PRESS RELEASE 2018 INTERIM RESULTS

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Increased demand for credit, numerous sustainable initiatives

BNG Bank can look back on a good first half of 2018. The bank took various initiatives in fields such as climate and export financing in order to enable its clients to achieve socially relevant objectives. The volume of new loans was 30% higher than in the first half of 2017.

Sustainability is a spearhead in the services provided by BNG Bank. The bank remains an important financier for improving the sustainability of public real estate in the Netherlands, unburdening local authorities, housing associations and healthcare and educational institutions as much as possible. The bank has now financed more than 500,000 solar panels, as well as various projects in the field of wind energy, biomass, bio-energy, geothermal and district heating networks. Using the Public Real Estate Scan introduced by the bank in 2017, clients have now mapped more than 3 million m² that is to be made more sustainable.

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Our reference
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Together with the Dutch insurer NN, the bank has made available EUR 300 million in the past six months to make public real estate more sustainable via the company 'Bewust Investeren'. Recently, the first loan was granted under the Energy Transition Financing Facility, which was established in 2017 together with the Dutch Ministry of Economic Affairs and Climate to stimulate investments in new markets within the energy transition. In the past six months, the bank also granted loans for various social initiatives such as the BNG Sustainability Fund, 'Energy Sponsoring' (Softs), high-speed internet in rural areas in the province of Friesland and export financing.

The volume of new long-term loans in the first half of 2018 amounted to EUR 5.8 billion, an increase of EUR 1,4 billion compared to the volume of EUR 4.4 billion in the first half of 2017. In particular, demand for credit from local authorities was higher. In the reporting period, the bank raised EUR 9.3 billion (first half of 2017: EUR 9.9 billion) in long-term funding. This included issuing five benchmark loans – in euros and US dollars – ranging in size from 500 million to 2.5 billion. The bank could benefited from favourable market conditions.

Lower net profit, interest result stable

Net profit for the first half of 2018 was EUR 207 million, down EUR 35 million compared to the first half of 2017. This decrease was mainly attributable to a lower contribution from the unrealised fair value changes within the result on financial transactions, which amounted to EUR 85 million positive (first half of 2017: EUR 132 million positive). As in 2017, the positive result on financial transactions was mainly attributable to the effects of ECB's asset purchase programme on the financial markets. At EUR 220 million, the interest result was virtually unchanged compared with the first half of 2017. As in 2017, the interest result benefited from the favourable rates for new funding raised.

Increased solvency ratios

The balance sheet total increased by EUR 4.1 billion to EUR 144.1 billion in the first half of 2018. The new accounting standard (IFRS 9) for financial instruments became effective on 1 January 2018. The impact on equity was a reduction of EUR 266 million, of which EUR 33 million was attributable to the increase in the provision for doubtful debts. The item Loans and Advances decreased by EUR 1.7 billion to EUR 84.3 billion in the reporting period, mainly due to the reclassification as part of the transition to IFRS 9 of EUR 1.4 billion in interest-bearing securities of clients to the item Interest-Bearing Securities at amortised cost. The increase in the balance sheet total was almost entirely due to the wider liquidity position of the bank with the ECB.

Compared to the IFRS 9 opening balance, the bank's equity grew by EUR 0.2 billion to EUR 4.9 billion in the reporting period. This increase was mainly attributable to the net profit in the first half of 2018. The risk-weighted solvency ratio increased further during the reporting period. The Tier 1 ratio rose to 38%. The leverage ratio increased to 3.6% from 3.5% at year-end 2017. The 0.1% increase was mainly due to the addition of the 2017 retained earnings to the bank's Tier 1 capital.

Outlook

BNG Bank expects the volume of new long-term loans to exceed the level of EUR 9.5 billion recorded in 2017, mainly due to the increased demand from local authorities. The increase in demand from the housing association sector is lagging behind expectations. Irrespective of the strong need for new homes, the housing associations remain cautious about making new investments. The interest result for 2018 is expected to range between EUR 430 million and EUR 460 million. Unpredictable movements on the financial markets make it impossible to provide a reliable statement on the (unrealised) results on financial transactions. Therefore, the bank does not consider it wise to make a statement regarding the expected net profit for 2018.

