

## BNG Bank aids public sector in difficult times

- **Compensation from the Dutch government is mitigating the financial impact of the COVID-19 pandemic on the public sector.**
- **Social challenges facing the public sector remain serious.**
- **BNG Bank has sharpened its strategy: social impact as the guiding principle and a focus on four SDGs in order to further enhance its social impact.**
- **Long-term credit portfolio up to EUR 86 billion.**
- **Net profit increased to EUR 221 million.**

**Date**

15 maart 2021

**Our reference**

2851740

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The Hague, 15 March 2021 – Gita Salden, Chief Executive Officer of BNG Bank: ‘In 2020, the COVID-19 pandemic drastically affected clients, employees and society as a whole. I am pleased to see that in these difficult times we have been able to continue to help our clients in the public sector and offer our employees a safe working environment, while also achieving good financial results.’

The operational and financial pressure resulting from the pandemic is especially strong among care institutions and municipalities, though for local authorities, the financial consequences of COVID-19 have been alleviated by financial compensation from the Dutch government. Thanks to the safety net established by the government and the health insurance companies, the financial impact for the healthcare sector has been limited. While the pandemic is affecting the creditworthiness of many clients, this did not lead to additional individual impairments in 2020.

Employees of the bank are experiencing severe impacts from the pandemic as well. In order to maintain continuity of service, heavy demands have been placed on our staff in terms of their ability to adapt. By embracing new digital ways of working and working from home, they have demonstrated maximum commitment to our clients. I highly appreciate the great efforts of our employees.

### Driven by social impact

BNG Bank sharpened its strategy in 2020. Based on its stated purpose of being ‘driven by social impact’, the bank chose to focus solely on the public sector. In doing so, it is concentrating on four Sustainable Development Goals (SDGs), in relation to which the bank can make a difference through cooperation with its public clients. These SDGs are:

- Good health and well-being (SDG 3)
- Quality education (SDG 4)
- Affordable and clean energy (SDG 7)
- Sustainable cities and communities (SDG 11).

‘I am proud of our “Road to Impact” strategy and the ambitions conveyed through this programme. I feel confident that it will further boost the energy of our dedicated employees and enable us, together, to make an even stronger impact on society,’ says CEO Gita Salden.

BNG Bank is a trade name of BNG Bank N.V. with registered office in The Hague, Trade Register no 27008387

## Financial results

Rather than maximising profit, BNG Bank seeks to achieve social impact and a fair return on equity for its public authority shareholders. The net profit for 2020 amounted to EUR 221 million, despite extremely low interest rates. The 36% increase in profit is due primarily to a historically high one-off expected credit loss provision made in 2019. The contribution to the expected loss provision in 2020 was EUR 15 million. The interest result of BNG Bank was EUR 477 million (2019: EUR 435 million). On balance, the result on financial transactions was EUR 17 million negative. The decrease of EUR 53 million as compared to 2019 can be attributed largely to the COVID-19 pandemic. Among other effects, this crisis has led to higher spreads for credit and liquidity risks of interest-bearing securities and loans, resulting in lower valuations.

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Relative to year-end 2019, the total long-term loan portfolio increased by EUR 1.8 billion to EUR 86.0 billion. The portfolio of long-term loans to housing associations showed particularly strong growth. The volume of new long-term lending was EUR 11.7 billion.

The risk-weighted solvency ratios of the Bank have remained at a high level. As of year-end 2020, the Common Equity Tier 1 ratio and the Bank's Tier 1 ratio are 33% and 39%, respectively. The leverage ratio amounted to 3.5% at the end of 2020. Rating agency Fitch recently confirmed BNG Bank's AAA rating, while Moody's and S&P have awarded BNG Bank the highest rating category as well. This places BNG Bank among the safest banking institutions in the world.

In accordance with its capitalisation and dividend policy, BNG Bank proposes a dividend payment of EUR 101 million (EUR 1.81 per share). This is 50% of the net profit for 2020 after deduction of the compensation paid out to holders of hybrid capital. Distribution of the 2020 dividend will not take place before 31 September 2021 and is subject to any future ECB recommendations.

## Governance

A new senior management structure was introduced on 1 March 2021, comprising an Executive Committee consisting of five members. This Committee is made up of the current Executive Board, with the addition of a Chief Commercial Officer (CCO) and a Chief Operating Officer (COO). The CCO will be responsible for translating our key external strategic priorities into actions. The COO will bring information technology expertise and leadership to the executive level.

## Financial outlook for 2021

BNG Bank expects to extend EUR 11.5 billion in new long-term loans to its public clients in 2021. This year, as well, clients will be facing the consequences of the COVID-19 pandemic. BNG Bank intends to continue doing everything possible to support its clients where needed. The funding policy of BNG Bank will maintain its focus on ensuring permanent access to the money and capital markets for the terms and volumes required at the lowest possible rates. The financial markets are expected to remain quite volatile this year. Therefore, we do not consider it wise to make a statement on the expected net profit for 2021.

