Annual Report

BNG Bank 2015

BNG BANK

This is an unofficial translation of the Annual Report BNG Bank 2015 which is provided for convenience purposes only.

In the event of any ambiguity, the Dutch text will prevail.

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Contents

Profile

BNG Bank is the bank for local authorities and public sector institutions. The bank is a committed partner and makes a sustainable contribution to minimising the costs of social provisions for the public.

BNG Bank's mission has been translated into the following strategic objectives: substantial market shares in the funding of the Dutch public sector and the semi-public domain and a reasonable return for its shareholders. Achieving these objectives requires an excellent credit rating, adequate risk management, a competitive funding position and effective and efficient operations. Corporate Social Responsibility is intrinsic to BNG Bank's core activities.

BNG Bank's clients primarily comprise local authorities and public sector institutions in the area of housing, healthcare, education and public utilities. BNG Bank provides customised financial services, ranging from loans and advances, payment services and area development to asset management. BNG Bank also participates in public-private partnerships. By far the greatest part of the bank's lending is free of credit risk, because these loans are granted to or guaranteed by public authorities.

BNG Bank: a **committed partner**,
making a sustainable contribution
to **minimising** the **costs** of
social provisions for the public.

Founded in 1914, the bank is a statutory two-tier company under Dutch law ('structuurvennootschap'). The bank's shareholders are Dutch public authorities exclusively. Half of the bank's share capital is held by the Dutch State and the other half by municipal authorities, provincial authorities and a district water board. BNG Bank is established in The Hague and has no branches.

After the State, the bank is one of the largest issuers in the Netherlands. BNG Bank-issued debt securities are rated AAA by Standard & Poor's (S&P), Aaa by Moody's and AA+ by Fitch. BNG Bank is considered one of the world's most creditworthy banks.

Selected financial data

SELECTED FINANCIAL DATA Amounts in millions of euros	2015	2014	2013	2012	2011
Balance sheet total	149,511	153,505	131,183	142,228	136,460
Loans and advances	89,366	90,732	92,074	90,725	90,775
– of which granted to or guaranteed by public authorities	80,159	81,036	81,701	79,666	78,548
– of which reclassified from the ‘Financial assets available-for-sale’ item	1,575	1,779	2,259	2,603	3,219
Shareholders’ equity[1]	3,739	3,582	3,430	2,752	1,897
– Hybrid capital	424	–	–	–	–
Equity per share (in euros)[1]	67.14	64.32	61.59	49.41	34.06

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1 Equity excluding hybrid capital.

Continuation of previous page

SELECTED FINANCIAL DATA

Amounts in millions of euros

	2015	2014	2013	2012	2011
Leverage ratio [2]	2.6%	2.0%	2.3%	2.0%	1.8%
Common Equity Tier 1 ratio [2]	23%	24%	24%	22%	20%
Tier 1 ratio [2]	27%	24%	24%	22%	20%
Profit before tax	314	179	397	460	339
Net profit	226	126	283	332	256
Profit per share (in euros)	4.06	2.26	5.08	5.96	4.60
Proposed dividend	57	32	71	83	64
Dividend as a percentage of consolidated net profit	25%	25%	25%	25%	25%
Dividend per share (in euros)	1.02	0.57	1.27	1.49	1.15
SOCIAL					
Number of staff (in FTEs) at year-end	285	278	273	279	278
– of whom employed by subsidiaries	25	27	29	36	41
Sickness absence	2.9%	2.4%	2.8%	2.8%	2.1%
ENVIRONMENT					
CO_2 emissions (total, in tonnes)	511	480	560	585	594
Per FTE (in tonnes)	1.8	1.7	2.1	2.1	2.1
Electricity consumption (MWh)	1,593	1,564	1,480	1,401	1,362
District heating (GJ)	2,473	2,220	2,939	2,326	2,123

[2] The solvency ratios (the leverage, BIS Tier 1 and BIS ratios) were calculated and presented in accordance with the applicable Basel II regulations up to and including 2013. The CRD IV/CRR regulations apply from 1 January 2014 and the solvency ratios (leverage ratio, Common Equity Tier 1 ratio and Tier 1 ratio) have therefore been calculated and presented on the basis of these regulations. The comparative figures have not been adjusted in line with the new regulations.

Foreword

BNG Bank looks back with satisfaction on a year in which many challenges were overcome. As a result, the bank achieved its strategic objectives in 2015. During the year under review, much consideration was also given to BNG Bank's course for the coming years. Employees, Executive Board members and Supervisory Board members held in-depth and constructive discussions on the question of how the bank can best deliver its services.

The outcome of these discussions is that the bank will fully maintain its position as the bank for local authorities and public sector institutions. The bank will adhere to its mission, which is to provide affordable financing to government authorities and public sector institutions at all times. Within that mission, however, the bank will respond to changing circumstances by introducing additional or new focal points. In the past year, the bank confirmed its role as a committed partner for the public sector during the strategic recalibration process. The 'committed partner' concept is part of the identity of BNG Bank, a sectoral bank founded by Dutch public authorities. Since its incorporation in 1914, it has provided its clients with solutions for financing issues. Substantial market shares and client partnership require knowledge of the sector and an individual approach. Therefore BNG Bank's services are tailored entirely to the client's needs and professionalism.

Employees, Executive Board members and Supervisory Board members held constructive discussions on the question of **how** BNG Bank can **best deliver its services**.

Another result of the strategic recalibration relates to the bank's core values, to which 'sustainable' has been added. Reliable, sustainable and professional – these are now BNG Bank's core values. In the light of its

Reliable, **sustainable** and **professional** are our core values.

public role, BNG Bank seeks to be a safe bank that is visible to and distinctive for its stakeholders. It wants to help clients and investors achieve their objectives for a future-proof society. BNG Bank endorses the scientific approach, which states that sustainability goes beyond being green. The bank defines 'sustainable' as 'socially responsible', that is to say a viable balance between environmental interests, economic interests and social interests, also for the benefit of future generations. For over a hundred years, BNG Bank has been a bank promoting the public interest. Corporate Social Responsibility is already embedded in the bank's DNA. By adding the concept of 'sustainability' to its core values, the bank highlights its desire to place greater emphasis on its activities in this area.

The reporting year 2015 was characterised by major challenges at all BNG Bank's stakeholders. Clients of the bank are going through a difficult period, caused in part by economic developments, regulations and technology. Despite the short preparation time, municipalities managed to implement their new tasks in the social domain in 2015, although they still face major challenges in areas such as youth care. In addition, many municipalities experience continued pressure on land value development, despite a partial recovery of the housing market in many parts of the country. The recovery in the industrial estate market – if it materialises at all – is still far away. Developments such as the new world of work and the emergence of robotics will change the demand for industrial estate on a structural basis. A favourable development for municipal authorities is the forthcoming extension of their taxation powers, in conformity with the tax arrangement.

With regard to public housing, pressure on the lower end of the housing market, and therefore on the housing associations, continued to be high. This pressure is still increasing further, due in part to the growing need for homes for asylum seekers who have been granted residency status. This means that the debate on the availability of sufficient social rented homes is still very topical. Here, too, BNG Bank acts as a committed partner for its clients. The entry into force of the amended Housing Act was an important issue for clients in 2015. A relevant development with long-term effects was the further analysis of the financing and guarantee system by the Ministry responsible. The principal conclusion of this analysis was that the guarantee system is of vital importance for the financing of the housing sector, a conclusion which BNG Bank endorses.

In 2015, the reform of long-term care represented this government's final major system reform in the healthcare sector. Investments in healthcare property in 2015 were considerably lower than in preceding years. The extent and composition of the future need for healthcare property are uncertain, due among other things to the falling trend in healthcare output (the 'cure'). Although demographic developments mean that the need for healthcare property will increase in the future, the sustainability of bank financing has become less obvious. In the healthcare sector, alternative forms of financing such as healthcare bonds and crowdfunding are now emerging as a supplement to bank loans.

In conformity with its sustainability policy, BNG Bank wants to assume a clear role in financing the ambitions under the Energy Agreement. Thus, BNG Bank is involved in various wind and solar-energy projects and in sustainable public-private partnership (PPS) projects. Lending for the roll-out of solar panels was further extended during the reporting year, which among other things involved concrete projects to install solar panels on housing association homes. Where raising funding was concerned, BNG Bank's increasingly visible role in the funding of sustainable investments enabled the bank to respond further to the interest among investors in new SRI (Socially Responsible Investment) Bonds. Following an initial sustainable issue of EUR 500 million in 2014, BNG Bank in 2015 placed a second SRI Bond issue worth EUR 650 million. The proceeds of this issue are used solely for the balance-sheet financing of the Dutch municipalities that have achieved the best scores in their category for sustainability and social policy.

To provide clients affordable financing BNG Bank must under all circumstances be able to acquire funding at low interest rates. Money and capital market parties must therefore have confidence in BNG Bank. This means that the bank's excellent creditworthiness – similar to that of the Dutch government – must always be safeguarded. Against this background, it must be noted that S&P decided in the past year to raise BNG Bank's rating – in line with that of the Dutch government – back to the highest level of AAA.

BNG Bank's increasingly visible role in the **funding** of **sustainable investments** enabled the bank to respond further to the **interest** among **investors** in new **SRI (Socially Responsible Investment) Bonds**.

A favourable development for bondholders, furthermore, is that in 2015 BNG Bank was added to the list of institutions whose bonds are eligible for the European Central Bank's public sector purchase programme. In addition, the Dutch Central Bank designated BNG Bank in 2015 as a bank of national systemic importance.

Owing in part to an issuance of **EUR 424 million** in **hybrid capital** to existing shareholders, the **leverage ratio** increased from 2.0% to **2.6%** in the year under review.

2015 was the first full year in which BNG Bank was supervised by the ECB. The intensive supervision combined with the continuing flow of new regulations has significantly increased work pressure in the bank's operations. The bank also prepared itself for the second pillar of the European banking union, the Single Resolution Mechanism, one of whose objectives is to prevent 'the taxpayer' from having to pay the bill if banks encounter difficulties. In addition, the bank completed the system preparations for central derivatives clearing.

BNG Bank wants to maintain its excellent risk profile at all times. The bank's policy undertakes to comply with the expected minimum requirement of 3% for the leverage ratio, the relation between the bank's core capital and balance sheet total, early in 2018 through retained earnings and issuance of hybrid capital. Owing in part to an issuance of EUR 424 million in hybrid capital to existing shareholders, the leverage ratio increased from 2.0% to 2.6% in the year under review. From 2018, the revaluation reserve will be fully included in the calculation of the ratio. If the revaluation reserve and the profit for the reporting period, minus the dividend available for distribution, were included in full, the leverage ratio at year-end 2015 would be 2.9%.

BNG Bank's objective is to accomplish its mission efficiently, which will translate into low lending rates. In this context, the bank aims to achieve a reasonable return, rather than maximise its profit. Net profit was negatively affected by impairments totalling EUR 72 million, of which EUR 63 million relates to bonds of the former Austrian bank Hypo Alpe Adria, which have meanwhile been converted into HETA bonds, guaranteed by the federal state of Carinthia. The Austrian regulator takes the view that bondholders must pay towards the costs of resolution. BNG Bank believes that the federal state of Carinthia is legally liable for losses on the bonds held by the bank.

Partly because of a higher than forecast interest result and a positive result on financial transactions, BNG Bank posted a net profit of EUR 226 million in 2015, which means that it achieved its return target.

2015 was the first year in which the bank reported in accordance with the GRI G4 comprehensive approach, within the context of the Global Reporting Initiative. A permanent dialogue with its stakeholders is part of this approach. For a detailed account, see the CSR Policy published on bngbank.nl. BNG Bank seeks to strike a sustainable balance between the interests of its clients, shareholders and employees. Our employees are our most important asset. The bank places considerable emphasis on their development and growth.

During the year under review, the Executive Board said farewell to Mr Leenaars on account of his retirement. The Supervisory Board said farewell to Ms Dekker, Mr Van der Goorbergh and Mr Ruding. I would like to thank them for their contribution in recent years. I would also like to thank all of the bank's other stakeholders. In the past year, the stakeholders confirmed the value of BNG Bank's strategy. This is one of the reasons why we have confidence in the year 2016, notwithstanding the challenges mentioned.

On behalf of the Executive Board,

CAREL VAN EYKELENBURG
CHAIR
The Hague, 4 March 2016

Organisation

Organisation

MANAGEMENT[4]

C. (CAREL) VAN EYKELENBURG [b. 1952]
CHAIR OF THE EXECUTIVE BOARD

P.J.E. (PAULINE) BIERINGA [b. 1959]
MANAGING DIRECTOR OF PUBLIC FINANCE

F.C.M. (FRANK) JANSE [b. 1966]
MANAGER MARKETING AND COMMUNICATIONS

R.C.J. (RENE) DE JONG [b. 1968]
MANAGER INTERNAL AUDIT DEPARTMENT

A. (AART) RIETVELD [b. 1965]
COMPANY SECRETARY

J.C. (ANJA) VESTER-VOS [b. 1960]
MANAGER HUMAN RESOURCES

3 Effective 1 January 2016.

4 Each member of the Executive Board is responsible for a number of directorates and (staff) departments. The directors and heads of department that report directly to the members of the Executive Board are indicated below. The organisational structure of risk management is set out in the Risk section of the Annual Report.

O.J. (OLIVIER) LABE [b. 1969]
MEMBER OF THE EXECUTIVE BOARD

P.A. (PETER) NIJSSE [b. 1969]
MANAGING DIRECTOR OF TREASURY & CAPITAL MARKETS

B.P.M. (BART) VAN DOOREN [b. 1957]
MANAGER CAPITAL MARKETS AND INVESTOR RELATIONS

H.E. (ERWIN) QUAST [b. 1968]
MANAGER LEGAL AND FISCAL AFFAIRS & COMPLIANCE

J.C. (JOHN) REICHARDT [b. 1958]
MEMBER OF THE EXECUTIVE BOARD

R. (REINIER) VAN WOERDEN [b. 1958]
MANAGING DIRECTOR OF PROCESSING

P.J. (PAUL) KORTLEVE [b. 1969]
MANAGER PLANNING AND CONTROL

H.R. (HANS) NOORDAM [b. 1966]
MANAGER RISK CONTROL

R.G. (ROLAND) WIJDOOGEN [b. 1963]
MANAGER CREDIT RISK ASSESSMENT

COMPOSITION AND BACKGROUND OF THE EXECUTIVE BOARD[5, 6]

C. (CAREL) VAN EYKELENBURG

Mr Van Eykelenburg was appointed an Executive Board member on 1 January 2005. He became Chair on 15 October 2008 and was reappointed as Chair on 15 October 2012 for a four-year term of office, which can be extended. In connection with his position at BNG Bank, Mr Van Eykelenburg is a Board member and Treasurer of the Dutch Banking Association (NVB) and Chair of the Supervisory Board of BNG Gebiedsontwikkeling BV, a BNG Bank subsidiary. He also is an Executive Board member of Stichting Pensioenfonds ABP, a member of the Supervisory Committee of Shell Pension Fund and Chair of the Board of the W.F. Hermans Institute.

O.J. (OLIVIER) LABE

Mr Labe was appointed an Executive Board member on 1 May 2015 for a four-year term of office, which can be extended. In connection with his position at BNG Bank, Mr Labe is Chair of the Supervisory Board of Hypotheekfonds voor Overheidspersoneel BV and a member of the Supervisory Board of BNG Vermogensbeheer BV, both of which are BNG Bank subsidiaries.

J.C. (JOHN) REICHARDT

Mr Reichardt was appointed an Executive Board member on 15 October 2008 and reappointed on 15 October 2012 for a four-year term of office, which can be extended. In connection with his position at BNG Bank, Mr Reichardt is Chair of the Supervisory Board of Data B. Mailservice BV, a member of the Supervisory Board of BOEI BV, a member of the Supervisory Affairs Committee of the NVB, Chair of the Supervisory Board of BNG Bank subsidiary BNG Vermogensbeheer BV and a member of the Supervisory Boards of BNG Bank subsidiaries Hypotheekfonds voor Overheidspersoneel BV and BNG Gebiedsontwikkeling BV. He is also a Supervisory Committee member of the RDW.

5 The profile of the Executive Board is published on bngbank.nl. The duties and responsibilities of the Executive Board (members) are described in the Executive Board Rules of Procedure published on bngbank.nl. The desire for diversity on the Executive Board, also in terms of gender and age, is included in this profile and will be expressly emphasised during the recruitment and selection procedure. The Executive Board is composed of three men. At the time of their appointment as members and Chair of the Executive Board, the Supervisory Board deemed that they were the best candidates for these roles. There was one vacancy during the year under review. The Supervisory Board accounts for the recruitment process to fill this vacancy elsewhere in this Annual Report. As soon as a vacancy arises, a candidate will be sought who matches the Executive Board profile drawn up by the Supervisory Board.

6 In terms of the number of additional positions they may hold, Executive Board members are subject to the limitation regulations set out in the Capital

COMPOSITION AND BACKGROUND OF THE SUPERVISORY BOARD[7, 8, 9]

M. (MARJANNE) SINT[10, 11, 12] [b. 1949]

CHAIR

Former Chair of the Supervisory Board of Isala Clinics in Zwolle.

Appointed on 20 August 2012, eligible for reappointment in 2017.

Ms Sint is the Chair of the BNG Bank Supervisory Board and also serves as Chair of the NL Healthcare Supervisory Board and as a member of the Friesland/FBTO Zorgverzekeringen Supervisory Board.

J.J. (JAN) NOOITGEDAGT[13] [b. 1953]

VICE-CHAIR AND SECRETARY

Former Chief Financial Officer and Executive Board member of AEGON NV.

Appointed on 23 April 2012, eligible for reappointment in 2016.

Mr Nooitgedagt is a BNG Bank Supervisory Board member and also serves as Chair of the Vivat NV Supervisory Board, Vice-Chair of the TMG NV* Supervisory Board and as a member of the Robeco Groep NV Supervisory Board.

C.J. (KEES) BEUVING[10, 11, 13] [b. 1951]

Former Executive Board Chair of Friesland Bank Holding NV.

Appointed on 24 April 2014, eligible for reappointment in 2018.

Mr Beuving is a BNG Bank Supervisory Board member and also serves as Chair of the Supervisory Board of BPF BouwInvest BV and as a member of the Delta Lloyd Bank Supervisory Board.

L.M.M. (LUCAS) BOLSIUS[12] [b. 1958]

Mayor of the Municipality of Amersfoort.

Appointed on 24 April 2014, eligible for reappointment in 2018.

Requirements Regulation and Directive (CRD IV) Implementation Act. In BNG Bank's opinion the Executive Board members comply with the limitation regulations.

7 The duties and responsibilities of the Supervisory Board (members) are described in the Supervisory Board Rules of Procedure published on bngbank.nl. Supervisory Board members are appointed for a four-year term of office and are eligible for reappointment twice in accordance with the Dutch Corporate Governance Code. The profile of and retirement schedule for the Supervisory Board can also be found on bngbank.nl. All members of BNG Bank's Supervisory Board have Dutch nationality. The Supervisory Board comprises three women and six men.

8 BNG Bank seeks to ensure the independence of its Supervisory Board members by adhering to the following guidelines: Supervisory Board members have never been employed by the company. They have no other business relationships with BNG Bank from which they could acquire personal gain.

T.J.F.M. (THEO) BOVENS [12] [b. 1959]
King's Commissioner for the Province of Limburg.
Appointed on 23 April 2012, eligible for reappointment in 2016.

J.B.S. (JOHAN) CONIJN [12] [b. 1950]
Extraordinary Housing Market professor at the University of Amsterdam and Director of Real Estate Management at Ortec Finance.
Appointed on 23 November 2015, eligible for reappointment in 2020.
Mr Conijn is a BNG Bank Supervisory Board member and also serves as a member of the Investment Committee of Amvest Residential Core Fund.

P.H.M. (PETRI) HOFSTÉ [13] [b. 1961]
Former Executive Board member and Chief Financial and Risk Officer of APG Groep NV.
Appointed on 22 April 2013 and eligible for reappointment in 2017.
Ms Hofsté is a BNG Bank Supervisory Board member and also serves as a member of the Supervisory Boards of KAS Bank NV*, Achmea BV and Fugro NV*.

J. (JANTINE) KRIENS [10, 11, 12] [b. 1954]
Chair of the VNG Executive Board.
Appointed on 24 April 2014, eligible for reappointment in 2018.

J.C.M. (JAN) VAN RUTTE [13] [b. 1950]
Former Executive Board member at Fortis Bank Nederland and former CFO of the Executive Board of ABN AMRO Groep NV.
Appointed on 23 November 2015, eligible for reappointment in 2020.
Mr Van Rutte is a BNG Bank Supervisory Board member. In addition, he serves as the Chair of the Supervisory Board of SNS Reaal NV and as a member of the Supervisory Board of ORMIT Holding BV.

The Supervisory Board members receive a fixed annual remuneration, which is not dependent on the bank's performance in any year. The Supervisory Board remuneration regulations are published on bngbank.nl. 'Interlocking directorships' among the Supervisory Board members, or among the latter and Executive Board members, do not exist. Supervisory Board members hold no shares in the company.

[9] Additional positions are only stated if they are managerial or supervisory positions that are relevant under the limitation regulations set out in the Capital Requirements Regulation and Directive (CRD IV) Implementation Act. In BNG Bank's opinion the Supervisory Board members comply with these regulations in terms of the number of additional positions. A register containing all the additional positions held by the Supervisory Board members is published on bngbank.nl. Positions and additional positions with publicly listed companies in the Netherlands are shown with an asterisk (*).

