



# Nationale-Nederlanden Bank

Investor Presentation - Soft Bullet Covered Bond Programme

February 2021

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# Executive summary

## NN Bank<sup>1</sup> at a glance

- Fifth Dutch retail banking franchise (based on balance sheet size)
- Significant player in Dutch residential mortgage loan and retail savings markets
- Established in 2011
- Built around long-standing Nationale-Nederlanden mortgage business (since 1963)
- Distribution both direct (savings products) and via intermediaries (mortgage loans)

## NN Bank strategy

- To support retail customers to secure their financial futures by helping them manage and protect their assets and income
- Operates in the Netherlands under the brand name 'Nationale-Nederlanden' and shares client base, distribution and marketing with other NN entities
- Provides customers with efficient and excellent services:
  - digital customer experience
  - continuous product innovations
  - modern savings and mortgage back-office systems

## NN Bank financials at 30 June 2020

- Total assets of EUR 24.7bn; residential mortgage loan book of EUR 20.4bn<sup>2</sup>
- NN Bank services EUR 52bn of mortgage loans
- Balanced composition of income, in which net fee and commission income are 26% of total income
- Net profit of EUR 62m for 1H20
- Solid capital position: CET1 ratio of 16.7% (Standardised Approach), Total Capital Ratio of 18.1%
- NN Bank's strong A- rating from S&P (stable outlook) reflects its "highly strategic importance" for NN Group

## Funding diversification

- Funding comprises retail savings (EUR 15.5bn) and wholesale funding (EUR 5.9bn)
- NN Bank aims to further diversify its funding base by attracting both secured and unsecured wholesale funding
- In 2017 NN Bank set up its Conditional Pass Through (CPT) Programme, from which 5 public benchmark CBs<sup>3</sup> have been successfully issued
- NN Bank established a Soft Bullet (SB) CB programme in 2020 and issued an inaugural 10yrs SB in July 2020



1. Full name is Nationale-Nederlanden Bank N.V.
2. Includes mortgage-related Transfer of Parts and construction deposits
3. A benchmark covered bond issuance is at least EUR 500m

All financial information included in this Investor Presentation is based on the 2020 interim accounts of Nationale-Nederlanden Bank N.V. dated 27 August 2020 (unless stated otherwise). This financial information may deviate from the financial information of the segment Banking in NN Group.

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# 1 Strategy and business highlights

# NN Bank profile

- Fifth Dutch retail banking franchise (based on balance sheet size)
- Significant player in Dutch residential mortgage loan and retail savings markets
- More than one million retail clients
- Established in 2011
- Built around long-standing Nationale-Nederlanden mortgage business (since 1963)
- Distribution both direct (savings products) and via intermediaries (mortgages)
- Income generation from net interest margin, origination fees and service management fees
- 100% subsidiary of NN Group N.V.
- Long-term credit rating of A- and short-term rating of A-1 from S&P; stable outlook





# Parent company: NN Group

## International footprint



\* Outside Europe and Japan, NN Investment Partners has offices in Montevideo, New York and Singapore

## Overview of NN Group

- International financial services company, active in 20 countries with a strong presence in a number of European countries and Japan
- Offering innovative solutions and value-added products and services to retail, SME, large corporate and institutional customers (approx. 18 million customers)
- Financial Strength Ratings: A+/stable (Fitch), A/stable (S&P)
- Listed on Euronext Amsterdam since 2 July 2014
- Acquisition of Delta Lloyd completed in April 2017
- Acquisition of VIVAT Non-life completed in April 2020
- Shareholders' equity of EUR 36.7bn at 31 December 2020

## NN Group has leading market positions

- #1 life insurer in the Netherlands: 40% market share<sup>1</sup> in group pensions and 21% market share<sup>1</sup> in individual life
- #1 Non-life insurer in the Netherlands: 32% market share<sup>1</sup> in Disability & Accident; 25% market share<sup>1</sup> in Property & Casualty
- Top 3 player in CEE<sup>2</sup> focused on life and voluntary pensions
- Market leader in corporate-owned life insurance (COLI) products in Japan
- International asset manager with AuM of EUR 300bn at 31 December 2020

Source: NN Group

1. By GWP (2019), only Dutch insurers that are subject to DNB supervision; source: DNB and CVS
2. Central and Eastern Europe

# Position of the bank within NN Group

## NN Bank adding value to NN Group in the Netherlands

- Operating under the Nationale-Nederlanden brand since its start in 2011
- Sharing client base, distribution and marketing with other NN entities
- Offering banking products complementary to Nationale-Nederlanden's individual life and non-life insurance products for retail customers
- NN Group's mortgage originator and servicer in the Netherlands, providing mortgage investment opportunities for other NN companies and customers of NN Investment Partners
- Fully-owned subsidiary of NN Group N.V. and a fellow subsidiary of the Dutch insurance entities, i.e. NN Life and NN Non-life
- NN Bank's has a A- rating from S&P (stable outlook) reflecting the "highly strategic importance" of the bank for NN Group



# Retail-focused business model

## NN Bank is a significant financial services provider in the Dutch retail market

- Core activities are providing retail customers with mortgage loans, savings and bank annuities, supplemented by retail investment and consumer loan products
- National player, with coverage of all Dutch regions
- Operating under a strong and well-known household name in the Netherlands, *Nationale-Nederlanden*



## In-house mortgage origination and (special) servicing capabilities

- Nationale-Nederlanden's track record in in-house mortgage loan origination, servicing and arrears management goes back to 1963
- Originated EUR 4.4bn of mortgage loans in 1H20 and services EUR 52bn of mortgage loans for various entities
- Mortgage loans distributed via intermediaries



## NN Bank is a significant player in savings deposits and bank annuities

- On demand savings and fixed-term deposits
- Bank annuities, fiscal-driven supplementary pension savings or pension benefits



# Marketing campaigns

## New construction mortgage loan

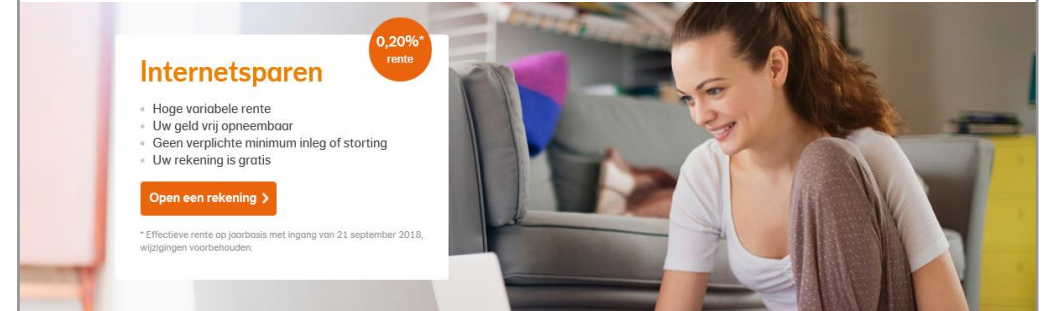


**De Nieuwbouwhypotheek die past bij het leven van nu**

- Lagere hypotheekrente voor nieuwbouwwoning
- Geen rente verschuldigd over bouwdepot
- Ook als u zelf een huis gaat bouwen

[Maak een afspraak >](#)

## On demand savings and fixed-term deposits



**Internetsparen** 0,20%\*  
rente

- Hoge variabele rente
- Uw geld vrij opneembaar
- Geen verplichte minimum inleg of storting
- Uw rekening is gratis

[Open een rekening >](#)

\* Effectieve rente op jaarbasis met ingang van 21 september 2018, wijzigingen voorbehouden.

*Various financial solutions that are tailored to fit today's life*

## Een hypotheek die past bij senioren die willen verhuizen

Zijn de kinderen het huis uit en is het tijd om wat kleiner te gaan wonen, of wat goedkoper? Het kan lastig zijn om met een (naderend) pensioeninkomen een hypotheek te krijgen. Ontdek de mogelijkheden van de Senioren Verhuisregeling.

[Maak een afspraak >](#)

## Senior citizens mortgage loan

## Sparen voor een aanvulling op uw pensioen

- Sparen met belastingvoordeel
- Tegen een aantrekkelijke rente
- Starten met sparen of doorsparen

\* Effectieve rente op jaarbasis per 21 september 2018, wijzigingen voorbehouden.

## Pension savings (bank annuities)

# Retail savings: two strong pillars

Dutch banks held EUR 387bn in household savings in June 2020, this is EUR 17.7bn (+4.8%) up on the previous year. Most of the growth is attributable to higher net deposits and only a small part contributes to credited interest<sup>1</sup>

## Savings on demand

- Consumers save mainly in order to build a buffer against unforeseen expenses
- Low-cost online savings platform
- At 30 June 2020, on-demand savings accounts and fixed-term deposit accounts to retail customers totalled EUR 7.1bn
- Diversification of funding with a similar savings account in Spain (in co-operation with NN Spain)

## Pension savings (bank annuities)

- Growing market for bank annuities as a result of growing periodical payments and aging population. Consumer awareness about pension gaps is increasing, partly due to the current pension debate
- Two types of bank annuities offered by NN Bank:
  - supplementary pension savings: tax-incentivised annuities on a blocked savings account up to pension date; and
  - supplementary pension benefits: pay-out of built-up pension savings (annuity) over time
- NN Bank is market leader in the bank annuities market as a result of its competitive price and smooth application process
- At 30 June 2020, (non-mortgage related) bank annuities totalled EUR 6.8bn

Source: DNB

1. "Household Savings" Statistics Dashboard DNB

# COVID-19

*NN Bank's priorities are to safeguard the well-being of our employees and provide an uninterrupted service to our customers*

## Expected impact on NN Bank

- COVID-19 has a substantial impact on financial markets, global trade, manufacturing and travel and is also having a negative impact on the markets in which NN Bank is active. However, to date, the impact on the Dutch mortgage market has been limited and the Euro wholesale funding market has largely recovered
- As at 30 June 2020, NN Bank had granted a payment holiday to 0.7% of its mortgage loan customers. It is reasonable to expect that this percentage will increase over the course of 2020
- Although the financial impact to date is limited to a slight increase in risk costs due to payments holidays and the application of revised macroeconomic outlooks, the expenses incurred to increase capacity at loan servicing and the measures to increase (back-up) liquidity, COVID-19 is likely to continue to impact NN Bank in the coming period

## Payment holidays

- Payment holidays (postponement of payments) are offered on an individual basis to borrowers who face temporary payment difficulties on their mortgage loans or consumer loans
- NN Bank allows borrowers to defer making payments for a limited period. Mortgage loans where (only) a payment holiday is granted may not be treated as defaulted in the administration of the Issuer (nor as Defaulted Mortgage Loans under the covered bond programme)

## Other measures taken

- NN Bank is following the recommendations of the Dutch government with nearly all of our employees working from home and only employees in essential functions working from our office locations
- Sufficient (back-up) liquidity and funding alternatives have been put in place, hence for the foreseeable future no significant difficulties are expected in refinancing
- Additional (temporary) measures have been implemented regarding the origination of mortgage loans, e.g. additional questions on income for employees and self-employed
- No final dividend over 2019 was paid and no interim dividend over 2020 will be proposed<sup>1</sup>

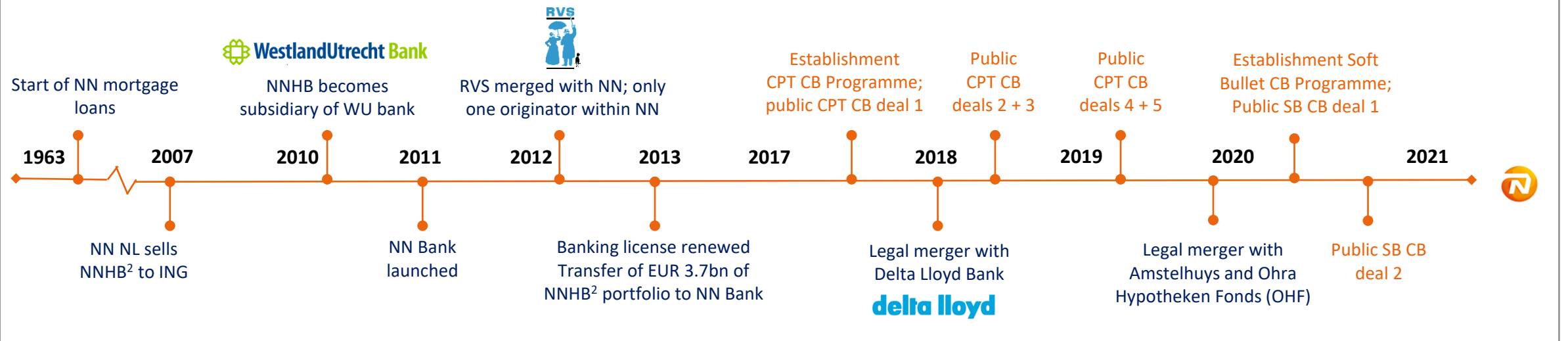
1. NN Bank follows the recommendation issued by the ECB in view of the current COVID-19 situation to refrain from dividend payments until 1 January 2021. NN Bank intends to resume dividend payments at such time that is appropriate in light of COVID-19 developments.

