

N.V. Bank Nederlandse Gemeenten BNG Sustainability Bond Presentation



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Key Facts

- Founded by (local) government in 1914
- Dutch Government owned
 - Dutch State 50% (since 1921)
 - Dutch local governments 50%
 - Ownership restricted to Dutch public authorities (art. 6 Articles of Association)
 - Registered shares only (not listed)
- Dutch Promotional Bank
 - Lending restricted to local authorities and public sector institutions in the Netherlands and the E.U. (art. 2.3 Articles of Association)
- BNG Bank's ratings: Aaa (stable) / AAA (stable) / AA+ (stable)
- Long term funding requirement
 - 2017 (f): EUR 17bn
 - 2018 (f): EUR 18bn

Dutch Public Sector

Municipalities

- credit quality: similar as the State of the Netherlands
- Municipal Act / Financial Relationship Act
- 0% BIS risk-weighted by Dutch Central Bank

Housing Associations

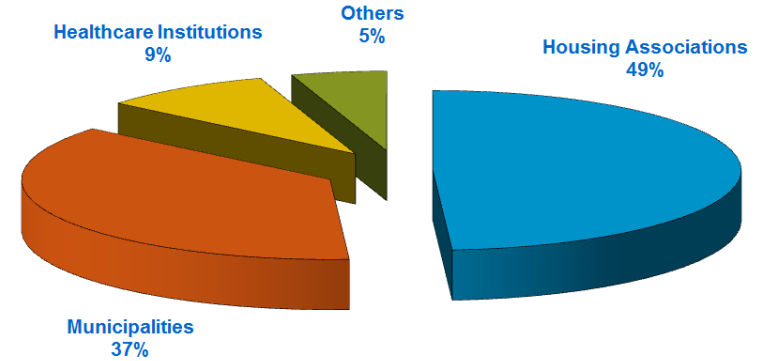
- social housing: subsidizing rent
- guarantee fund "WSW": rated Aaa(stable)/AAA(stable)
- back stop by the State of the Netherlands:
irrevocable/irreversible/unlimited
- 0% BIS risk-weighted by Dutch Central Bank

Health Care institutions

- hospitals, elderly homes
- guarantee fund "WFZ": rated AAA(stable) by S&P
- 0% BIS risk-weighted by Dutch Central Bank

Other

- education sector (universities/colleges)
- Energy Transition Financing Facility (ETFF)
- public utilities: network companies / waste management



BNG Long Term Assets:

Eur 79.8 bn

(June 2017)

Dutch Housing Associations

Social Housing Market

- social housing: subsidizing rent for lower income groups (<EUR 36,165 annual income)
- non-profit organisations / foundations
- supervised by the Authority of Housing Association (“Autoriteit woningcorporaties”)
- to construct, maintain and rent housing space at an affordable price
- number of Housing Associations in the Netherlands: 350
- number of social rental units approx. 2.4 mn (31,5% of total number of dwellings)
- average rent EUR 492 per month

Social Housing Financing

- loans to housing associations as financed by BNG Bank are guaranteed
- guarantee fund “WSW”: rated Aaa (stable) / AAA (stable)
- back stop by the State of the Netherlands: irrevocable/irreversible/unlimited
- 0% BIS risk-weighted by Dutch Central Bank

BNG Bank Sustainability – Independent Partners

- Sustainability is an integral part of BNG's strategy
- BNG Bank worked in close cooperation with TSC-Telos*, Sustainability Centre of Tilburg University, to develop a new framework for a Sustainable Bond linked to the social housing sector in the Netherlands
- The BNG Bank Sustainable Bond criteria are defined in the 'Framework document for Dutch Housing Associations' (2017)
- The proceeds of the Sustainability Bond will be tracked by the issuer and allocated to BNG Bank's lending and investment operations to housing associations. This process will be audited.
- Sustainalytics** has provided a second opinion for the framework and independently confirmed in their opinion that it follows the ICMA Sustainability Bond Guidelines
- ICMA Sustainability Bond Definition
Sustainability Bonds are bonds where the proceeds will be exclusively applied to finance or re-finance a combination of both Green and Social Projects and are aligned with the four core components of both the GBP and the SBP with the former being especially relevant to underlying Green Projects and the latter to underlying Social Projects



*TSC-Telos specializes in operationalizing sustainable development in regional and urban initiatives. TSC-Telos Research areas are Climate Action & Resource Efficiency, Corporate Social Responsibility, Social Innovation and Governance. Sustainalytics provided an external opinion on the framework.