WORKS COUNCIL

S.D.P. (SELMA) HUIZER [b. 1968]
CHAIR

J.H. (JAAP) BOOM [b. 1951]
SECRETARY

F.B. (FRAN) BOON [b. 1975]

G.J. (GIJS) VAN DUFFELEN [b. 1978]

M.E. (MARJOLEIN) HOFSTEE [b. 1971]

J.P. (JEAN-PIERRE) KRAUS [b. 1970]

R. (RON) MOLINA [b. 1954]

V.G.W.H. (VICTOR) TJIA [b. 1974]

F.W.A. (FELIX) ZWETSLOOT [b. 1971]

[10] Member of the Selection and Appointment Committee as referred to in Article 16 of the Articles of Association.
[11] Member of the Remuneration Committee as referred to in Article 16 of the Articles of Association.
[12] Member of the Market Strategy Committee as referred to in Article 16 of the Articles of Association.
[13] Member of the Audit & Risk Committee as referred to in Article 16 of the Articles of Association.

Report of the Supervisory Board

Early in 2015, changes in BNG Bank's environment and the financial perspective of the bank itself made the Executive Board decide to recalibrate the bank's strategy. In a broadly supported process which involved the entire management and Young BNG, the bank examined whether its current strategy was still adequate in order to achieve its objectives. The conclusion was that the bank can continue its current strategy in the coming years, but can make better use of the scope offered by this strategy. The bank wants to be even more visible as a committed partner and assume a more proactive role towards its clients. The bank wants to raise its public profile in respect of sustainability, in particular around the themes of Energy Agreement and 'social return' in relations with clients, through Socially Responsible Investment Bonds (SRI Bonds) in relations with investors, and enhanced sustainability of operations at internal level. The Supervisory Board discussed the results of the strategy recalibration at great length with the Executive Board and gave its approval. These results are to be implemented in the course of 2016. The Supervisory Board also discussed and approved the 2016 Annual Plan. The recalibration of its strategy will not affect the bank's inherent nature: an excellent credit rating, adequate risk management, a competitive funding position and effective and efficient operations will remain the preconditions also after the strategy recalibration.

The results of the strategy recalibration are in line with those of the debate between the bank and the Ministry of Finance regarding its organisational form. The question was to what extent the bank's current status would still be adequate in the long term, and whether more attractive alternatives were available. The joint conclusion was that maintaining the current organisational structure under private law, in combination with the status of 'promotional bank', was the preferred option.

Subjects discussed

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

During the year under review, the Supervisory Board spoke in the context of the strategy recalibration about BNG Bank's intention to give sustainability greater prominence in its policy and activities. The Supervisory Board endorses the importance of doing so and welcomed the formation of a Sustainability Committee, chaired by one of the Executive Board members. The Supervisory Board was informed about the multi-stakeholder meetings held in 2015 and some of the topics discussed at those meetings, in particular how the bank can measure the impact of the loans it has provided and how investors gain insight into the sustainability impact of their potential investments in BNG Bank paper. The Supervisory Board also approved BNG Bank's CSR Policy as published on bngbank.nl. In the assessment of the bank's CSR policy, the market shares and return on equity count as key indicators. This reflects the bank's social relevance. The market share and return objectives were achieved in 2015. 2015 was the first year in which the bank reported in accordance with the GRI G4 comprehensive approach, within the context of the Global Reporting Initiative. The external auditor has issued reasonable assurance in respect of the CSR sections.

SUPERVISORY BOARD

In addition to the plenary discussion of the topics prepared by the various committees, the following matters were discussed during Supervisory Board meetings: preparation of the Annual General Meeting of Shareholders, the results of the Asset Quality Review and the EBA stress test, the project governance and project portfolio planning, and the implications of new regulations for BNG Bank's activities. The plenary Board approved the 2014 remuneration report, the 2016 annual plan and budget as well as the 2016 risk appetite statement. As regards the variable remuneration granted, the Supervisory Board concluded that it is in line with the remuneration policy established by BNG Bank. The Supervisory Board also discussed a number of strategic matters during the reporting period, namely the results of the strategy recalibration, a competition analysis carried out by the bank, the advantages and disadvantages of the bank's status, the development of the leverage ratio and the issue of hybrid capital. Finally, a plenary meeting was held in which the Supervisory Board members were informed about the disciplinary regulations introduced in 2015 and signed the disciplinary regulations form.

AUDIT & RISK COMMITTEE (ARC)

The ARC prepared the discussion by the plenary Supervisory Board concerning the Annual Report, the quarterly and interim figures and the management letters of the internal and external auditors, including the Executive Board's response. The main topics discussed were the development of BNG Bank's result and of its solvency and liquidity position, the credit loss provision, credit, market and operational risks, and the options for raising funding. In 2015 the ARC devoted particular attention to the preparation of a hybrid capital issue and to the impairment of a bond of the former Austrian bank Hypo Alpe Adria, guaranteed by the federal state of Carinthia. In addition, the Supervisory Board concurs with the Executive Board that securitisation is not the most attractive instrument to improve the bank's leverage ratio.

For the time being BNG Bank assumes that it will need to comply with a 3% lower limit for the leverage ratio with effect from 2018. The ARC finds that this ratio showed a positive trend in 2015, partly on account of the hybrid capital issue. The ARC endorses the Executive Board's policy on moving towards a higher leverage ratio. The desired buffer serves to absorb fluctuations in the leverage ratio as a result of external developments. The Committee also prepared the decision-making by the plenary Supervisory Board on BNG Bank's risk appetite statement, the leverage ratio policy and the BNG Bank portfolio credit risk report. Furthermore, the Committee discussed the 2014 Compliance Report, the 2014 Incidents Report, the 2016 Compliance Programme, the 2016 IAD Annual Plan, the external auditor's audit plan for auditing BNG Bank's 2015 financial statements and the reports on the tripartite talks between the regulator, the external auditor and BNG Bank. During an extra meeting the ARC, in two so-called 'deep dives', went at great length into the causes of the bank's results volatility and into the manner in which the bank calculates the required Credit Value Adjustments for derivatives. A 'deep dive' on the bank's Recovery Plan was held in the presence of the plenary Supervisory Board. The Committee has expressed the intention to hold further 'deep dives' on other subjects.

SELECTION AND APPOINTMENTS COMMITTEE

In 2015 the Committee carried out preparatory work on filling the Dekker and Ruding vacancies. The Committee also drew up individual profiles in order to fill the vacancies arising in 2016 in connection with the retirement by rotation of Mr Bovens and Mr Nooitgedagt. In addition, the Committee advised the Supervisory Board on the division of responsibilities among the Board members after the departure of Ms Dekker and Mr Ruding and on the membership of the various committees. The division of responsibilities is set out in this Annual Report. The Committee took note of the division of responsibilities among the Executive Board members and of the additional positions they hold, and advised the Executive Board on the permanent education programme for the Supervisory and Executive Boards. Lastly, the Committee discussed the continuity of the membership of both Boards. Consideration was also given to the fall-back scenario in the event that an Executive Board member or a senior manager is absent for a prolonged period.

REMUNERATION COMMITTEE

Within the framework of the defined remuneration policy, the Remuneration Committee discusses the Executive Board's report concerning the achievement of the variable remuneration performance targets each year and advises the Supervisory Board on the variable remuneration payout percentage. This took place in 2015 for the year 2014. The Committee furthermore discussed the 2014 Remuneration Report and prepared the proposal to the Supervisory Board regarding the 2015 variable remuneration performance targets for the Executive Board. Lastly, the Committee discussed the Annual Report on BNG Bank's remuneration policy. This report addresses subjects such as the implementation of the remuneration policy in respect of the previous year, the highest variable remuneration during that year and a risk analysis of the remuneration policy, carried out by the Risk Management department. This risk analysis did not reveal any issues on which a Supervisory Board resolution was required or desirable. For the main aspects of the 2015 remuneration report, 'Remuneration policy' section.

MARKET STRATEGY COMMITTEE

It is the Committee's responsibility to discuss the relevant developments concerning BNG Bank's client groups and the adequacy of the existing and potential services to these client groups. During the first meeting, the Committee spoke with an official delegation from the Ministry of the Interior and Kingdom Relations (BZK) about BZK's views of the future financing of the housing association sector and about the role which BNG Bank might play in this process. The second meeting took the form of a working visit to the Meander Medical Centre in Amersfoort. The Committee spoke with a director of Meander about BNG Bank's views of the financeability of the healthcare sector and about the day-to-day issues facing a hospital in administrative, financial and operational terms. On this occasion, consideration was given to subjects such as the relationship with the health insurers and the ongoing changes in regulations on account of changing insights on the government's part. In the Committee's opinion, these meetings generated a clear picture of the concerns facing the housing association sector and the healthcare sector. The discussions have helped the Committee members in their assessment of the bank's 2016 Annual Plan.

ECB SUPERVISION

2015 was the first full year in which BNG Bank was supervised by the ECB. The Supervisory Board finds that the supervision rules and requirements have placed considerable pressure on BNG Bank's organisation. In 2016 this will result in an increase of the workforce and a rise in staff costs. The transition to ECB supervision entailed different limitation rules for the number of additional positions held by Supervisory Board and Executive Board members, which were discussed by the Supervisory Board during the year under review. The changing requirements imposed by the external regulator also have an impact on the Board's agenda. In 2015, the Board discussed the results of the Asset Quality Review (AQR) and the EBA stress test, as well as the relevant follow-up. The AQR gave an extra impulse to the subject of data quality, which already had the Executive Board's attention. Data quality has been added to the multi-year Data Insight programme in the bank's project portfolio and is part of the criteria which the Supervisory Board has adopted for the purpose of the assessment of the Executive Board's performance in 2016. The ARC and the Board also discussed current supervisory issues on various occasions in 2015. Thus, in-depth consideration was given to the bank's Recovery Plan and to the method for calculating the Credit Value Adjustments for derivatives, including the regulator's views on the subject. In respect of the latter point, the Supervisory Board discussed the threats arising from laws and regulations and requested the Executive Board to inform it at the earliest possible stage about the potential impact of new laws and regulations on BNG Bank. In the context of a thematic review on risk governance and risk appetite, two members of the Joint Supervisory Team (JST) of ECB/DNB attended a meeting of the Audit & Risk Committee (ARC) and a meeting of the Supervisory Board in 2015, and the JST held discussions with the Chairs of the ARC and the Supervisory Board. The ARC and the Supervisory Board will evaluate the feedback from the ECB/DNB in 2016. The ARC and the Supervisory Board also reviewed the minutes of the tripartite talks between the regulator, the external auditor and BNG Bank.

PROFESSIONAL DEVELOPMENT

The Supervisory Board members attend three permanent education (PE) programme sessions each year. Periodically, this programme also addresses ethical topics and dilemmas. Depending on the topic, both internal and external experts contribute to the PE sessions. The Board evaluates the effectiveness of the programme after the end of the reporting year. Further to the PE programme for 2014, the Board requested more detailed written documentation in preparation for its evaluation, so as to leave more room for discussion during the PE sessions themselves. This wish was complied with in 2015. The Board furthermore determined which of the themes in the Dutch Banking Code had to be addressed in 2015. In 2015, the PE programme included a module on Duty of Care and a module on Cybersecurity – Changing the Rules of the Game. A third session dealt with interest rate risks, further to the implementation of a renewed interest rate risk framework by the bank. The ARC will revert to this subject in a 'deep dive' in 2016. With a few exceptions due to absence, all members of the Supervisory Board completed the permanent education programme. The Executive Board members also participated in the Supervisory Board's permanent education programme. In addition, the Executive Board members undertook individual PE activities in 2015. One Executive Board member took part in a study trip to Brussels, expert meetings on the financial scope for municipalities, and a full-day workshop on foreign exchange risk, among other things. A second Executive Board member took part in a management training programme at Insead, the Analytics, Covenants and Documentation training programme organised by Moody's, and the ICMA Annual General Meeting and Conference, among other things. A third member took part in a Capital Management & Risk Seminar and in a round table on IFRS hosted by EY. The PE activities undertaken were reported to the Supervisory Board and the resulting evaluations were discussed during the annual assessment interviews that the Chair and the Secretary of the Supervisory Board held with the individual members of the Executive Board. The Supervisory Board concluded that the Executive Board members meet the criteria set out in the Expertise Policy Rule of the AFM and the Dutch Central Bank.

Organisation

NUMBER OF MEETINGS AND ATTENDANCE

The Supervisory Board held six meetings in 2015. The meetings were attended by the Executive Board. A private session was held prior to each of these meetings.

The Audit & Risk Committee (ARC) held five meetings in the year under review. Effective from 2015, the number of regular ARC meetings increased from three to four per year. All the regular ARC meetings were attended by the internal and external auditors. In 2015, the Committee also decided to hold a private session with the internal and external auditors prior to all its regular meetings. No points for special attention emerged from these consultations. Lastly, it was decided that the heads of Risk Management and Planning & Control would henceforth attend the ARC's meetings in order to clarify the reports prepared under their responsibility. The Selection and Appointments Committee convened on six occasions during the year under review, while the Remuneration Committee and the Market Strategy Committee held two meetings each.

The attendance rate of plenary Supervisory Board meetings and meetings of the Supervisory Board committees recorded was 98% (2014: 92%).

PERFORMANCE OF THE SUPERVISORY BOARD

The Supervisory Board also evaluated its own performance in 2015 and that of its various committees. To that end an internal survey was completed and the Secretary to the Board held separate talks with each Supervisory Board member. The findings from the survey and the talks were discussed in a plenary meeting of the Supervisory Board. On this occasion, the Board explicitly addressed roles within both the Supervisory Board and the Executive Board, potential obstacles to addressing particular themes, the size of the Supervisory Board in relation to team effectiveness and the diversity of the Supervisory Board. The outcome of the evaluation and its discussion did not result in adjustments to the Board's work practices. The private sessions introduced in 2014 were continued.

In the Supervisory Board's opinion, no situations occurred in 2015 that involved conflicting interests on the part of Executive Board members, Supervisory Board members, shareholders and/or the external auditor of material significance to the company and/or the relevant Executive Board members, Supervisory Board members, shareholders and/or the external auditor.

COMPOSITION OF THE SUPERVISORY BOARD

To view the Supervisory Board profile, please visit bngbank.nl. The profile of the Supervisory Board remained unchanged in the year under review. The composition of the Supervisory Board is in line with the Supervisory Board profile. The composition of the Supervisory Board is included in the section 'Organisation'. This section provides the details of each member that are relevant to the fulfilment of their duties as Supervisory Board member.

In conformity with the retirement schedule, Ms Dekker and Mr Van den Goorbergh stepped down as Supervisory Board members in 2015. Mr Ruding, who was due to retire by rotation in 2016, indicated in 2015 that he wished to retire prematurely as Chair and member of the Supervisory Board. The Supervisory Board wishes to thank Ms Dekker for the manner in which she used her management experience and her knowledge and expertise in the area of public housing throughout her eight years of Supervisory Board membership, serving both on the plenary Board and on the Remuneration Committee, the Selection and Appointments Committee and the Market Strategy Committee. The Supervisory Board is grateful to Mr Van den Goorbergh for his insightful, structured and stimulating contributions to the discussions within the Board and within the Audit & Risk Committee, the Remuneration Committee and the Selection and Appointments Committee in the past 12 years. The Supervisory Board considers itself fortunate that it could benefit for nearly 12 years from the extensive banking, financial and political experience of Mr Ruding, as Chair of the Board and as a member of the Remuneration Committee and the Selection and Appointments Committee. The Board wishes to thank him for the expert and accurate manner in which he discharged his duties on the Board.

In connection with the retirement of Ms Dekker and Mr Ruding, the Supervisory Board drew up individual profiles in line with the Supervisory Board profile. Based on these individual profiles, Mr Conijn and Mr Van Rutte were nominated and appointed as members of the BNG Bank Supervisory Board on 23 November 2015 by the General Meeting of Shareholders. Mr Conijn's appointment took effect on 1 January 2016. From among its members, the Board appointed Ms Sint as Chair with effect from 23 November 2015. The suitability of the aforementioned persons was assessed by the regulator, which resulted in the ECB expressing a positive opinion. The new Supervisory Board members completed the induction programme offered by BNG Bank. They took the oath or solemn affirmation for the financial sector on 8 January 2016.

In view of the banking and financial knowledge available within the Supervisory Board, the Board considered it justified that the Van den Goorbergh vacancy should not be filled. This means that the Supervisory Board again had the required nine members.

In 2015 the shareholders also took note of the individual profile drawn up after it was announced that Mr Bovens and Mr Nooitgedagt would retire by rotation. In conformity with the retirement schedule, both are eligible for reappointment.

COMPOSITION OF THE EXECUTIVE BOARD

To view the Executive Board profile, please visit bngbank.nl. The profile of the Executive Board remained unchanged in the year under review. The composition of the Executive Board is in line with the Executive Board profile. The composition of the Executive Board is included in the section 'Organisation'. This section provides the details of each member that are relevant to the fulfilment of their duties as Executive Board member.

During the year under review, the bank said farewell to Mr Leenaars on account of his retirement. Mr Leenaars was appointed as an Executive Board member in 2002, in which position his responsibilities for many years included the bank's funding. He was the face of the bank in international money and capital market circles. As the Chair of the bank's Credit Committee, he used his experience in assessing innumerable credit proposals. The Supervisory Board would like to express its sincere gratitude for the dedication and accuracy with which he always promoted the bank's interests. The Leenaars vacancy was filled when Mr Labe took office on 1 May 2015; Mr Labe has the same portfolio as Mr Leenaars. The Supervisory Board is aware that, as a result, the Executive Board again consists of three men. The pursuit of diversity, among other things in terms of gender and age, was part of the job profile. All in all 20 men and three women were considered during the selection procedure. A few were unsuccessful because they proved to be incompatible with BNG Bank's remuneration policy or because they did not have enough management experience. The Supervisory Board concluded that Mr Labe, in his previous position as BNG Bank's Managing Director of Treasury and Capital Markets, was the most suitable candidate to succeed Mr Leenaars. Mr Labe's appointment did increase the diversity of the Executive Board in terms of age.

CONTACTS WITH STAKEHOLDERS

The Executive Board meets at least once every quarter with the Joint Works Council (GOR). In 2015, the Chair of the Supervisory Board attended a consultation meeting between the Executive Board and the Joint Works Council. The topics discussed at this meeting included strategy development and policy, the development of the bank's results, the introduction of the banker's oath and the disciplinary regulations, and the Joint Works Council's agreement to Mr Labe's appointment as a member of BNG Bank's Executive Board. Outside the consultation meetings, the plenary Supervisory Board meets with the GOR once a year during a joint lunch. The Supervisory Board finds the contacts with the Joint Works Council constructive and appreciates the good working relationship and open dialogue between the Supervisory Board and the Works Council.

Increasingly, the Supervisory Board involves individuals from the management layer under the Executive Board in specific agenda items and in the context of the professional development of staff.

The Supervisory Board's contacts with the shareholders are conducted via the General Meeting of Shareholders, in which the Board renders account for its supervision. In addition to the annual General Meeting of Shareholders, an extraordinary General Meeting of Shareholders was held in 2015 in connection with the appointment of two Supervisory Board members.

The Financing Directorate the Ministry of Finance is responsible for the administration of the government participations and promotes the interests of BNG Bank's major shareholder. Once a year, a meeting is held between the majority shareholder and the Chair of the Supervisory Board of each company in which the government participates, at which the affairs of the company concerned are discussed. Such a meeting was also held with the Chair of BNG Bank's Supervisory Board in 2015. In addition, the new Supervisory Board members paid an introductory visit to the majority shareholder prior to their appointment.

Remuneration

REMUNERATION POLICY FOR THE EXECUTIVE BOARD

The General Meeting of Shareholders adopted the remuneration policy for the Executive Board members on 27 April 2009. The policy is published in full on bngbank.nl. The remuneration policy falls within the scope of the central government's remuneration policy for government participations, the Dutch Corporate Governance Code, the Dutch Banking Code and the Regulation for Sound Remuneration Policies Wft 2015. The fixed component of the remuneration consists of 12 times the monthly salary plus holiday allowance. For two Executive Board members, the annual variable remuneration is capped at 20% of the fixed remuneration (2014: 25%). The new Executive Board member receives fixed remuneration only. Each year, the Supervisory Board sets quantitative and qualitative targets for the variable remuneration. Each target is awarded a weight in the total. If the quantitative targets are met 'on target', 70% of the maximum variable remuneration is paid.

ACHIEVEMENT OF THE 2015 VARIABLE REMUNERATION TARGETS

Following the Selection and Appointment Committee's advice, the Supervisory Board determined the degree to which the 2015 variable remuneration targets had been met by the Executive Board members and concluded that the corresponding payout percentage would be 100% (2014: 57%). The Supervisory Board considers this result to be fair and did not use its discretionary authority to adjust the variable remuneration. In 2015 the Supervisory Board also concluded that there was no reason to consider exercising its authority to reclaim any variable remuneration awarded for previous years.

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RESULTS OF THE 2015 REMUNERATION POLICY AND OUTLOOK FOR THE COMING YEARS

For an overview of the Executive Board members' remuneration, see 'Other notes to the consolidated financial statements'. The Executive Board members receive an annual allowance for business expenses of EUR 3,900. No shares or options are awarded. The level of the 2015 variable remuneration falls within the pre-approved range of 0 to 20% of the fixed remuneration. The remuneration policy for the Executive Board members will be recalibrated in 2016.

