

PRESS RELEASE ON 2016 ANNUAL FIGURES

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BNG Bank posts net profit of EUR 369 million

- **Prime Sustainability rating awarded**
- **Clients reluctant to make new investments**
- **Net profit up (+63%)**
- **Leverage ratio: required level achieved**
- **Proposed dividend: EUR 91 million**

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BNG Bank is looking back with satisfaction on the year 2016. This financial year has seen a strong rise in net profit. The bank continued to implement its strategy – as updated in 2015 - by placing an even stronger focus on its clients and on increasing the sustainability of its balance sheet with new products such as the Energy Transition Financing Facility.

Prime Sustainability rating awarded

In 2016, BNG Bank issued two sustainable bonds for balance sheet financing of the most sustainable housing associations and municipalities. Since 2014 BNG Bank has issued four sustainable bonds with a total value of EUR 2.7 billion, making the bank one of the frontrunners in this area within the Dutch banking sector. The sustainable project financing portfolio grew to almost EUR 1 billion by year-end 2016. Oekom Research, one of the world's leading rating agencies on sustainability, awarded BNG Bank a C 'prime' rating in the year under review. This means that Oekom regards the bank's shares and bonds as sustainable investments, thanks in part to the socially relevant character of its loans and advances, sustainable investment financing initiatives and personnel policy. Oekom awarded this rating even before the bank launched its EUR 100 million Energy Transition Financing Facility in collaboration with the Ministry of Economic Affairs and the Netherlands Investment Agency at the end of 2016.

Clients reluctant to make new investments

The bank's core clients have taken a relatively cautious approach to new investments due to uncertainty about their future income and obligations. The State has decentralised a large number of tasks to municipalities, as they are able to provide services to citizens efficiently. This is one of the reasons for the increase in financial dependence on the State and on the Municipal Fund. The financial position of housing associations has improved over the past year. The policy measures in response to the housing association tax are having the desired effect, but have led to fewer investments in both new construction projects and existing property. The healthcare sector is a complex arena with a high degree of regulatory pressure. The State has withdrawn from this sector to some extent, and puts financial risks with the healthcare institutions wherever possible. The demand for loans decreased as a result of these developments, but its consistently high market share enabled the bank to grant EUR 10.2 billion in long-term loans and advances in the last year.

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

Net profit up

BNG Bank's 2016 net profit totalled EUR 369 million, up 63% from EUR 226 million in 2015. This development was positively influenced by incidental factors. Historically low interest rates and the bank's cautious interest-rate position as part of its risk management policy continued to place pressure on the interest result in 2016. The result on financial transactions was EUR 118 million positive due to results realised on sales of financial assets (EUR 62 million) and unrealised market value adjustments (EUR 56 million). The sale of BNG Vermogensbeheer shares and some participations in investment funds to insurance company a.s.r. has yielded a result on sales of EUR 34 million. 2016 also saw BNG Bank accept the proposal for the full settlement of the claim against HETA, which was written down by EUR 63 million in 2015. After legal costs, this led to a positive result of over EUR 39 million in 2016. The consolidated operating expenses fell by EUR 1 million to EUR 66 million, primarily due to the fall in costs of BNG Vermogensbeheer. Costs of supervision, information technology and staff are still on the rise. Significant efforts are still needed to enable the bank to comply with rapidly evolving laws and regulations and the resulting extensive reporting requirements. In view of the persisting uncertainties, the bank does not consider it wise to make a statement regarding the expected net profit for 2017.

Leverage ratio: required level achieved

BNG Bank's risk-weighted solvency ratio increased further during the reporting period. The bank's Tier 1 ratio increased to 32% as at year-end 2016. The bank's leverage ratio increased from 2.6% to 3.0%, the proposed minimum level for this ratio as at 1 January 2018. If both the entire revaluation reserves and the retained earnings for 2016 are taken into account, the leverage ratio amounts to almost 3.3%. The bank's strong capital position was confirmed by the satisfying result of the stress test for banks of systemic importance in Europe in July 2016.

Proposed dividend: EUR 91 million

For the year 2016, EUR 365 million is available for dividend distribution to shareholders and addition to the reserves. In accordance with its policy the bank proposes distributing 25% of this amount, representing a dividend of EUR 91 million (2015: EUR 57 million).

BNG Bank is a committed partner for a sustainable society. The bank supports government policies by providing affordable financing to municipalities, housing associations, healthcare and educational institutions and other public sector institutions based on its AAA rating. With a balance sheet total of more than EUR 150 billion, BNG Bank is the fourth largest bank in the Netherlands.

BNG Bank will publish its 2016 Annual Report on Friday 21 April 2017.

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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

	31/12/2016	31/12/2015
ASSETS		
Cash and balances held with central banks	6,417	3,175
Amounts due from banks	11,795	10,540
Financial assets at fair value through the income statement	2,350	2,884
Derivatives	15,412	16,370
Financial assets available-for-sale	15,437	13,459
Loans and advances	87,576	89,366
Value adjustments of loans involved in portfolio hedge accounting	14,894	13,559
Investments in associates and joint ventures	46	47
Property and equipment	17	16
Other assets	56	27
Assets held for sale	-	68
TOTAL ASSETS	154,000	149,511
LIABILITIES		
Amounts due to banks	3,530	2,968
Financial liabilities at fair value through the income statement	1,190	1,788
Derivatives	24,780	23,261
Current tax liabilities	31	16
Deferred tax liabilities	116	206
Debt securities	112,180	110,123
Funds entrusted	7,557	6,869
Subordinated debts	31	31
Other liabilities	99	86
Total liabilities	149,514	145,348
Share capital	139	139
Share premium reserve	6	6
Revaluation reserve	275	320
Cash flow hedge reserve	3	251
Other reserves	2,961	2,797
Unappropriated profit	369	226
Equity attributable to the bank's shareholders	3,753	3,739
Hybrid capital	733	424
Total equity	4,486	4,163
TOTAL LIABILITIES	154,000	149,511

CONSOLIDATED INCOME STATEMENT

Amounts in millions of euros

	2016	2015
- Interest income	6,126	6,278
- Interest expenses	5,721	5,828
Interest result	405	450
- Commission income	28	32
- Commission expenses	4	4
Commission result	24	28
Result on financial transactions	118	16
Results from associates and joint ventures	4	2
Sales result from assets held for sale	34	-
Other results	3	3
TOTAL INCOME	588	499
- Staff costs	38	38
- Other administrative expenses	26	27
Staff costs and other administrative expenses	64	65
Depreciation	2	2
TOTAL OPERATING EXPENSES	66	67
Impairments	-32	72
Contribution to resolution fund	16	9
Bank levy	35	37
TOTAL OTHER EXPENSES	19	118
PROFIT BEFORE TAX	503	314
Taxes	-134	-88
NET PROFIT	369	226
- of which attributable to the holders of hybrid capital	4	-
- of which attributable to shareholders	365	226
- Dividend per share with a nominal value of EUR 2.50	EUR 1.64	EUR 1.02