**Sustainalytics B.V. (Sustainalytics), a provider of environmental, social and governance (ESG) research and analysis, evaluated N.V. Bank Nederlandse Gemeenten's Sustainability Bond transaction set forth in this Prospectus and the alignment thereof with industry best practice, provided views on the robustness and credibility of the Sustainability Bond within the meaning of the alignment with industry best practice.

BNG Bank Sustainability Bond Compliance with ICMA Sustainability Bond Guidelines

Use of proceeds

Housing Associations investing in neighborhoods with a **social challenge**, as defined in the 'Framework for Housing Associations'

Process for project evaluation and selection

The selection is done by an independent party: Tilburg Sustainability Center of Tilburg University (TSC-Telos). The criteria are based on Goal No. 11 of the UN Sustainable Development Goals (2016). Additionally, Sustainalytics provided an independent second opinion on the framework

Management of proceeds

The proceeds of the bond will be tracked by the issuer and allocated to BNG Bank's lending and investment operations to Housing Associations. This will be audited and reported on.

This sustainability bond will (re)finance loans to eligible Housing Associations

Reporting

The data used for the annual impact reporting by TSC-Telos come from official Dutch public data sources



Use of Proceeds: Social Housing with a Focus on Deprived Areas

In 2007, 455 Housing Associations (Dutch: woningcorporaties) existed, which decreased to some **350** in 2016, owning a total of 2.4 million dwellings (WSW, 2016)

Only those Housing Associations that are large enough to provide adequate data on a yearly basis have been included in the framework. This resulted in a group of in total **327** Housing Associations

350

327

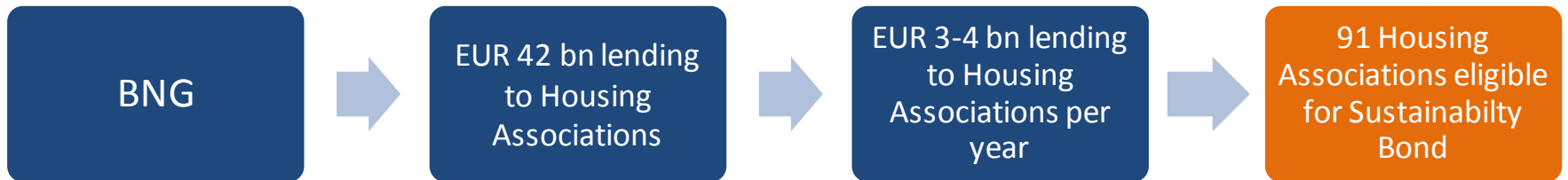
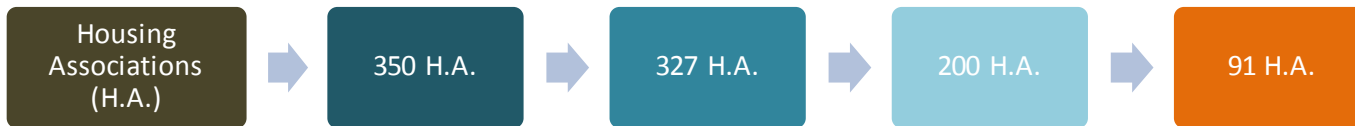
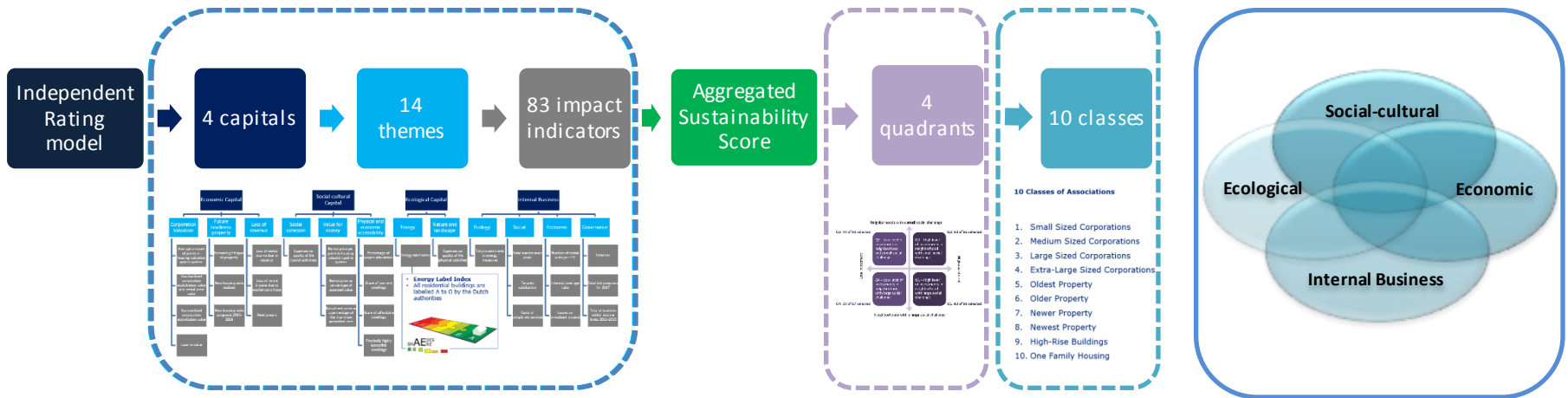
200

