

BNG Bank net profit EUR 226 million

- **New long-term lending up by 22%**
- **More competitive lending rates for clients**
- **Net profit higher than in 2014 despite impairment**
- **Proposed dividend: 25% (EUR 57 million)**
- **Leverage ratio increases, partly due to hybrid capital issuance**
- **Growing costs due to European supervision**

The Executive Board of BNG Bank is looking back with satisfaction to the year 2015. Although core clients were cautious about new investments, the amount of new lending increased. The strategic objectives in the area of return and market share were achieved. Moreover, due to an increase in net profit and the issuance of hybrid capital, the bank was able to strengthen its capital base. BNG Bank remains firmly committed to minimising the costs of social provisions for local authorities and public sector institutions.

New long-term lending up by 22%

Compared with 2014, new long-term lending rose by 22% to EUR 11.2 billion. BNG Bank's market share among local authorities, housing associations and healthcare institutions (i.e. the bank's core clients) remained high in 2015. However, the accumulation of central government policy measures is leading to great uncertainty, making the bank's core clients generally cautious about new investments. The higher credit volume mainly relates to the refinancing of existing client debt.

More competitive lending rates for clients

In the year under review BNG Bank's funding cost improved, in part because the bank was added to the list of institutions whose securities are eligible for the public sector purchase programme of the European Central Bank (ECB). In 2015 BNG Bank raised EUR 17.7 billion in long-term funding. The bank has translated the low funding costs into more competitive lending rates for its clients.

Net profit higher than in 2014 despite impairment

Net profit amounted to EUR 226 million (2014: EUR 126 million). Again, net profit was strongly influenced by the volatility in the financial markets, caused in part by the ECB's public sector purchase programme. This has led to a positive result on financial transactions of EUR 16 million. In 2014 the result on financial transactions was still strongly negative because of unrealised negative market value changes.

Net profit was negatively affected by impairments totalling EUR 72 million, EUR 63 million of which relates to unrealised impairments on a bond of the former Austrian bank Hypo Alpe Adria, now known by the name HETA. Although the bond is guaranteed by the federal state of Carinthia, the Austrian regulator takes the view that bondholders must bear part of the costs of resolution. BNG Bank is of the opinion that the federal state of Carinthia, as a guarantor, has the obligation to pay the interest and redemptions on this loan. The bank has joined a group of creditors in order to secure its interests.

Date

7 March 2016

Our reference

1790759

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Proposed dividend: 25% (EUR 57 million)

A dividend of 25% of net profit will be proposed to the shareholders. This represents a dividend of nearly EUR 57 million.

Leverage ratio increases, partly due to hybrid capital issuance

At the end of 2015 BNG Bank was designated by DNB as a bank of national systemic importance. The bank will therefore be required to maintain a systemic buffer equal to 1% of its risk-weighted assets in addition to the minimum capital requirement. This additional buffer will be phased in over the next four years. The bank already meets this requirement by a considerable margin.

An additional leverage ratio requirement also applies to other banks of systemic importance in the Netherlands, on top of the expected European minimum requirement of 3% from 2018. This additional requirement does not apply to BNG Bank because of its low risk profile. The leverage ratio has increased from 2.0% to 2.6% at year-end 2015, largely due to the issuance of EUR 424 million of hybrid capital to existing shareholders. Including the entire revaluation reserves and the retained earnings for 2015, in accordance with the definition as from 2018, the leverage ratio amounts to 2.9%. The bank believes that retained earnings for 2016 and 2017 will help it achieve the expected European minimum level of 3%.

Growing costs due to European supervision

The financial burden resulting from European supervision continues to grow. At EUR 67 million, operating expenses were the same as in 2014, but they are expected to rise in future years because of the increasing costs of supervision and the investments in staff and systems to maintain compliance with the legislation and regulations. From 2015, BNG Bank is also required to contribute to building up the European Resolution Fund. In 2015 the bank made a contribution of more than EUR 9 million. In addition, more than EUR 37 million has been paid in Dutch bank levy.