## 2. Mortgage business

# Long-standing history in mortgage business

## Successful NN-labelled mortgage business can be traced back to 1963

- Nationale-Nederlanden was founded in 1845, and evolved as a well-known brand in the Netherlands
- In 1963, Nationale-Nederlanden started originating mortgage loans ('NN-labelled mortgage loans')<sup>1</sup>
- NN Bank was launched in 2011 to take advantage of new banking opportunities in response to declining individual life insurance market
- Growth accelerated in 2013 with the acquisition of parts of WU Bank (within ING Bank), gaining product expertise and a solid banking platform
- On 1 January 2018, Delta Lloyd Bank was merged into NN Bank
- NN-labelled mortgage loans are serviced by NN Bank and are eligible for inclusion in the cover pool<sup>3</sup>



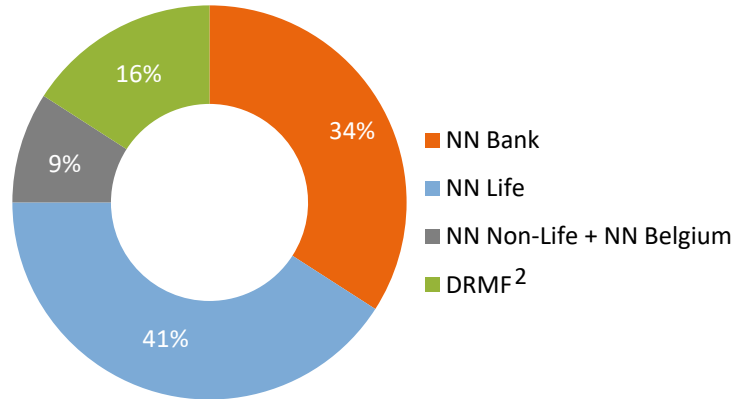
1. NN-labelled mortgage loans prior to 1 July 2013 were originated by NN Life and RVS Life; since 1 July 2013 NN-labelled mortgage loans have been originated by NN Bank
2. NNHB (NN Hypotheek Bedrijf) is a mortgage book held by ING Bank
3. Quion (HQ50) and Delta Lloyd originated mortgage loans are not eligible for inclusion in the cover pool



# Mortgage loans: distribution and servicing

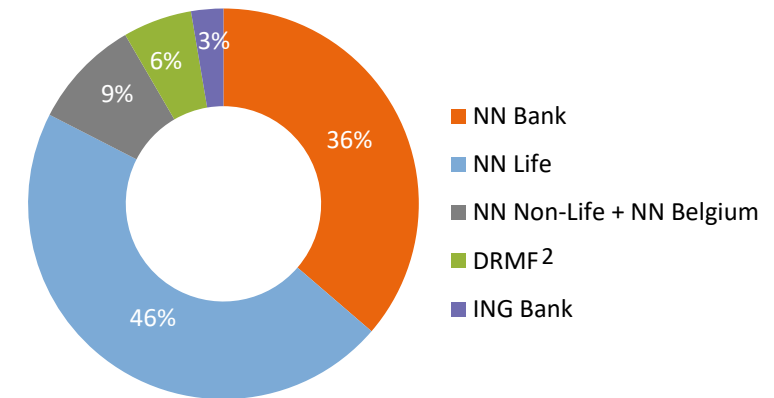
## Newly-originated mortgage loans<sup>1</sup> distributed to several entities ...

Economic ownership of new mortgage production in 1H20 (EUR 4.4bn)



## Mortgage loans serviced for multiple entities ...

Mortgage portfolio at 30 June 2020 (EUR 51.7bn)



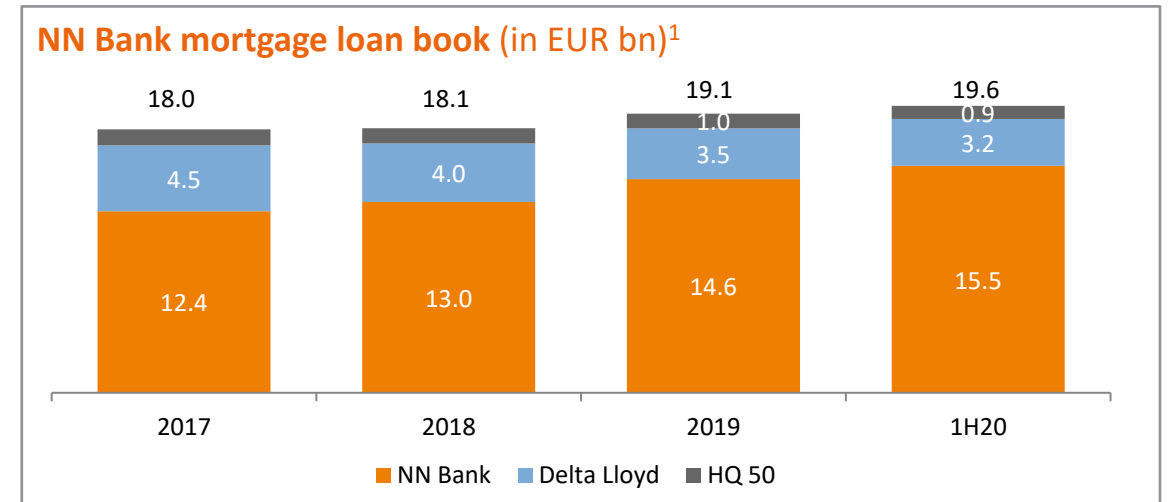
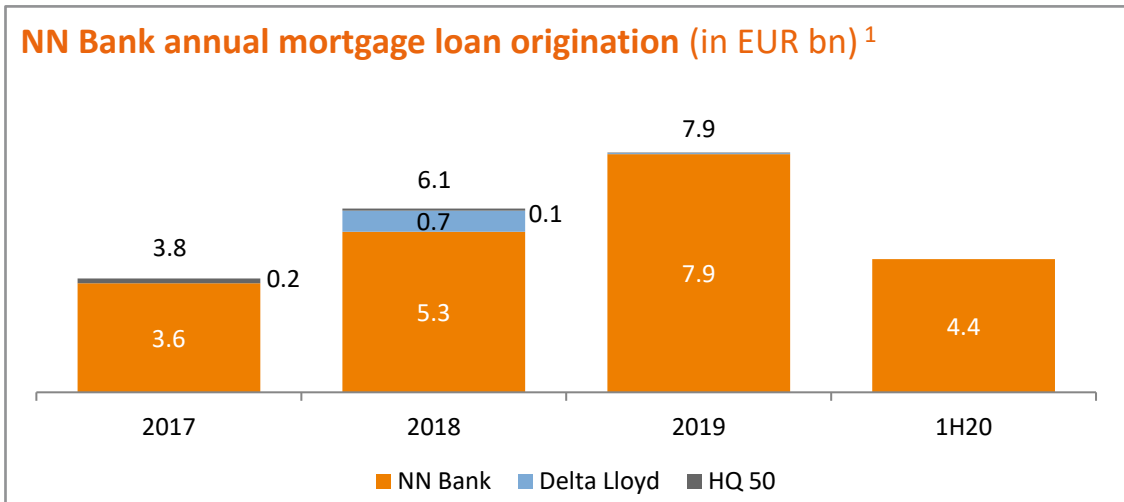
## ... offering attractive investment opportunities within NN Group

- NN Bank supports other business units within NN Group by generating profitable assets which are transferred to group companies
- Mortgage loans seen as an attractively yielding investment opportunity by these companies (buy and hold)

## ... both within NN Group and for third parties

- NN Bank services EUR 32.8bn of mortgage loans for other NN Group companies, NN Dutch Residential Mortgage Fund and ING Bank
- Monthly transfer of mortgage loans from ING Bank to NN Bank<sup>3</sup>

# Mortgage loans: growth and trends



## Mortgage origination mainly driven by long tenors, competitive pricing and an uplift in the Dutch housing and mortgage market

- Total mortgages originated by NN Bank amounted to EUR 4.4bn in 1H20 (compared with EUR 3.7bn in 1H19)
- 66% of new mortgage production transferred to insurance entities within NN Group companies and to NNIP's Dutch Residential Mortgage Fund
- NN Bank offers the full range of mortgage loan interest rate reset tenors to its customers, i.e. from 1 month to 30 years
- Risk-based pricing policy fully implemented in 2019 for NN-labelled mortgage loans

1. All results presented are as at the end of the year; 2020H1 figures are presented as at 30 June 2020; 2017 numbers on a pro forma basis for NN Bank

# Strong mortgage loan performance

## Trend to lower LTV and higher (p)repayments ...

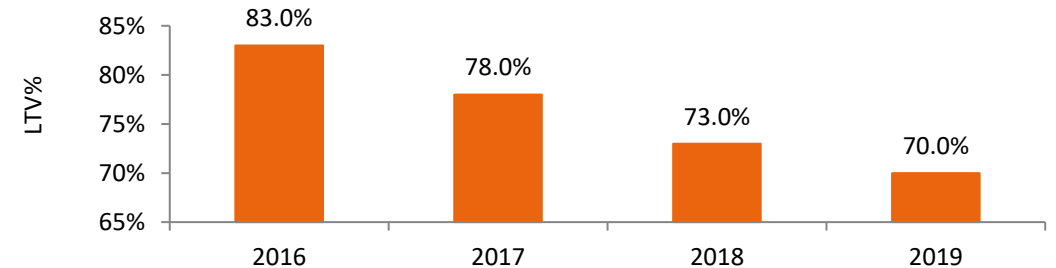
- LTV cap lowered by 1%-point p.a. from 105% in 2013 to 100% in 2018
- Lower average LTV due to higher amortisation and increased house prices
- Higher amortisation triggered by changes to tax deductibility, i.e. for new mortgage loans only annuity (or linear) loans are eligible
- Higher prepayments triggered by the accelerated reduction in tax deductibility in 2020-2023

## ... in combination with several mitigating factors ...

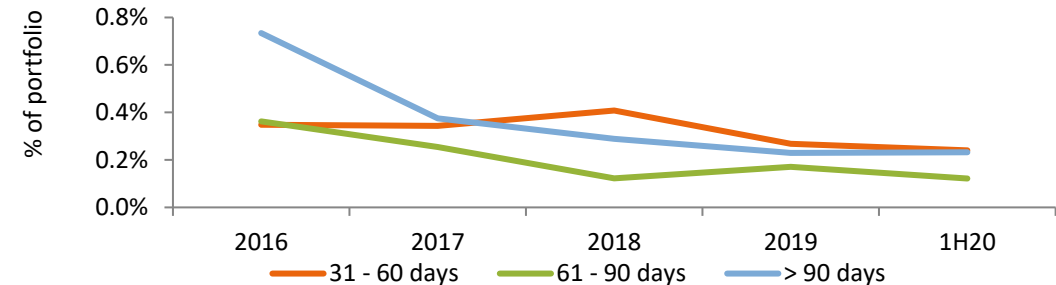
- Strict underwriting under Code of Conduct and Dutch law
- Mortgage loan is typically the only debt of average Dutch household<sup>1</sup>
- High payment moral of Dutch borrower
- Strong legal and regulatory framework of full recourse, whereby lender has a secured claim to current and future wealth of the borrower
- Affordability (debt to income) is decisive in underwriting, not LTV level

## ... to support historically good performance numbers at NN Bank

weighted average current loan-to-indexed market value has gradually decreased over time



## Delinquencies have remained low



1. Total outstanding consumer credit volume (EUR 14.1bn) is 1.9% of total outstanding residential mortgage loan volume (EUR 738bn) in the Netherlands (CBS Statline, DNB, 1Q20)

### 3. Covered bond programme

# NN Bank Soft Bullet Programme

## Soft Bullet Programme launched in 2020

- In June 2020 NN Bank established a EUR 7.5 bn Soft Bullet Programme, which was officially registered with the Dutch Central Bank on 17 June 2020
- This Soft Bullet Programme supports future growth and:
  - ✓ Further diversifies the debt investor base;
  - ✓ Enhances flexibility with respect to bond tenors
- NN Bank debuted with a 10 years EUR 500m SB in July 2020
- Followed by a 15 years EUR 500m SB in September 2020
- 20 years EUR 250m SB private placement in November 2020

Soft Bullet is NN Bank's main secured funding source

## Conditional Pass-Through Programme (2017-2019)

- In 2017 NN Bank established its CPT<sup>1</sup> Programme in order to replace RMBS as the primary source of funding and to further diversify its funding
- NN Bank has completed seven CB transactions, raising a total current outstanding funding amount of EUR 2.6bn
- NN Bank has successfully run the CPT Programme:
  - Robust reporting infrastructure ensures timely and smooth investor reporting;
  - All regulatory requirements met; and
  - Annual internal audits have always had sufficient opinions

1. Conditional Pass-Through

# NN Bank Soft Bullet covered bond features

## Robust structure

<b>Issuer</b>	Nationale-Nederlanden Bank
<b>Programme size</b>	EUR 7.5 bn
<b>Type of issuance</b>	<ul style="list-style-type: none"> <li>• Soft bullet structure</li> <li>• Dual recourse to the issuer and CBC<sup>1</sup></li> <li>• Extension period: 12 months</li> </ul>
<b>External ratings</b>	<ul style="list-style-type: none"> <li>• Covered bonds have target ['AAA'] rating by S&amp;P</li> <li>• NN Bank long-term credit rating 'A-' by S&amp;P (stable outlook)</li> </ul>
<b>Over Collateralisation</b>	<ul style="list-style-type: none"> <li>• Regulatory minimum OC of 5%</li> <li>• Asset Percentage 96.5%</li> <li>• Current OC of 124.0%<sup>3</sup></li> </ul>
<b>Interest rate/ Hedging</b>	<ul style="list-style-type: none"> <li>• No hedging instrument included at closing (optional)</li> <li>• Minimum Interest Rate of 1.0%</li> </ul>
<b>Cover assets</b>	<ul style="list-style-type: none"> <li>• High quality Dutch residential mortgage loans</li> <li>• All cover assets are NN-labelled and originated by NN Bank and NN Life<sup>4</sup></li> <li>• 25.6% of the cover pool benefits from an NHG guarantee<sup>3</sup></li> <li>• Cover pool's weighted average CLTOMV is 78.9%<sup>3</sup></li> </ul>

## Regulatory treatment for investors

- Dutch law and Dutch Central Bank registered
- UCITS and CRR article 129 compliant
- LCR eligible (level 1)
- Solvency II friendly
- ECB repo eligible