The framework uses a pre-selection step, Housing Associations investing in neighborhoods with a social challenge, limiting the group of **327** Housing Associations to **200** included in this study

91 eligible
Housing
Associations

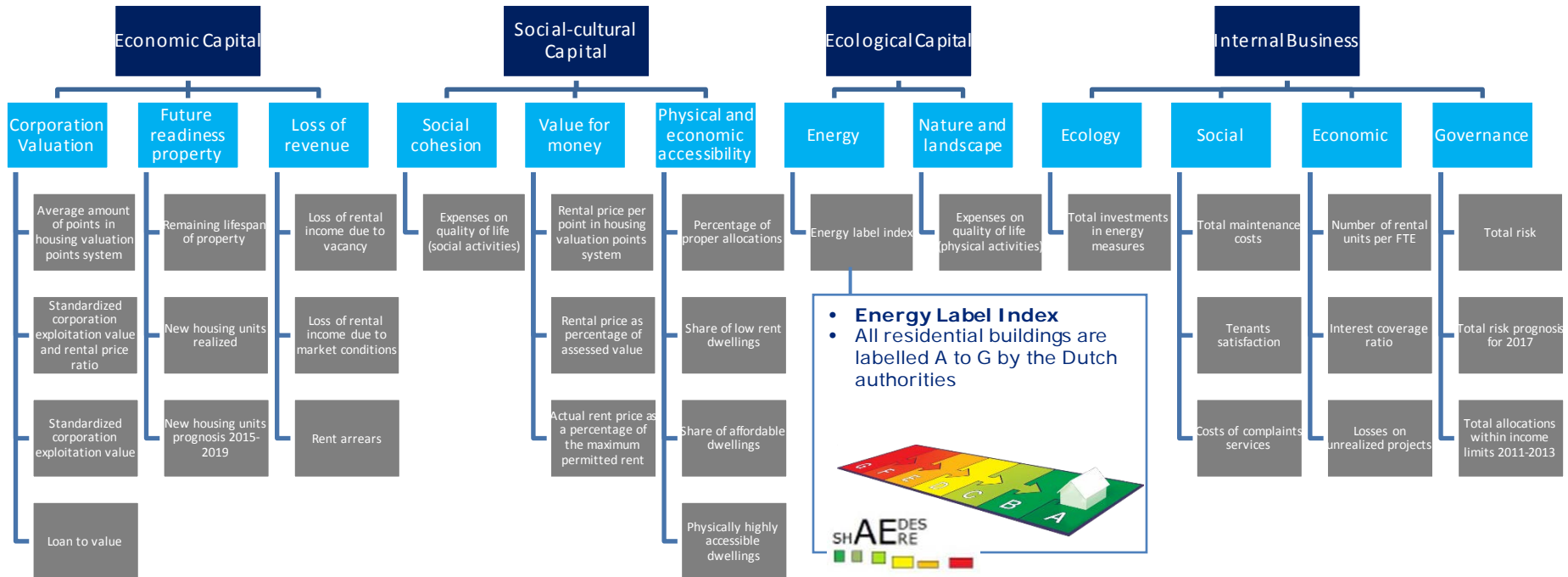
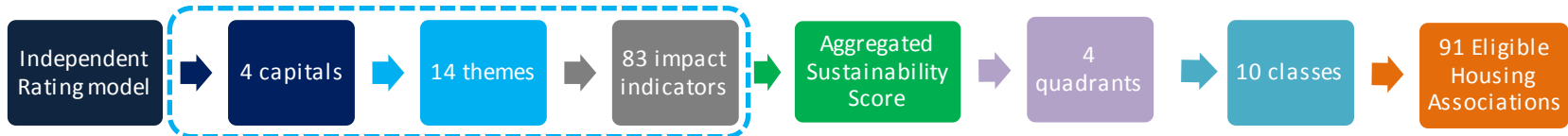
The **15 highest** scoring Housing Associations in each of the 10 classes have been selected, accounting for overlap, resulting in a total group of **91** unique Housing Associations. Who are eligible for the BNG Bank Sustainability bond for Social Housing Associations

