

This is an unofficial translation of the 'Begrippenlijst jaarverslag BNG Bank 2012' and is provided for convenience purposes only. In the event of any ambiguity, the Dutch text will prevail.

Date
1 maart 2013

Glossary pertaining to BNG Bank's 2012 Annual Report

Corporate Code

The corporate code represents the way in which BNG Bank wants to deal with integrity and describes the conduct which BNG Bank expects from its employees. The code states that BNG Bank staff must exercise due care and respect in collaborating with internal and external stakeholders and attend to their interests in a responsible manner.

BIS ratio (in accordance with Basel II)

Both BIS ratios indicate BNG Bank's degree of solvency. The difference between the BIS Tier 1 ratio and the BIS ratio is that the BIS Tier 1 ratio concerns the core capital while the BIS ratio concerns the total qualifying capital, which also includes the additional capital. Both the two are ratios between capital and risk-weighted assets.

BIS Tier 1 ratio (in accordance with Basel II)

The BIS Tier 1 ratio indicates the relation between the bank's core capital and the risk-weighted assets. This ratio is an indication of the degree of a bank's loss absorption capacity. Loans are assessed in proportion to the risk. Thus, loans granted to or guaranteed by Dutch government authorities are regarded as (virtually) free of credit risk.

Dutch Banking Code

The Dutch Banking Code was decreed in 2009 by the Dutch Bankers' Association [*Nederlandse Vereniging van Banken* (NVB)] and took effect on 1 January 2010. This code contains principles with regard to focus on the client, governance (Supervisory Board, Executive Board), risk management, audit and remuneration policy. All banks in the Netherlands have adopted this code. Banks set out in their annual reports how they applied the principles in the preceding year and, where applicable, explain why a principle may not have been observed, either wholly or in part. Every bank places this report on its website (source: commissiecodebanken.nl).

We refer to bngbank.nl for a per-item explanation of the implementation of the relevant principles at BNG Bank. All the charters, profiles, models, statements and organization charts referred to have also been published on bngbank.nl.

Compliance

Observance of laws and regulations, as well as working in accordance with the standards and rules drawn up by the institution itself.

Corporate Governance

Corporate governance is the system of principles and best-practice provisions regulating relations between the Executive Board, the Supervisory Board and the (general meeting of) shareholders. The Dutch corporate governance model is characterized by the two-tier board structure, which provides for a Supervisory Board with supervisory duties and an Executive Board with executive management duties.

N.V. Bank Nederlandse Gemeenten, having its registered office in The Hague and listed in the Trade Register under number 27008387

Customer Due Diligence Policy

Customer Due Diligence (CDD) is a tool to ensure that financial institutions know their clients and do not enter into relationships with persons that may harm confidence in the financial institution.

Sustainable, Corporate Sustainability

Consuming as few raw materials as possible; using renewable sources. Pursuing a balance between ecological, economic and social interests. All developments which contribute in technological, economic, ecological, political or social terms to a healthy earth with prosperous inhabitants and well-functioning ecosystems are sustainable.

Fermat

Software package used for purposes such as providing structural support to BNG Bank's credit management procedures. Fermat offers facilities for the approval process of credit (review) proposals, the management of credit facilities, collaterals and covenants, and limit monitoring for statutory clients.

Fido

This is the acronym for *Wet financiering decentrale overheden*, i.e. the Local and Regional Authorities Financing Act. This act and the associated regulations set the parameters for the way in which local and regional authorities can attract the financing they require and invest their surplus liquid funds.

FSC Hallmark

The FSC (Forest Stewardship Council) is an international organization that promotes responsible forestry management. The FSC draws up worldwide forestry management standards and awards a hallmark. If forest owners observe the FSC standards, their forest can be certified. Independent inspectors monitor compliance with the rules.

FTE

Full-time equivalent, a calculation unit for expressing the extent of an employment or staff number. One FTE is a full working week.

Consolidated Financial Statements

The financial statements of a group which are presented as if they were the financial statements of a separate economic entity. The consolidated financial statements contain the annual figures of the parent company and all its consolidated subsidiaries.

GRI

Global Reporting Initiative, an international organization that draws up guidelines for reporting on a company's economic, social and environmental performance.

GRI Focus Areas

Strategy analysis, reporting parameters, governance, economic and social indicators, human rights, society, product responsibility and the environment.

GRI-index application level A+ (in conformity with GRI Guidelines)

The level A+ audited by an external auditor, at which the requirements set by GRI for this application level regarding profile description, management attitude and performance indicators are satisfied.

GRI core indicators

Indicators which are given particular emphasis and which, in BNG Bank's opinion, are a good reflection of the extent to which the bank's policy is successful.

Principal banker

The bank with which the greater part of the financial transactions is conducted, often including payment services.

Integrity

Acting with due care towards others, while observing responsibilities and applicable rules, in a morally responsible manner and on the basis of generally accepted social and ethical norms.

Integrity Risks

The risk of – either intentionally or unintentionally – violating the basic principles of ethical behavior.

Capitalization Policy

The parameters set by BNG Bank for the growth and size of its equity in relation to the bank's activities and the applicable regulations.

Core activities

The bank's principal activities: lending and payment services for the benefit of government authorities and public sector institutions.

Core client sectors

The sectors which the bank particularly focuses on: government authorities, housing associations, healthcare institutions and educational institutions.

Core values

The basic principles applied by BNG Bank in its operations: professional, reliable and modern.

Supply chain responsibility

Supply chain responsibility, also known as socially responsible procurement, means that companies voluntarily consider social and environmental aspects in their contacts with suppliers.

