

BNG Bank contributes to financing socially relevant activities

- **Sustainability is an important part of the strategy**
- **Clients reluctant to make new investments**
- **Net profit amounts to EUR 126 million**
- **Direct consequences of Brexit-referendum are limited for BNG Bank**

In the first half of 2016, BNG Bank actively contributed to solutions for the problems to finance socially relevant activities and sectors that were identified by the government and the Confederation of Netherlands Industry and Employers VNO-NCW. Concrete examples of its involvement are the financing of sustainability investments in social housing, the banks' contribution to the Dutch Energy Agreement for Sustainable Growth and the financing of large infrastructure projects. In order to further improve the financing of those activities, the bank is also actively engaging with private and public parties such as pension funds, the Netherlands Investment Institution and the Netherlands Investment Agency for EFSI.

Date

29 augustus 2016

Our reference

1835098

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Sustainability is an important part of the strategy

Sustainability is an important part of BNG Bank's strategy and is given shape and substance on both sides of the balance sheet as well as in the bank's operations.

The 8-year bond of EUR 1 billion which was issued to fund the most sustainable housing associations was highly oversubscribed by international investors. By means of this first 'social housing bond', BNG Bank encourages its clients in the social housing sector to become more sustainable while responding to the growing worldwide demand for this type of investments.

In February of this year, BNG Bank concluded a financing agreement to fund 20 solar energy installations for municipal offices and other public real estate. By now, the first installations are operational. In March 2016, solar panels were installed on BNG Bank's roof, in order to reduce the bank's CO₂ emissions.

Clients reluctant to make new investments

New long-term lending to the public and semi-public sector amounted to EUR 4.7 billion in the first half of 2016, demonstrating the relevancy of BNG Bank for the Dutch society. Apart from the social housing sector, turnover in the bank's client sectors was in line with expectations. Housing associations are more cautious than expected in making new investments, due to the introduction of the amended Housing Act. BNG Bank's credit portfolio fell by EUR 0.6 billion to EUR 88.8 billion in the reporting period. The bank's market share in the core client sectors was once again well above target during the reporting period, despite a slight increase in competition.

Net profit amounts to EUR 126 million

In the first half of 2016, BNG Bank posted a net profit of EUR 126 million, down EUR 29 million on the first half of 2015. This decrease is primarily due to the continuously falling long-term interest rates, which have a negative effect on the interest result and the unrealised market value adjustments in the result on financial transactions. The further drop in interest rates in the first half of 2016 was caused mainly by the quantitative easing as a consequence of the European Central Bank's bond-buying programme and by the outcome of the British referendum.

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Direct consequences of Brexit-referendum are limited for BNG Bank

Soon after the outcome of the British referendum had been announced, growth forecasts worldwide were adjusted downwardly. Rating agencies reduced the United Kingdom's rating, based on their expectation that the United Kingdom would go into recession within the next few quarters. Except for the sharp drop in the pound sterling, the share prices of banks and the interest rates, there have been no structural changes yet in risk perception on the financial markets. The direct consequences of the referendum remained relatively limited for BNG Bank. Access to short-term and long-term funding has not been under threat, and the credit and liquidity risk spreads which the bank has to pay have hardly changed.

Contribution to European Resolution Fund

The bank's contribution to the European Resolution Fund for 2016 was set at EUR 16 million in late April. The contribution was again relatively limited in 2016, because a large number of the loans provided by BNG Bank qualify as promotional loans. When the annual contribution is set, these loans may be deducted in determining the contribution base.

Outlook for 2016

BNG Bank expects the total amount of new long-term lending to be slightly lower in 2016 than in the previous year. The bank's clients are expected to remain cautious in making new investments, partially as a result of the new regulations, despite the attractive interest levels for investments.

As part of its efforts to increase the leverage ratio, BNG Bank has entered into discussions with a number of municipal and provincial authorities regarding subsequent issues of hybrid capital. Based on these discussions, the bank expects to raise additional Tier 1 capital in the second half of 2016. The issues will depend on factors such as market conditions and the completion time of the approval process of the municipal and provincial authorities concerned. EUR 100 million was already raised in July 2016. By the end of 2017, BNG Bank expects to meet the anticipated European minimum level of 3% with retained earnings and further issuance of hybrid capital.

The interest result for 2016 is expected to range between EUR 380 million to EUR 400 million. The current uncertain market circumstances are negatively affecting the result on financial transactions. In view of the persisting uncertainties, the bank does not consider it wise to make a statement regarding the expected net profit for 2016.

BNG Bank is the bank for local authorities and public sector institutions. The bank 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 Standard & Poor's (AAA) and Moody's (Aaa) and an AA+ rating by Fitch. BNG Bank therefore belongs to the world's most creditworthy banks.

For more information, please refer to the full Interim Report on www.bngbank.com.

This is an unofficial translation of the Dutch press release. 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

Date

29 augustus 2016

	30/6/2016	31/12/2015
ASSETS		
Cash and balances with the central banks	4,290	3,175
Amounts due from banks	16,333	10,540
Financial assets at fair value through the income statement	3,012	2,884
Derivatives	17,581	16,370
Financial assets available-for-sale	14,134	13,459
Loans and advances	88,795	89,366
Value adjustments of loans involved in portfolio hedge accounting	19,131	13,559
Investments in associates and joint ventures	44	47
Property and equipment	16	16
Other assets	120	27
Assets held for sale	-	68
TOTAL ASSETS	163,456	149,511
LIABILITIES		
Amounts due to banks	3,440	2,968
Financial liabilities at fair value through the income statement	1,287	1,788
Derivatives	30,773	23,261
Debt securities	117,093	110,123
Funds entrusted	6,762	6,869
Subordinated debts	31	31
Other liabilities	165	308
Total liabilities	159,551	145,348
Share capital	139	139
Share premium reserve	6	6
Hybrid capital	424	424
Revaluation reserve	318	320
Cash flow hedge reserve	-70	251
Other reserves	2,962	2,797
Unappropriated profit	126	226
Total equity	3,905	4,163
TOTAL LIABILITIES AND EQUITY	163,456	149,511

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CONSOLIDATED INCOME STATEMENT

Amounts in millions of euros

Date

29 augustus 2016

	First half of 2016	First half of 2015	Our reference
- Interest income	290	536	1835098
- Interest expenses	99	328	
Interest result	191	208	Page
- Commission income	17	16	5 of 5
- Commission expenses	2	2	
Commission result	15	14	
Result on financial transactions	-28	82	
Results from associates and joint ventures	2	1	
Sales result from assets held for sale	34	-	
Other results	1	1	
TOTAL INOCME	215	306	
Staff costs	18	19	
Other administrative expenses	12	12	
Depreciation	1	1	
TOTAL OPERATING EXPENSES	31	32	
Impairments	2	68	
Contribution to resolution fund	16	-	
TOTAL OTHER EXPENSES	18	68	
PROFIT BEFORE TAX	166	206	
Taxes	-40	-51	
NET PROFIT	126	155	