Process for evaluation and selection (1)



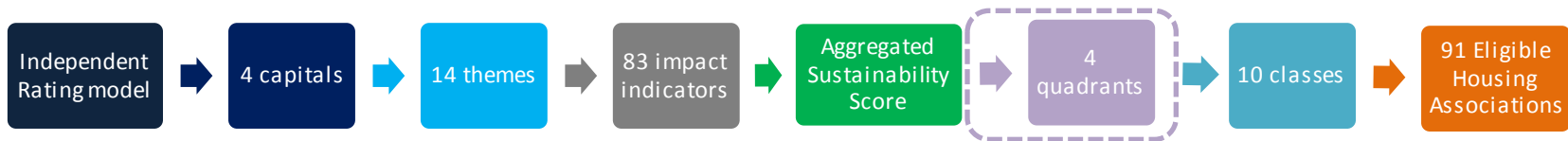
Tilburg University selected 91 housing associations that fit BNG's Use of Proceeds definition for the Sustainability Bond. This selection represents 26,0% of the total number of Housing Associations

Process for evaluation and selection (2)

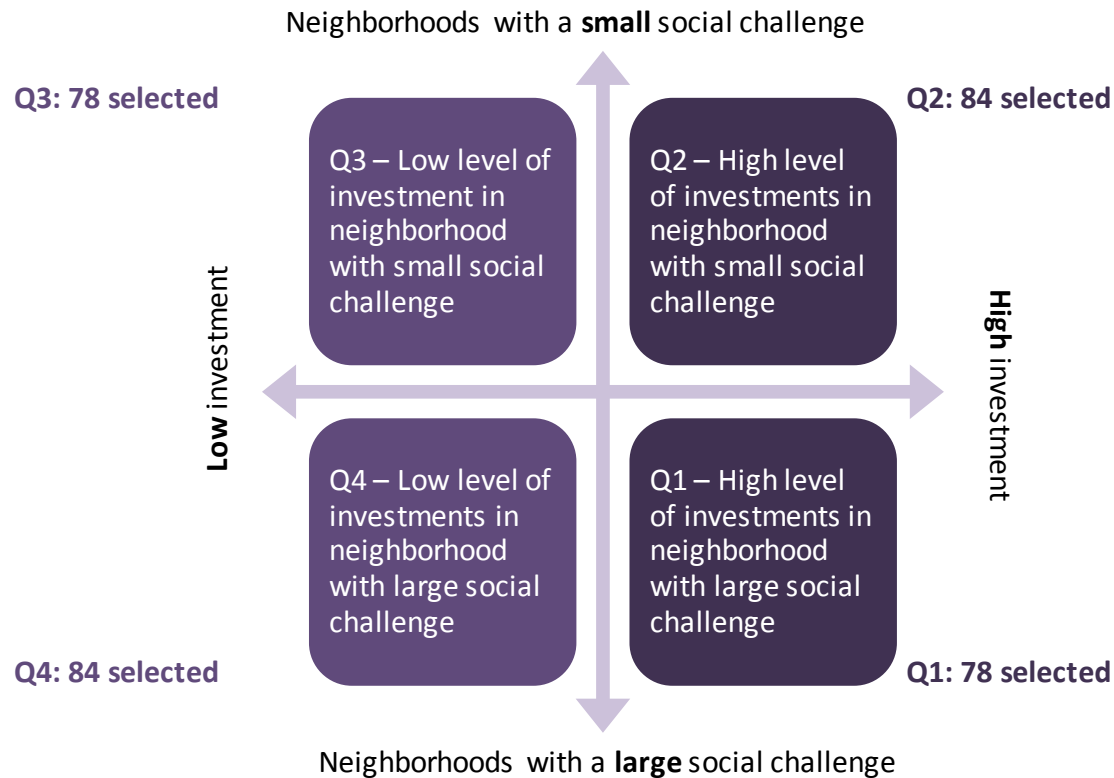


- The overall score of a Housing Association is calculated as the equally weighted score of the four capitals
- Each capital score is calculated as the equally weighted score of the themes, with one exception being the Energy theme accounting for 75% of the “Ecological” Capital
- Each theme score is calculated as the equally weighted score of the indicators

Process for evaluation and selection (3)