Rethinking strategy: committed partner for clients, more sustainable profile

Extensive discussions with employees, management and supervisory directors have prompted the bank to conclude that it will fully maintain its position as a banker of and for public authorities and public sector institutions. Yet the opportunities that this strategy offers can be better exploited. The bank expressly seeks to be a committed partner and to take a more proactive role towards its clients. The bank wants a more explicit sustainability profile, towards clients in particular on the themes of the national Energy Agreement and social return, towards investors with Socially Responsible Investment Bonds (SRI Bonds) and internally by making its operations more sustainable. In 2015, within the context of the Global Reporting Initiative, the bank changed over to reporting in accordance with the GRI G4 comprehensive approach. In the annual Transparency benchmark, in which the transparency of Dutch companies is compared, BNG Bank was the fourth financial institution in the Netherlands.

Outlook for 2016

The volume of new long-term lending in 2016 is expected to be in line with the previous year. Partly because of continuously low long-term interest rates and the bank's cautious interest position, the interest result in 2016 is expected to be lower

than in the year under review. In the near future, the result on financial transactions will remain sensitive to political, economic and monetary developments.

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In view of the persisting uncertainties, the bank does not consider it wise to make a statement regarding the expected net profit for 2016.

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BNG Bank will publish its 2015 annual report on Friday 22 April 2016.

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BNG Bank is the bank for public authorities and public sector institutions. The bank is a committed partner and makes a sustainable contribution to minimising the costs of social provisions for the public. BNG Bank-issued debt securities have been awarded the highest possible credit rating by Moody's (Aaa) and Standard & Poor's (AAA) and an AA+ rating by Fitch. This makes BNG Bank one of the world's most creditworthy banks.

This is an unofficial translation of the Dutch press release 'Nettowinst BNG Bank EUR 226 miljoen'. This translation is provided for convenience only. In the event of any ambiguity, the Dutch text will prevail.

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CONSOLIDATED BALANCE SHEET*Amounts in millions of euros*

	31/12/2015	31/12/2014
ASSETS		
Cash and balances with the central banks	3,175	2,241
Amounts due from banks	10,540	11,046
Financial assets at fair value through the income statement	3,715	4,247
Other financial assets	29,098	31,322
Financial assets available-for-sale	13,459	13,693
Loans and advances	89,366	90,732
Investments in associates and joint ventures	47	54
Property and equipment	16	16
Other assets	27	154
Assets classified as held for sale	68	-
TOTAL ASSETS	149,511	153,505
LIABILITIES		
Amounts due to banks	2,968	2,544
Financial liabilities at fair value through the income statement	3,205	3,327
Other financial liabilities	21,844	25,357
Debt securities	110,123	110,868
Funds entrusted	6,869	7,535
Subordinated debts	31	32
Other liabilities	308	260
Total liabilities	145,348	149,923
Share capital	139	139
Share premium reserve	6	6
Hybrid capital	424	-
Revaluation reserve	320	234
Cash flow hedge reserve	251	375
Other reserves	2,797	2,702
Unappropriated profit	226	126
Equity	4,163	3,582
TOTAL EQUITY AND LIABILITIES	149,511	153,505

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CONSOLIDATED INCOME STATEMENT

Amounts in millions of euros

	2015	2014
- Interest income	998	1,258
- Interest expenses	548	814
Interest result	450	444
Results from associates and joint ventures	2	1
- Commission income	32	35
- Commission expenses	4	6
Commission result	28	29
Result of financial transactions	16	-187
Other results	3	4
TOTAL INCOME	499	291
- Staff costs	38	38
- Other administrative expenses	27	27
Staff costs and other administrative expenses	65	65
Depreciation	2	2
TOTAL OPERATING EXPENSES	67	67
Impairments	72	15
Contribution to Resolution Fund	9	-
Bank levy	37	30
TOTAL OTHER EXPENSES	118	45
PROFIT BEFORE TAX	314	179
Taxation	-88	-53
NET PROFIT	226	126

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