2016 ASSESSMENT CRITERIA FOR THE EXECUTIVE BOARD

BNG Bank's mission has been translated into the following strategic objectives: to retain a substantial market share in the Dutch public and semi-public domain and to achieve a reasonable return for its shareholders. The Supervisory Board set the Executive Board's remuneration levels for 2016 accordingly. In early 2017, the Supervisory Board will assess to what extent the Executive Board complied with these criteria. For the Executive Board members receiving variable remuneration, the associated payout percentage is a minimum of 0% and a maximum of 100%. If the payout percentage is 0%, no variable remuneration will be paid. If the payout percentage is 100%, the variable remuneration for 2016 will be 20% of the fixed remuneration. Half of the variable remuneration for 2016 awarded after the assessment will be deposited into a frozen account. Following reassessment, this amount will be paid in January 2020, provided that compliance with the criteria has not jeopardised BNG Bank's long-term continuity. For more information on BNG Bank's remuneration policy, 2015 remuneration report published on bngbank.nl.

REMUNERATION OF THE SUPERVISORY BOARD

The General Meeting of Shareholders adopted the remuneration policy for Supervisory Board members on 26 April 2011. The policy is published on bngbank.nl. The remuneration policy applies to the period from 1 January 2012 to 31 December 2016 inclusive.

Audit

Ernst & Young Accountants LLP (EY) is BNG Bank's external auditor. The external auditor attends Audit & Risk Committee meetings. The 2015 financial statements were likewise discussed in a Supervisory Board meeting which was attended by the external auditor. The audit plan for 2015, including the key audit matters, was discussed prior to the audit. The Supervisory Board welcomed the auditor's intention to pay particular attention during the audit to the valuation and impairment of financial instruments, credit management and the provision for the loan portfolio, the application of hedge accounting by BNG Bank, funding and liquidity management, capital management, IFRS developments and the continuity and reliability of IT. The Supervisory Board discussed the financial statements, the Annual Report, the management letter and risk management policy with the Executive Board and the auditor. During these discussions the auditor reported separately on the specific areas of attention defined. The findings were discussed by the Supervisory Board together with the external auditor and the Executive Board. In the opinion of the Supervisory Board, the external auditor provided all the relevant information to enable the Board to perform its supervisory duties. No irregularities in the financial statements were reported by the auditor in the audit findings.

The appointment of the current auditor expires at the end of the 2015 financial year. In 2015, the General Meeting of Shareholders approved a proposal of the Supervisory Board to grant the engagement to audit the financial statements to PricewaterhouseCoopers with effect from the 2016 financial year. The Supervisory Board's proposal was based on a selection procedure followed in 2014, in which an audit firm was selected from a choice of three. The Supervisory Board would like to thank the employees of EY for the manner in which they conducted the audit of BNG Bank's financial statements in recent years. The next four-yearly assessment of the external auditor's performance is scheduled for 2019.

INTERNAL AUDIT DEPARTMENT (IAD)

The Chair of the Audit & Risk Committee periodically talks to the Manager of the Internal Audit Department (IAD). The topics discussed during the year under review included ECB supervision, the transition process regarding the new external auditor with effect from the 2016 financial year, the role of the IAD and its relationship with the Executive Board and the new contract with insourcer Centric FSS. Consideration was also given to the activities carried out by the IAD, the progress of audits, the IAD workforce and the IAD's annual plan for 2016. The IAD Management Letter is discussed each year by the Supervisory Board and the Executive Board.

PROPOSAL TO THE GENERAL MEETING OF SHAREHOLDERS

The Annual Report of N.V. Bank Nederlandse Gemeenten presented in this document includes the financial statements and the report drawn up by the Executive Board for the year 2015. The financial statements for 2015 have been given an unqualified opinion by Ernst & Young Accountants LLP. The sections relating to the corporate social responsibility reporting have been provided with an assurance report from Ernst & Young Accountants LLP. We propose to our shareholders that they adopt the financial statements and discharge the Executive Board members for their management duties and the Supervisory Board members for their supervisory duties, as reflected in the financial statements and the Annual Report. Upon adoption of the financial statements and the profit appropriation included in it, a dividend of EUR 1.02 per share with a nominal value of EUR 2.50 will be distributed for the 2015 financial year (2014: EUR 0.57).

A WORD OF APPRECIATION

The year 2015 was a very busy year for the bank. The Supervisory Board wishes to thank all staff for their dedicated efforts and the results achieved in 2015 and remains fully committed to serving BNG Bank in 2016.

On behalf of the Supervisory Board

MS M. SINT,
CHAIR

J.J. NOOITGEDAGT,
VICE-CHAIR (AND SECRETARY)

The Hague, 4 March 2016

Report of the Executive Board

Strategy

BNG Bank is the bank for local authorities and public sector institutions. Reliable, sustainable and professional – these are BNG Bank's core values. The bank is a committed partner and makes a sustainable contribution to minimising the costs of social provisions for the public.

Being a committed partner is part of BNG Bank's identity. BNG Bank is a sectoral bank, founded by Dutch public authorities. It provides its clients with solutions for financing issues. It is this background that determines the bank's mission and financial services. Substantial market shares and client partnership require knowledge of the sector and an individual approach. BNG Bank's services are tailored entirely to the client's needs and professionalism.

BNG Bank's value for society is reflected in the direct and indirect economic effects of its lending activities, which help to make social projects and provisions feasible by providing financing at low lending rates, usually with extended maturity periods, thereby lowering the cost of public facilities. The bank thus serves the interests of Dutch citizens: they benefit from lower fees for municipal services, lower rents for social housing, and lower charges for healthcare and education – even though the specific impact cannot be quantified on account of the diversity of the financial positions and the autonomy of policy enjoyed by the various institutions.

BNG Bank's **value for society** is reflected in the **direct** and **indirect economic effects** of its lending activities.

The bank's mission constitutes the core of BNG Bank's corporate social responsibility (CSR) practice. By achieving its strategic objectives – substantial market shares in the Dutch public and semi-public domain while generating a reasonable return for shareholders – the bank safeguards the continuity of its efforts to generate value for society. The bank's 2015 CSR policy, which forms an integral part of this Annual Report, has been published on bngbank.nl.

Market share is deemed to be an indicator of BNG Bank's level of effectiveness. The bank aims to meet more than half of total long-term credit demand from its core client groups, and to do so in a viable manner. The bank, as both an adviser and provider of tailored and reliable financing arrangements, wants to help its clients achieve their objectives for a future-proof society by providing them with information and guidance on creating a sustainable investment profile.

In response to the need among investors for sustainable forms of investment, the bank issued Socially Responsible Investment Bonds (SRI Bonds) and is detailing policy aimed at encouraging municipalities to make sustainable investments. The bank intends to issue further SRI Bonds in the years ahead.

A reasonable return for shareholders equally means that BNG Bank must efficiently execute its mission. The benefits derived from competitive lending rates and profit accrue to the public authorities since they are BNG Bank's sole shareholders.

BNG Bank also reflects its social engagement by offering room and seeking attention for relevant developments among its clients – an element crucial to accomplishing its mission. The bank offers its opinion in relevant consultation forums with policy developers and interest groups and highlights its viewpoints among the respective members of government.

BNG Bank also reflects its **social engagement** by offering **room** and seeking **attention** for relevant **developments** among its clients.

Achieving the strategic objectives requires an excellent credit rating, adequate risk management, a competitive funding position and effective and efficient operations.

BNG Bank is regarded as one of the world's safest banks. The triple A ratings awarded by Moody's and Standard & Poor's and the AA+ rating awarded by Fitch serve to endorse the bank's solid risk management and reliable and ethical business practice. BNG Bank pursues a strict capitalisation policy. This policy sets the parameters for the bank's safe operating range. With regard to the leverage ratio, the bank's target from 2018 is a certain margin over and above the minimum requirement it will have to meet with effect from that year. The internal lower limit for the Tier 1 ratio (18%) is well above the required value. Lastly, BNG Bank limits its services to the sphere of activity defined in its Articles of Association. The bank's excellent creditworthiness and its close ties with the public sector enable it to raise funds worldwide at attractive lending rates.

Our employees form the foundations of BNG Bank's effective and efficient business practices. The bank operates in a complex and dynamic environment. The need for committed employees with specialist knowledge has grown considerably in recent years. Our employee development policy places a strong emphasis on increasing relevant knowledge and expertise. Internally, BNG Bank seeks to achieve an open culture. Sustainable business practices form a key starting point for BNG Bank's own activities.

For the long term, the bank is taking account of a shift from direct lending to public authorities to financing projects in which public authorities are involved, such as public-private partnerships, in the area of infrastructure and sustainable energy, for instance. Furthermore the bank anticipates that a portion of housing association demand for credit will fall beyond the scope of government backstops, as is the case in the healthcare sector.

The bank expects that the recalibration of its strategy, which took place during the year under review and is described in more detail in the section entitled 'Shareholders', will enable it to respond to these developments in the years ahead.

BNG Bank pursues a **strict capitalisation policy**. This policy sets the parameters for the bank's **safe operating range**.

RESIDUAL HEAT FROM THE HARBOUR FOR THE CITY

Warmtebedrijf Rotterdam transfers residual heat from the Rotterdam harbour to the city. The heat is then used sustainably as a source for district heating. BNG Bank and Rabobank financed 100 million euros in order to help realise and develop this project. The heat hub is an integral part of the network, as it acts as a buffer to compensate for increases and decreases in the distribution of heat. The hub consists of two main units: a buffer tank (16 meters tall, 5,000 m³) and a heat transfer station. The thermal capacity of the network is 105 MW, enough to support the heating needs of about 50,000 households.

EVANGELOS DIMITRAKAKIS, SPECIALIST IN STRUCTURED FINANCE

Economic developments

During the year under review, the world economy grew by approximately 3%, which is the lowest increase since 2008. The moderate economic expansion was primarily related to a disappointing development in the emerging countries. The growth rate of the Chinese economy fell slightly, to approximately 7%. There was a sharp drop in the prices of oil and other commodities, due to declining demand. This development had an impact on the economies of commodity-exporting emerging countries, including Brazil and Russia. The economic situation in Western countries improved slightly. Monetary policies in these countries remained liberal, in combination with persistently low inflation rates.

As in 2014, the US economy grew by 2.4%. The development in private consumption, against the backdrop of continued moderate employment growth, was slightly better than in 2014. Housing construction improved in 2015, which was due in part to low interest rate levels. Export growth decreased, owing to the appreciation of the dollar. The rate of inflation fell from 1.4% to 0.3%, primarily because of a decline in energy prices.

After stagnating in 2014, the Japanese economy grew by 0.7% during the year under review. The moderate recovery was due primarily to continued growth in exports. Imports increased considerably less, owing to low domestic demand. Inflation fell from 2.7% in 2014 to 0.8% in 2015. This decline is attributable to the elimination of the upward price effect of the VAT increase as of 1 April 2015.

The **economic situation** in the eurozone **improved**.

The economic situation in the eurozone improved. During the year under review, Gross Domestic Product (GDP) increased by 1.6% relative to 0.9% in 2014. Due in part to the liberal monetary policy, the euro rate fell, which stimulated exports. Lending hardly improved, which meant that investments in fixed assets increased only slightly. Against the backdrop of an improvement of the labour market, consumption growth was significantly stronger than in 2014. The consumer price level remained stable in 2015, partly because of the falling energy prices. Inflation in Europe amounted to 0.4% in 2014.

Owing to the improving economic situation, the EMU deficit in 2015 fell from 2.6% to 2.0% of GDP. Thus, the deficit remained well below the reference value of 3% of GDP. Gross government debt, expressed as a percentage of GDP, declined from 94.5% in 2014 to 94.0% in 2015. This is the first decrease since the financial crisis, but government debt still remained well above the reference value of 60% laid down in the Maastricht Treaty.

Within the eurozone, Spain stood out in a positive sense. Its economy grew by more than 3% in 2015, primarily on account of implemented reforms and business restructurings. Employment rose sharply, which resulted in a strong increase in consumption. Because of the improved competitive position, exports grew significantly as well. The development of the German economy was relatively moderate, due in part to the weak development of the emerging countries and the conflict between Ukraine and Russia. In France economic growth was limited, among other things because of an unfavourable competitive position.

The economic situation in our country improved in 2015. The Dutch economy grew by 2.0% in the year under review. In 2014 GDP grew by 0.8%. Partly because of a recovery of employment, private spending increased for the first time in years. The recovery of the housing market continued, causing a strong growth in investments in residential property. The rate of inflation levelled off from 1.0% in 2014 to 0.6% in 2015. This decline was the result of lower energy prices and a reduced increase in housing costs.

In the opinion of the central bank, the effect of the quantitative measures on **inflationary expectations** was **insufficient**.

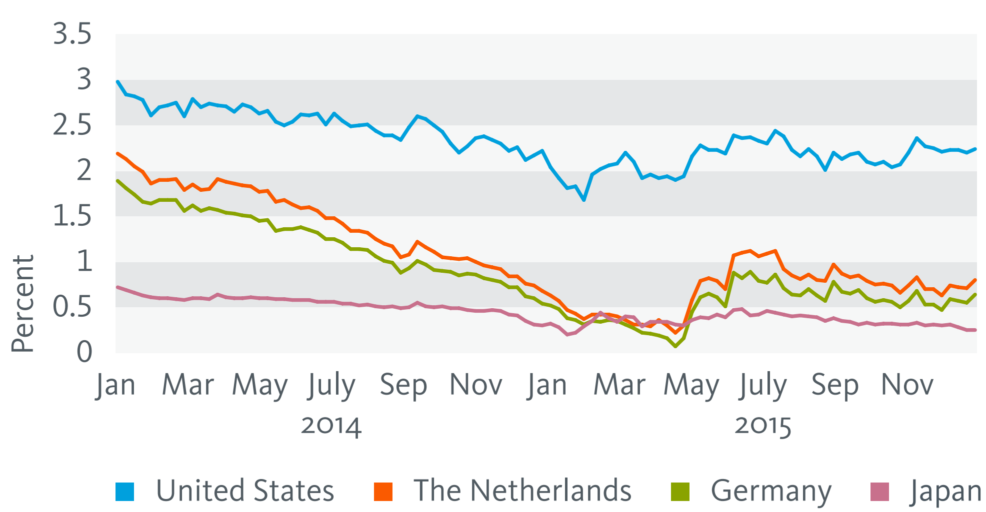
The principal countries pursued divergent monetary policies in 2015. In the United States, the Federal Reserve decided to tighten monetary policy. In December 2015, the target for the Fed funds rate, the main official rate, was increased from 0 to 0.25% to 0.5%. This was the first interest rate rise since June 2004. The Federal Reserve decided to continue reinvesting redemptions on previously purchased loans, thus ensuring that the total securities portfolio remained stable. The Bank of Japan continued purchasing government loans and other securities. The target for the call money interest rate was maintained at 0 to 0.1% in 2015.

In the eurozone, monetary policy was eased further during the year under review. In March, the ECB decided also to purchase government loans, in addition to covered bonds and asset-backed securities. The decision entailed that the central bank would purchase approximately EUR 60 billion in securities each month until September 2016. This resulted in a sharp fall in the euro (especially) against the US dollar. In the opinion of the central bank, however, the effect of the quantitative measures on inflationary expectations was insufficient. Therefore the ECB decided in December to extend the term of the programme by six months to March 2017.

In addition, the ECB decided to reinvest the redemptions on previously purchased loans and to purchase loans from local authorities. Based on the announced measures, the ECB will purchase securities with a total value of approximately EUR 1,500 billion. This is equivalent to approximately 15% of GDP. It was also decided to reduce the deposit rate by 10 basis points to -0.3%. The negative interest rate is intended to stimulate the banks to grant more loans and increase inflation. The refinancing rate was kept at 0.05% in 2015.

10-YEAR GOVERNMENT INTEREST RATE

Source: Macrobond



The long-term interest rate hardly changed on balance in the principal countries (see graph). In the United States, the 10-year interest rate at the end of the reporting year was 2.2%, which is considerably higher than in Japan and most of the euro countries. The German and Dutch 10-year interest rates ended the year fractionally higher, at 0.6% and 0.7% respectively.

In the most peripheral euro countries, the long-term interest rates changed relatively little in 2015. An exception was Greece, where long-term interest rates fell because of the agreement on the third reform programme. The uncertainty in the run-up to this agreement had only a limited effect on the long-term interest rates in other euro countries. This suggests that the measures taken by the budgetary and monetary authorities in recent years to stabilise the euro and the eurozone have proved effective.

Portaal: affordable housing and more sustainable properties

As part of the Agreement on Energy for Sustainable Growth, housing association homes must have an average energy label B rating by 2020. Energy consumption in homes and buildings accounts for roughly one third of all energy usage in the Netherlands, so there is much to be gained from making homes more sustainable. What are housing associations doing in this regard? Read below the story of the Portaal housing association, for which BNG Bank acts as principal bank.

NICO VAN GINKEL AND RUUD PIJPERS, PORTAAL

Portaal, a housing association with roughly 56,000 homes in and nearby Amersfoort, Arnhem, Leiden, Nijmegen and Utrecht, focuses heavily on renovating post-war homes, transforming them into ‘zero-meter reading’ homes. ‘Sustainability of properties is one of our primary objectives. Alongside environmental considerations, curbing housing costs for tenants and retaining the value of our properties are of particular importance to us.’

Programme Manager Nico van Ginkel and Senior Treasurer Ruud Pijpers are pleased to talk about the experiences Portaal has gained with sustainable new development concepts, and the ‘zero-meter reading’ renovation concept in particular. And they are not ashamed to share their less than positive experiences to date, since ‘only then can we learn from innovating,’ stresses Van Ginkel.

Portaal prefers to take an innovative approach to making property sustainable. It seeks reproducible concepts, which enable it to get greater value for the same amount of money. And they are keen to involve others: they challenge builders to come up with solutions for meeting the specified performance requirements as efficiently as possible.

FAST-TRACK

One of these innovative concepts is the Stroomversnelling* (Fast-track) initiative, to which Portaal has signed up. Homes built in the post-war period until the early 1970s in particular tend to be damp and poorly insulated, driving up energy bills for residents. These homes are given a new 'shell' as it were. They are made draught-free and are fitted with solar panels, among other things. 'This concept was just what we were looking for,' says Van Ginkel. 'It enables us to renovate homes smartly, quickly and affordably while meeting the ambitions set out in our business plan. Tenants are guaranteed a comfortable home for the same money, with greater certainty about housing costs.'

This is an important aspect for a social enterprise, says Pijpers: 'We facilitate a target group in the lower income bracket. We believe it is very important for us to offer these people good products.'

How to undertake a thorough renovation without burdening tenants with additional costs? Pijpers sets out the business case: 'The money normally spent on energy bills, averaging roughly EUR 150 a month, goes to the association rather than the energy company. That means an additional annual income of roughly EUR 1,800 per home, on top of the rent. The renovation extends the

Portaal is the largest housing association participating in the Stroomversnelling initiative. Of the 11,000 homes for which concrete plans now exist, Portaal accounts for almost a quarter (2,700). Portaal manages roughly 25,000 homes in total built in the 1945-1980 period which qualify for improvement under the Stroomversnelling scheme. That is 44 percent of Portaal's entire housing stock.

Read the full story on B&G.

* The Stroomversnelling (Fast-track) concept is an initiative by six housing associations and four construction companies with the joint aim of renovating 111,000 rented homes by 2020 to minimise their energy consumption and even enable them to generate their own energy, usually through solar panels. Tenants benefit from a comfortable home for the same rent, in which the energy meter reads zero at the end of the year, with no additional costs for the tenant.

operating life of the homes by forty years. In this example, therefore, we have approximately EUR 72,000 to spend on each home.'

From a financial perspective, the Stroomversnelling initiative aims to ensure there are no additional costs for the tenant nor for the association. Says Pijpers, 'We assume a return of 5.25 percent. This is the percentage prescribed by the Central Fund for Social Housing (Centraal Fonds voor de Volkshuisvesting) and the Social Housing Guarantee Fund (Waarborgfonds Sociale Woningbouw) to cover the long-term interest on loans needed for these investments. Given a solid business case, therefore, it ought to be possible to build 'zero-meter reading' homes without the need for unprofitable investments. It is quite simple really.'

Shareholders

FINANCIAL REVIEW

RESULTS

BNG Bank posted a net profit of EUR 226 million for the 2015 reporting year, an increase of EUR 100 million relative to 2014. Net profit was strongly influenced also in 2015 by the volatility in the financial markets, caused in part by the ECB's public sector purchase programme. On balance, this led to a positive result on financial transactions of EUR 16 million. In 2014, the result on financial transactions was strongly negative because of unrealised negative market value changes, partly in response to the results of the balance sheet test by the ECB.

Relative to the previous reporting year, the 2015 interest result increased by EUR 6 million to EUR 450 million. The interest result was positively affected by the historically low spreads which the bank had to pay on its long-term funding in 2015 and the relatively long maturities of new long-term lending. However, the persistently low long-term interest rates and the restrained interest rate position again had a negative impact on interest revenue from equity in 2015. In addition, the margin in the bank's short term portfolio was under pressure on account of the further development of negative interest payments in this segment.

Net profit was **strongly influenced** also in 2015 by the **volatility** in the financial markets, caused in part by the ECB's **public sector purchase programme**.

Relative to 2015, the commission result fell by EUR 1 million to EUR 28 million, due to a slight decrease in the fees received for new lending and facilities. At EUR 4 million, the fees for the services of BNG Vermogensbeheer are comparable to those of 2014.