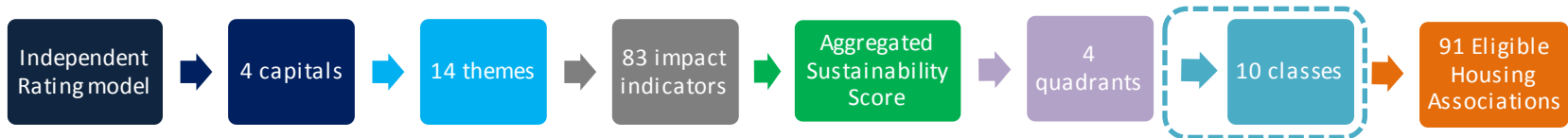


Focus on Housing Associations investing in neighborhoods with a social challenge



- Neighborhoods where housing associations own less than 25% of the housing stock, are left out. Neighborhoods with more than 40% of poor households are defined as neighborhoods with large social challenge. (as defined by Statistics Netherlands- CBS)
- A high level of investments was defined as 'an association that has spent more than 1,002 euro per rental units over the period from 2013 till 2015 on mutation- and planned maintenance'

Process for evaluation and selection (4)



10 Classes of Associations

1. Small Sized Corporations
2. Medium Sized Corporations
3. Large Sized Corporations
4. Extra-Large Sized Corporations
5. Oldest Property
6. Older Property
7. Newer Property
8. Newest Property
9. High-Rise Buildings
10. One-Family Housing

- Small Corporation <1250 housing units
- Medium Corporation 1250-3500 housing units
- Large Corporation 3500-7500 housing units
- Extra Large Corporation >7500 housing units

- Oldest Property: mean 1971
- Older Property: mean 1976
- Newer Property: mean 1980
- Newest Property mean 1985

- One-family houses includes all associations of which the property consists of 80% or more of one-family houses
- High-rise buildings type refers to associations of which the property consists for 20% or more of high-rise housing associations

Reporting and Impact Indicators

BNG Bank will publish:

- An annual impact report (by TSC-Telos) for the Housing Associations that were financed with the bond

How will BNG Bank use the Sustainability Bond Framework for Social Housing?

- BNG Bank supports local Housing Associations to set and achieve their sustainability targets
- BNG Bank account managers are trained to discuss the ESG scoring with clients and to advise them on how to take sustainability into account when making investment decisions
- BNG Bank is convinced that this approach will create a positive momentum within the entire client base and result in positive social and environmental impacts

What is the role of Sustainability Center of Tilburg University (TSC-Telos) so far and in the future?

- Define the group of Dutch Housing Associations involved
- Develop norms and impact indicators (social, economic, ecological, internal business) that are relevant for Dutch Housing Associations
- Develop criteria to focus on Housing Associations investing in deprived neighborhoods, as Housing Associations exist to help solve social (housing) problems
- Develop a statistically significant classification of Dutch Housing Associations with distinct socio-economic and environmental profiles, for example small and large Housing Associations
- Collect readily available data from official public sources
- Measure sustainability (ESG) performance. The result is an ESG score for all of Dutch Housing Associations
- Develop impact reporting with data from official public sources

Sustainalytics Opinion

“Sustainalytics is of the opinion that the BNG Bank 2017 Sustainability Bond Framework is **transparent** and **robust** and aligns with the four pillars of the Sustainability Bond Guidelines 2017 as well as the Social Bond Principles 2017. Sustainalytics views BNG Bank’s methodology to select social housing associations as innovative and robust. The use of proceeds clearly seeks to achieve positive socio-economic outcomes for target populations, as demonstrated by the consideration of both the sustainability performance of social housing associations and their investments in socially deprived neighborhoods.

Overall Sustainalytics is of the opinion that the bond will have a **positive impact** in addressing these social housing challenges and will encourage social housing associations to become more sustainable and strive to become ‘best-in-class’.”

Sustainalytics – BNG Bank Sustainability Bond: Framework Overview and Second Opinion by Sustainalytics (2017)



Summary



- Dutch Promotional Bank
- Aaa (stable) / AAA (stable) / AA+ (stable)
- 100% Dutch Government owned
- Standard & Poor's (5 December 2016)
 - "Leading lender to Dutch public authorities, supporting very strong asset quality"
 - "Sound capitalization"
 - "Almost certain likelihood of extraordinary government support"
- Moody's (2 January 2017)
 - "The largest lender to the Dutch public sector, fully owned by Dutch public entities"
 - "High asset quality"
 - "Very high probability of government support resulting in two-notch uplift for debt and deposit ratings"

Contact Information

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