## Transparency

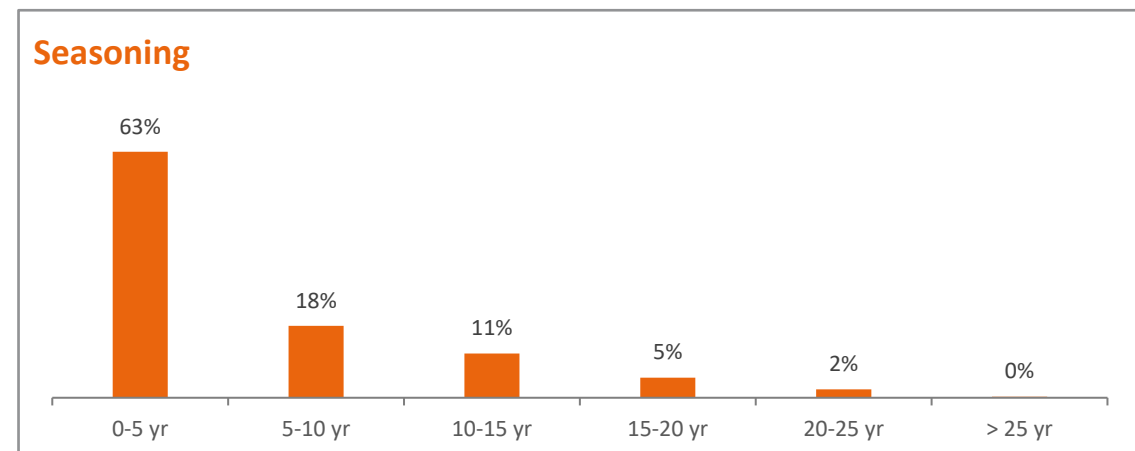
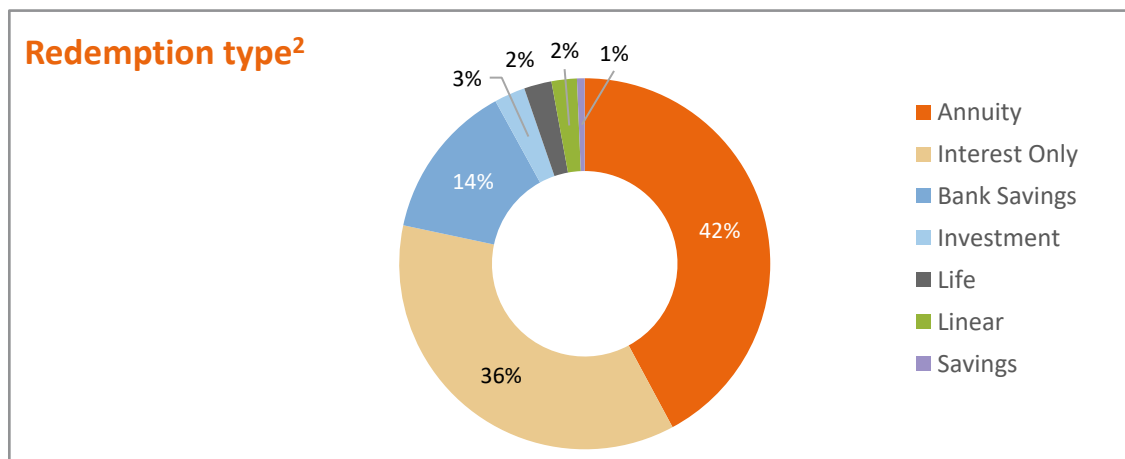
- National Transparency Template (NTT) and Harmonised Transparency Template (HTT) available on corporate website and dedicated portals
- Member of the Dutch Association of Covered Bond Issuers (DACB)<sup>2</sup>
- Covered Bond Label and HTT Reporting from ECBC





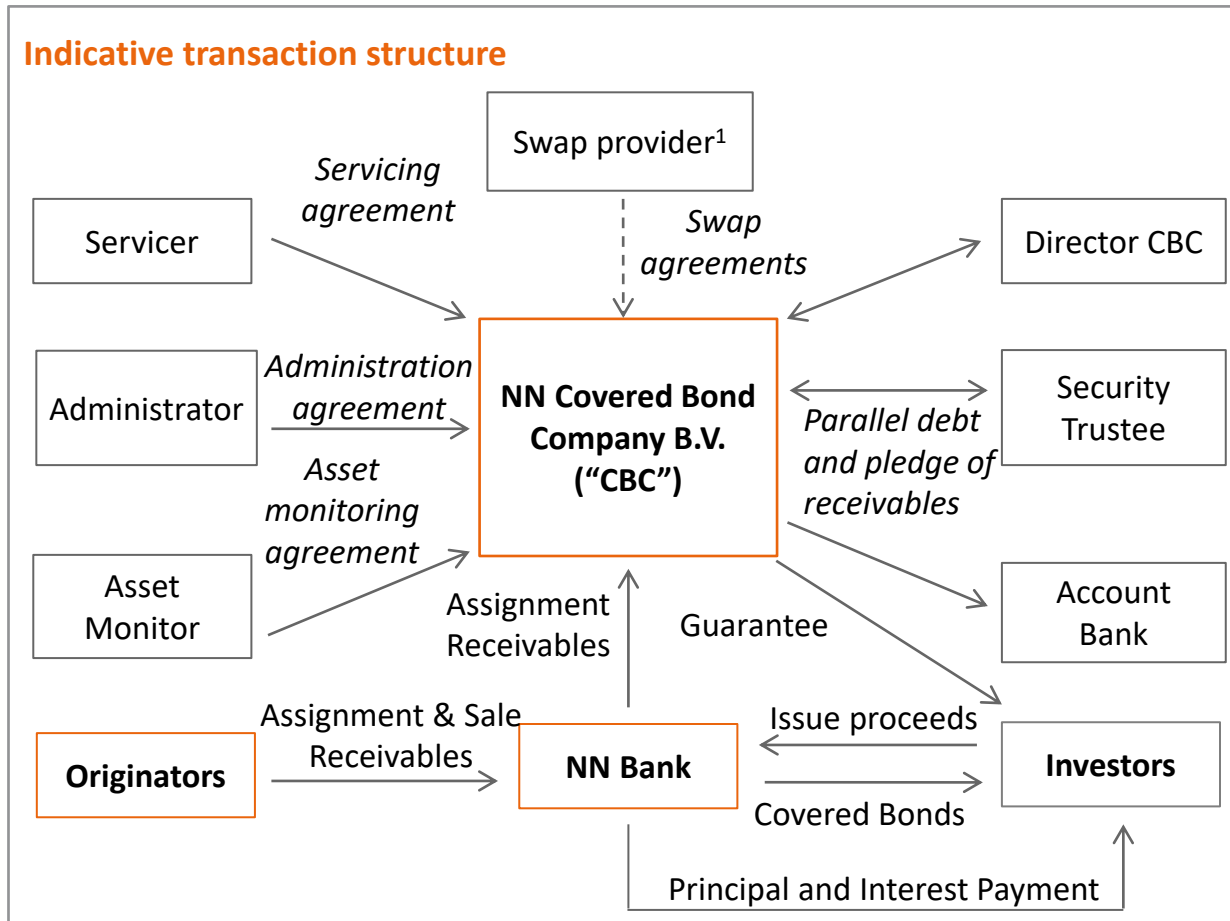
# NN Bank Soft Bullet cover pool <sup>1</sup>

<b>Cut-off date</b>	31-12-2020
Principal balance (EUR)	1,634,897,163
Value of saving deposits (EUR)	85,029,891
Net principal balance (EUR)	1,549,867,272
Number of loans	6,689
Number of loan parts	15,388
Average principal balance (borrower) (EUR)	231,704
Weighted average current interest rate	2.60%
Weighted average remaining fixed rate period (yrs)	12.3
Weighted average seasoning (yrs)	5.7
Weighted average CLTOMV	78.8%
Weighted average CLTIMV	64.9%
NHG(%)	25.6%
Nominal Over-Collateral	124.0%



1. Quion (HQ50) and Delta Lloyd labelled mortgage loans are not eligible to be included in the cover pool
2. Small differences are possible due to rounding

# Soft Bullet programme structure



## Key transaction parties

<b>Originators</b>	NN Bank and NN Life <sup>2</sup>
<b>Transferor, Issuer</b>	NN Bank
<b>Servicer</b>	NN Bank
<b>Administrator</b>	NN Bank
<b>Guarantor</b>	NN Covered Bond Company B.V.
<b>Director CBC</b>	Intertrust
<b>Security Trustee</b>	Stichting Security Trustee NN Covered Bond Company
<b>Stichting Holding</b>	Stichting Holding NN Covered Bond Company
<b>Arranger</b>	Rabobank
<b>Asset Monitor</b>	KPMG
<b>CBC Account Bank</b>	BNG Bank N.V.
<b>Rating Agency</b>	Standard & Poor's

1. Portfolio swap and Interest rate swap are optional
2. Mortgage loans that have been originated by NN Life and are held on NN Bank's balance sheet

# Soft Bullet mechanism

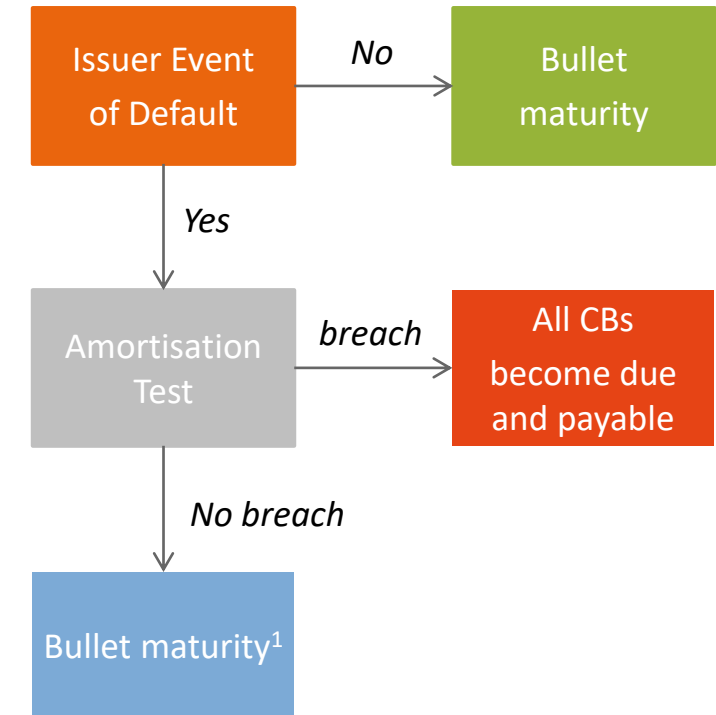
## Going concern

- Under going-concern conditions, the covered bonds (CBs) are bullet securities due on the Final Maturity Date and the Issuer will ensure the coupon and principal payments to the investors
- The Asset Cover Test (ACT) guarantees that the cover pool meets the minimum OC requirements

## After an Issuer Event of Default

- The ACT will be replaced by the Amortisation Test
- If on the Final Maturity Date of the CB an Issuer Event of Default takes place and the CBC has insufficient funds to redeem the CBs, this does not trigger a CBC Event of Default
- At such time the Final Maturity Date is extended for a period of maximum 12 months
- During this extension period the administrator undertakes to sell (a part of) the cover pool and uses the proceeds thereof to (partially) repay the specific CB series on every Interest Payment Date within this period
- If the structure has insufficient funds to repay a specific series on the Extended Due for Payment Date, this will trigger a CBC default and result in all CBs becoming due and payable
- A breach of the Amortisation Test would also constitute a CBC Event of Default and results in all CBs becoming due and payable

## Event diagram of a single series



1. Assuming the structure has sufficient funds available to redeem the CB on the Final Maturity Date. In the event of insufficient funds, the maturity date will be extended with a maximum of up to 12 months

# Cover Pool Eligibility Criteria

## Eligibility Criteria

- Each mortgage is either a Bank Savings Mortgage Loan, Life Mortgage Loan, Investment Mortgage Loan, Linear Mortgage Loan, Annuity Mortgage Loan, Interest-only Mortgage Loan, Savings Mortgage Loan, Switch Mortgage Loan or a combination thereof
- The outstanding principal amount per borrower cannot exceed 100% of original market value, originated in line with mortgage code of conduct<sup>1</sup>
- First and subsequent ranking mortgages
- All properties backing the mortgaged loans are located in the Netherlands
- All payments via direct debit
- Borrower is a private individual, resident of the Netherlands and is not an employee of NN Group
- Each mortgage loan is governed by Dutch law and is denominated in euros
- Each mortgaged asset is occupied by the Borrower at the moment of (or shortly after) origination
- Mortgage conditions provide that all payments by the Borrower should be made without any deduction or set-off (other than in respect of construction deposits)

1. The maximum outstanding principal amount per borrower, originated before August 2011, did not exceed 130% of the foreclosure value at origination, while the maximum outstanding principal amount per borrower, originated in and after August 2011, did not exceed 104% of the original market value at origination

# Asset Cover Test

## Asset Monitoring Agreement

1. Adjusted Aggregate Asset Amount  $\geq$  outstanding Covered Bonds
2. First regulatory current balance amount  $\geq$  105% of outstanding Covered Bonds
3. Second regulatory current balance amount  $\geq$  100% outstanding Covered Bonds

## Adjusted Aggregate Asset Amount =



## Calculation specification:

### 'A' includes:

- 96.5% Asset Percentage
- 80% Indexed LTV cut-off
- Deduction for the built-up of savings for Savings, Switch, Savings Alternative and Bank Savings mortgage loans
- (Partial) deduction of arrears and defaulted receivables and receivables in breach of the receivable warranties
- Deduction of construction deposits and other claims
- Deduction of borrower deposits > EUR100,000<sup>1</sup>
- Deduction for relevant loan parts for which the interest rate < 1.0%
- Deduction of Long Term Mortgage Loan<sup>2</sup> notional when the Long Term Mortgage Loan % of the cover pool > 15.0%

'B' represents any unapplied principal receipts

'C' and 'D' represent cash (including the Reserve Account) and substitution assets