The result on financial transactions was EUR 16 million positive in the reporting year (2014: EUR 187 million negative). In 2015, BNG Bank recorded EUR 57 million in sales and buyout results. Of this amount, EUR 23 million represents profits on sales of interest-bearing securities on the bank's initiative. The remaining amount relates to profits on early termination of contracts on the counterparty's initiative.

The net unrealised results attributable to market value changes within the result on financial transactions amounted to EUR 41 million negative in 2015. Of this amount, EUR 93 million negative relates to unrealised market value changes due to accrued credit and liquidity risk spreads of interest-bearing securities in the balance sheet item Financial assets at fair value through the income statement. The principal cause of these unrealised negative market value changes concerns the accrued liquidity risk spreads of a limited number of inflation-related interest-bearing securities. Despite the high ratings – well above investment grade – of these bonds, issued by British and French public or semi-public companies, demand for these bonds further declined in 2015, due in part to the very long maturities still remaining.

The unrealised market value changes of transactions involved in a hedge accounting relationship amounted to EUR 23 million positive in 2015. Although the result on hedge accounting is volatile, hedge accounting is still an extremely effective instrument. The remaining amount of the result on financial transactions, EUR 29 million positive, is primarily attributable to changes in the cross-currency basic spreads. The change in the level of this liquidity premium, which is determined by the relative availability of various currencies, contributed to the increase in the value of the derivatives which the bank took out to hedge the currency, interest rate and inflation risks attached to the aforementioned interest-bearing securities.

In 2015, BNG Bank's result included impairments in the amount of EUR 72 million. More than EUR 63 million relates to the write-down of a bond with a face value of EUR 125 million of the former Austrian bank Hypo Alpe Adria (HAA), guaranteed by the federal state of Carinthia. In March 2015, the Austrian State declared that it was not prepared to provide additional funds for HETA, the entity to which the resolution of HAA was transferred. The Austrian Financial Market Authority (FMA) took over HETA and has determined that HETA is in resolution under the new Austrian Bank Recovery and Resolution Act. This Act provides that the lenders must also pay part of the costs of resolving entities such as HETA. In addition, the FMA imposed a moratorium on the payment by HETA of its interest and repayment obligations effective until 31 May 2016. BNG Bank takes the view that the federal state of Carinthia is legally liable for losses on the bonds held by the bank. In order to safeguard the bank's interests and prepare legal and other actions, the bank has joined an investor interest group. The impairment consists of the write-down on the principal amount based on the market price as at the end of March 2015 (58%), the accrued interest (approximately EUR 1 million) and nearly EUR 10 million on account of the (compulsory) termination of the hedge relationship. The latter concerns the market value of the derivative taken out to hedge the interest rate risk attached to this bond loan. The market value of this swap will by definition go down to zero as the maturity date (January 2017) approaches. The price of the bond at year-end 2015 was approximately 68%. The unrealised value changes after the impairment in March 2015 are recognised in the revaluation reserve in equity.

In addition, impairments worth EUR 8 million were recorded on a number of participating interests of BNG Gebiedsontwikkeling because of the early termination of projects or the prolonged uncertainty about the proceeds of the projects to be realised. Finally, the incurred loss provision was increased on balance by EUR 1 million. During the reporting year, one loan was settled definitively and the remaining receivable, in the amount of more than EUR 3 million, was charged to this provision.

At approximately EUR 65 million, the regular consolidated operating expenses remained virtually unchanged relative to 2014. The necessary staff increase on account of the continuous flow of new laws and regulations took place primarily in the second half of 2015, which meant that the structural increase in the workforce had a limited impact on the costs in the reporting year. Apart from the regular operating expenses, additional expenses of more than EUR 2 million (2014: EUR 3 million) were incurred on account of the activities associated with the transition to ECB supervision.

In the fourth quarter of 2015, BNG Bank paid a bank levy of more than EUR 37 million. The bank also paid its first contribution to the European Resolution Fund. Because the majority of the loans provided qualify as promotional loans, this levy was limited to an amount of just over EUR 9 million.

THE BALANCE SHEET

Relative to year-end 2014, the balance sheet total declined by EUR 4.0 billion to EUR 149.5 billion. The Loans and advances item fell by more than EUR 1.3 billion in the reporting year to EUR 89.4 billion, primarily on account of repayments by housing associations on long-term loans. Because of the slight increase in long-term interest rates, the value of the derivatives transactions decreased in absolute terms in 2015. The valuation of these transactions and the related collateral obligations to a large extent determine the decrease in the balance sheet items Amounts due from/to banks and Other financial assets and liabilities.

In the reporting year, BNG Bank's equity grew by EUR 0.6 billion to almost EUR 4.2 billion. This increase is attributable to the 2015 net profit and two issues of hybrid capital in the fourth quarter of 2015, together amounting to EUR 424 million.

Under the prudential regulations, the hybrid capital raised is classified as additional Tier 1 capital. This means that this capital makes a positive contribution to the bank's Tier 1 ratio and leverage ratio, but does not affect the Common Equity Tier 1 ratio (which is calculated on the basis of the paid-up capital plus the realised reserves). The Tier 1 ratio and the leverage ratio increased to 27% and 2.6% respectively (2014: 24% and 2.0% respectively). In these calculations, the proposed retained profit for 2015 is disregarded while the bank's (positive) revaluation reserve is included for only 40%. From 2018, the revaluation reserve will be fully included in the calculation of both ratios. If the revaluation reserve and the profit for the reporting period, reduced by the proposed dividend available for distribution, were included in full, the leverage ratio at year-end 2015

The **Tier 1 ratio** and the **leverage ratio** increased to **27%** and **2.6%** respectively in the year under review (2014: **24%** and **2.0%** respectively).

would be 2.9%. As stated earlier, the bank assumes that the leverage ratio applicable from 1 January 2018 will be 3%. This means that an important step was taken during the reporting year towards the achievement of that target.

The bank's Common Equity Tier 1 ratio (CET1 ratio) fell by one percentage point in 2015, to 23%. This is due in part to a change in the way in which BNG Bank calculates the credit value adjustment (known as the 'regulatory CVA') for derivatives transactions with counterparties that involve a daily collateral settlement, in accordance with a standard agreement, based on the market value of the derivatives taken out. The change concerns the determination of the exposure-at-default. The manner of calculating the exposure-at-default constitutes the basis for the capital requirement and consists of two parts: the market value and an addition for potential future risk. Specifically, this concerns the question what maturity must be applied in calculating the latter component. BNG Bank takes the view, in which it is supported by external opinions, that the contracts under such a standard agreement are in fact comparable with resettable instruments, which are eligible for preferential treatment under provisions in the CRR. The CRR describes resettable instruments as instruments whose contractual terms are adjusted at a prearranged frequency to the market conditions then applicable, whereby the value is settled. In economic terms, the obligation of a daily collateral exchange means that the potential future credit risk will be virtually zero and will remain so during the term of a transaction. However, the European Commission took the position in a formal notice that derivatives transactions hedged by daily collateral settlement do not qualify as resettable instruments. Therefore the ECB has provided that, despite the discrepancy with the economic significance, the calculation must be based on the remaining-term factor, in conformity with the tables used in respect of non-collateralised derivatives. For this reason, BNG Bank adjusted its calculation of the CVA at the end of 2015. The equivalent of the total risk-weighted volume of derivatives transactions with financial counterparties therefore increased by approximately EUR 1.6 billion at year-end 2015. From the first quarter of 2016, the amended calculation method will also be applied in determining the counterparty risk of those derivatives. As a result, the risk-weighted volume of derivatives will increase by another EUR 0.5 billion. The addition of the retained profit for 2015 to the bank's CET1 capital is expected to compensate the negative effect of this adjustment on the level of the CET1 ratio.

PROPOSED PROFIT APPROPRIATION

For the year 2015, a net profit of EUR 226 million (2014: EUR 126 million) is available for dividend distribution and addition to the reserves. A dividend distribution of 25% (2014: 25%) of profit after taxes, representing a dividend of EUR 57 million (2014: EUR 32 million) has been proposed to the shareholders. The remainder will be added to the reserves. This dividend amounts to EUR 1.02 (2014: EUR 0.57) per share with a nominal value of EUR 2.50.

CORPORATE GOVERNANCE

DUTCH CORPORATE GOVERNANCE CODE

The Dutch Corporate Governance Code sets out principles and best-practice provisions for good corporate governance. The bank adheres to the principles stipulated in the Code, while duly observing the statutory two-tier rule ('structuurregime') provisions insofar as they affect a company's corporate governance structure. The regulations, codes, schemes and reporting procedures used at BNG Bank are consistent with the Code. A separate section on corporate governance, explaining the main aspects of the company's corporate governance structure, can be viewed on bngbank.nl.

There is only one area in which the bank does not follow the Dutch Corporate Governance Code. BNG Bank has not implemented the distance voting recommendation. Given the nature of the bank and the origin of its shareholders, the bank does not believe that this is necessary. The bank highly values direct contact with shareholders. In recent years, the shareholders' representatives attending the General Meeting of Shareholders represented – on average – approximately 60% of the bank's share capital. Due to the fact that the shareholders are also clients, frequent contact already exists between the bank and its shareholders' representatives. The powers of control at the shareholders' meeting are proportionate to the level of contributed capital. Pursuant to the Articles of Association, the bank may not cooperate with the issue of depositary receipts for shares.

Due to the fact that the **shareholders** are **also clients**, **frequent contact already exists** between the bank and its shareholders' representatives.

DUTCH BANKING CODE

The Dutch Banking Code contains principles that are in line with the Dutch Corporate Governance Code. BNG Bank complies with the Dutch Banking Code. On bngbank.nl, BNG Bank has rendered account of how it has applied the principles of that Code. The rules, codes, regulations and reporting procedures to which it refers are also published on the website. This equally applies to the integral remuneration policy for Executive Board members, senior management and other bank employees. The account on the website relates in particular to the structure and existence of the measures taken. In the Annual Report, which is also published on the website, the bank reports in various places on the manner in which it complied with the Dutch Banking Code in the past financial year (effect).

REGULATION ON A CONTROLLED REMUNERATION POLICY

The Regulation on a Controlled Remuneration Policy relates to how financial enterprises adopt and apply remuneration policy to employees whose duties have a material influence on the risk profile of the financial enterprise. BNG Bank has implemented the principles in its remuneration policy in a way and to an extent that reflects the bank's size and internal organisation, as well as the nature, range and complexity of its activities. The bank gives an account of its implementation of these principles on bngbank.nl. In 2014 the bank revised its policy to reflect the amendments to the Regulation on a controlled remuneration policy under the Financial Supervision Act 2014.

IN CONTROL STATEMENT

Due attention is paid to BNG Bank's internal risk management and control systems. These systems are structured in accordance with the regulations arising from the international guidelines issued by the Basel Committee on Banking Supervision (BCBS), which BNG Bank has set out in an internal Risk Appetite Framework. The framework applies to all the risks identified by the bank. As part of the framework, the Risk Appetite Statement describes the risks which the bank desires to accept in order to achieve its objectives.

The various risks attendant on the bank's activities are discussed each year in BNG Bank's Annual Report. In their 'In control' statements the department heads and managing directors focus on risk management in relation to the bank's risk appetite. They also set out in the 2016 Annual Plans how they aim to fulfil their responsibility in meeting the bank's risk appetite. The overall framework is closely linked to the bank's capital management policy, which is periodically reviewed and discussed with the regulator.

Audits by the Internal Audit Department focus on independently determining the proper functioning of the internal risk management and control systems. The external auditor audits the financial statements and evaluates the quality and effectiveness of the bank's governance, risk management and control processes, insofar as they are relevant to auditing the financial statements. The auditor's findings are reported in the auditor's report and the management letter to the Executive and Supervisory Boards. The internal and external auditors attend the meeting of the Supervisory Board Audit & Risk Committee and the Plenary Supervisory Board meeting at which the financial statements are discussed.

The bank's risk management and control systems performed effectively in the year under review, and provide a reasonable degree of assurance that the financial reports contain no inaccuracies of material significance. These systems are in themselves, of course, incapable of providing absolute certainty about the achievement of the company's objectives and the prevention of all errors, instances of fraud and violations of laws and regulations. BNG Bank expects the risk management and control systems to function effectively in 2016.

SUSTAINABILITY AS A CORE VALUE IN BNG BANK'S IDENTITY: ADDED VALUE FOR STAKEHOLDERS

During the year under review the bank evaluated its strategy across the board. These consultations resulted in the conclusion that the bank should maintain its mission as a bank for local authorities and public sector institutions. However, the bank can increase its added value by introducing additional or new focal points within its mission. Committed partnership is now an explicit part of the bank's mission.

As one of the results of the strategy recalibration, the concept of 'sustainability' was explicitly defined as one of the bank's core values. The mission now provides that the bank should make a sustainable contribution to minimising the costs of social provisions for the public. In this context it wants to support its clients, some of whom are its shareholders, in achieving their objectives for a future-proof society. In view of the challenges facing its clients, the bank believes that it has a clear added value in this area. Sustainable business practices also form a key starting point for the bank's own activities. Its desire to embed sustainability more firmly in its policies resulted in the formation of the Sustainability Committee, chaired by one of the Executive Board members. BNG Bank has signed the climate statement of the Dutch Banking Association, which sets out the policy objectives aimed at limiting climate change.

The bank regards sustainability as a balance between the three pillars society, people and the environment. The five themes underlying the CSR policy have been defined on the basis of these pillars. Each year, the bank formulates a number of targets for each of these themes, and accounts for the extent to which they have been achieved in the Annual Report. The 2014 results, the 2015 targets and their achievement and the 2016 targets are set out in the table below, arranged by theme. The majority of the 2015 targets have been achieved.

	RESULT 2014	TARGET 2015	RESULT 2015	TARGET 2016 AND BEYOND
THEME: A SAFE BANK				
Market share in demand for solvency-free credit from local authorities, housing associations and healthcare institutions Return on equity	65%	> 50%	77%	> 50 %
Return on equity	4.7%	≥ 6.5%	7.6%	2016: ≥ 6.5%
Content of Annual Report	GRI 4, in accordance with core approach	GRI 4, in accordance with comprehensive approach	GRI 4, in accordance with comprehensive approach	GRI 4, in accordance with comprehensive approach
THEME: RESPONSIBLE GROWTH				
Long-term loan portfolio	95% to local authorities, housing associations and healthcare institutions	At least 90% solvency-free lending	92%	At least 90% promotional loans

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	RESULT 2014	TARGET 2015	RESULT 2015	TARGET 2016 AND BEYOND
Lending for roll-out of solar panels on housing association homes and enhanced sustainability of accommodation	Solar panels on 1,000 housing association homes	Ongoing roll-out of solar panels	Achieved, see section 'Clients'	Increase in lending for solar panels on housing association homes Funding SDE-related projects Facilitating sustainable initiatives of core clients
SRI Bond issues	1 issue, EUR 500 million	1 issue	1 issue, EUR 650 million	At least 1 issue
Customer satisfaction	Score 8.0 (sector average 7.53)	Follow-up of points for attention	Website adjusted Complaints manager appointed Insourcing of customer service intended to improve services further	Map out client needs regarding e-services, resulting in a new Internet portal in 2017

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	RESULT 2014	TARGET 2015	RESULT 2015	TARGET 2016 AND BEYOND
		Preparation of next customer satisfaction survey in 2016	Decided to postpone	Preparation of next customer satisfaction survey in 2017
THEME: COMMITTED EMPLOYEES				
Knowledge transfer to employees	22 internal meetings organised	Meetings on BNG Bank's business model	Two meetings on strategy recalibration A total of 8 'BNG Update sessions' organised	Information on current topics via 'BNG Update sessions'
Utilise available quantity and quality	Simplify or restructure processes	Enhance insight into development opportunities and employee motivation	Activities such as employee survey, see section 'Employees', 'Job-related'	Policy aimed at permanent education and development, so as to increase flexibility and sustainable employability

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Continuation of previous page	RESULT 2014	TARGET 2015	RESULT 2015	TARGET 2016 AND BEYOND
	Focus on health aspects in the context of sustainable employability	Focus on vitality by using preventive measures as a follow-up to the health check	Individual coaching process for 40 employees in the context of lifestyle improvements	
Promote mobility				Policy on temporary and structural internal and external mobility
Promote collaboration among managers	Start of management training	Completion of training	Training completed, see section ‘Employees’	
Evaluate and revise remuneration system	–	Start of evaluation of rating and remuneration system	In progress. See section ‘Employees’, ‘Job-related’	Broad and efficient job description and rating, aimed at stimulating and facilitating mobility

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Continuation of previous page	RESULT 2014	TARGET 2015	RESULT 2015	TARGET 2016 AND BEYOND
				Draw up remuneration policy for current employees; modify ratio between fixed and variable remuneration and other terms of employment within the long-term objectives of the HR policy
THEME: SOCIAL ENGAGEMENT				
Support high-quality art and cultural projects	Support for projects in various disciplines across the Netherlands	Support high-quality art and cultural projects Even distribution among the various disciplines and geographical areas	Achieved, see section ‘Clients’, ‘The world behind our clients’	Support projects in various disciplines across the Netherlands

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	RESULT 2014	TARGET 2015	RESULT 2015	TARGET 2016 AND BEYOND
	BNG Bank Heritage Award presentation ceremony	BNG Bank Heritage Award	BNG Bank Heritage Award presented	BNG Bank Heritage Award
	Organisation of ‘Eternal Youth’ project as part of BNG Bank’s centenary and the 50th Anniversary of BNG Cultuurfonds			
	Alongside a music award, initiate awards for young talent in the visual arts and dance categories Launch the Visual Arts Award (in association with Dutch newspaper Volkskrant)	Maintain awards	Achieved, see section ‘Clients’, ‘The world behind our clients’	Maintain awards

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Continuation of previous page	RESULT 2014	TARGET 2015	RESULT 2015	TARGET 2016 AND BEYOND
	Launch the Dance Award (in association with Korzo Theater) Long-term collaboration with National Youth Orchestra, which will stage three new productions for young talent			
THEME: ENVIRONMENTALLY CONSCIOUS OPERATIONS				
Reduce CO_2 emissions	CO_2 emissions 480 tonnes (down by 15% against 2013)	CO_2 emissions at the same level as in 2014 or lower	Not achieved, CO_2 emissions 511 tonnes, see section ‘Employees’, ‘Working environment’	Determine a responsible CO_2 compensation method

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Continuation of previous page	RESULT 2014	TARGET 2015	RESULT 2015	TARGET 2016 AND BEYOND
Reduce paper consumption	Consumption: 21,002 kg	Reduce paper consumption	Consumption: 8,916 kg	Reduce paper consumption through digital distribution of meeting documents
Increase level of sustainable procurement	–	Increase level of sustainable procurement Discuss promoting sustainable services with the main sourcing parties	Replacement of printers and copiers, start of business use of tablet PCs	Launch measures aimed at climate-neutral operations in 2020

In its CSR policy, the bank defined economic performance as one of the core indicators for the theme ‘A Safe Bank’. The bank’s degree of success in complying with this indicator can be measured in terms of market shares realised and return on equity. The bank amply achieved its strategic objective to fulfil more than 50% of the demand for solvency-free lending from its core clients (local authorities, housing associations and healthcare institutions). This justifies the conclusion that the bank could provide financing at competitive lending rates also in 2015. One of the reasons why BNG Bank could charge competitive lending rates is that its objective is not profit maximisation but a reasonable return on equity. The bank achieved this objective as well: the return on equity amounted to 7.6%.

In 2015, consultations were held in the context of the state shareholding policy of the Ministry of Finance about the norm with which the return on equity must comply. The model on which agreement was reached is based on the average return on ten-year government loans, increased by a spread. The calculation is made annually. For 2015 this calculation resulted in a normative return of 5.05%.

In considering what return may be regarded as reasonable, an important factor is the necessity of equity reinforcement in order to comply with the European regulations regarding the leverage ratio. The lower limit and the calculation method have not yet been determined. For the moment, the bank proceeds from a lower limit of 3% of the (adjusted) balance sheet total, which the bank will increase by a buffer so as to absorb unexpected fluctuations in the components of the calculation. In order to comply with this norm in time, the bank issued EUR 424 million in hybrid capital to local authorities at the end of the year. Based on the current market conditions, and taking account of the further equity growth expected, it seems likely that the bank will achieve its objective concerning the leverage ratio from January 2018. Because the hybrid capital was issued within the public sector, the interest payable by the bank eventually helps to achieve the objective of minimising the costs of social provisions for the public.

BNG Bank's status as a safe bank remained undisputed in 2015. The bank ranks fifth in the list of the World's Safest Banks, the same spot it occupied in 2014. In the Transparency Benchmark of the Ministry of Economic Affairs, the bank ranks among the front runners with a position in the Top 20. This serves to illustrate the transparency on the bank's state of affairs.

The design of the Bank and Recovery Resolution Directive, which provides that the costs of bankruptcy must be borne by the shareholders and creditors where possible, prompted Fitch to lower BNG Bank's rating by one notch to AA+. Thus, the rating which Fitch awarded to the bank differs from that of the Dutch State. S&P, on the other hand, increased the rating to AAA, while Moody's increased the outlook to stable at an Aaa rating. Both are in line with the adjustments to the Dutch State's ratings.