Statutory name with effect from 27 August: BNG Bank N.V.

Relevant legislative changes and the Dutch Corporate Governance Code have prompted BNG Bank to update and modernise the articles of association. On that occasion, with effect from 27 August 2018, the name 'BNG Bank N.V.' has been laid down in the articles of association as a replacement for the statutory name 'N.V. Bank Nederlandse Gemeenten'.

The full Interim Report 2018 is available on www.bngbank.com

BNG Bank is a committed partner for a sustainable society. We enable the public sector to achieve socially relevant objectives. With a balance sheet of more than EUR 140 billion, we are the fourth-largest bank in the Netherlands and a relevant player in the funding of local authorities, housing associations, healthcare, education, energy and infrastructure.

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.

CONSOLIDATED BALANCE SHEET

Amounts in millions of euros

Date

27 augustus 2018

Our reference

2380789

Amounts in EUR MM	30/06/2018 (IFRS 9)	1/1/2018 (IFRS 9)	31/12/2017 (IAS 39)
ASSETS			
Cash and balances with central banks	8.526	2.996	2.996
Amounts due from banks	32	12	105
Cash collateral posted	12.166	13.892	13.892
Financial assets at fair value through the income statement	1.614	1.628	2.006
Derivatives	9.142	8.978	8.982
Financial assets at fair value through other comprehensive income	10.342	10.794	
Financial assets available for sale	-	-	14.110
Interest-bearing securities at amortised cost	6.101	5.134	
Loans and advances	84.329	84.640	86.008
Value adjustments on loans in portfolio hedge accounting	11.598	11.685	11.813
Associates and joint ventures	47	47	47
Property & equipment	18	17	17
Current tax assets	59	-	-
Other assets	162	19	19
Assets classified as held for sale	-	30	30
TOTAL ASSETS	**144.136**	**139.872**	**140.025**
LIABILITIES			
Amounts due to banks	3.336	2.079	2.079
Cash collateral received	466	369	369
Financial liabilities at fair value through the income statement	819	944	944
Derivatives	20.416	21.870	21.870
Debt securities	107.391	104.323	104.127
Funds entrusted	6.311	5.421	5.417
Subordinated debts	31	31	31
Current tax liabilities	-	18	17
Deferred tax liabilities	127	83	173
Other liabilities	363	47	45
Total liabilities	**139.260**	**135.185**	**135.072**
EQUITY			
Share capital	139	139	139
Share premium reserve	6	6	6
Other reserves	3.410	3.570	3.221
Revaluation reserve	170	189	259
Cash flow hedge reserve	12	19	193
Own credit adjustment	8	9	9
Cost of hedging reserve	191	22	
Net profit	207		393
Equity attributable to shareholders	4.143	3.954	4.220
Hybrid capital	733	733	733
Total equity	**4.876**	**4.687**	**4.953**
TOTAL LIABILITIES AND EQUITY	**144.136**	**139.872**	**140.025**

CONSOLIDATED INCOME STATEMENT

Amounts in millions of euros

Date

27 augustus 2018

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	First half of 2018		First half of 2017	
- Interest income calculated using the effective Interest method	2,596		2,746	
- Other interest income	282		227	
Total interest income	2,878		2,973	
- Interest expenses calculated using the effective interest method	2.604		2,692	
- Other interest expenses	54		59	
Total interest expenses	2,658		2,751	
Interest result		220		222
- Commission income	14		12	
- Commission expenses	1		1	
Commission result		13		11
Result on financial transactions		85		132
Results from associates and joint ventures		2		2
Other results		1		1
TOTAL INCOME		**321**		**368**
Staff costs		20		20
Other administrative expenses		16		13
Depreciation		1		1
TOTAL OPERATING EXPENSES		**37**		**34**
Net impairment losses on financial assets		-4		3
Net impairment losses on associates and joint ventures		1		0
Contribution to resolution fund		12		9
TOTAL OTHER EXPENSES		**9**		**12**
PROFIT BEFORE TAX		**275**		**322**
Income tax expense		-68		-80
NET PROFIT		**207**		**242**
- of which attributable to the holders of hybrid capital		19		18
- of which attributable to shareholders		188		224