'Z' represents the amount equal to the Interest Cover Required Amount

1. Applicable if the Issuer Credit Rating at S&P falls below 'BBB' (long-term) or 'A-2' (short-term)
2. An Interest Only mortgage loan without maturity date, originated prior to September 2012

## 4. Balance sheet and capital position



# Balance sheet composition

## Assets

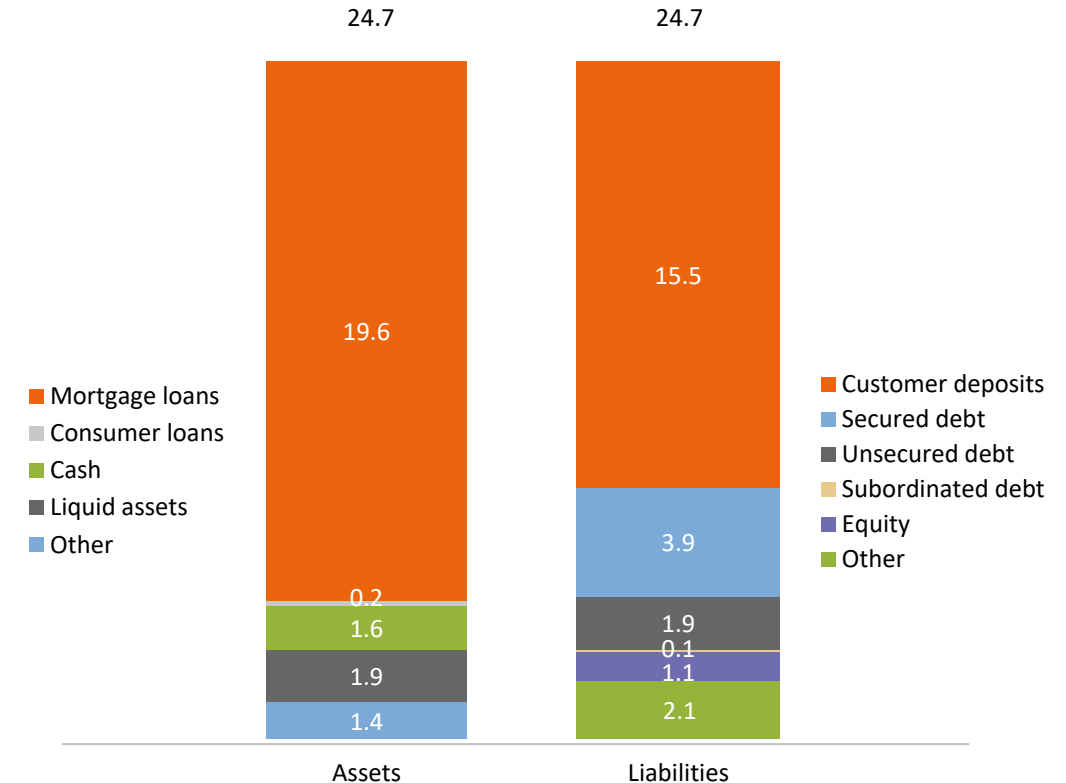
- Mainly mortgage loans, small consumer loan portfolio and liquid assets (HQLA)
- At 30 June 2020, gross mortgage portfolio consists of EUR 15.5bn NN-labelled mortgages, EUR 3.2bn Delta Lloyd mortgages and EUR 0.9bn Quion (HQ 50) mortgages<sup>1</sup>
- 34% of outstanding mortgage amounts are guaranteed through NHG

## Liabilities

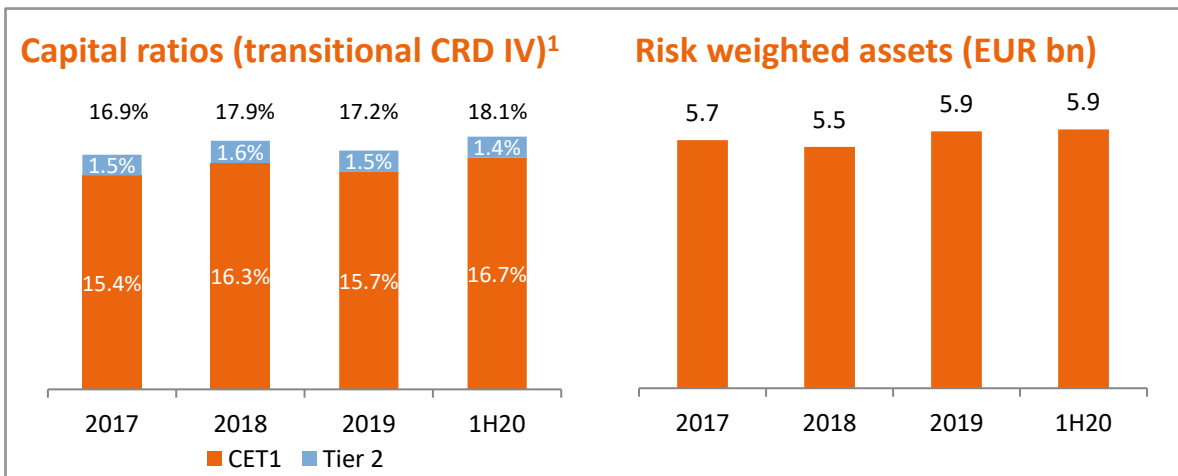
- Well-diversified funding mix, with customer savings portfolio two-thirds of the balance sheet
- At 30 June 2020 total secured funding portfolio of EUR 3.9bn: consisting of EUR 1.3bn securitisations and EUR 2.6bn covered bonds at 30 June 2020
- In July 2020 NN Bank issued its inaugural Soft Bullet EUR 500m benchmark covered bond
- In July 2020 NN Bank redeemed the Hypenn RMBS IV securitisation transaction on its FORD<sup>2</sup>

## Balance sheet at 30 June 2020

EUR bn



# Capital and liquidity position



## Solid capital position

- Capital position exceeds regulatory requirements. For both credit risk and operational risk, the Standardised Approach is used
- Growth in capital driven by internal capital generation in the form of retained profits (self-funded growth)
- A 2019 interim dividend of EUR 26.2m was paid in 2019. No 2019 final dividend nor a 2020 interim dividend has been paid<sup>5</sup>

## Liquidity metrics

30 June 2020

Liquidity Coverage Ratio (LCR) <sup>2</sup>	193%
Net Stable Funding Ratio (NSFR) <sup>3</sup>	130%
Loan-to-deposit ratio <sup>4</sup>	130%

## Wide range of liquidity sources

- Large portfolio of retained RMBS notes and liquidity facilities plus on-balance-sheet HQLA (High Quality Liquid Assets) portfolio and cash, to manage the LCR
- Other sources of liquidity available, including external credit facilities: two committed loan facilities secured by mortgages and a credit facility with NN Group
- No resolution strategy has yet been defined by the National Resolution Authority and therefore no MREL requirements are set for NN Bank



1. Pro-forma combined bank figures at 31 December 2017

2. High LCR mainly due to the settlement of the Soft Bullet Covered Bond in July, which is included as inflow in the LCR, causing a temporary increase

3. NSFR is defined as the amount of available stable funding relative to the amount of required stable funding

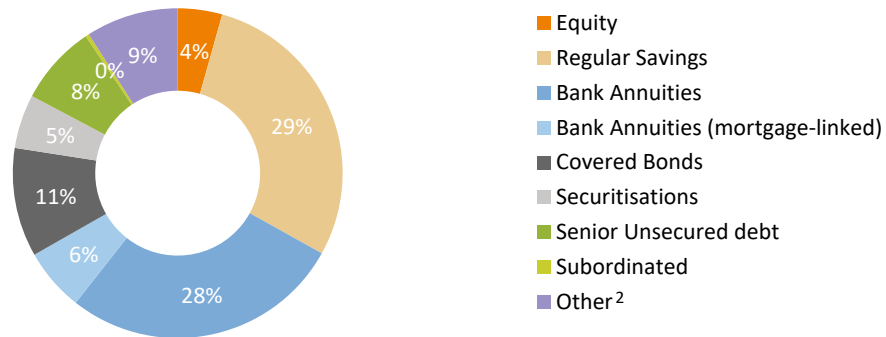
4. Loan-to-deposit ratio is calculated by dividing the bank's total volume of commercial loans by its retail deposits

5. NN Bank follows the recommendation issued by the ECB in view of the current COVID-19 situation to refrain from dividend payments until 1 January 2021. NN Bank intends to resume dividend payments at such time that is appropriate in light of COVID-19 developments.

# Funding diversification

## Total Equity & Liabilities<sup>1</sup>

30 June 2020

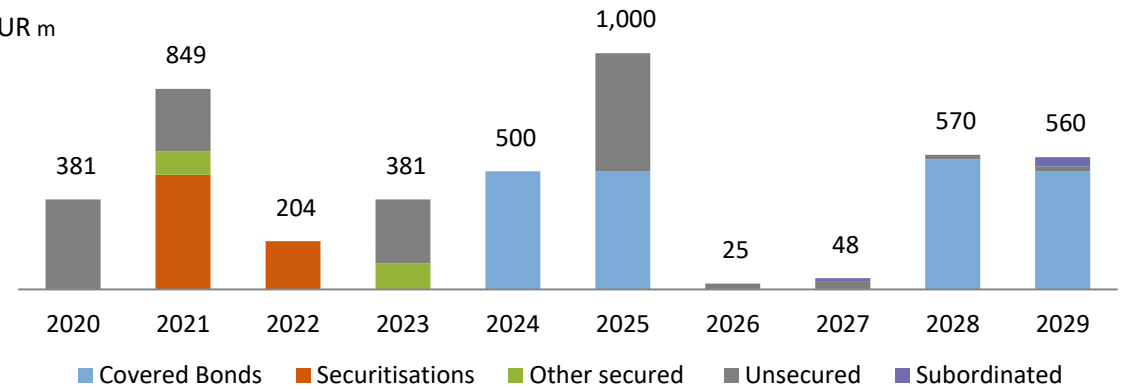


## Further diversification of funding and investor base

- Two-thirds of total funding comprises of retail savings (EUR 15.5bn), the remainder predominantly secured wholesale funding
- In addition to secured wholesale funding, NN Bank aims to further diversify its investor base by attracting unsecured wholesale funding

## Redemption profile<sup>3</sup>

EUR m



## Credit rating reflects NN Bank's "highly strategic importance" for NN Group

- Long-term credit rating of A- (stable outlook)<sup>4</sup>, reflecting that NN Bank:
  - is a fully owned subsidiary of NN Group
  - is closely linked to the Group's reputation, dependent on its brand recognition and operates in line with the Group's overall strategy
  - supports the Group's cross selling strategy in the Netherlands and facilitates the Group's asset and liability management

# NN Bank funding programmes

## Secured funding (collateralised by prime Dutch residential mortgage portfolios)

### Soft Bullet Covered Bond Programme

- EUR 7.5bn programme, of which EUR 1.25bn issued
- Registered with the Dutch Central Bank
- Base Prospectus last updated on 18 June 2020; 1<sup>st</sup> Supplement dated 14 September 2020 and 2<sup>nd</sup> Supplement dated 19 February 2021

### Conditional Pass-Through Covered Bond Programme

- EUR 5.0bn programme, of which EUR 2.6bn issued
- Registered with the Dutch Central Bank
- Base Prospectus last updated on 4 July 2019; 1<sup>st</sup> Supplement dated 16 September 2019 and 2<sup>nd</sup> Supplement dated 14 February 2020. No further issuance is expected to take place

### RMBS<sup>2</sup> Programmes

- Benchmark-size issuances at launch (i.e. at least EUR 500m)
- Hypenn RMBS series, with collateral originated by NN Life & NN Bank
- Arena RMBS series, with collateral originated by former Amstelhuys (Delta Lloyd)

## Unsecured funding

### Debt Issuance Programme (EMTN<sup>1</sup>)

- EUR 3.0bn programme, of which EUR 1.5bn issued
- Wholesale funding (senior unsecured)
- Base prospectus last updated on 15 October 2020