BNG Bank's special position in the banking system is also illustrated by the promotional lender status which the bank acquired. As a result, the bank's bonds may be included in the liquidity portfolio which banks must maintain in order to ensure that they will be able to meet their obligations for a period of 30 days also in difficult economic times. Furthermore, BNG Bank paper is eligible for the European Central Bank's public sector purchase programme aimed at stimulating the economy. This provides a solid foundation for the bank's funding position.

Because the Dutch State holds shares in BNG Bank, the bank is required to comply with the Central Government Participations Policy. The Dutch State assesses the performance of state-owned companies for their contribution to safeguarding the public interest and retaining financial value. In 2015 meetings took place between the Ministry of Finance, representing the Dutch State, and the bank concerning the bank's performance in these areas. Risk management and strategy are fixed items on the agenda. Based on the Financial Undertakings (Remuneration Policy) Act, the cap on variable remuneration for Executive Board members was adjusted as at 1 January 2015 from 25% to 20% of fixed remuneration, without compensation. The recalibration of the remuneration policy as such was also addressed during the year under review. The results of this recalibration will be discussed at the 2016 General Meeting of Shareholders.

Dilemma: sustainability – cherish front runners or encourage stragglers?

BNG Bank wants to help clients achieve their objectives for a future-proof society. However, the impact of the bank's lending is difficult to measure because of the balance-sheet financing system normally applied by municipalities. When issuing the SRI Bond, therefore, the bank opted to allocate the income from the bonds to the municipalities achieving the highest score in their category. In this way, the bank stimulates the sustainability drive among municipal authorities while responding to the interest in sustainable investment options among investors.

During a stakeholder meeting someone raised the question whether this approach was the most effective one, and whether it would not be more efficient in the short term to focus on a change in behaviour among municipalities that are lagging behind.

The bank is aware of the dilemma. In its contacts with all municipalities, the bank actively checks what sustainability issues are being considered. If possible, it presents concrete proposals for financing constructions to enhance the sustainability of social provisions. In this way, the 'stragglers' benefit from the expertise which the bank acquired in financing projects implemented by the 'pioneers'.

Clients

PUBLIC SECTOR

In 2015, municipalities were still coping with the adverse financial effects of the economic crisis and current government policy. In addition, shrinkage as an autonomous factor has become an increasingly relevant factor. In many areas there is still considerable uncertainty. The funding of new care tasks in the social services domain was still based on historic expenditure in 2015, but will change to an objective allocation model.

The allocation model of the Municipal Fund will be revised as well. Municipalities face an accumulation of cuts and redistribution effects. In addition, the ongoing and often unexpected interim adjustments to the Municipal Fund result in a significant degree of unpredictability and instability where municipal revenues are concerned. The figures greatly fluctuate in the course of a budget year. Municipalities have very little time to incorporate the changes into their budgets and must opt for short-term solutions time and time again. In an incendiary letter, a large group of finance aldermen requested the government in November to change its course. Nevertheless, municipalities have managed to stay afloat under these conditions. Section 12 was invoked only a limited number of times, and few municipalities were placed under supervision. The creditworthiness of the public sector was not affected.

Municipalities have **very little time** to incorporate the changes into their budgets and must opt for **short-term solutions** time and time **again**.

By now, municipalities have made the necessary write-downs on land and have written down EUR 3 billion on land development in recent years. Pressure on land value development continues, despite the partial recovery of the housing market in the centre and west of the Netherlands. New build prices are expected to rise again, in view of the narrow margins realised by construction companies in recent years. However, there has been a structural decline in the public's borrowing capacity. The recovery of the industrial estate market is still a distant prospect, too. Developments such as the new world of work, the emergence of robotics and 3D printing will change the demand for industrial estate on a structural basis. Dealing with these developments poses a major challenge for municipalities. Accordingly, no increase in investments is on the agenda for the time being.

In order to offer municipalities and their residents greater freedom of choice in financial matters, and thus strengthen local democracy, the central government must give municipal authorities greater scope for local taxation and investments will have to be more profitable. Adjustments to the Municipal Fund are required as well. These are the conclusions of the Financial Scope Commission, set up by VNG and chaired by Mr Rinnooy Kan, in its report entitled 'Who decides, pays' (Bepalen betekent betalen).

The tax arrangement provides for an extension of the taxation powers of municipalities. From 2019, an amount of EUR 4 billion will be transferred for this purpose from income tax revenue. BNG Bank acknowledges the importance of this measure for municipalities. Because of the decentralisation programmes in the social services domain, municipalities have become too dependent on the State in terms of the available financial resources.

NEW CARE TASKS FOR MUNICIPALITIES

The Long-Term Care Act (Wlz) has replaced the Exceptional Medical Expenses Act (AWBZ) with effect from 1 January 2015. Elderly and disabled people prefer to remain in their own homes for as long as possible. In order to organise the care efficiently and effectively, the central government has transferred a large number of tasks in the social services domain to the municipal authorities. In 2015, municipal authorities became responsible for youth care and care for the long-term ill and elderly. They were already responsible for a number of these tasks, and took over further tasks from the central government.

Following a relatively short preparatory phase, municipalities had to implement the new care tasks during the past year. Nevertheless, they have managed to carry out the new tasks in the social services domain satisfactorily. The greatest problems occur in youth care. Organisational problems are causing a delay in the granting of care.

Following a relatively **short preparatory phase**, municipalities had to implement the **new care tasks** during the past year.

Initially, municipalities decided to carry on with the existing care provision system. This promptitude entailed a heavier administrative burden, however. Care providers deal with several municipalities, each with its own requirements and wishes in terms of contracting, monitoring and invoicing. This constitutes a financial risk for the care providers. According to VNG, therefore, municipalities have decided to provide the care institutions with advance funding in order to prevent acute liquidity shortages. The National Healthcare Institute has expressed its concern that municipalities are tempted to shift funds under the Long-Term Care Act.

TREASURY BANKING AND MUTUAL LENDING

In the fourth quarter, Statistics Netherlands published new figures on treasury banking and mutual lending. By the middle of 2015, local authorities were holding EUR 8.7 billion in excess liquidity in the Treasury. In addition, local authorities had lent each other EUR 0.9 billion since the introduction of mandatory treasury banking at the end of 2013. Thus, local authorities had contributed EUR 9.6 billion to the reduction of the EMU government debt. In the coming years this might increase further to EUR 15 billion in total, due to the release of funds which are currently invested elsewhere and to which a transitional scheme applies.

PUBLIC-PRIVATE PARTNERSHIPS

Working in association with the central government and local authorities since 2001, BNG Bank has gained a great deal of experience of public-private partnerships (PPS). In the current market situation, local authorities are faced with the challenge of maintaining the standard of the provisions with limited funding.

After some years in which projects were few, the number of projects presented for tender via a 'Design Build Finance Maintain and Operate' (DBFMO) contract is on the rise again, especially in the area of national infrastructure. Until now, the local authorities have made only limited use of this form of tendering.

The expectation is that they will more often use PPS as a tool for their investments in facilities, such as town halls, schools, sewerage systems and roads, in the future. BNG Bank works in association with professional market parties to seek good quality solutions and financing options for PPS projects. Through information provision and knowledge sharing, PPS has good potential and will enable both savings and investments to be made.

PUBLIC HOUSING

As in 2014, the investment level of housing associations was low in 2015, certainly in comparison with preceding years. Whereas nearly 30,000 new rented homes had been built in both 2012 and 2013, this number fell to around 18,000 homes per year in the last two years.

The investment intentions issued by the housing associations in 2015 again forecast a relatively small volume of new build in the coming years. This decrease is also reflected in the development of the debt position of housing associations, which has shrunk slightly. BNG Bank has likewise experienced a slight decrease in its loan portfolio for housing associations.

Pressure on the lower end of the housing market continues to be high. This pressure is still increasing further, due to the growing need for homes for asylum seekers who have been granted residency status. This means that the debate on the availability of sufficient social rented homes is still very topical. BNG Bank consulted with several stakeholders in 2015, thus helping them extend the range of both temporary and structural accommodation.

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AFFORDABILITY OF SOCIAL HOUSING

The financial position of housing associations has improved on account of various interventions, such as the implementation of rent rises, cost savings and limitation of the investment volume. A key reason for these interventions was the introduction of the housing association tax in 2012. The rent rises were well above inflation in recent years. This resulted in an increasing national debate on the affordability of (social) rented accommodation. For this reason, a 'social rent agreement' was concluded in the summer of 2015 between Aedes, the federation of housing associations, and the Netherlands Union of Tenants. The purpose of this agreement was to limit the annual rent increase and to establish a better link between the rent and the quality of the home. It is not clear whether housing associations will be able to realise the future rental income projections issued under this agreement in the spring of 2015.

The amended Housing Act was **one of the main topics** in BNG Bank's **discussions** with its clients and other stakeholders in 2015.

AMENDED HOUSING ACT

The amended Housing Act, which took effect 1 July 2015, defines the legal framework within which the housing associations must operate in areas such as sphere of activity, governance, supervision and third-party collaboration. The Act also has implications for the manner in which housing associations can finance their activities. Its implementation requires great efforts from the housing associations and affects nearly all of their departments. For example, the Act obliges housing associations to segregate Services of General Economic Interest (SGEI) from non-SGEI activities with effect from 1 January 2018 based on the 2016 annual report. The basic premise of the Act is that the non-SGEI activities will in due course be financed without a guarantee from the Social Housing Guarantee Fund (WSW). The Act provides for the transitional situation and defines the financing parameters. Not surprisingly, this issue was one of the main topics in BNG Bank's discussions with its clients and other stakeholders in 2015. The bank also held presentations at various meetings in order to inform the sector and its clients about the effects of the new legislation on its financing services.

GUARANTEE SYSTEM IMPORTANT FOR SECTOR

By the middle of 2015, the Minister for Housing and the Central Government Sector presented a further analysis of the financing and guarantee system. This analysis followed the earlier recommendations on this point of the Parliamentary Committee of Inquiry into Housing Associations. The principal conclusion of the analysis is that the guarantee system is of vital importance for the financing of the sector, a conclusion which BNG Bank endorses. However, further incentives are proposed for both housing associations and lenders. Among other things, the amended Housing Act provides for the possibility of a housing association going bankrupt. Other subjects addressed in more detail include the improvement of the spending check by the guarantor and the introduction of a risk-related guarantee fee. A theme important for financiers is the possible introduction of an excess for the lenders. BNG Bank has made the legislator aware of the effects this may have on the availability and price of capital for the housing association sector. The proposals also discuss the introduction of an excess for municipalities, in order to prevent the municipalities from placing too much risk with the housing associations when making performance arrangements.

HEALTHCARE

The reform of long-term care was implemented in 2015. This was the final major system reform in the government's overhaul of the healthcare landscape in recent years. A few more policy measures relating to the health insurers are still being prepared in order to ensure the smooth operation of the new healthcare system. The legislative proposal to release health insurers from the obligation to pay for non-contracted care was rejected by the Upper House at the end of 2014. The cabinet drew up an alternative plan entitled 'Quality Pays' (Kwaliteit loont) in 2015, which will strengthen the position of health insurers all the same.

QUALITY CRITERIA IN HEALTHCARE PROCUREMENT

In 2015, attempts were made by both care providers and health insurers to base healthcare procurement not only on price but also on quality criteria. So far these attempts have not been particularly successful. Care providers have to deal with a wide range of requirements from the various health insurers. There is also much debate among care providers on what constitute good indicators for the quality of care. At the same time, health insurers find that the professional groups' quality standards often have not been defined unequivocally, which makes it difficult for them to apply these standards.

From 2016, the Dutch Healthcare Authority (NZa) will pay closer attention to the transparency and speed of the contracting process with care providers. Meanwhile, the first multi-year contracts were concluded in the contracting process for 2016.

Towards the end of the year, many care providers appeared to have stopped treating patients because the turnover cap agreed with the relevant health insurer had been reached. It is the responsibility of the health insurer to fulfil its duty of care. Budget overruns are due to a significant extent to the costs of expensive drugs. According to health insurers, spending will rise much faster in the coming years than the growth percentage agreed in the outline agreement.

Hospitals and health insurers managed in 2015 to successfully implement the recovery plan aimed at solving the problems in measuring turnover for 2013 and 2014. The 2014 financial statements were published before the applicable deadline, together with an unqualified audit opinion. The care providers in the curative mental healthcare sector initially failed to do so, and were granted another postponement until 1 December 2015.

Hospitals experienced continuous pressure on production also in 2015. In the last few years, treatment duration has declined. This is also attributable to the relatively high excess. The Netherlands Association of Hospitals has noticed a shift towards treatment on an outpatient basis, improved technology and more efficient processes.

SEPARATION OF HOUSING AND CARE

Municipalities, housing associations and care providers face the challenge of implementing the separation between housing and care. Together they must see to it that enough adapted homes are available for senior citizens while ensuring at the same time that unsuitable care homes that have become redundant are closed down. According to the Independent Living Promotion Team (AJT), which is investigating this issue, the required collaboration is slow to materialise. The municipal authorities have to take the lead but often fail to do so. The AJT takes the view that healthcare institutions do not yet sufficiently depreciate obsolete healthcare property.

Municipalities, housing associations and care providers face the challenge of implementing the **separation** between **housing** and **care**.

Investments in healthcare property in 2015 were considerably lower than in preceding years. A large section of the property was renovated in recent years as part of the 'cure'. The future need for healthcare property is uncertain, given the falling trend in healthcare output and the consequences of spreading and concentrating care. In the care sector, a part of the existing capacity has become redundant due to the separation of housing and care and the extramuralisation policy: the pursuit of equivalent care outside the walls of an inpatient facility, for example in the person's own home.

Conversely, demographic developments will increase the future need for (residential or healthcare) property. Under these conditions, the sustainability of bank financing for healthcare property has become less obvious. Various initiatives have been rolled out for sourcing alternative funding in the sector, such as crowdfunding and the combined issue of healthcare bonds. The interest of private investors will focus especially on certain specific elements of the healthcare sector.

OTHER CLIENT SECTORS

In addition to the local authorities, housing associations and healthcare institutions, BNG Bank also provides funding to educational institutions and private companies, in which the public authorities directly or indirectly hold, or fully or partially guarantee, a majority share in the company's capital. These include energy companies, water supply companies and waste treatment companies.

EDUCATION

Due to demographic developments, potential pupil and student numbers are falling at national level; especially the areas with a shrinking population are affected by this 'dejuvenation'. At local level, however, there may be a great additional demand for education facilities because of the arrival of refugees. This is primarily the responsibility of the relevant municipality. In 2015 there was a change in the student finance system,

At **local level**, however, there may be a **great additional demand** for **education facilities** because of the arrival of refugees. This is primarily the **responsibility** of the relevant **municipality**.

with the student loan system replacing the basic grant. The funds released are invested in higher education and in education-related research.

ENERGY NETWORK COMPANIES

With the entry into force in 2009 of the Energy Companies Unbundling Act (Independent Grid Management Act), Dutch energy companies were required to split up their production and supply companies into separate legal and economic entities. Until now, two companies have objected to this. In 2015 the Dutch Supreme Court ruled that this mandatory split-up is not contrary to European law. Thus, the split-up of the last two companies has been brought a step closer.

Energy consumption levels of both private individuals and companies are no longer rising. In fact, these levels seem to be falling. Enhanced sustainability is an important element of the Energy Agreement. The Agreement entails a wide range of measures in the area of energy saving and the transition from fossil fuels to renewable energy sources. By extension, many new initiatives have been developed in relation to local energy generation. BNG Bank is involved in various initiatives in the areas of solar energy, wind energy and district heating networks.

WATER SUPPLY COMPANIES

The sector has a stable sales market for drinking water, which is characterised by stable production volumes and turnover. Drinking water companies have a regional monopoly. Expectations are that major replacement investments in the drinking water network will be required over the next decade.

TELECOM SECTOR

Connecting people to fibreglass infrastructure is more expensive in rural areas, which means that cost-covering operations are difficult to achieve. As a result, the roll-out of the networks in these areas is insufficient. Municipalities and provinces are aware of this problem and acknowledge the social importance of removing this digital divide. The European Commission and the Ministry of Economic Affairs are aware of the problem as well. BNG Bank is involved in various initiatives and has already successfully financed a number of pilots.

ENVIRONMENTAL COMPANIES

The Netherlands produces approximately 60 million tonnes of waste each year, which is processed in different ways. Around 80% is recycled. Most of the remaining portion is incinerated, whereby energy is recaptured. The waste that is not recycled or incinerated is deposited at landfills in an environmentally responsible manner. The effective use or reuse of waste in particular is an increasingly important factor. In this context, waste incineration plants are now more likely to be part of a heating network or power grid. In this way, waste is increasingly becoming a commodity.

Added value for **society**: translating its clients' **divergent needs** (volume, maturity and divergent risks) into **attractive funding options** for investors.

The importance of new sources of revenue for waste treatment plants is growing. The income from generating energy from waste flows already makes up more than half of turnover. The Dutch plants depend for a considerable part on foreign waste. On 1 January 2015, a waste tax was introduced for waste incineration. The tax only relates to waste supplied by households and companies in the Netherlands and not to imported waste. At the sector's insistence, an export tax was additionally imposed to prevent waste from being exported mainly to German waste treatment plants that also have overcapacity.

ADDED VALUE FOR SOCIETY

During the year under review, the bank amply achieved its strategic objective in terms of market share, i.e. to fulfil more than 50% of the long-term demand for solvency-free lending from municipalities, housing associations and healthcare institutions together. This benefits society because municipal rates, social housing rents, healthcare charges and education fees are lower than would otherwise be the case. Across a total portfolio of more than EUR 80 billion, every basis point (0.01%) means that BNG Bank provides credit at lower lending rates than its competitors would have done, equating to annual savings of over EUR 8 million in interest expenses. Low lending rates are feasible partly because the bank does not seek to maximise profit but aims to generate a reasonable return on equity.

The added value of the bank's activities for society lies in the fact that it successfully translates its clients' divergent needs in terms of volume and maturity and the divergent risks into attractive funding options for investors. The effect of this on lending rates and profits can be estimated to be several hundred million euros per year, which benefits are fed back to the government. Alongside the financial component, the bank's added value encompasses the activities it undertakes for the benefit of society, an important element of which is facilitating sustainable client investments.

In translating the sustainability core value, the bank gives priority to aspects such as facilitating the clients' sustainability objectives under the National Energy Agreement. The urgency of doing so may have been increased by a court ruling to the effect that if the Dutch State fails to do everything in its power to achieve the stated policy objective in terms of CO_2 reduction, this will constitute an unlawful act. On top of this, there are the arrangements made at the Paris climate summit. An increasing number of municipalities are translating the objectives of the Agreement into concrete activities, as appears from the third edition of the Municipal Barometer on the physical living environment, published in June of the reporting year. Municipalities are devoting much attention to achieving the local energy objectives. In their collaboration with other stakeholders, municipalities primarily stimulate a proper market operation between suppliers and customers. The use of own funds remains limited. In a number of cases, local authorities and housing associations are collaborating in enhancing the sustainability of the housing supply.

The sustainability aspect plays a prominent role when clients weigh up the various alternatives for developing and implementing provisions or when carrying out large-scale maintenance. In the light of its public role, BNG Bank aims to support this guiding principle by sharing its knowledge. Therefore BNG Bank provides assistance in assessing the feasibility and financeability of new sustainable initiatives and constructions. A specific example is the presentation on funding sustainable projects which the bank held in the reporting year during a master class on wind energy for municipal representatives. By providing loans at competitive lending rates with extended maturity periods, the bank enhances the feasibility of sustainable investments.

Many clients do not link their demand for financing directly to their investments. This is because their financing largely consists of balance-sheet financing, for which the portions allocated to operating activities, consolidation or sustainable investments cannot be specified. In the reporting year the bank again issued a Socially Responsible

Investment Bond (SRI Bond), which offers the most sustainable municipalities, based on a best-in-class approach, the opportunity to raise balance-sheet financing from the loan income. Further details of the investment bond are provided in the 'Investors' section. In this way, BNG Bank aims to promote further integration of sustainability into municipal policy.

BNG Bank is involved on a project basis in various wind and solar-energy projects and in sustainable public-private partnership (PPS) projects. Thus, 2015 saw the financial close for the construction of a sustainable town hall, which will be CO_2 and energy neutral due to innovative and energy-saving measures. Lending for the roll-out of solar panels was further extended during the reporting year, involving a concrete project for the installation of solar panels on 4,000 housing association homes. Other projects in this area are in various stages of development and finalisation. The amount outstanding for financing sustainable projects on a project basis has meanwhile risen to almost EUR 1 billion. In addition, the income from the SRI Bonds (EUR 500 million in 2014 and EUR 650 million in 2015) was used to finance the most sustainable municipalities.

The great influx of refugees presents the central government, municipalities and housing associations with the major challenge of having to provide acceptable reception centres. This means that investment issues sometimes need to be resolved within a very short period. BNG Bank is happy to make its expertise available for this purpose, as well as funding where this is compatible with its Articles of Association and its risk policy.

CLIENT CARE

BNG Bank wants to offer simple and straightforward products. It must be crystal clear to the client what consequences are attached to taking out a loan. For this reason, the bank's policy is for example not to provide derivatives, with a few specific exceptions where it involves consortium financing in a DBFMO context. At the same time, the bank has noticed increasing demand for tailored financing of initiatives such as DBFMO and PPS projects. The bank is prepared to provide tailored solutions for such projects, but only after it has been demonstrated that the client has sufficient knowledge and expertise to fully comprehend the consequences of a particular product. The recent problems at a Regional Training Centre and the difficulties arising in a number of area development projects have underlined the necessity of a clear and straightforward project structure.