The full Annual Report will be published on 31 March 2021 on [www.bngbank.com](http://www.bngbank.com).

**BNG Bank — Driven by social impact**

BNG Bank focuses exclusively on the public domain in the Netherlands. Our clients include municipalities, housing associations, and healthcare and educational institutions. We aim to be a natural partner for our clients by helping them address the social challenges they face. With a balance sheet in excess of EUR 160 billion, BNG Bank is the fourth-largest bank in the Netherlands.

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## CONSOLIDATED BALANCE SHEET

Date

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|   | <i>Amounts in millions of euro's</i> |                |
|---|--------------------------------------|----------------|
|   | 31/12/2020                           | 31/12/2019     |
| <b>ASSETS</b>   |                                      |                |
| Cash and balances with central banks                        | 2,312                                | 1,272          |
| Amounts due from banks                                      | 120                                  | 66             |
| Cash collateral posted                                      | 20,361                               | 14,643         |
| Financial assets at fair value through the income statement | 1,452                                | 1,764          |
| Derivatives   | 8,540                                | 10,004         |
| Financial assets at fair value through OCI                  | 9,738                                | 9,222          |
| Interest-bearing securities at amortised cost               | 7,880                                | 7,764          |
| Loans and advances  | 88,942                               | 88,279         |
| Value adjustments on loans in portfolio hedge accounting    | 20,816                               | 16,462         |
| Other assets  | 198                                  | 213            |
| <b>TOTAL ASSETS</b>   | <b>160,359</b>                       | <b>149,689</b> |
| <b>LIABILITIES</b>  |                                      |                |
| Amounts due to banks  | 12,221                               | 1,933          |
| Cash collateral received                                    | 858                                  | 1,137          |
| Financial liabilities at FVTPL                              | 656                                  | 674            |
| Derivatives   | 26,965                               | 22,651         |
| Debt securities   | 108,615                              | 112,661        |
| Funds entrusted   | 5,599                                | 5,575          |
| Subordinated debts  | 35                                   | 33             |
| Other liabilities   | 313                                  | 138            |
| <b>Total liabilities</b>                                    | <b>155,262</b>                       | <b>144,802</b> |
| <b>EQUITY</b>   |                                      |                |
| Share capital and realised reserves                         | 3,857                                | 3,712          |
| Hybrid capital  | 733                                  | 733            |
| Revaluation reserve   | 86                                   | 84             |
| Cash flow hedge reserve                                     | 11                                   | 13             |
| Own Credit Adjustment                                       | 5                                    | 8              |
| Cost of hedging reserve                                     | 184                                  | 174            |
| Net profit  | 221                                  | 163            |
|   | 5,097                                | 4,887          |
| <b>TOTAL EQUITY AND LIABILITIES</b>                         | <b>160,359</b>                       | <b>149,689</b> |

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## CONSOLIDATED INCOME STATEMENT

|  | <i>Amounts in millions of euro's</i> |                   |
|--|--------------------------------------|-------------------|
|  | <b>31/12/2020</b>                    | <b>31/12/2019</b> |
| - Interest revenues                                      | 4,876                                | 5,523             |
| - Interest expenses                                      | -4,399                               | -5,088            |
| Interest result  | 477                                  | 435               |
| - Commission income                                      | 29                                   | 32                |
| - Commission expenses                                    | -4                                   | -2                |
| Commission result  | 25                                   | 30                |
| Result on financial transactions                         | -17                                  | 37                |
| Results from associates and joint ventures               | 3                                    | 3                 |
| Other results  | 1                                    | 1                 |
| <b>TOTAL OPERATING INCOME</b>                            | <b>489</b>                           | <b>506</b>        |
| Staff costs  | -49                                  | -41               |
| Other administrative expenses                            | -46                                  | -37               |
| Depreciation   | -3                                   | -3                |
| <b>TOTAL OPERATING EXPENSES</b>                          | <b>-98</b>                           | <b>-81</b>        |
| Net impairments on financial assets                      | -16                                  | -153              |
| Net impairments on associates and joint ventures         | -1                                   | -7                |
| Contribution to resolution fund                          | -8                                   | -8                |
| Bank levy  | -34                                  | -30               |
| <b>TOTAL OTHER EXPENSES</b>                              | <b>-59</b>                           | <b>-198</b>       |
| <b>PROFIT BEFORE TAXES</b>                               | <b>332</b>                           | <b>227</b>        |
| Taxes  | -111                                 | -64               |
| <b>NET PROFIT</b>  | <b>221</b>                           | <b>163</b>        |
| - of which attributable to the holders of hybrid capital | 19                                   | 21                |
| - of which attributable to shareholders                  | 202                                  | 142               |

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