## Programme documentation, investor reports and credit ratings

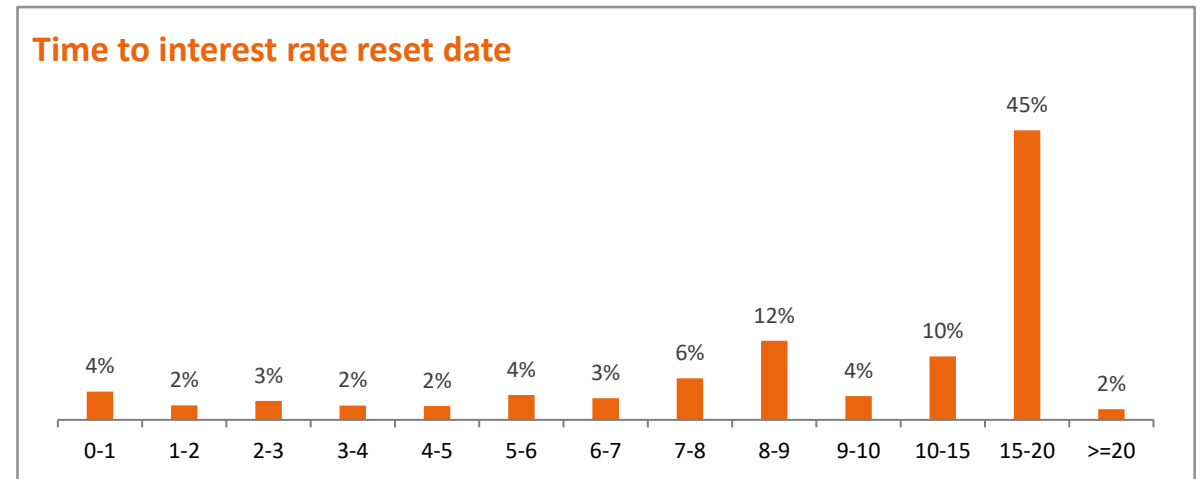
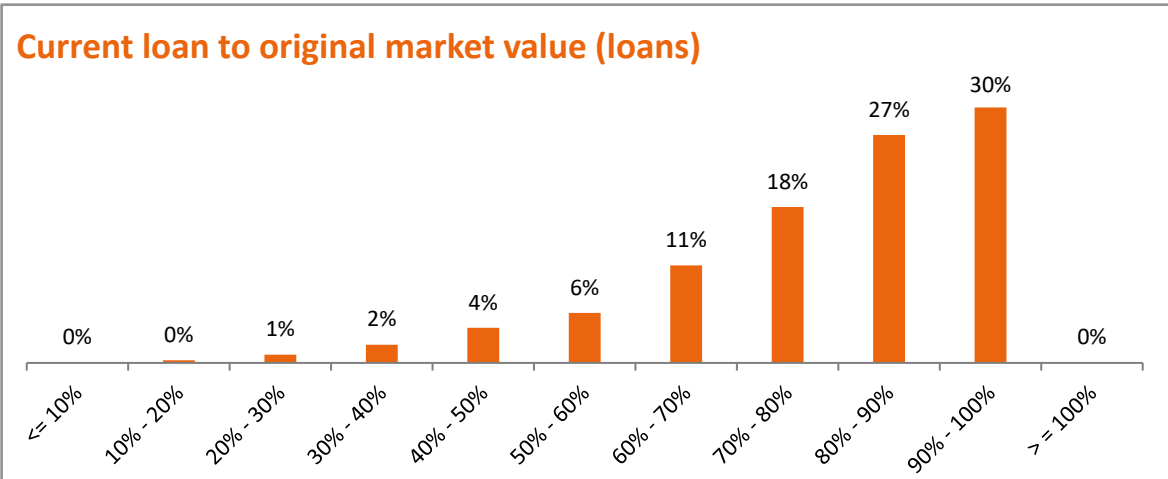
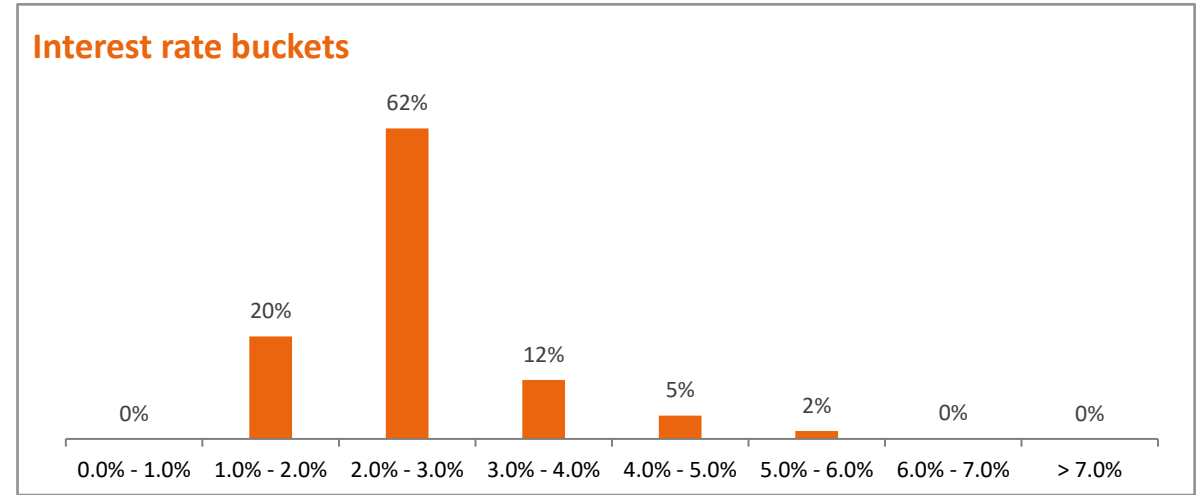
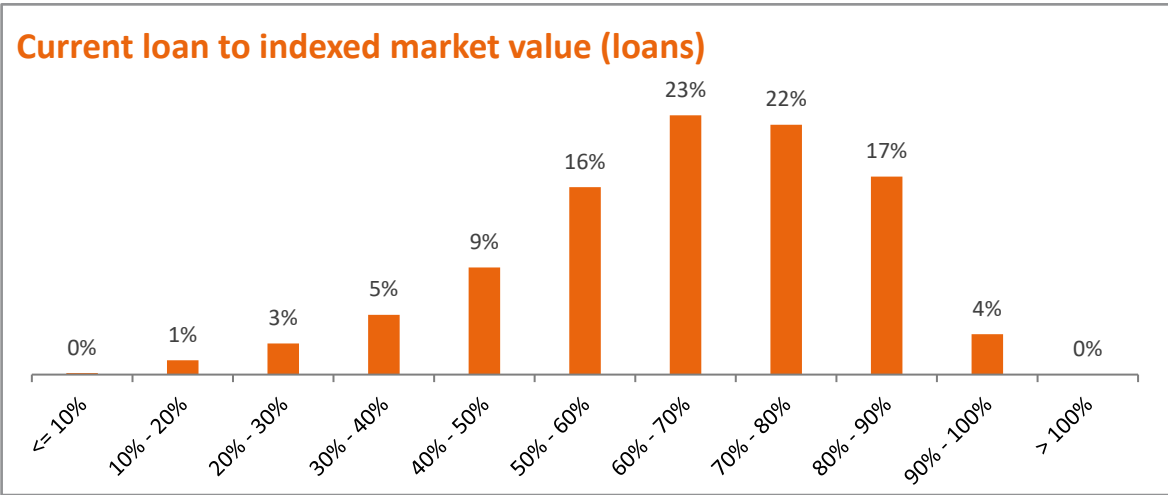
- Website: <https://www.nn-group.com/Investors>
- Covered Bonds: [DACB](#), [coveredbondlabel](#)
- RMBS: [dutchsecuritisation](#)
- Bloomberg: NNGRNV Corp

1. Euro Medium Term Notes

2. Residential Mortgage Backed Securities

# Appendices

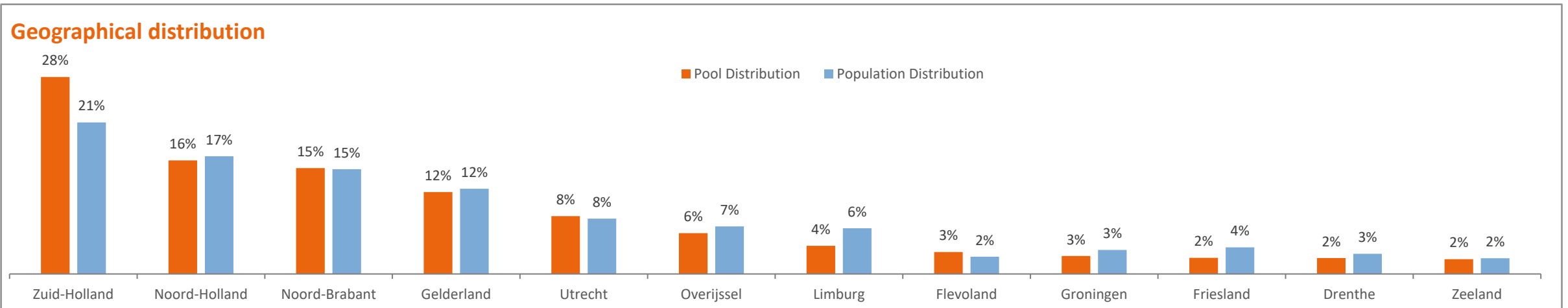
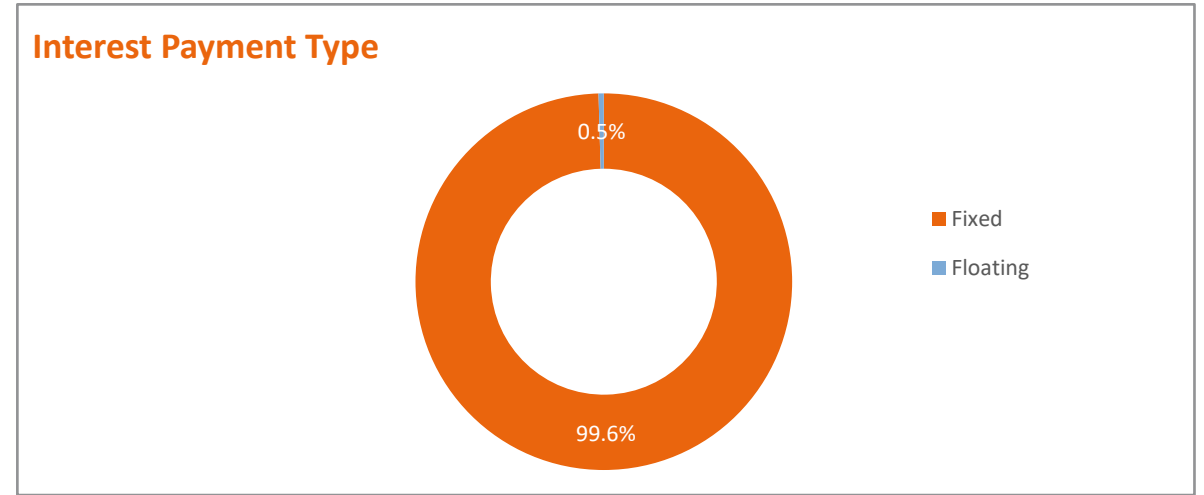
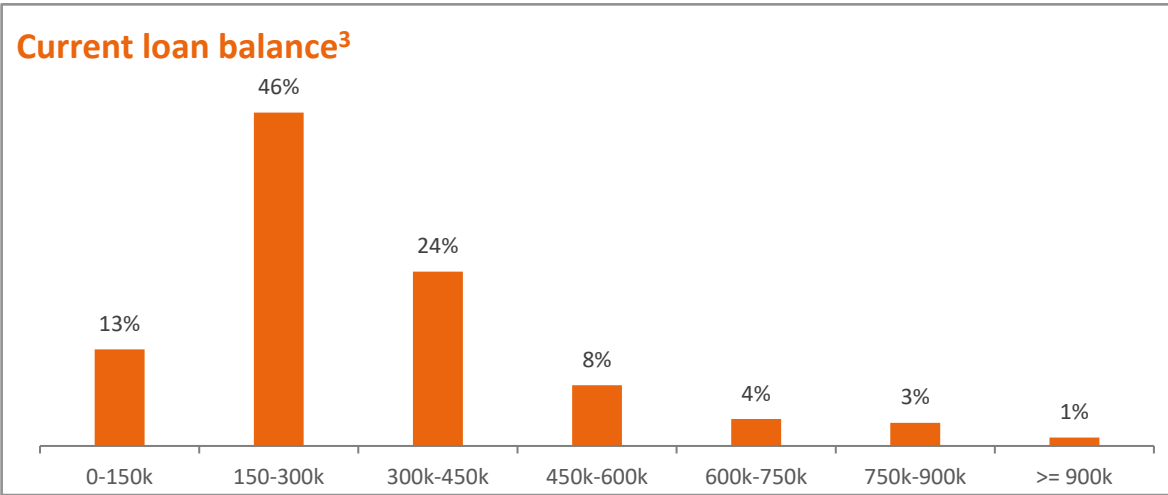
# A Cover pool: key characteristics<sup>1</sup>



1. NN Bank cover pool with cut-off date 31 December 2020

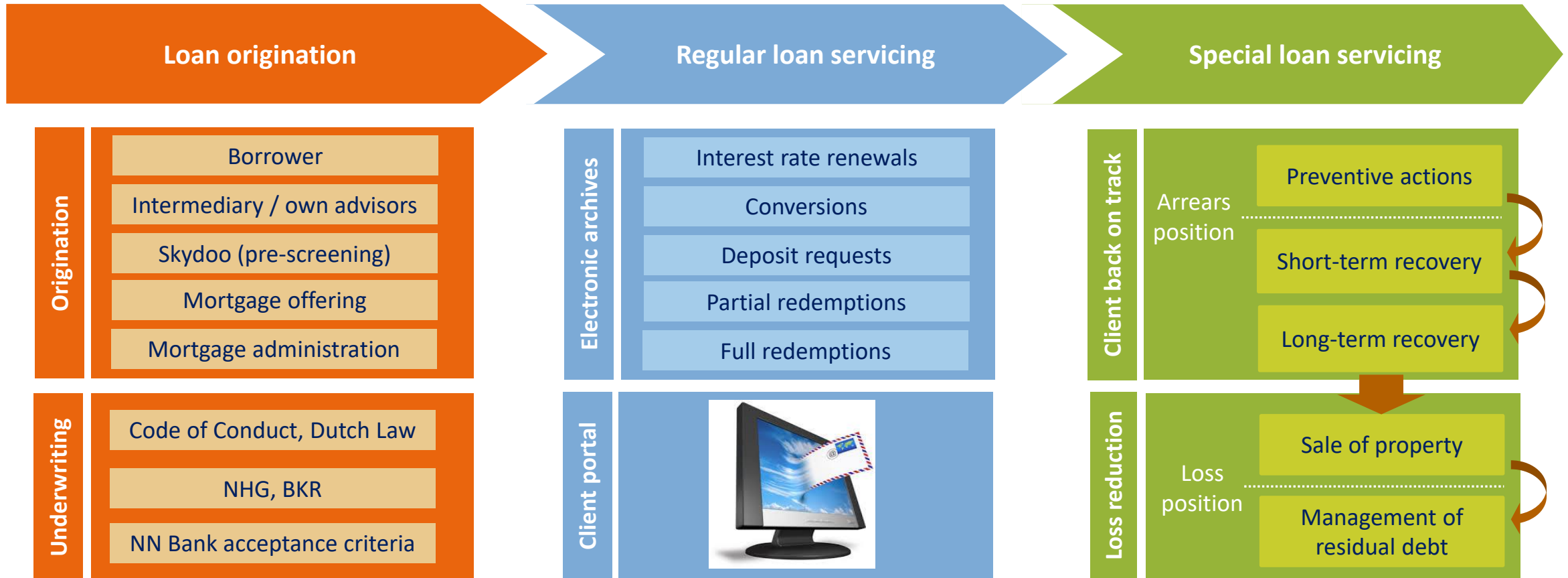


# A Cover pool: key characteristics (cont'd) <sup>1,2</sup>



1. NN Bank cover pool with cut-off date 31 December 2020
2. Population Distribution for the Netherlands is based on CBS StatLine data with cut-off date 1 January 2020
3. Cover pool does not include mortgage loans that have a current loan balance > EUR 1,000k