Based on its duty of care, the bank actively undertakes to improve its clients' level of knowledge. It does so by organising events such as master classes for treasurers and finance officials, two of which were held in the reporting year. On this occasion, consideration is also given to the potential consequences of the guarantee for clients.

IN DIALOGUE WITH, AND FOR THE BENEFIT OF OUR CLIENTS

The financial prospects for local authorities are challenging. Limited resources and an expanding range of duties have further highlighted the need to manage the risks arising from investments, partnerships and guarantees. Local councillors also have a greater need for receiving information at an early stage regarding the financial position of their municipality. BNG Bank discusses the client's specific position and actively contributes to raising awareness and policy-making during consultation sessions. The bank regularly participates in public meetings to discuss themes that are relevant to the bank and its stakeholders, such as the decentralisation of healthcare tasks and increasing budget transparency. An overview of the meetings and BNG Bank's contribution can be found on the bank's website.

BNG Bank's social engagement initiatives include offering room and drawing attention to relevant developments among its clients. To that end BNG Bank takes a stance in the relevant consultation forums with policy developers and seeks attention from the government members accordingly. In this context, the bank again discussed the issue of healthcare institutions' funding with all of the main health insurers in 2015, as well as with umbrella organisations such as Zorgverzekeraars Nederland and with other banks. Because of the major system reforms, which have transferred risks to banks and health insurers, the available funding is limited. In the current circumstances the sector is only served by a handful of Dutch banks which have seen credit demand rise sharply in recent years. Because of the increased risks, BNG Bank has similarly adopted a reticent attitude towards issuing non-guaranteed funding. At the same time, however, BNG Bank is helping to widen the freedom of choice for the healthcare sector in terms of forms and sources of financing. For instance, the banking consortium of which BNG Bank is part gave a medical centre the go-ahead to raise additional funding on the capital market. Another example is the adjustment of a financing agreement to

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which the bank is party, which enabled a healthcare institution to issue subordinated bonds. The point of departure in the issue was that bondholders would donate the interest expenses to this healthcare institution. The bank's commitment is also illustrated by the cooperation agreement concluded by BNG Bank and the European Investment Bank to invest jointly in projects in areas such as housing, education, care, renewable energy and water. Furthermore, it has been agreed that the bank will make expertise available to the Netherlands Investment Agency (NIA), which ensures that Dutch projects can make optimum use of the financing options offered by the European Fund for Strategic Investments (EFSI).

CUSTOMER SATISFACTION

BNG Bank maintains close contact with its clients to discuss their needs and their expectations regarding the bank's activities. An important tool used in this context is the customer satisfaction survey, which gives clients an opportunity to express an opinion on the bank's policy and performance in terms of customer services. The results of the customer satisfaction survey conducted in 2014 reflect a high score of 8.0 for the bank's services. The respondents associate the bank specifically with the term 'reliable'. The specific areas in which BNG Bank distinguishes itself positively from the competition are customer service, payment services, training and account management. BNG Gebiedsontwikkeling received a relatively low score. In addition, respondents identified a number of potential improvements with regard to handling complaints, modernising certain processes and payment service applications, and the user-friendliness of the website. The website has been updated. From 1 January 2016, the Customer Service department is again part of BNG Bank itself, which means that complaints and requests for information can be handled with greater efficiency. In response to the survey conclusions, managers were asked to initiate improvement activities. Detailed information on the results of the customer satisfaction survey are provided on bngbank.nl.

In conjunction with the Association of Netherlands Municipalities (VNG) the bank publishes the magazine B&G, which seeks to offer clients and other interested parties a platform for raising relevant policy matters. The magazine is much appreciated, according to the customer satisfaction survey held at the end of 2014. The topics covered by the publication in the reporting year included current developments in the housing association sector, municipal partnerships, the role of municipal treasurers, the Budgets and Accounts Decree (BBV), the decentralisation programmes and the financing of the social services domain, and developments surrounding sustainability and social return.

THE WORLD BEHIND OUR CLIENTS

BNG Bank promotes art and cultural activities that are important to its clients and thereby to society. This is why BNG Cultuurfonds was set up more than 50 years ago. The fund primarily awards project grants, aiming at an even distribution among the various art forms and among the various regions. In addition, BNG Cultuurfonds stimulates young talent by awarding prizes and supporting theatrical, literature, youth circus, dance and visual arts projects. Talented young classical musicians are stimulated through a cooperation agreement with the National Youth Orchestra. The BNG Bank Award for New Theatre Makers is the largest theatre award in the country. The BNG Bank Excellent Talent Dance Award is presented in collaboration with Korzo, the dance production house. The BNG Bank Heritage Award encourages municipalities to pursue an effective heritage policy and to draw inspiration from each other in this area. Throughout the year, the bank hosts cultural events for its business contacts. BNG Cultuurfonds organises lectures on cultural subjects for BNG Bank employees and for the bank's business contacts.

BNG Bank helps to raise young people's awareness of money matters during Money Week. As part of the Banking for Students programme, bank employees visited groups 6, 7 and 8 of several primary schools. In March of the reporting year, ten BNG employees temporarily switched their job for that of guest lecturer and taught a total of 32 guest lessons.

Once a year BNG Bank employees do voluntary work at a healthcare institution, usually one of the bank's clients. In September 2015, more than 40 bank employees carried out maintenance work at a mental healthcare institution.

PRODUCTS AND SERVICES

Lending is and remains the bank's core activity. BNG Bank also provides payment services, participates in regional development and offers sustainable investments that are in line with the Local and Regional Authorities Financing Act (Wet Fido). The bank's main products and services are described on bngbank.nl.

LOANS AND ADVANCES

One of BNG Bank's strategic objectives is to be able at all times to meet the demand for credit from government authorities and public sector institutions.

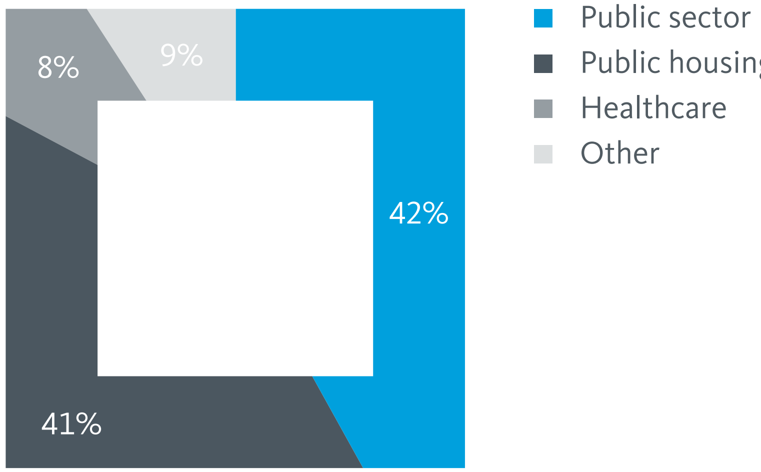
Within the broad sustainability theme, BNG Bank's focus is expressly on energy when it comes to client funding. This is in line with the government policy followed by BNG Bank, and specifically with the ambitions of the National Energy Agreement signed in 2013. Municipalities bear responsibility for making a contribution to society and have shown great interest in sustainable investments. The earnings models for making social rented housing more sustainable and generating green energy feature a long payback period. A long-term focus is appropriate for both BNG Bank's clients and BNG Bank itself.

As the market leader in providing balance-sheet financing to local authorities, BNG Bank acts as an indirect financier of the Energy Agreement. The bank also facilitates funding for projects such as sustainable new builds of social housing, healthcare institutions, public buildings and power stations.

BNG Bank develops and stimulates innovative, sustainable earnings models. Thus, the bank made a contribution in recent years via Energy Services Companies (ESCOs). In the years ahead BNG Bank will continue to promote these types of financing models to enhance the sustainability of social rented housing.

The major regulatory changes in the bank's principal client sectors are a reason for concern. Municipalities are struggling to implement the tasks transferred by the central government, such as youth care and long-term care, and the associated budget cuts. Housing associations have experienced a limitation of their sphere of activity following the introduction of the Housing Act in 2015. In addition, the WSW imposed lower guarantee caps on individual housing associations. In the healthcare sector it is especially the smaller care providers that are facing financial difficulties. Due to the introduction of complex regulations and the health insurers' strict quality requirements, the continuity of a number of care providers is being jeopardised. In these sectors, therefore, the bank's clients are reluctant to make new investments and demand primarily concerns the refinancing of existing assets. However, BNG Bank's market share in the total demand for solvency-free financing from these sectors in 2015 was even higher than forecast. This is the main reason why the total amount of new long-term lending increased by EUR 2.0 billion to EUR 11.2 billion relative to 2014. The adjoining graph shows a breakdown of the key sectors.

NEW LONG-TERM LENDING IN 2015



As in 2014, the volume of total lending subject to solvency requirements amounted to EUR 1.4 billion. The aforementioned regulatory changes contributed to a fall in demand for credit subject to solvency requirements from local authorities and housing associations. BNG Bank has been reticent for a number of years in meeting healthcare sector demand for credit subject to solvency requirements, due in part to the increased concentration risk in the bank's portfolio. In the other sectors, the bank aims at a limited and cautious expansion of lending subject to solvency requirements where this is possible.

The total long-term lending portfolio to customers based on principal amounts fell by EUR 0.6 billion to EUR 82.4 billion in 2015. This fall is primarily attributable to the decrease in long-term lending in the housing association sector. A number of associations have sold parts of their housing portfolios and used the proceeds from these sales to reduce their loan portfolios. At EUR 4.6 billion, the average volume of short-term lending to clients remained virtually unchanged relative to 2014. The fall in demand for short-term lending in the public housing sector was compensated by the increase in this demand on the part of local authorities.

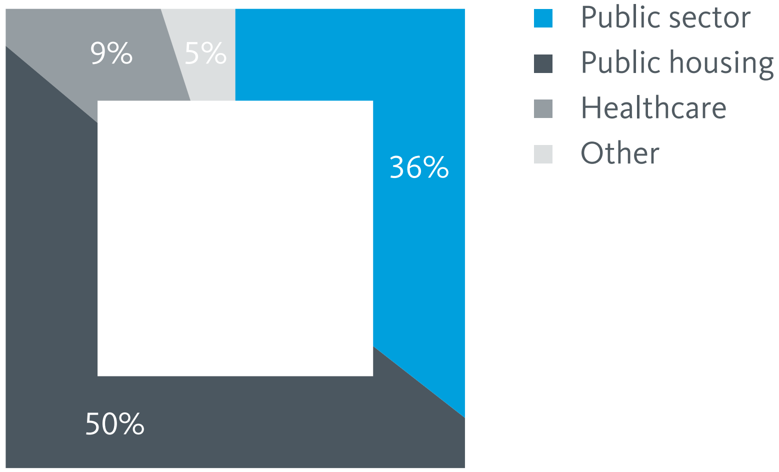
PAYMENT SERVICES AND E-BANKING

BNG Bank's products and services enable clients to organise and manage their payments and liquidity efficiently. The 'My BNG Bank' web portal plays a pivotal role in these services. An important component of the portal is the Internet banking module BNG Payment Services, which enables payments to be made quickly and securely via the Internet. The 'BNG Treasury' module supports cash and treasury management activities.

ASSET MANAGEMENT

BNG Vermogensbeheer focuses on asset management for public sector institutions. Assets under management remained virtually stable in 2015, totalling EUR 4.8 billion as at 31 December 2015. The outflow arising from mandatory treasury banking in 2015 was largely absorbed through organic acquisition. The organic growth is encouraging in terms of both assets under management and margins.

LONG-TERM LENDING PORTFOLIO AT YEAR-END 2015



BNG Vermogensbeheer invests chiefly in investment grade bonds within Europe for both individually tailored investment portfolios and investment funds. To ensure efficient use of other investment categories, furthermore, BNG Vermogensbeheer also opts for investments in listed investment funds. Sustainable investments and sustainable portfolios lead to satisfying solutions for clients, including when it comes to returns. In order to invest sustainably, BNG Vermogensbeheer cooperates with specialised institutions.

On 18 December 2015, BNG Bank signed an agreement with a.s.r. regarding the intention to sell the shares in BNG Vermogensbeheer and the bank's participating interest in BNG Deposito Fonds. The sales agreement was signed on 22 January 2016. Expectations are that – following approval by the AFM and DNB – the shares will be transferred to a.s.r. in the second quarter of 2016. At the same time, the participating interest in the investment fund will be transferred at fair value. The intended sale has no impact on the result for 2015.

The sale is attributable to the introduction of mandatory treasury banking for local authorities at the end of 2013. As a result, asset management activities for these clients are gradually disappearing and no longer constitute a core activity for the bank. BNG Bank believes that the interests of all the stakeholders are best served by the sale to a.s.r. The clients of BNG Vermogensbeheer will gain access to the expertise of one of the largest asset managers in the Netherlands in areas such as strategic and tactical asset allocation and the management of investment portfolios and investment funds in specific investment categories such as European shares and bonds. The entire BNG Vermogensbeheer team will enter the employment of a.s.r. Clients will still be dealing with their familiar account and portfolio managers. The latter will continue to manage the mandates and specialised BNG investment funds. This means that the continuity of the services will be guaranteed.

AREA DEVELOPMENT

BNG Gebiedsontwikkeling realises spatial planning projects by taking a risk-bearing interest in such projects and providing operational plan management capacity. This is done in close cooperation with the government parties concerned, taking public interests into account. At the end of 2015 BNG Gebiedsontwikkeling participated in 18 joint ventures.

An investigation into the options for BNG Gebiedsontwikkeling was finalised in 2014. The decision reached was that BNG Gebiedsontwikkeling may propose new projects, provided that they meet societal added value criteria, and that a new project execution approach would be adopted to significantly reduce the risk profile. In the year ahead – just as in the year under review – the focus will mainly be on managing the existing portfolio.

In the portfolio of BNG Gebiedsontwikkeling the first signs of economic recovery can be perceived. Sales in the housing market have gone up, while there is increasing activity in the industrial estate market as well. In the year under review this resulted in concrete sales in a number of development projects.

CONVALESCENT HOME FOR PEOPLE WITH DEMENTIA

It is better for people suffering from dementia to stay in a familiar environment. This was taken into consideration in the design of the buildings and garden of the Rietveld convalescent home in Alphen aan den Rijn, which has been divided into a number of smaller homes. As a result, life here is more well-organised and recognisable for the residents. The garden offers ample space to take a stroll, sit down, listen and watch. Healthcare institution ActiVite developed the complex under their own management. BNG Bank financed 14 million euros; the total costs amounted to 19.4 million euros.

ILONA SIJM, HOUSING AND HEALTHCARE MANAGER

Investors and financial counterparties

FUNDING

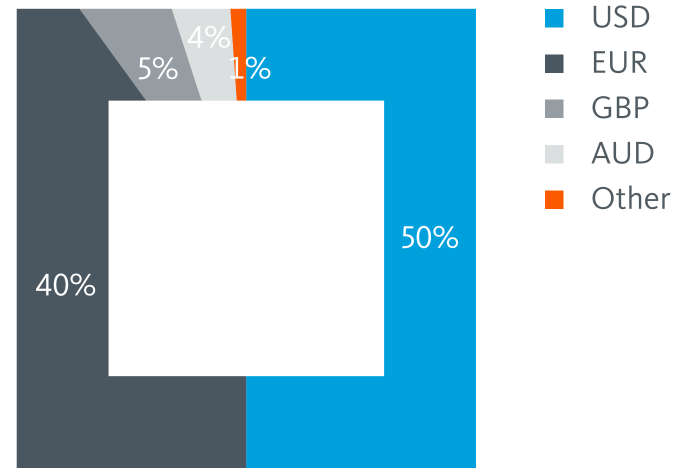
BNG Bank's long-term funding is largely carried out by issuing bond loans under the EUR 90 billion standardised Debt Issuance Programme. The bank raises loans in various currencies, with terms and conditions tailored to the needs of both institutional and private investors. By tailoring the supply of securities as flexibly as possible to investor wishes, combined with the bank's excellent creditworthiness, the bank was able to attract the required funding on highly competitive terms.

Since the end of 2014, BNG Bank's bonds qualify as very liquid (Level 1) paper under the European liquidity requirements for banks. This makes the BNG Bank bonds attractive to banks, and caused a further improvement relative to last year in the prices which the bank paid for new long-term funding. Therefore the bank was able to reduce its rates for lending to clients. The ECB's decision also to purchase BNG Bank bonds in the context of the Quantitative Easing programme has had a positive effect on prices as well. Moreover, the bank's credit rating enables it to meet its short-term funding needs on very attractive conditions.

New long-term funding for refinancing and lending purposes in 2015 amounted to EUR 17.7 billion (2014: EUR 14.9 billion) . This volume is larger than forecast, partly because a number of investors wanted to extend the maturity of existing financing in the amount of EUR 1.9 billion. Relative to 2014, the weighted average maturity of newly contracted long-term funding increased by 0.3 year to 5.8 years. In the reporting year the bank issued bonds in eight different currencies. The currency and interest rate risks of these issues are fully hedged with derivatives. The share of US dollar issues was nearly 50%. The sharp rise in 2015 in the liquidity premium to be received in relation to derivatives transactions, whereby US dollars are exchanged for euros, made it attractive for the bank to issue bonds in this foreign currency. The adjoining graph contains a complete breakdown by currency for 2015.

Each year the bank issues a number of benchmark loans to ensure that BNG Bank yield curves in euros and US dollars continue to be available to institutional investors. In 2015 BNG Bank issued nine benchmark loans in euros and US dollars, with volumes varying between 650 million and 2.0 billion. The euro equivalent of the total amount issued in benchmark loans was EUR 12.4 billion (2014: EUR 9.2 billion).

LONG-TERM FUNDING GENERATED IN 2015, BY CURRENCY



SECOND SRI BOND GREAT SUCCESS

BNG Bank issues bonds on a large scale for the purpose of financing or refinancing its activities. Through road shows, the bank constantly works on expanding and continuing its international investor base. Benchmark bonds in EUR and USD are issued all over the world. The persistent uncertainty on the financial markets and the further development of regulations are relevant topics both for the bank and for the investors.

Sustainability is an increasingly important theme in the financial markets. In 2014, BNG Bank sought cooperation with Telos, the institute for sustainable development of Tilburg University. Based on the Sustainability Monitor for Dutch Municipalities published by Telos, BNG Bank developed a best-in-class sustainability structure, which was further refined in 2015. With regard to the concept of sustainable development, the Telos method applies the definition used by the Brundtland UN Commission: the simultaneous balanced development of ecological, social and economic capital. More than a hundred economic, social and environmental indicators are used in order to determine a municipality's sustainability score. Municipalities are divided into 14 categories, based on their physical, social and economic characteristics. The income from the SRI Bonds issued by the bank is used to finance the 15 municipalities achieving the highest score within their category. This involves a total of 97 municipalities out of 393.

During the reporting year BNG Bank issued another sustainable bond, with a term of five years. Interest in the loan was overwhelming, with the total subscription volume exceeding EUR 1 billion. The allocated amount of EUR 650 million was 30% larger than that of the first sustainable bond loan. Around 70% of this bond was allocated to sustainable investors. The bank also published the first annual performance report regarding the sustainable bond issued in 2014. The bank will continue its policy on sustainable bond issues and launch new initiatives where possible. There will be at least one new bond issue in 2016.

Westland: energy-neutral municipal offices

The new offices of the municipality of Westland (104,000 inhabitants) will be spread over two buildings: a public and administrative centre and a separate building for municipal officials, set 800 metres apart. Construction work on the sustainable, energy-neutral buildings, which will feature LED lighting and 800 solar panels on the roof for generating power, will commence on 1 May. The buildings are scheduled to be in use by 1 July 2017.

MAARTEN VAN BEEK, MUNICIPALITY OF WESTLAND

Westland was created in 2004 through the merger of the municipalities of Monster, Naaldwijk, Wateringen, 's-Gravenzande and De Lier. Following an extended period of political and administrative debate, it was eventually decided to replace the five existing town halls with two new buildings. From 1 July 2017 the municipality will pay EUR 3.5 million per year to use these offices, EUR 1 million less than if the four current locations were to remain in use after essential renovation.

'The principal innovation is a so-called PCM buffer*, combined with 800 solar panels, ensuring we are CO_2 neutral and energy-efficient going forward in our new sustainable municipal offices', says Maarten van Beek, clerk of the municipality of Westland.

This innovative approach is laid down in a DBFMO contract**, which has been concluded with the De Groene Schakel bv consortium. BNG Bank is responsible for the F(inancing) part of the contract, to the tune of more than EUR 32 million. The consortium will ensure Westland has a municipal administrative centre for the next 25 years.

* Phase Change Materials (PCM) are substances that absorb and release thermal energy through a phase change process. They increase the thermal mass of a light-weight construction. The construction becomes thermally heavy while remaining compact in terms of mass and weight.

** DBFMO: Design, Build, Finance, Maintain & Operate.

INNOVATIVE ENERGY SOLUTIONS

‘The sustainability has everything to do with energy usage’, according to Van Beek. He says businesses and citizens in Westland are particularly open to sustainable approaches and innovative energy solutions. ‘Both buildings will be fitted with smart glass, backed with fleece normally used in glasshouses to conduct heat and cold.’

Businesses in Westland have a wealth of experience with non-standard energy usage. ‘Such as geothermal drilling, for instance, which pumps water at 80 degrees Celsius to the surface from depths of 2 to 3 kilometres. Westland businesses are also trialling the new technique of triad drilling, which produces water at 180 degrees Celsius that can also be used to generate electricity. Our municipal PCM buffer is yet another solution, and just as innovative as the other methods that fit with Westland.’

