

Credit volume remains at a high level in uncertain times

- **Negative consequences of COVID-19 for municipalities and healthcare institutions**
- **Slight increase of the long-term loan portfolio**
- **Net profit EUR 100 million**
- **Solvency ratios remain at a high level**

The Hague, 7 September 2020 – Gita Salden, CEO BNG Bank: 'Looking at BNG Bank's clients, especially healthcare institutions and municipalities play an important role in limiting the consequences of the COVID-19 pandemic. The financial consequences for those sectors are substantial. The net profit of BNG Bank for the first half of 2020 amounts to EUR 100 million. The 21% decrease compared to the first half of 2019 is mainly due to the negative impact of the pandemic on the revaluation of some of our assets'.

Slight increase of the long-term loan portfolio

The demand for credit, particularly from the municipalities, was higher than expected, partly due to the financial consequences of the COVID-19 pandemic. In the first four months, the volume of new long-term loans exceeded EUR 1 billion per month. However, the sale of shares of energy company Eneco by local authorities in the last two months of the first half of the year has had a negative effect on the bank's lending, as shareholders partly used these funds to reduce their own lending or to lend to other local authorities. BNG Bank's new long-term lending amounted to EUR 5.4 billion in the reporting period, a decrease of EUR 0.8 billion compared with the first half of 2019. Relative to year-end 2019, the long-term loan portfolio rose by EUR 1.2 billion to EUR 85.4 billion. The COVID-19 pandemic has had a major impact on the healthcare sector. However, because the government and health insurers have set up a safety net for the healthcare sector, the consequences for BNG Bank have so far been limited.

Good access to funding following a brief interruption

BNG Bank has raised a total of EUR 9.8 billion in long-term funding through bond issues in the first half of the year. Market conditions were initially favourable, but in the first weeks of March, the market for long-term funding was closed due to the global outbreak of the COVID-19 virus. The market then re-opened, but with higher credit and liquidity spreads. In the first half year, BNG Bank issued four benchmark loans in EUR and USD with maturities of 10, 5, 3 and 10 years respectively. BNG Bank also participates in the third 'Targeted Longer-Term Refinancing Operation' (TLTRO) of the European Central Bank.

Financial results

BNG Bank does not strive for profit maximisation, but for social impact and a fair return for the shareholder governments. At EUR 225 million, BNG Bank's interest result was significantly higher than for the same period in 2019. The net profit of BNG Bank for the first half of 2020 amounts to EUR 100 million. On balance, the result on financial transactions was negatively affected by revaluations of financial instruments as a

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consequence of the higher credit and liquidity risk premiums. In addition, the bank had to increase the provision for expected credit losses as a result of the sharply deteriorated economic outlook. This led to impairments of EUR 27 million in the first half of the year. Compared with the underlying exposure of around EUR 145 billion, the total expected credit losses remain low, reflecting the high creditworthiness of BNG Bank's exposures.

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Solvency ratios at a high level

Compared to year-end 2019, the balance sheet total increased by EUR 17.3 billion to EUR 167.0 billion, mainly as a result of the fall in long-term interest rates and the bank's decision to maintain higher liquidity buffers in this period of crisis. In the reporting period, BNG Bank's equity remained virtually unchanged at EUR 4.9 billion. BNG Bank's Common Equity Tier 1 ratio and Tier 1 ratio were 31% and 36% respectively at the end of June 2020.

Outlook

BNG Bank expects to exceed this year's target for new long-term loans of EUR 10 billion as a result of the current low interest rates. Clients remain uncertain as a consequence of the far-reaching social and financial impact of the COVID-19 pandemic. BNG Bank will continue to do everything possible to support its clients. The volatility in the financial markets is expected to be higher than usual this year due to the pandemic. As a consequence, the bank does not consider it wise to make a statement on the expected results for 2020.

The full Interim Report is available on bngbank.com

BNG Bank is a committed partner for a more sustainable world. We enable the public sector to achieve socially relevant objectives. BNG Bank is a relevant player in the funding of Dutch local authorities as well as in the housing, healthcare, education, energy, environment, mobility and networks sectors. BNG Bank does not strive for profit maximisation but for a fair return that benefits the shareholder governments.

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

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<i>Amounts in millions of euro's</i>	30/06/2020	31/12/2019
ASSETS		
Cash and balances with central banks	7,695	1,272
Amounts due from banks	59	66
Cash collateral posted	18,861	14,643
Financial assets at fair value through the income statement	1,516	1,764
Derivatives	10,708	10,004
Financial assets at fair value through OCI	10,213	9,222
Interest-bearing securities at amortised cost	8,064	7,764
Loans and advances	88,681	88,279
Value adjustments on loans in portfolio hedge accounting	20,950	16,462
Other assets	228	213
TOTAL ASSETS	166,975	149,689
LIABILITIES		
Amounts due to banks	9,789	1,933
Cash collateral received	1,279	1,137
Financial liabilities at FVTPL	691	674
Derivatives	26,724	22,651
Debt securities	117,472	112,661
Funds entrusted	5,890	5,575
Subordinated debts	33	33
Other liabilities	241	138
Total liabilities	162,119	144,802
EQUITY		
Share capital and realised reserves	3,848	3,712
Hybrid capital	733	733
Revaluation reserve	61	84
Cash flow hedge reserve	15	13
Own Credit Adjustment	11	8
Cost of hedging reserve	88	174
Net profit	100	163
	4,856	4,887
TOTAL EQUITY AND LIABILITIES	166,975	149,689

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CONSOLIDATED INCOME STATEMENT

	<i>Amounts in millions of euro's</i>	30-6-2020	30-6-2019
- Interest revenues		2,534	2,771
- Interest expenses		-2,309	-2,571
Interest result		225	200
- Commission income		14	16
- Commission expenses		-2	-1
Commission result		12	15
Result on financial transactions		-14	21
Results from associates and joint ventures		3	0
Other results		1	1
TOTAL OPERATING INCOME		227	237
Staff costs		-21	-20
Other administrative expenses		-21	-16
Depreciation		-2	-2
TOTAL OPERATING EXPENSES		-44	-38
Net impairments on financial assets		-27	-20
Net impairments on associates and joint ventures		-0	-1
Contribution to resolution fund		-8	-8
Bank levy		-	-
TOTAL OTHER EXPENSES		-35	-29
PROFIT BEFORE TAXES		148	170
Taxes		-48	-42
NET PROFIT		100	128
- of which attributable to the holders of hybrid capital		25	22
- of which attributable to shareholders		75	106

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