# B Mortgage loan origination and underwriting: process<sup>1</sup>



1. Mortgage operations only related to the NN-labelled mortgage loans. Origination and servicing of Quion (HQ50) and Delta Lloyd mortgage loans are not included here, since these are not eligible to the covered bond programme

# B Mortgage loan origination and underwriting: criteria<sup>1</sup>

## All mortgage production is originated via intermediary channels

- NN Bank's mortgage origination network comprises over 1,700 active intermediaries
- Since 2012, intermediaries do not receive commission on new mortgage loan origination
- In 2014, NN Bank introduced Skydoo, an automatic pre-screening application:
  - 100% of intermediaries connected
  - handling time per application reduced by up to 70%
  - all pre-approved mortgage applications still subject to complete underwriting process

## All intermediaries are licensed

- Dedicated team for initiating and maintaining contacts with intermediaries
- Both pro-active acquisition and reversed enquiry take place
- Intermediaries need to fulfil certain requirements, including a license in accordance with the Dutch Financial Services Act (Wet Financieel Toezicht) and a strategic long-term business plan
- Physical due diligence at premises of the intermediary

## Screening of intermediaries

- Ongoing screening of performance of intermediaries
- Ad-hoc screening as required

1. Underwriting criteria only related to the NN-labelled mortgage loans. Origination and servicing of Quion (HQ50) and Delta Lloyd mortgage loans are not reflected here, since these are not eligible for the covered bond programme

# B Mortgage loan origination and underwriting: criteria<sup>1</sup>

## Code of conduct

- NN Bank complies with the Financial Supervision Act, the Mortgage Credit Directive and special underwriting legislation (“Tijdelijke regeling hypothecair krediet”)
- Affordability calculations are based on figures of the National Institute for Family Finance Information (“NIBUD”)
- Loan-to-income and Debt-to-income ratios are compliant with Dutch Code of Conduct (“Gedragscode Hypothecaire Financiering”)

## Borrower criteria

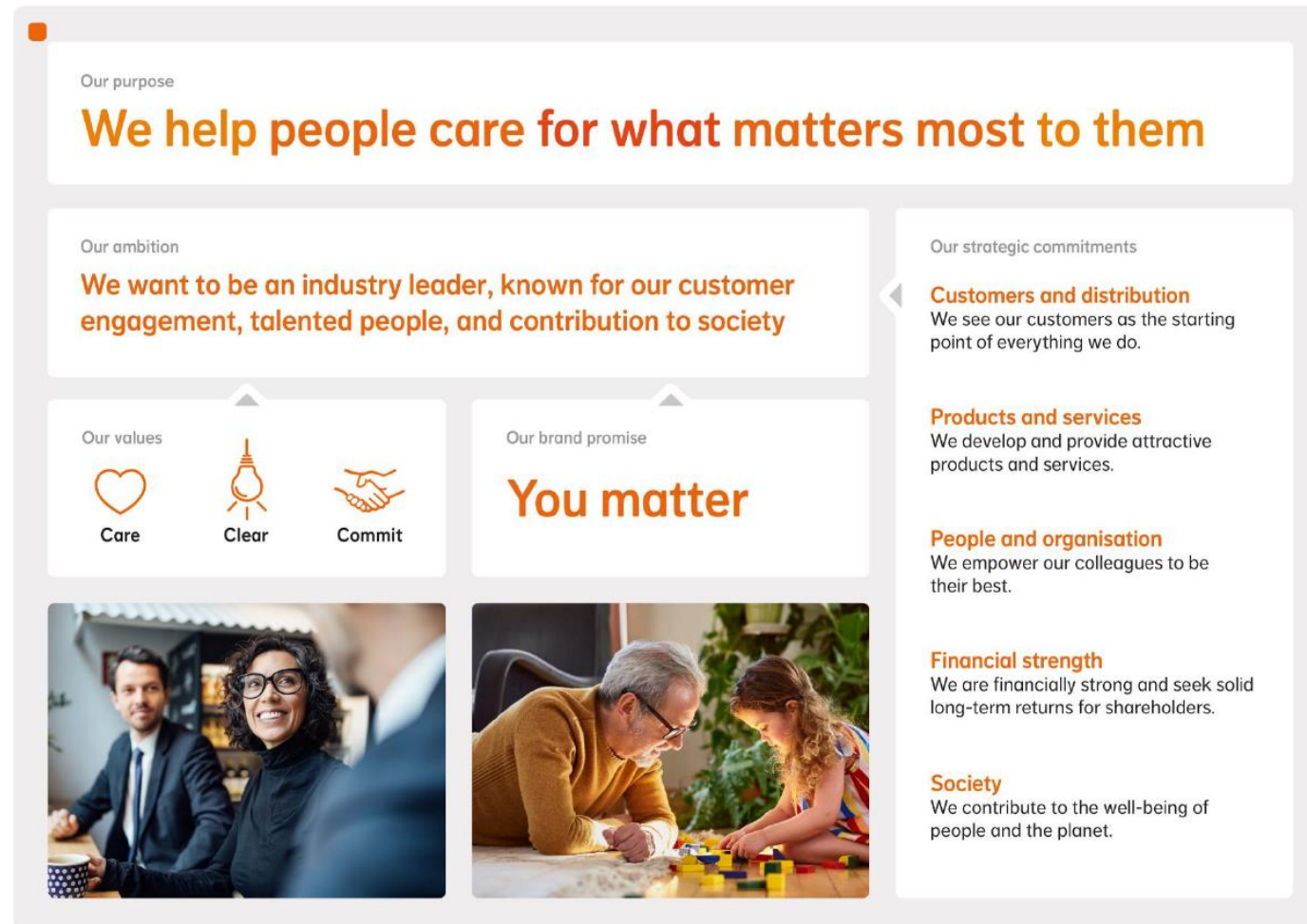
- Credit history is checked in several registers (e.g. BKR and Fraud Register)
- Applicants registered at the National Credit Register (BKR) with a negative credit profile are rejected
- Specific underwriting criteria apply if one of the applicants has a non-EU nationality and is self-employed
- Loan-to-income ratios conform to GHF (Code of Conduct)
- Self-certified income is not taken into account in the application process

## Collateral criteria

- All properties must be located in the Netherlands
- Properties with a market value above EUR 1m in most cases have a maximum loan amount of 80% of the market value
- For collateral with market value below EUR 1m, maximum LTMV is 100% (2018)
- Full valuation is commonly used; WOZ reports only utilised for further advances

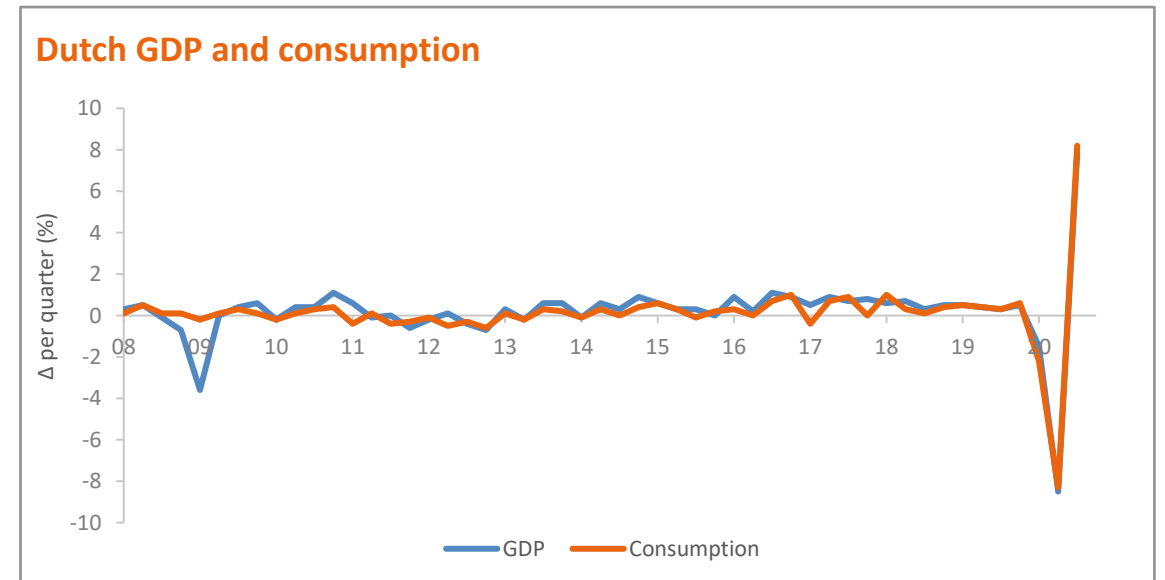
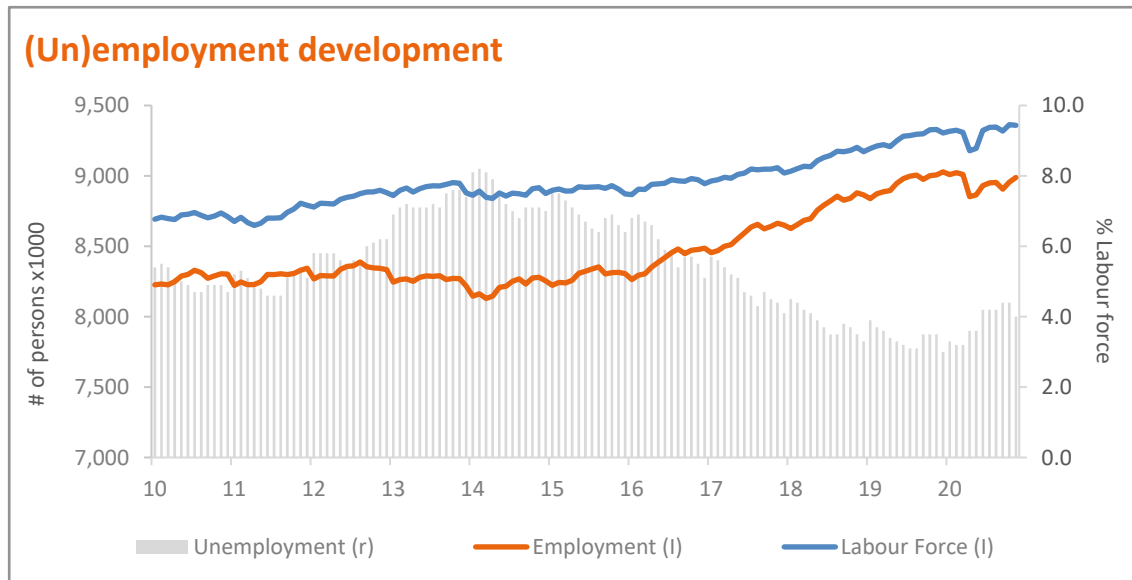
1. Underwriting criteria only related to the NN-labelled mortgage loans. Origination and servicing of Quion (HQ50) and Delta Lloyd mortgage loans are not reflected here, since these are not eligible to the covered bond programme

# C Creating value for our stakeholders



# D Dutch economy and housing market

- Due to extensive government support measures the Dutch economy proved to be more robust than previously expected. The significant contraction of GDP in Q2 2020 as a result of COVID-19 (-8.5 per cent) was followed by a strong recovery in Q3 (+7.8 per cent). However, at a time when the economy had not yet fully recovered from the first COVID-19 wave, a second wave was already at hand resulting in the strictest lockdown to date in the Netherlands
- Consequently, a decline in economic activity (albeit less sharp as recorded during Q2 as the economy was better prepared and government support measures were already operational) is expected for Q4. For 2020 as a whole an overall contraction in the Dutch economy of 4.4 per cent is expected. For next year the economy is expected to grow by 2.3 per cent followed by 2.4 per cent in 2022<sup>1,2</sup>
- As a result of the strong government support package and the recovery as observed in Q3, the unemployment rate has risen less sharply as initially expected. End November 2020, the unemployment percentage stood at 4.0 per cent. This rate is expected to increase to 5.5 per cent (2021), followed by a gradual recovery in 2022<sup>1,2</sup>



Source: CBS, Land Registry, Dutch Housing Market Quarterly Rabobank and Economic Update Rabobank, unless stated otherwise

1. RaboResearch: 'Dutch economy to return to pre-corona level in mid-2022'. December 11, 2020
2. RaboResearch: 'Slightly less favorable economic outlook due to hard lockdown'. December 17, 2020

# D Dutch economy and housing market

## Measures taken by Government to support economy

### “NOW 3”

#### Temporary Emergency Scheme for Job Retention

- “NOW 3” in place until 1 July 2021, divided into 3 quarters (“NOW 3.1.”: 1 October 20 to 1 January 21, “NOW 3.2.”: 1 January 21 to 1 April 21 and “NOW 3.3.”: 1 April 21 to 1 July 21)
- Payroll subsidy to compensate for up to 85% of a company’s payroll
- Demonstrated revenue loss must be at least 20% (in line with “NOW 1” and “NOW 2”)
- “NOW 1” ran from 1 March 20 to 1 June 20, followed by “NOW 2” from 1 June 20 to 1 October 20. “NOW 1” and “NOW 2” have now both been closed

### “TOZO 3”

#### Temporary self-employment income support

- Temporary social assistance “*bijstand*” until 1 April 2021 for self-employed professionals (“ZZP-ers”) to bridge income loss. Income topped up to EUR 1,512 net per month for families (EUR 1,059 for singles)
- Income-tested (including that of spouse)
- “TOZO 3” is an unchanged extension of its predecessors: “TOZO 1” ran from 1 March 20 to 1 June 20 and “TOZO 2” ran from 1 June 20 to 1 October 20. “TOZO 1” and “TOZO 2” have now both been closed
- “TOZO 4” will start from 1 April 2021 onwards and will run until 1 July 2021