‘We have focused on more than just energy. We can make progress in terms of sustainability inside the buildings, too. Take the lifts, for instance. They are not immediately noticeable. The building is designed to highlight the stairs, since we believe that features which encourage physical movement also are part of the sustainable qualities of a building. We are also looking ahead: do the spaces encourage people to work independent of time and location? Working in projects instead of department-based activities. It must be possible to alter the building layout in the coming years, to create space for the growing need for meeting areas, to allow for fewer desks, increased consultation as well as the trend toward more standing meetings and meetings on the go. This means that the choice of furniture also reflects a commitment to sustainability.’

Last year, Westland was voted most sustainable municipality in the category with more than 100,000 inhabitants. This is shown in the 2015 Sustainability Framework study carried out by Telos, Tilburg University’s Centre for Sustainable Development, on behalf of BNG Bank. The 2015 Sustainability Framework study, which is based on the National Monitor of Sustainable Municipalities produced by Telos, examines the ecological, economic and socio-cultural

The appearance of furnishings and fittings and equipment is important: ‘spacious, transparent and clean looks foster sustainability.’

The DBFMO contract offers the best options, says Van Beek. ‘It allows us to fully utilise market expertise and know-how. We can engage with and challenge the parties in the De Groene Schakel consortium during the next 25 years. DBFMO contracts such as this need to be managed, that much is clear from experiences at national government level. This led to us appointing our own man in the 3-strong project team who has been instrumental in developing the project from the beginning.’

capital of municipalities. The study acts as a basis for the issuance of sustainable bonds by BNG Bank and can be used by municipalities as an instrument for supporting their sustainability policy.

Employees

WORKFORCE

The bank's workforce including its subsidiaries grew from 278 FTEs in 2014 to 285 FTEs at the end of 2015, mainly on account of the increased regulatory burden. Women account for almost one third of the employees. The age structure of the workforce is typified by a relatively high average age (47 years) and a high average number of years of service (over 14 years). Older employees are working longer in the same position as a result of the reduced options for taking early retirement. The number of external employees greatly increased in 2015, to 25 FTEs. This increase was necessary in order to meet the request for additional information from regulators and design the data quality improvement programme.

TRAINING AND DEVELOPMENT

The bank operates in a complex and dynamic environment. The need for employees with specialist knowledge has risen considerably in recent years as a result of the increased and more complex regulatory requirements; the majority of the positions are at higher professional or academic level. The increased workload arising from laws and regulations, projects and ECB supervision has led to a greater need for the flexible deployment of staff. Our employee development programmes therefore place a strong emphasis on enhancing relevant knowledge and expertise. Alongside the personal development plan drawn up by individual employees in consultation with their manager, the programme takes account of organisational needs. Training costs fell from EUR 2,209 per employee in 2014 to EUR 1,530 per employee in 2015, but are expected to rise again in 2016.

MOBILITY

The strategy and the staff policy developed focus on flexible deployment and internal and external employee mobility. These elements deserve careful attention. The bank will have to respond more quickly and flexibly to external impulses and instructions, certainly in the future. In the present situation, employees spend a long time in the same position. This is due in part to the employees' specialist duties and great loyalty. More rotation within the bank also means that employees will gain different insights and increase their knowledge and experience, which in turn may help them execute the joint task as well as possible. This will improve the quality of the overall organisation, and thereby the added value for the bank's stakeholders and, by extension, for society as a whole. External mobility is low as well. One of the changes envisaged, therefore, is to improve flexibility and mobility via the training and remuneration policy.

More **rotation** improves the **quality** of the overall organisation, and thereby the **added value** for BNG Bank's **stakeholders** and, by extension, for **society** as a whole.

REMUNERATION AND JOB RANKING

As regards the remuneration policy for current employees, the bank is investigating how the ratio between the fixed and variable remuneration components and the other terms of employment can best be embedded in the long-term objectives of the staff policy.

Where job ranking is concerned, a preliminary investigation is being carried out by an external agency. With the help of this external expert, an objective analysis is being made of a cross-section of BNG Bank's job classification system, whereby potential solutions are identified for the bottlenecks found.

CULTURE AND INTEGRITY

BNG Bank attaches great value to an ethical organisation that handles risks responsibly. This was given extra emphasis in the recalibrated strategy. The introduction of the banker's oath was prepared and implemented in collaboration with Compliance and with the Netherlands Compliance Institute (NCI). All employees and external workers have taken the oath or solemn affirmation. Before taking the oath, all employees followed an integrity training programme developed by the NCI. The programme addressed the background of the banker's oath and the associated rules of conduct, as well as dilemmas. Each session was attended by a maximum of 15 participants, who actively contributed to the discussion, asked questions and made critical comments. One session was attended by a member of the Supervisory Board. At each session, an Executive Board member explained the importance of the oath or affirmation, provided the opportunity to ask questions and administered the oath or affirmation at the end of the session. A procedure has been developed for new employees. Furthermore, disciplinary regulations provide how BNG Bank supports employees in the event of disciplinary complaints.

Prior to the integrity training programme, managers attended two sessions on how to influence culture. These sessions dealt with the formation of a culture in the organisation and the influence of the Executive Board and managers on that culture ('tone at the top'). On this occasion, the seven cultural elements distinguished by DNB were discussed. At the bank's request, the NCI performed an analysis of the organisational culture observed.

From the end of 2014, all managers followed a programme, in conformity with a plan drawn up for that purpose, in which collaboration and coaching-based leadership were the central themes. During the programme, practical situations were practised with the help of actors and mutual feedback was given. A concluding test, among other things, provided all participants with greater insight into their leadership style. As part of the programme, the participants also discussed the bank's strategy. As well as the entire management, this process also involved young BNG Bank employees. This assignment further reinforced mutual cooperation and created a broad support base for the recalibrated strategy. The new data governance processes that are currently being developed will apply across the departments. In this context, the bank used value profiles for the first time in the reporting year in order to obtain a picture of the diversity in the employees' motives and the value potential available. The resulting insight will help the bank select the most effective influence strategy. More than 50 of the employees involved in the process completed the questionnaire, based on which the value profile was drawn up.

An employee satisfaction survey was conducted in the spring of 2015. The response was high: 85% of employees took part. The results were positive, with employee involvement being awarded a score of 8. Employees support the bank's objectives and feel that they have the space to deliver quality and to apply ethical standards. Because of these good results, BNG Bank ranks 27th in the list of Best Employers with a workforce of fewer than 1,000 employees. Managers have discussed the results of the employee survey with their staff and provided feedback to HR. Various departments arranged specific follow-up activities. Based on the discussions with the managers, a campaign was agreed to improve efficiency.

The various insights arising from the value profile and the information obtained from the employee survey provide a good understanding of the culture at BNG Bank. This understanding will help the bank determine how to manage the organisation in order to create a uniform picture across the organisation as to the content of the recalibrated strategy, how to manage the organisation in order to realise the recalibrated strategy and what competences are required for that purpose.

HEALTH

The bank's absenteeism rate went up slightly in 2015 to 2.9%, but is below the sector average calculated by Statistics Netherlands. The development is attributable to a rise in long-term sickness absence.

In 2014, a health check was conducted in which 65% of the employees took part. Depending on the results, employees were advised to make lifestyle improvements where possible, which might reduce their health risks. Based on this advice, approximately 40 employees started individual coaching programmes.

CONSULTATIONS

BNG Bank has an employee elected Joint Works Council (GOR), which regularly consults with the Executive Board. Recurring themes in these consultations are the bank's strategy, the general course of business, the Annual Plan, the budget and social policy. For more information, please visit bngbank.nl/ondernemingsraad. The Joint Works Council is actively involved in developing the terms of employment for employees. In the past year there were intensive discussions with the Joint Works Council about the envisaged changes in the remuneration policy and the objective of increasing internal and external employee mobility.

Employees receive information on current matters during so-called BNG Update sessions, eight of which were held in the reporting year. At two of these sessions, the Executive Board explained the recalibrated strategy and the necessity of greater flexibility and mobility in more detail. Consideration was also given to the annual figures, the Data Quality programme and the new supervision by the ECB.

WORKING ENVIRONMENT

With environmentally conscious internal operations in mind, the decision was taken to reduce energy and paper consumption. In the reporting year the bank completed the process of replacing the traditional halogen lighting in the circulation areas with LED lighting. The current photocopiers/scanners and printers were replaced with multifunctional machines which consume less energy. These machines offer additional functionality to help reduce paper consumption. Paper consumption will be further reduced by the gradual shift towards electronic distribution of meeting documents. BNG Bank purchases ‘green energy’ but also aims to contribute to sustainable energy generation, and therefore decided to install solar panels on the roof of the bank building. The actual installation has been scheduled for early 2016. The target for 2015 to keep CO_2 emissions at the same level as in 2014 or reduce them was not achieved, due to the increase in the number of kilometres travelled. One of the measures that will be taken in order to bring down CO_2 emissions is the realisation of a video conferencing area. This will reduce the number of kilometres travelled.

Dilemma: facilitate or prevent?

Thanks to their solid budgetary and financial framework, lending to or guaranteed by local authorities is free of risk. Consequently, loans and advances can be provided at low lending rates. Municipalities and provinces sometimes issue guarantees for the purpose of financing projects to underline their importance for society but are unable or unwilling to execute these projects themselves. By issuing guarantees the municipality or province concerned, however, is exposed to credit risk, which sometimes is difficult for the guarantor to assess for the entire period to maturity.

This poses a dilemma for the bank. On the one hand, the bank should be able to assume that the government has weighed societal desirability against the financial risks during the democratic decision-making process on the guarantee. The provision of financing by the bank at low lending rates for risk-free credit augments the feasibility of such projects. On the other hand, the bank has the expertise to perhaps more accurately assess the probability and the extent of the risks. When the bank draws the government's attention to the potential risks and the client insists on issuing a guarantee regardless, should the bank respect the democratic decision-making process in this case or protect the guarantor from potential risks and not issue the loan in consideration of its duty of care?

BNG Bank actively undertakes to improve the knowledge level of the local authorities to help them identify the risks associated with granting guarantees and to assess the probability and impact of a possible claim. The decision to act as a guarantor, however, ultimately lies explicitly with the relevant public authority.

Laws, regulations and regulators

DEVELOPMENTS IN LAWS AND REGULATIONS

Many new banking regulations took effect in recent years. These have had far-reaching consequences for BNG Bank as well. Besides a structural increase in operating expenses and the contribution towards taxes, the extent and pace at which the proposals are being implemented make considerable demands on a relatively small organisation. The new European regulator's uniform approach also has a major impact. The large volumes of data requested within increasingly shorter time frames require adjustments to be made to the bank's processes and systems. Most implications for BNG Bank are due to additions and amendments to IFRS and the Basel III regulations, and the steps taken by the European Commission to create a European banking union.

At the end of the reporting year, DNB adjusted the framework used in determining which banks are of national systemic importance to new guidelines for identifying these banks drawn up by the European Banking Authority. Based on the adjusted framework, BNG Bank has been classified as a bank of national systemic importance because of its relatively large balance sheet and its interconnection with other (international) financial institutions. The banks of national systemic importance must maintain an extra capital buffer so as to be in a better position to absorb unexpected losses. For BNG Bank, the systemic buffer equals 1% of risk-weighted assets. BNG Bank already amply meets the extra capital requirement. BNG Bank's classification as a bank of national systemic importance means that a resolution plan for the bank will be given higher priority. The resolution authority will draw up this plan in 2016 in consultation with BNG Bank.

IFRS

The IFRS regulations concerning the classification and measurement of financial instruments, i.e. the replacement of IAS 39 by IFRS 9, will be implemented with effect from 1 January 2018. These regulations have yet to be adopted by the European Commission. Based on the final regulations, BNG Bank expects to be able to value the majority of its assets at amortised cost under IFRS 9 as well, thus avoiding volatility in the income statement. The amendments to the hedge accounting regulations – recording hedged risk positions in the accounts – are expected to have a limited impact on the bank's results. The impairment proposal could potentially have larger implications. The incurred loss provision is expected to turn out considerably higher because loans on which no actual losses have been incurred to date but which do pose a considerably higher risk, will count more heavily in the incurred loss provision. Moreover, contrary to the current regulations, the Financial assets available-for-sale without an individual impairment must be included in the calculation of the provision.

The application of the **leverage ratio** in which capital and the balance sheet total are divided by each other **without weighting** the **risk** on assets will still have the greatest **impact** on BNG Bank's **business model**.

BASEL III

The regulations known as Basel III (or the Third Basel Accord) have been transposed into the EU Capital Requirements Directive IV (CRD IV). These regulations entered into force in 2014 and will be implemented in phases between now and 2019. CRD IV consists of a Capital Requirements Regulation (CRR) and a Capital Requirements Directive (CRD). The CRR sets out EU rules that apply directly to financial institutions. The CRD sets out rules which must be implemented in national legislation.

CRD IV is more comprehensive than Basel III and has been further developed during 2015 as well. Even though the text of CRD IV is final, the European Banking Authority (EBA) still needs to provide a technical explanation on what the rules mean exactly in many areas. In addition, consultations were held in 2015 by both the Basel Committee (BIS) and the EBA in order to adjust existing regulations to new insights. This again resulted in numerous and extensive technical standards and consulted amendments in 2015. Examples include:

- A new BIS-developed approach to Counterparty Credit Risk Exposure, which must still be ratified within the EU. The regulations define the manner of calculating the capital requirement for derivatives. Expectations are that this new calculation method will have to be applied with effect from 2017. The required system changes will be further addressed in 2016.
- New EBA reporting guidelines in respect of the Interest Rate Risk in the Banking Book (IRRBB) will take effect in 2016 and have been incorporated into the new interest rate risk framework implemented by BNG Bank in 2015. In addition, BIS started consultations in 2015 on regulations aimed at explicitly including the IRRBB in the Pillar 1 Capital Requirements, in order to lay down standardised IRRBB calculations.

The application of the leverage ratio in which capital and the balance sheet total are divided by each other without weighting the risk on assets will still have the greatest impact on BNG Bank's business model. This will adversely affect the bank because the majority of its balance sheet consists of relatively large solvency-free loans. The EBA has been asked to prepare an analysis by 2016 at the latest of how high the ratio should be, in part to reflect the individual banks' different business models. BNG Bank's business model is deemed to entail less risk on account of its specific client groups. This enables the bank to make a strong case toward the regulators and the central government to reiterate the negative impact of such a broad capital requirement on niche banks, such as BNG Bank.

In the Netherlands it is still expected that the Minister of Finance will impose a minimum requirement of 4% on the four largest consumer banks. The other banks, including BNG Bank, proceed for the time being from the lower limit of 3% proposed by Basel. BNG Bank assumes in its capital planning that this lower limit is unlikely to be adjusted downward, despite its specific business model. In 2015 BNG Bank again drew up a plan for meeting the 3% minimum standard for the leverage ratio by the end of 2017 at the latest. The plan has also been made available to the regulators as part of the Capital Management Plan. Due in part to the issue of hybrid capital, BNG Bank is on schedule to meet this minimum standard.

RECOVERY AND RESOLUTION

The first pillar of the European banking union was realised on 4 November 2014, when the supervision of the largest European banks was transferred to the ECB. The Single Resolution Mechanism (SRM) constitutes the second pillar. The SRM regulations entered into force on 1 January 2016, which means that the resolution of banks has now also been harmonised at European level. The SRM is based on the EU's Bank Recovery and Resolution Directive (BRRD). These regulations became final in 2014, and in this connection EBA drew up a large number of technical explanations in 2015 which provide greater clarity on the further elaboration of these rules.

One of the main objectives of the BRRD is to prevent 'the taxpayer' from having to pay the bill if banks face insurmountable financial difficulties. For this purpose, a Single Resolution Fund (SRF), financed by the banks, will be built up at European level over a minimum period of eight years, starting in 2016. This process was initiated at national level in 2015, and BNG Bank paid the first resolution levy (over EUR 9 million) to the national resolution authority. From 2016, these contributions will be paid to the SRF. From that moment, the Single Resolution Board (SRB) may also place banks in resolution.

Following the entry into force of the BRRD, the opportunities for the government to bail out BNG Bank was one of the subjects addressed in the discussions with rating agencies. Fitch doubts whether this legislation allows the shareholders always to provide BNG Bank with timely assistance in the future, without the bondholders and deposit holders first being asked to pay in. However, Fitch has emphasised that, given the quality of BNG Bank's assets, the chance of the bank being confronted with a sudden capital shortfall, and therefore with the effect of the BRRD, is extremely small. Based on this, Fitch has now awarded BNG Bank a rating one notch below that of the Dutch State. Unlike Fitch, Moody's and Standard & Poor's kept BNG Bank's rating at the same level as that of the Dutch State.

Lastly, the BRRD also obliges the banks to prepare a recovery plan. In this recovery plan the banks set out how they intend to recover in the event their risk appetite has been exceeded in specific areas. In this way, the banks will determine in advance what measures may help them recover. BNG Bank drew up its first recovery plan in 2014, in accordance with a framework developed by DNB. The bank updated this recovery plan in 2015 and made this version available to the regulators. Should recovery no longer be possible, the resolution of a failing bank must be dealt with in a proper manner so as to avoid any systemic shocks as much as possible.

CENTRAL CLEARING

The European Securities and Market Authority (ESMA) has issued regulations for the central clearing of derivatives under the descriptor of the European Market Infrastructure Regulation (EMIR). This also concerns the central clearing of specific types of derivatives, new rules for non-centrally cleared derivatives and detailed reports to designated authorities. The European Parliament and the European Council have also agreed to the Regulatory Technical Standards drawn up by ESMA in order to set a date for the mandatory clearing. For BNG Bank, the mandatory central clearing of eligible derivatives will have been finalised by 21 December 2016 (category 2 banks). For category 1 banks (primarily our financial counterparties) the mandatory clearing will start on 21 June 2016. In 2015 BNG Bank completed the central clearing system set-up.

INTENSIVE CONTACT WITH THE REGULATORS

On 4 November 2014, the ECB took over the prudential supervision of the largest European banks from the national regulators. BNG Bank is part of that group of banks. In the actual conduct of supervision, the ECB is aided by the national regulator. In this context, each bank deals with a supervision team consisting of ECB employees and employees of the national regulator. In 2015 this resulted in regular contacts with both the ECB and DNB.

During the first year of ECB supervision, it appeared that this supervision was very intensive compared with supervision in previous years. This is due on the one hand to the increased regulations in recent years and the effectuation of CRD IV. On the other hand, this is the result of the ECB's pursuit of fully harmonised supervision. The pursuit of such a uniform approach leaves less scope for the regulators to take account of BNG Bank's specific characteristics as a bank for the Dutch public sector.

ECB uses a range of supervision instruments, such as regular quantitative and qualitative reports, periodic meetings, on-site and off-site inspections, thematic reviews, self-assessments and ad hoc requests for information. In the run-up to ECB supervision, BNG Bank set up a department specifically responsible for supervision issues and communication with the ECB and DNB. In this way, BNG Bank will have a clear picture of the prudential supervision and of the associated activities.

One of the experiences in 2015 is that supervision under the auspices of the ECB has become more formal. The collaboration and dialogue with the supervision team was delineated in greater detail during 2015. In terms of content, BNG Bank continues to stress the specific characteristics of its business model. In 2015, BNG Bank explained the bank's working method in relation to various individual topics. In this connection the regulator made a number of suggestions and recommendations in respect of specific points, some examples of which are set out below.

- The manner in which BNG Bank monitors its interest rate risk was discussed at great length with the ECB in 2015. The regulator found that adjustments were desirable here in order to guarantee better monitoring. BNG Bank had already identified this and had started a project on the subject in 2013. This project was completed in 2015, and has greatly improved the measurement and management of interest rate risks.
- The regulator indicated in 2015 that the capital requirement for the credit risk on derivatives with financial counterparties was not determined entirely correctly. The results of the discussions have been described in detail at an earlier stage.
- Following the conduct of a self-assessment, it was found that a number of topics under the Pillar 3 disclosure were not always clearly reflected in the Annual Report. The Pillar 3 disclosure requirements concern specific rules in the CRR on the publication of particular minimum information. BNG Bank acknowledged these improvements, which have been addressed in this Annual Report. The adjustments did not concern material issues which have a substantial effect on BNG Bank's public profile.

In addition to contacts with the ECB regarding prudential supervision, BNG Bank, at the ECB's request, took part in various Quantitative Impact Studies in which the impact of future EBA and BIS regulations was determined. Finally, BNG Bank took part in the EBA Transparency Exercise that was carried out this year instead of the stress test. The EBA published the results of this exercise on its website at the end of November.

ACCOMMODATION FOR DELTION COLLEGE

Deltion College, a regional training centre (ROC) in Zwolle, provides senior secondary vocational education (MBO) for almost 14,000 young people and adults. It offers more than 225 different MBO programmes and courses in the fields of healthcare, hotel and catering, transport, logistics and commerce. This ROC prepares students for a thriving labour market and in doing so contributes to a healthy regional economy. In 2015, the college took out three loans for a total of over 46 million euros to finance an accommodation project.

RICHARD DRENT, MARK VAN DE STREEK, MARC OTTO (DELTION COLLEGE) AND JEFFREY NIJHUIS (BNG BANK)

Outlook for 2016

The volume of new long-term lending in 2016 is expected to be comparable to the volume in 2015. Despite the slight improvement in economic outlook, BNG Bank expects that its principal client groups will remain reluctant to make new investments. The consequences of the new regulations and the sometimes drastic spending cuts or additional burdens will prompt these clients to review the size of their loan portfolio.