Focus on the Client and the Client's Interests

BNG Bank's definition: 'I place my customers first when offering them added value with my products and services.'

The bank's management takes account of the interests of all parties involved in the bank, such as its clients, shareholders and employees. The client will always be treated with due care. The bank's management has embedded the statutory duty of

care towards the client in the bank's work practices. Pursuant to the Dutch Banking Code, every bank has to set up a product approval process. This means that banking products will only be marketed after due consideration of the risks and assessment against the duty of care towards the client.

Lending free of credit risk

Loans granted to or guaranteed by Dutch government authorities. As the latter are deemed to be capable of meeting their obligations at all times, the risk that the loans granted will not be paid back is considered to be zero.

Lending subject to credit risk

Loans granted to private institutions without a government guarantee. Private institutions may encounter payment difficulties or be declared bankrupt. Accordingly, there is a risk that the loans granted to these institutions will be paid back only in part, or not at all.

Creditworthiness

The measure of an institutions ability to meet its financial obligations.

Long-term operations

BNG Bank's activities in the financial markets with a term of more than one year.

Long-term lending

The provision of loans with a term of more than one year.

Leverage ratio

The leverage ratio is a solvency ratio. It indicates the ratio of BNG Bank's (adjusted) Tier 1 capital to the (adjusted) balance sheet total.

Moral ethical statement

Each member of BNG's Executive Board has signed a moral ethical statement, promising that he will carry out his duties as a banker with integrity and due care and will carefully weigh all the interests of parties involved in the bank. This statement has been translated into principles underlying the actions of all the bank's employees. Every new employee of BNG Bank, on commencing employment, is expressly made aware of the content of these principles via his or her employment contract and is expected to comply with these principles.

CSR

Corporate social responsibility: consciously focusing business activities at the longer term and at the creation of value in three dimensions, i.e. market, people and the environment.

Dutch Corporate Governance Code

A code documenting the principles of good corporate governance. The Code contains both principles and specific provisions which the persons involved in a company (such as executive and supervisory directors) and third parties (such as institutional investors) must observe towards each other.

Personal development plan (PDP)

A plan in which employees, in consultation with the line manager, set out their educational ambitions which will enable them to (continue to) function and develop in the best possible way.

PPP

Public-private partnerships: the joint realization of projects by public authorities and private parties, whereby revenues and risks are shared.

(Pre-)employment screening policy

Establishing a person's identity in the context of ethical business practices and making an assessment of a person's reliability and susceptibility to fraudulent acts.

Result Oriented (Performance) Agreements (ROAs)

Each year, employees and managers at BNG Bank make agreements on the achievement of specific targets. Depending on the degree to which those targets are achieved, a percentage of variable remuneration is paid out.

Risk management

Identifying and controlling potential risks in the bank's business operations.

Risk profile

The total picture existing on the part of external parties about the degree of risk they bear in their transactions with BNG Bank. The ratings awarded by the external rating agencies are an important indicator of the risk profile.

Risk appetite

The risk appetite indicates how much risk BNG Bank accepts for value creation purposes and makes the bank's risk profile transparent. The principles and the associated key qualitative and quantitative policy aspects have been defined for each type of risk. An assessment is made as to whether the risks are in line with the principles, while reports are issued about the current situation.

Loans subject to solvency requirements

Loans for which the bank must maintain a certain quantity of own capital pursuant to regulations, as a buffer for the risk that the loan is not repaid.

Loans not subject to solvency requirements

Loans for which the bank is not required to maintain own capital, because the regulator (the Dutch Central Bank) regards them as (virtually) free of credit risk.

Stakeholders

Parties which are involved in or exert influence over the bank's activities in some way or another.

Stakeholder dialog

BNG Bank attaches great value to good relationships with all its stakeholders. Stakeholder confidence in BNG Bank and its services is crucial in order for the latter

to realize its mission and strategic objectives. This means that the stakeholder dialog is of great importance.

Sustainalytics

Independent research agency that is specialized in analyzing the performance of companies in terms of the environment, social policy and corporate governance.

Transparency Benchmark

This benchmark, created by the Ministry of Economic Affairs, Agriculture and Innovation, measures the degree of transparency which companies provide about CSR. In this context, specific consideration is given to authenticity, external awareness, being inspirational and being communicative and innovative.

Triple-A Rating

The highest creditworthiness rating, awarded by a recognized rating agency.

Company financial statements

Company financial statements are separate financial statements presented by the parent company, containing the parent company's annual figures. In these financial statements, the investments in associates are valued for accounting purposes on the basis of the direct equity interest.

Financial Supervision Act [*Wet op het financieel toezicht (Wft)*]

Act containing virtually all the rules and regulations for the financial sector in the Netherlands and the supervision of this sector. The purpose of the Wft is to set out the legislation for the financial sector in a targeted, market-oriented, simple and clear manner. In this way, financial institutions can easily understand which requirements they have to fulfill and how supervision is arranged. The duties of the Dutch Central Bank [*De Nederlandsche Bank (DNB)*] (prudential supervision) and of the Netherlands Authority for the Financial Markets [*Autoriteit Financiële Markten (AFM)*] (market conduct supervision) are separated in such a way that there is no overlap.

Duty of care

The relationship between a bank and its clients often involves a difference in levels of expertise. The average client will have less knowledge about particular products of a bank than that bank has itself. The bank has a duty of care when entering into a relationship with a client and when subsequently providing services. Clients have an own responsibility when it comes to using those services.