### “TVL”

#### Reimbursement Fixed Costs Scheme for companies

- Compensation for affected companies (as per Q1 2021: regardless of company size) for fixed costs other than wage costs applicable until 30 June 2021
- Demonstrated revenue loss must be at least 30%
- Total compensation amount is linked to revenue loss: i.e. 60% for revenue loss of 30% and 85% for revenue loss of 100%, with a quarterly cap of EUR 330,000 ( max. of 250 employees) and EUR 400,000 (more than 250 employees)
- Additional “TVL” stock support for closed retail businesses
- Extra TVL support for events and hospitality businesses

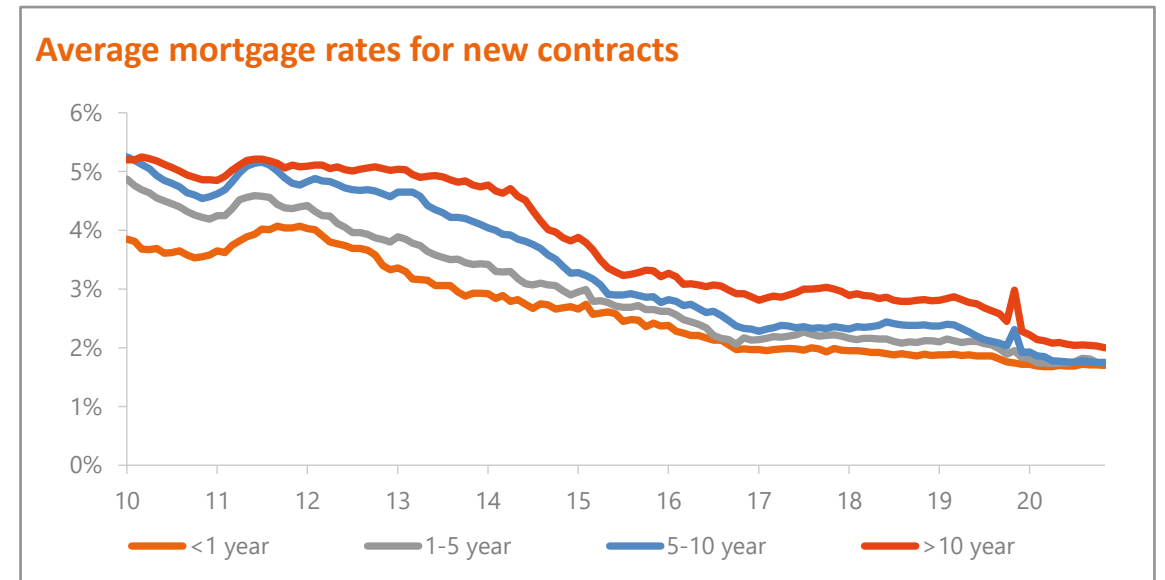
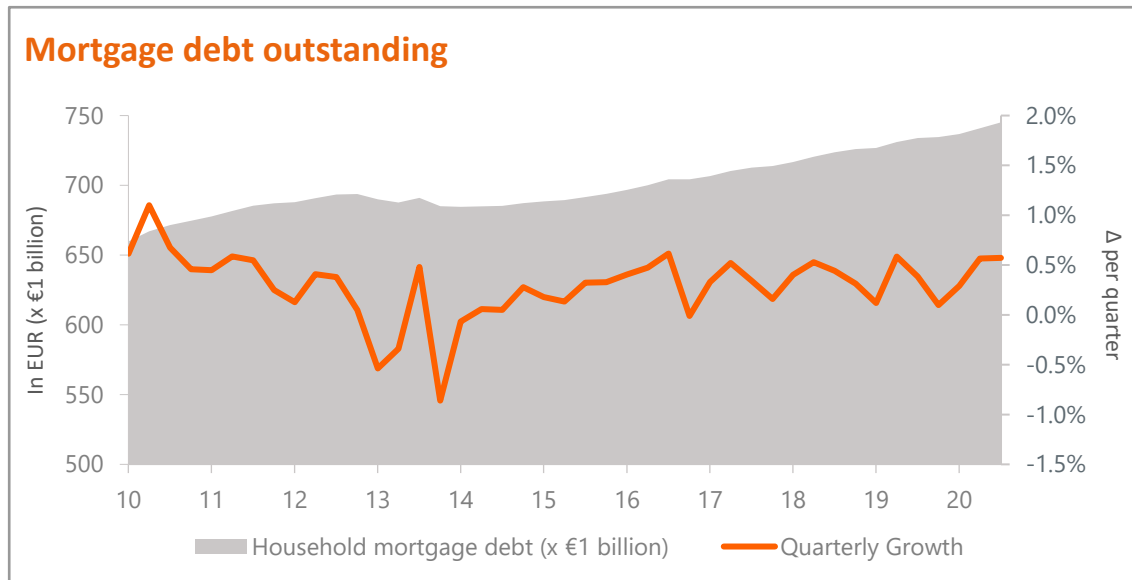
### Other Measures

- Tax payment extension for companies until 30 June 2021
- Expansion of government SME loan guarantee scheme (BKMB-C)
- Extension of the loan (state) guarantee system (GO-C)
- Compensation for
- New loan guarantee facility for smaller companies (KKC)
- “TONK”: support for self-employed persons not entitled to other support schemes (*measure is not yet active*)

Source: Dutch Government: <https://business.gov.nl/corona/overview/the-coronavirus-and-your-company/> and <https://www.rijksoverheid.nl/onderwerpen/coronavirus-financiële-regelingen/overzicht-financiële-regelingen> (measures announced as per 21 January 2021)

# D Dutch economy and housing market

- Despite COVID-19 Dutch house prices for the full year 2020 are likely to be on average 7.8 per cent more expensive than in 2019
- The government support package which has kept the rise in unemployment low, low mortgage rates, the home equity held by homebuyers subsequently moving houses, relaxation of lending criteria (a reduction of the transfer tax for young home buyers and a further relaxation of the lending standards for double-income households), a persistent housing shortage, all help to explain why prices have further increased in 2020 and are expected<sup>1</sup> to further increase in 2021 (5.5 per cent) and 2022 (2.5 per cent)



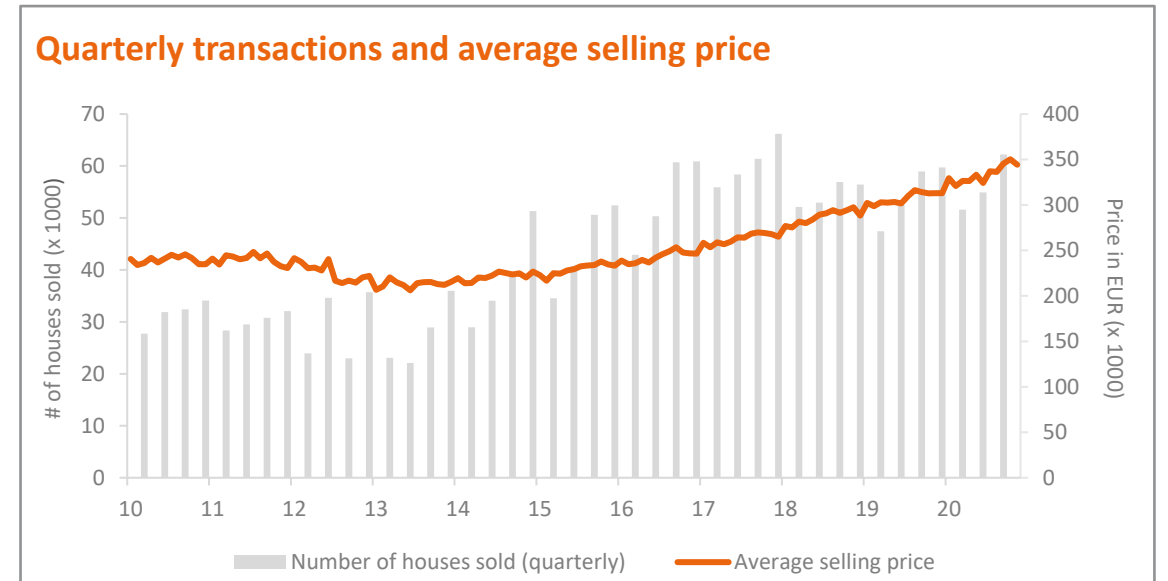
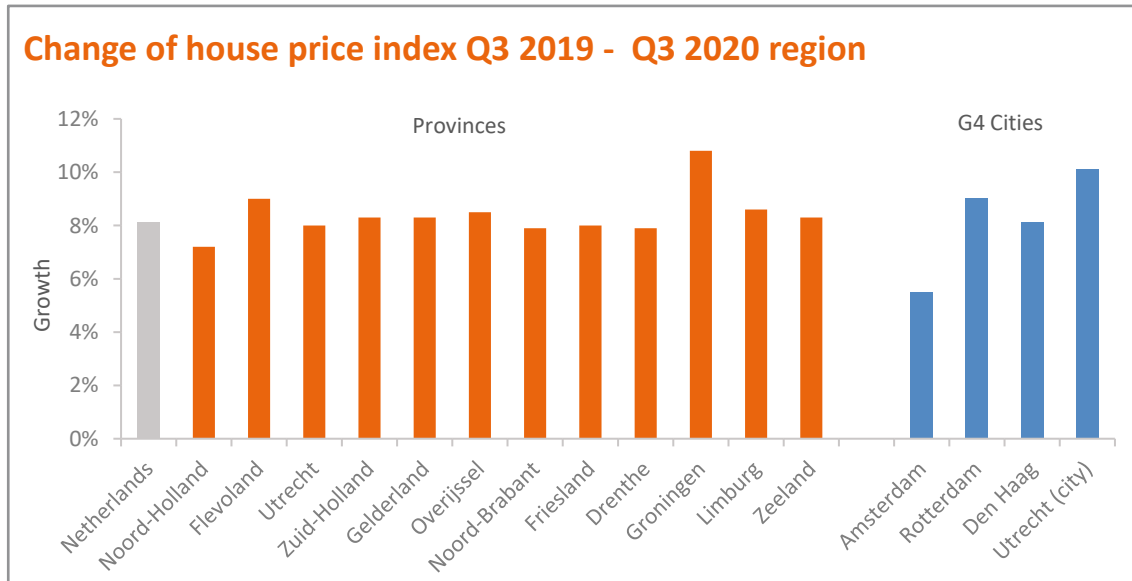
Source: CBS, Land Registry, Dutch Housing Market Quarterly Rabobank and Economic Update Rabobank, unless stated otherwise

1. RaboResearch: Housing Market Quarterly: 'House prices expected to rise, urbanites continue to buy homes in cities'. 10 December 2020



# D Dutch economy and housing market

- When comparing 2020 Q3 figures with 2019 Q3, the house price index rose 8.1 per cent for Netherlands as a whole, with the sharpest increases recorded outside the 'Randstad' in the less urbanized provinces. Among the biggest Dutch cities, the highest increase was recorded in Utrecht (10 per cent)
- Despite COVID-19, 235,000 transactions are likely to be recorded for the full year 2020. This is 7.5 per cent more than in 2018 and 2019. It is expected that this represents only a temporary rise as 2021 (220,000) and 2022 (210,000) figures will likely be lower as the housing supply remains limited<sup>1</sup>
- According to the Land Registry the average Dutch selling price in November 2020 was EUR 344,217 in November 2020 meaning an increase of 10 per cent when compared to November 2019

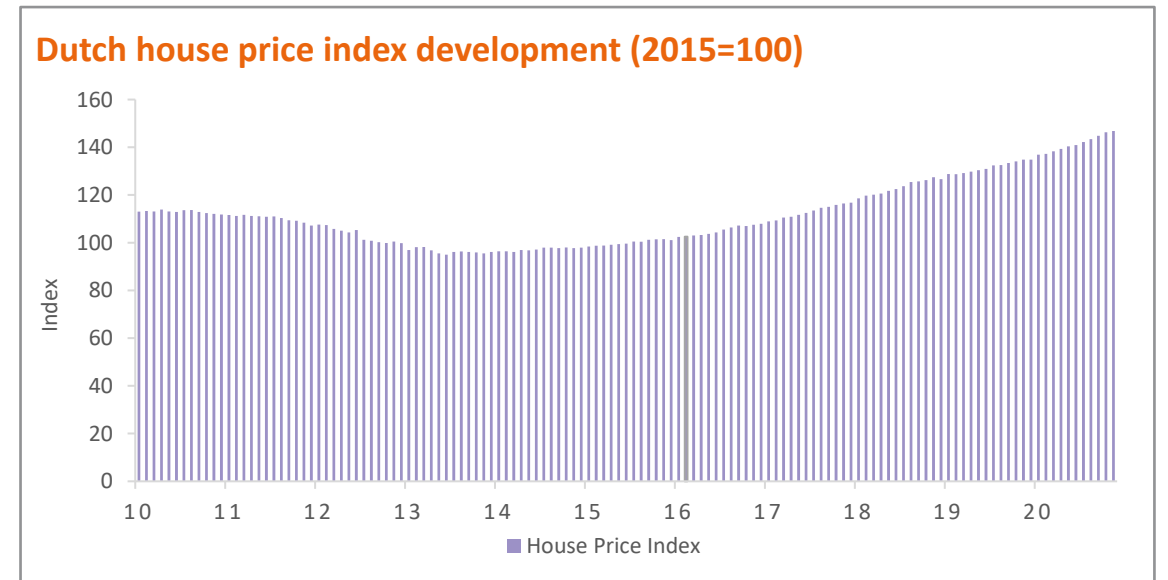
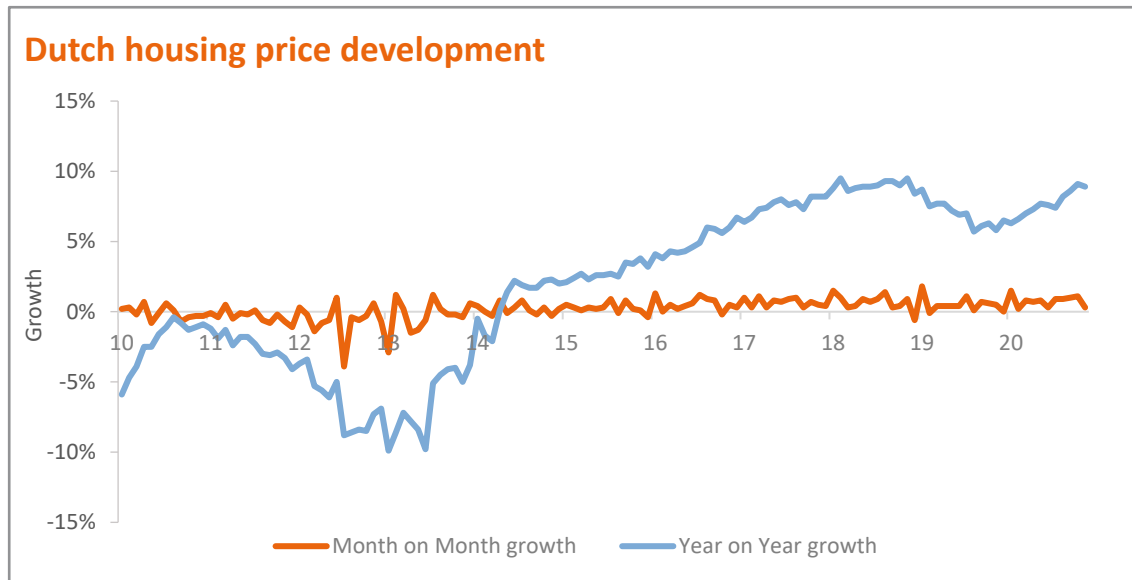


