

HIGHLIGHTS 2007



The Hague  
March 7, 2008

*Executive Board*  
P.O. Vermeulen, *Chairman*  
C. van Eykelenburg  
J.J.A. Leenaars

*Supervisory Board*  
H.O.C.R. Ruding, *Chairman*  
Y.C.M.T. van Rooy, *Secretary*  
R.J.N. Abrahamsen  
H.H. Apotheke

S.M. Dekker  
W.M. van den Goorbergh  
R.J.J.M. Pans  
A.G.J.M. Rombouts  
W.K. Wiechers

# Consolidated Cash Flow Statement 2007

In millions of euros

	2007	2006
<b>Cash Flow from Operating Activities</b>		
Profit before Tax	238	255
Adjustments for:		
Depreciation	4	3
Additions to Provisions	3	8
	7	11
<i>Cash Flow Generated from Operations</i>	245	266
Movement in Banks (not due on demand)	1,497	2,000
Movement in Loans and Advances	1,939	3,042
Movement in Funds Entrusted	1,162	274
Taxes Paid/Received	(20)	9
Other Movements in Cash Flow from Operating Activities	(1,866)	(2,219)
	2,712	3,106
<i>Total Cash Flow from Operating Activities *</i>	2,957	3,372
<b>Cash Flow from Investing Activities</b>		
<i>Investments and Acquisitions</i>		
Financial Assets at Fair Value via the Income Statement and		
Financial Assets Available for Sale	(4,847)	(4,294)
Associates and Joint Ventures	(68)	-
Property and Equipment	(1)	(2)
	(4,916)	(4,296)
<i>Disposals, Redemptions and Sales</i>		
Financial Assets at Fair Value via the Income Statement and		
Financial Assets Available for Sale	4,654	1,665
Associates and Joint Ventures	4	-
Property and Equipment	3	-
	4,661	1,665
<i>Total Cash Flow from Investing Activities</i>	(255)	(2,631)
<b>Cash Flow from Financing Activities</b>		
Receipts in Respect of Debt Securities	15,611	17,370
Repayments in Respect of Debt Securities	(18,004)	(17,562)
Dividend Paid	(599)	(634)
	(2,992)	(826)
<i>Total Cash Flow from Financing Activities</i>	(2,992)	(826)
<b>Net Increase in Cash and Cash Equivalents</b>	(290)	(85)
Cash and Cash Equivalents as of January 1	534	619
<b>Cash and Cash Equivalents as of December 31</b>	244	534
<i>Cash and Cash Equivalents as of December 31 is comprised of the following:</i>		
Cash and Cash Equivalents	485	276
Cash Equivalents under the Bankers (Asset) item	10	259
Cash Equivalents under the Bankers (Liability) item	(251)	(1)
	244	534

\* Interest received totalled EUR 5,891 million while interest paid amounted to EUR 4,930 million.

# Consolidated Statement of Equity 2007

In millions of euros

	31-12-2007	31-12-2006
<i>Share Capital</i>		
Balance Unchanged	139	139
<i>Share Premium Reserve</i>		
Balance Unchanged	6	6
<i>Revaluation Reserve</i>		
Opening Balance	220	354
Unrealized Value Movements in Financial Assets Available for Sale	(151)	(131)
Realized Value Movements in Financial Assets Available for Sale	5	(8)
Deferred Taxes	30	5
Closing Balance	104	220
<i>Currency Translation Account</i>		
	(1)	-
<i>Other Reserves</i>		
Opening Balance	2,012	2,335
Appropriation from Profit Previous Financial Year	98	177
Additional Payment to Shareholders	(500)	(500)
Closing Balance	1,610	2,012
<i>Net Profit after Tax</i>	195	199
<i>Total Equity</i>	2,053	2,576

HIGHLIGHTS 2007



## N.V. Bank Nederlandse Gemeenten

Marketing & Communications

P.O. Box 30305

2500 GH The Hague

The Netherlands

Telephone +31 70 3750 609

E-mail [mc@bng.nl](mailto:mc@bng.nl)

[www.bng.com](http://www.bng.com)