Source: CBS, Land Registry, Dutch Housing Market Quarterly Rabobank and Economic Update Rabobank, unless stated otherwise

1. RaboResearch: Housing Market Quarterly: 'House prices expected to rise, urbanites continue to buy homes in cities'. 10 December 2020

# D Dutch economy and housing market

- House prices increased almost every year since the start of the recovery of the Dutch Housing Market in 2014, the period from January to October 2020 was no exception to this. The price of the average existing owner-occupied home increased by more than 9.0 per cent
- Year to date, 2020 was a very strong year for the Dutch housing market. COVID-19 has not affected the housing market so far
- 2021 will see a further relaxation of lending criteria. As of 2021 house buyers younger than 35 years are exempt from paying transfer tax (from 1 April, this exemption will be capped for houses sold with a maximum of EUR 400,000). Next to that, the government relaxed lending criteria for households with a double-income and for those with student loans. The additional financing space created by this will contribute to buyers making higher offers. The upward price effect of these measures is expected to be felt particularly in 2021

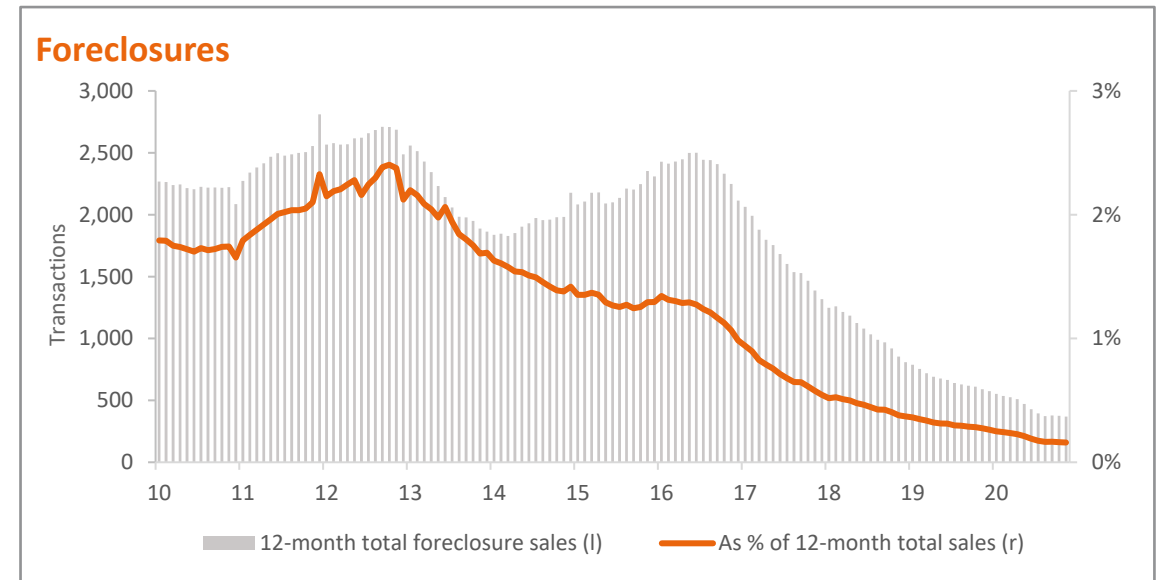
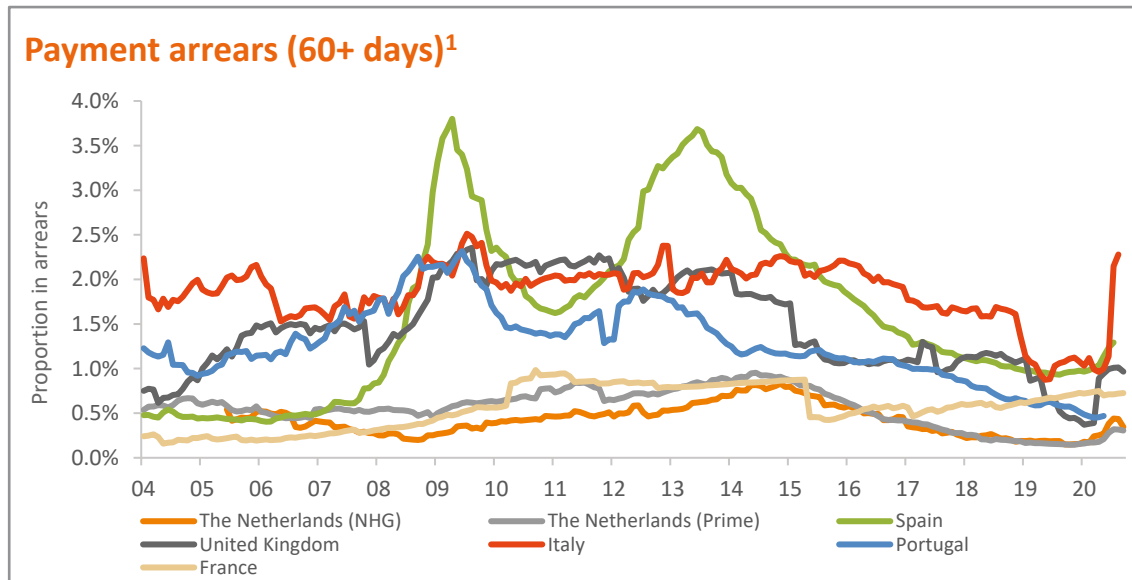


Source: CBS, Land Registry, Dutch Housing Market Quarterly Rabobank and Economic Update Rabobank, unless stated otherwise

1. RaboResearch: Housing Market Quarterly: 'House prices expected to rise, urbanites continue to buy homes in cities'. 10 December 2020

# D Dutch economy and housing market

- In Europe, the mortgage payment arrears have been declining over the last couple of years. This trend was halted due to COVID-19, which caused an increase in arrears. The Netherlands remains the best in class with the lowest arrears in the area since 2014
- There is a trend of declining public auctions since 2012 that continued during 2020. This decline shows both an improvement of payment problems, and a sign that banks supervise home-owners who have fallen in arrears more closely
- As shown in the table below, the Netherlands continues to perform well in terms of forced sales and the level of payment arrears compared to other European countries. Historically the Netherlands show low and stable proportions of payment arrears



Source: CBS, Land Registry, Dutch Housing Market Quarterly Rabobank and Economic Update Rabobank, unless stated otherwise

1. Moody's RMBS Performance update

# E Corporate history

## NN Group

- 1845 - De Nederlanden established as a fire insurance company
- 1863 - De Nationale Levensverzekering-Bank founded as a Dutch life insurance company
- 1963 - The two biggest Dutch insurers at the time – De Nederlanden and De Nationale – merge to form Nationale-Nederlanden
- 1991 - Nationale-Nederlanden and NMB Postbank Group merge to form ING Groep N.V.
- 2013 - ING Insurance's mortgage business is concentrated within NN Bank
- 2014 - As of 1 March 2014, ING Insurance rebranded to NN Group
- 2014 - NN Group listed on Euronext Amsterdam on 2 July 2014
- 2017 - NN Group completes acquisition of Delta Lloyd Group in April 2017
- 2018 - Legal mergers of Delta Lloyd Bank with NN Bank and Delta Lloyd AM with NNIP, effective on 1 January 2018
- 2019 - Legal mergers of Delta Lloyd Life with NN Life and Delta Lloyd Non-Life with NN Non-Life, effective on 1 January 2019
- 2020 - NN Group completes acquisition of VIVAT Non-life in April 2020




Source: NN Group



# E Corporate history

## NN Bank

- 
- 2011** – NN Bank launched as a savings bank to take advantage of opportunities in the Dutch banking market and respond to the declining individual life insurance market
  - 2013** – Growth accelerated via the acquisition of selected parts of ING Bank (WestlandUtrecht Bank), predominantly retail mortgage loans and savings<sup>1</sup>
  - 2018** – Legal merger of NN Bank and Delta Lloyd Bank effective on 1 January 2018, following NN Group's acquisition of Delta Lloyd Group in 2017



Source: NN Group

1. As a result of the state aid received by ING Group in 2008/2009, the European Commission imposed remedies on ING, leading to the transformation of NN Bank into an independent and viable competitor in the Dutch retail banking market, to be divested with NN Group

# F Profit & Loss

## Summary profit and loss account<sup>1</sup>

(Amounts in EUR m)	1H19	1H20
Interest income	309	313
Interest expense	(190)	(179)
Interest result	120	133
Net fee and commission income	55	51
Gains and losses on financial transactions and other income	12	11
Valuation results on non-trading derivatives	(8)	1
<b>Total income</b>	<b>178</b>	<b>197</b>
Staff expenses	(56)	(56)
Addition to loan loss provisions	0	(2)
Regulatory levies	(10)	(12)
Other operating expenses	(45)	(44)
<b>Total operating expenses</b>	<b>(111)</b>	<b>(114)</b>
<b>Result before tax</b>	<b>67</b>	<b>82</b>
Taxation	(17)	(21)
<b>Net result</b>	<b>51</b>	<b>62</b>

1. Source: 2020 Interim Accounts Nationale-Nederlanden Bank N.V.

# G Glossary

Abbreviation	Definition	Abbreviation	Definition
<b>ACT</b>	Asset Cover Test	<b>GHF</b>	Code of Conduct Mortgage Loans
<b>AT</b>	Amortisation Test	<b>HDN</b>	Hypotheek Data Network
<b>AFM</b>	Dutch Authority for the Financial Markets	<b>HTT</b>	Harmonised Transparency Template
<b>APE</b>	Annual Premium Equivalent	<b>LCR</b>	Liquidity Coverage Ratio
<b>AuM</b>	Assets under Management	<b>LTV</b>	Loan-to-Value
<b>BKR</b>	Dutch Office for Credit Registration	<b>MCD</b>	Mortgage Credit Directive
<b>C/I</b>	Cost / Income Ratio	<b>NHG</b>	Dutch National Mortgage Guarantee
<b>CB</b>	Covered Bond	<b>NNHB</b>	NN Hypotheek Bedrijf N.V.
<b>CBC</b>	Covered Bond Company	<b>NOW</b>	Temporary emergency bridging measures for employment
<b>CET</b>	Common Equity Tier	<b>NTT</b>	National Transparency Template
<b>COLI</b>	Corporate-Owned Life Insurance	<b>OC</b>	Over-Collateralisation
<b>CPT(CB)</b>	Conditional Pass-Through (Covered Bonds)	<b>RMBS</b>	Residential Mortgage-Backed Security
<b>CRDIV</b>	Capital Requirements Directive IV	<b>RVS</b>	Rotterdamse Verzekering Sociëteiten
<b>CRR</b>	Capital Requirements Regulation	<b>RWA</b>	Risk weighted assets
<b>DACB</b>	Dutch Association of Covered Bonds Issuers	<b>SB(CB)</b>	Soft Bullet (Covered bonds)
<b>DGS</b>	Deposit Guarantee Scheme	<b>UCITS</b>	Undertakings for Collective Investment in Transferable Securities
<b>DNB</b>	Dutch Central Bank	<b>VNB</b>	Value of New Business
<b>DRMF</b>	Dutch Residential Mortgage Fund	<b>WA CLTOMV</b>	Weighted Average Current Loan to Original Market Value
<b>DSA</b>	Dutch Securitisation Association	<b>WA CLTOMV (indexed)</b>	Weighted Average Current Loan to Indexed Original Market Value
<b>ECB</b>	European Central Bank	<b>WEW</b>	Stichting Waarborgfonds Eigen Woningen
<b>ECBC</b>	European Covered Bond Council	<b>WU Bank</b>	WestlandUtrecht Bank
<b>FTE</b>	Full-time Equivalent		

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[www.nn-group.com/Investors/Debt-securities-and-credit-ratings/NN-Bank-secured-funding.htm](http://www.nn-group.com/Investors/Debt-securities-and-credit-ratings/NN-Bank-secured-funding.htm)



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Some of the information is based on the 2019 annual accounts of NN Bank as published on 24 March 2020 and the Interim accounts of NN Bank dated 27 August 2020.

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