In 2016, BNG Bank must redeem over EUR 15 billion in long-term bonds. The long-term funding requirement for 2016 is estimated at approximately EUR 18 billion. The objective is to fill this need by means of a funding mix, diversified in terms of currency and maturity. Expectations are that a new SRI Bond will be issued in 2016.

If possible, the bank will place a limited issue of hybrid capital in the first half of 2016 under contractual terms comparable to those of the two issues in 2015. The deductibility for corporate income tax purposes of the (discretionary) dividend payment for hybrid capital has led to a public debate and the announcement of an investigation into the subject by the European Commission. If the deductibility should be abolished in the future, this will have a negative impact on the bank's result and equity. Under the contract, BNG Bank has the unilateral option of early repayment of the hybrid capital in May 2021, and thereafter in May of each year.

BNG Bank's operating expenses are structurally rising because of the efforts required to comply with the growing number of (European) laws and regulations. This results in an increase in the associated costs of supervision, IT costs and costs of hiring temporary and permanent staff. Therefore a further increase in regular operating expenses is anticipated for 2016.

The statutory bank levy will also apply in 2016. BNG Bank's contribution, which is determined on the basis of the balance sheet at year-end 2015, amounts to EUR 35 million. From 2016, BNG Bank is also required to contribute annually to building up the European Resolution Fund. The bank has taken account of a minimum contribution of EUR 15 million in 2016.

Despite the slight improvement in economic outlook, BNG Bank expects that its **principal client groups** will remain **reluctant** to make **new investments**.

Notwithstanding the high creditworthiness of the bank's exposures, a few debtors may be unable to meet their payment obligations. An addition to the incurred loss provision or an impairment cannot be ruled out in 2016.

Partly on account of the persistently low long-term interest rates and the bank's restrained interest rate position, the interest result for 2016 is expected to be lower than in the reporting year. The result on financial transactions will remain sensitive in the near future to political, economic and monetary developments. In view of these persisting uncertainties, the bank does not consider it wise to make a statement regarding the expected net profit for 2016.

Advice on strategy

Last year BNG Bank conducted a review of its strategy and invited every employee to contribute ideas for taking the bank forward. BNG employees aged under 35, united in Young BNG, the association of young BNG staffers, put forward several bold ideas for this reassessment of the Bank’s strategy. Daphne Audenaert and Koen Westdijk represented Young BNG in the strategy sessions.

‘Multiple sessions were organised during which we were able to put forward ideas and discuss them in groups of colleagues. It is fair to say this led to heated debate at times. But that is what's so interesting about bringing together people from different disciplines in the organisation. With everyone viewing issues from their own professional angle, it’s no surprise this leads to a range of different solutions. We all complement each other in the end, precisely because of these differences in views.

In submitting our advice to the Board, we and our colleagues highlighted the different options and specific dilemmas that had led us to make our choice. The dilemmas were set out, complete with all the pros and cons that had been considered. Sharing these dilemmas and the choices that were made enabled the Executive Board to gain a greater understanding of the support for the opinions and advice given.

The joint perception of the issues provided a good basis for formulating a proposal about redefining strategy that was presented to the Supervisory Board. The advice submitted to the Supervisory Board and the follow-up steps were then reassessed throughout the organisation.’

Declaration of responsibility

In the opinion of the Executive Board, the financial statements provide a true and fair view of the assets, liabilities, financial position and results of BNG Bank and the subsidiaries included in the consolidation. The Annual Report provides a true and fair view of the position as at the balance sheet date, performance during the financial year and the expected developments of BNG Bank and its consolidated subsidiaries, whose figures have been included in the consolidated financial statements. The Annual Report also describes the material risks facing BNG Bank.

The Hague, 4 March 2016

Executive Board

C. VAN EYKELENBURG,
CHAIR

O.J. LABE

J.C. REICHARDT

Consolidated financial statements

4

CONSOLIDATED BALANCE SHEET

Amounts in millions of euros

	31/12/2015	31/12/2014
ASSETS		
Cash and balances held with central banks[1]	3,175	2,241
Amounts due from banks[2]	10,540	11,046
Financial assets at fair value through the income statement[3]	3,715	4,247
Other financial assets[4]	29,098	31,322
Financial assets available for sale[5]	13,459	13,693
Loans and advances[2]	89,366	90,732
Associates and joint ventures[6]	47	54
Property and equipment[7]	16	16
Other assets[8,9]	27	154
Assets held for sale[10]	68	–
TOTAL ASSETS	**149,511**	**153,505**

Continued on next page

The references refer to the notes to the consolidated financial statements.

Continuation of previous page

CONSOLIDATED BALANCE SHEET

Amounts in millions of euros

	31/12/2015	31/12/2014
LIABILITIES		
Amounts due to banks[11]	2,968	2,544
Financial liabilities at fair value through the income statement[12]	3,205	3,327
Other financial liabilities[13]	21,844	25,357
Debt securities[14]	110,123	110,868
Funds entrusted[11]	6,869	7,535
Subordinated debts[11]	31	32
Other liabilities[8,9]	308	260
TOTAL LIABILITIES	**145,348**	**149,923**
Share capital	139	139
Share premium reserve	6	6
Hybrid capital	424	–
Revaluation reserve	320	234
Cash flow hedge reserve	251	375
Other reserves	2,797	2,702
Unappropriated profit	226	126
EQUITY[15]	**4,163**	**3,582**
TOTAL LIABILITIES AND EQUITY	**149,511**	**153,505**

CONSOLIDATED INCOME STATEMENT

Amounts in millions of euros

	2015		2014	
– Interest income [16]	998		1,258	
– Interest expenses [17]	548		814	
Interest result		450		444
Results from associates and joint ventures [18]		2		1
– Commission income [19]	32		35	
– Commission expenses [20]	4		6	
Commission result		28		29
Result on financial transactions [21]		16		–187
Other results [22]		3		4
TOTAL INCOME		**499**		**291**

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CONSOLIDATED INCOME STATEMENT

Amounts in millions of euros

	2015		2014	
– Staff costs[23]	38		38	
– Other administrative expenses[24]	27		27	
Staff costs and other administrative expenses		65		65
Depreciation[25]		2		2
TOTAL OPERATING EXPENSES		**67**		**67**
Impairments[26]		72		15
Contribution to resolution fund[27]		9		–
Bank levy[27]		37		30
TOTAL OTHER EXPENSES		**118**		**45**
PROFIT BEFORE TAX		**314**		**179**
Taxes[9]		−88		−53
NET PROFIT		**226**		**126**

The references refer to the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in millions of euros

	2015			2014		
NET PROFIT			**226**			**126**
Recyclable results recognised directly in equity:						
– Changes in the cash flow hedge reserve		−124			43	
– Changes in the revaluation reserve for financial assets available-for-sale:						
– Unrealised value changes	46			66		
– Impairments transferred to the income statement	63			–		
– Realised value changes transferred to the income statement	−23			−12		
		86			54	
		−38			97	
Non-recyclable results recognised directly in equity:						
– Changes in actuarial results		0			0	
RESULTS RECOGNISED DIRECTLY IN EQUITY			**−38**			**97**
TOTAL			**188**			**223**

CONSOLIDATED CASH FLOW STATEMENT

Amounts in millions of euros

	2015		2014	
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax	314		179	
Adjusted for:				
– Depreciation	2		2	
– Impairments	72		15	
– Unrealised results through the income statement	42		198	
Cash flow generated from operations		430		394
Changes in Amounts due from and due to banks (not due on demand)	718		−4,150	
Changes in Loans and advances	986		780	
Changes in Funds entrusted	−929		1,196	
Changes in Derivatives	4,684		927	
Corporate income tax paid	−19		−128	
Other changes from operating activities	−86		−7	
		5,354		−1,382
TOTAL CASH FLOW FROM OPERATING ACTIVITIES*		**5,784**		**−988**

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* Interest received amounted to EUR 5,196 million (2014: EUR 5,318 million) and interest paid amounted to EUR 4,709 million (2014: EUR 4,746 million).

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CONSOLIDATED CASH FLOW STATEMENT

Amounts in millions of euros

	2015		2014	
CASH FLOW FROM INVESTING ACTIVITIES				
Investments and acquisitions:				
– Financial assets at fair value through the income statement and financial assets available-for-sale	−673		−4,052	
– Investments in associates and joint ventures	−1		−1	
– Property and equipment	−2		−1	
		−676		−4,054
Disposals, repayments and redemptions:				
– Financial assets at fair value through the income statement and financial assets available-for-sale	944		2,086	
– Property and equipment	–		–	
		944		2,086
TOTAL CASH FLOW FROM INVESTING ACTIVITIES		**268**		**−1,968**

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CONSOLIDATED CASH FLOW STATEMENT

Amounts in millions of euros

	2015	2015	2014	2014
CASH FLOW FROM FINANCING ACTIVITIES				
Amounts received on account of:				
− Hybrid capital	425		–	
− Debt securities	69,772		49,604	
− Financial liabilities at fair value through the income statement	–		22	
		70,197		49,626
Amounts paid on account of:				
− Debt securities	−74,810		−45,683	
− Financial liabilities at fair value through the income statement	−470		−142	
− Subordinated debts	−1		−3	
− Dividend	−32		−71	
		−75,313		−45,899
TOTAL CASH FLOW FROM FINANCING ACTIVITIES		**−5,116**		**3,727**

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CONSOLIDATED CASH FLOW STATEMENT

Amounts in millions of euros

	2015	2014
NET CHANGE IN CASH AND CASH EQUIVALENTS	**936**	**771**
Cash and cash equivalents as at 1 January	2,240	1,469
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**3,176**	**2,240**
Cash and cash equivalents as at 31 December comprise:		
− Cash and balances held with central banks	3,175	2,241
− Cash equivalents in the Amounts due from banks item	3	2
− Cash equivalents in the Amounts due to banks item	−2	−3
	3,176	**2,240**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in millions of euros

	SHARED CAPITAL	SHARE PREMIUM RESERVE	HYBRID CAPITAL	REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	OTHER RESERVES	UNAPPROPRIATED PROFIT	TOTAL
BALANCE AS AT 1/1/2014	**139**	**6**	**–**	**180**	**332**	**2,490**	**283**	**3,430**
Net profit							126	126
Unrealised results				54	43			97
Dividend payment						–71		–71
Appropriation from the previous year's profit						283	–283	–
BALANCE AS AT 31/12/2014	**139**	**6**	**–**	**234**	**375**	**2,702**	**126**	**3,582**
Net profit							226	226
Unrealised results				86	–124			–38
Issue of hybrid capital			424			1		425
Dividend payment						–32		–32
Appropriation from previous year's profit						126	–126	–
BALANCE AS AT 31/12/2015	**139**	**6**	**424**	**320**	**251**	**2,797**	**226**	**4,163**

Accounting principles for the consolidated financial statements

GENERAL COMPANY INFORMATION

The financial statements were prepared and issued for publication by the Executive Board on 4 March 2016 and will be presented to the General Meeting of Shareholders for adoption on 21 April 2016. BNG Bank is a statutory two-tier company under Dutch law. Half of the bank's share capital is held by the Dutch State and the other half by municipal authorities, provincial authorities and a district water board. BNG Bank is established in The Hague, the Netherlands, and has no branch offices.

CRITICAL ACCOUNTING PRINCIPLES APPLIED FOR VALUATION AND THE DETERMINATION OF THE RESULT

The consolidated financial statements are prepared on the basis of the going-concern principle. The balance sheet items are carried at amortised cost, with the exception of the following items: Financial assets at fair value through the income statement, Financial assets available-for-sale, Other financial assets, Financial liabilities at fair value through the income statement, and Other financial liabilities. These balance sheet items are recognised at fair value. The balance sheet item Investments in associates and joint ventures is stated according to the equity method. The balance sheet item Property and equipment is stated at cost less accumulated depreciation. All amounts in the consolidated financial statements are stated in millions of euros, unless stated otherwise. The euro is the functional and reporting currency used by BNG Bank. Income is recognised if it is likely that the economic benefits will accrue to BNG Bank and the income can be reliably determined. Expenses are allocated where possible to the period in which the services were provided or to the related income counterbalancing these expenses.

ACCOUNTING PRINCIPLES FOR CONSOLIDATION

Each year, BNG Bank prepares consolidated financial statements for the parent company and its subsidiaries. The financial statements of the parent company and its subsidiaries which are used to prepare the consolidated financial statements are drawn up at the same reporting date, and are based on uniform principles. All intra-group transactions and balances, including income, expenses and dividends, have been fully eliminated in the consolidated financial statements. The consolidated financial statements comprise all subsidiaries over which BNG Bank has control. Control exists if BNG Bank is directly or indirectly exposed through group companies or is entitled to variable returns due to its involvement and is able to influence these returns by exercising control over the activities of an entity that determines BNG Bank’s returns. Control is presumed to exist if the share of existing voting or other rights, taking account of various contractual restrictions and potential voting or other rights, give the right and power to control the activities which significantly affect BNG Bank’s returns. This equally applies in the event BNG Bank does not hold the majority of these (current and potential) rights. Group companies are consolidated in full from the date control has been acquired until such time as control ceases to exist or all related risks and benefits have been assigned to third parties. In determining whether BNG Bank has control over investment funds in which it holds units or shares, the financial interests held for BNG Bank’s own account as a participant, as well as its role – or that of its subsidiaries – as a fund manager are taken into consideration. The reporting periods of subsidiaries included in the consolidation coincide with those of BNG Bank. The consolidation base subject to prudential supervision is identical to the consolidation base under IFRS. Appendix A contains a list of BNG Bank’s consolidated subsidiaries.

INVOLVEMENT IN NON-CONSOLIDATED STRUCTURED ENTITIES

BNG Bank assesses involvement in non-consolidated structured entities on a case-by-case basis, with due regard for the nature, purpose, size and activities of those entities. Investments in investment funds through participating interests or in securitisation positions and covered bond programmes (issued by ‘special purpose entities’) are non-consolidated structured entities for BNG Bank. Due to its involvement in these entities BNG Bank is exposed to variable returns on their performance, although it does not have control. These entities are structured so as to ensure that the location of control is not determined by voting rights or similar rights, but rather by the contractual provisions. Structured entities are entities that are incorporated for a specific purpose and clearly delineated activities. BNG Bank does not act as a sponsor in these non-consolidated structured entities.

THE USE OF STATISTICS AND METHODS

Where necessary, the amounts disclosed in this report are based on management estimates and assumptions. The most important estimates relate to the fair value measurement of financial instruments for which there is no active market. Estimates are also used in determining impairments (including the incurred loss provision), deferred taxes and the employee benefits provision. BNG Bank uses generally accepted valuation models to measure the fair value of financial instruments for which there is no active market. The results of these models are based on various assumptions, including the discount rate and the future expected cash flows. Differences in the assumptions may have an effect on the reported values. BNG Bank periodically evaluates the estimates and assumptions it applies. Any revisions are reported in the year in which the estimate is revised and are also recognised in the estimates for future years.

ACCOUNTING PRINCIPLES FOR AND PRESENTATION OF COMPARATIVE FIGURES

The comparative figures in the 2015 financial statements are identical to the figures stated in the 2014 financial statements except for a change in disclosure. In the financial statements EUR 4.8 billion in private bond issues has been transferred from Funds entrusted to Debt securities. Reconsiderations relating to the characteristics of privately issued bonds, such as the marketability and the cash flow settlement method, have led to this voluntary change in disclosure, which has no consequences for the bank's equity and the results. The comparative figures for the balance sheet items Debt securities and Funds entrusted have been restated accordingly.

APPLICABLE LAWS AND REGULATIONS

The consolidated financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and adopted throughout the European Union, and with Part 9, Book 2 of the Dutch Civil Code.

ACCOUNTING STANDARDS ADOPTED BY THE EU EFFECTIVE 1 JANUARY 2015

BNG Bank has applied the new, mandatory IFRS standards, amendments and interpretations stated below, as issued by the IASB and adopted by the European Union effective 1 January 2015, to its 2015 financial statements. The retrospective application of the following improvements and amendments have had no impact on valuation, the determination of the result and the disclosures in the 2015 financial statements.

- Improvements to IFRSs 2011-2013 cycle.

EU ACCOUNTING STANDARDS EFFECTIVE AFTER 1 JANUARY 2015

BNG Bank has decided against the early application of the new or amended standards and interpretations issued by the IASB, the application of which is mandatory for the financial years commencing after 1 January 2015 and which are relevant to BNG Bank. The early application of the following new or amended standards, interpretations and improvements relevant to BNG Bank might have led to significant adjustments in the 2015 financial statements. If a new or amended standard, interpretation or improvement is not applicable at all or has no implications for the bank's equity, the result or the disclosures, no further disclosures have been made and only the effective date has been stated.

STANDARDS ADOPTED BY THE EU

- Improvements to IFRSs 2010-2012 cycle: These amendments take effect on 1 February 2015 and have no consequences for BNG Bank.
- Amendments to IAS 19 'Defined Benefit Plans': These amendments take effect on 1 February 2015 and have no consequences for BNG Bank.
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants: These amendments take effect on 1 January 2016 and do not apply to BNG Bank.
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation: These amendments take effect on 1 January 2016 and have no implications for BNG Bank.
- Amendments to IFRS 11 Accounting for acquisitions of interests in joint operations: These amendments take effect on 1 January 2016 and have no implications for BNG Bank.
- Improvements to IFRSs 2012-2014 cycle: These improvements, which apply retrospectively, relate to standards IFRS 7, IAS 19 and IAS 34 and take effect on 1 January 2016. The are expected to have minimal implications for the equity and disclosures in BNG Bank's financial statements. The improvements will take effect on 1 January 2016.
- IAS 1 Amendment Disclosure Initiative: This amendment was published in order to show companies how to apply terms such as 'professional judgement' and 'materiality' in selecting the information to be disclosed and how to recognise it in the financial statements. The amendment will take effect on 1 January 2016. The implications for the disclosures in the financial statements of BNG Bank are expected to be limited.

- IAS 27 Amendment Equity method in separate financial statements: This amendment is to be implemented with retrospective effect and allows companies to recognise investments in participating interests (subsidiaries, joint ventures and associates) in the company financial statements at cost or in accordance with the equity method as explained in IAS 28. BNG Bank currently applies the cost method pursuant to IAS 27. This results in a difference in equity compared with the consolidated financial statements. In addition, there is a difference in the accounting method for dividends. At the time of receipt, dividends are recognised in the income statement in the Results from participating interests item. The bank is currently examining the options offered. The application of the equity method in measuring associates has implications for equity and the balance sheet total of the company financial statements. This amendment takes effect on 1 January 2016.

STANDARDS NOT ADOPTED BY THE EU

- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities Applying the Consolidation Exception: These amendments take effect on 1 January 2016 and do not apply to BNG Bank.
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of assets between an investor and its associate or joint venture: These amendments state how a share in an associate or joint venture should be measured (in connection with fair value) if a subsidiary is deconsolidated. The 1 January 2016 effective date has been postponed. These amendments apply to BNG Bank after the effective date if the bank decides to sell part of its share in its subsidiaries.
- IFRS 9 and Amendments to IFRS 7: IFRS 9 will replace IAS 39 Financial Instruments almost entirely, apart from the macro hedge accounting section. It must be applied partly retrospectively and partly prospectively. The standard will take effect on 1 January 2018. As a result of the amendments, a number of new provisions and textual changes have been implemented in the disclosure requirements (IFRS 7). The bank is examining the implications of the new standard and does not rule out the possibility that its application will have a significant impact on the equity, result, balance sheet total and disclosures. The section of the annual report entitled ‘Laws, regulations and regulators – IFRS’ provides a more in-depth discussion of the consequences of the introduction of IFRS 9 for BNG Bank.
- IFRS 14 Regulatory Deferral Accounts: These amendments apply to first-time adopters and will take effect on 1 January 2016. This standard does not apply to BNG Bank.

- IFRS 15 Revenue from Contracts with Customers issued: IFRS 15 replaces a number of standards and interpretations concerning revenue recognition and applies to client contracts which do not fall under the scope of IAS 17, IAS 39 or IFRS 9, IFRS 4, IFRS 10, IFRS 11, IAS 27 and IAS 28. The standard will take effect on 1 January 2018. IFRS 15 provides a five-step model for determining whether revenues must be recognised and if so, how. The standard offers a choice between full or partial retrospective application. The bank is currently examining which types of commission received meet this new standard. The implications for BNG Bank´s result, equity and the disclosures are expected to be limited.

SEGMENTED INFORMATION

IFRS 8 Operating Segments stipulates that segmentation is dependent on the way in which the organisation is managed. The Executive Board does not distinguish between different segments when deciding on the deployment of resources and performance measurement. Therefore no segmented information is included in the financial statements.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value is the price (not adjusted for transaction costs) which, regardless of the company's intention or capability, would be received if an asset was sold, or the price that would be paid if a liability was transferred in an orderly transaction between market participants as at the measurement date under the current market conditions. The point of departure is that the valuation must be viewed from the perspective of market parties, whereby only the specific characteristics and limitations of the financial instrument may be taken into consideration.

Fair value is based on quoted market prices in active markets or, if unavailable, on modelled valuation techniques. Valuation techniques are generally used to determine the fair value of unlisted assets and liabilities and OTC derivatives. This concerns generally accepted techniques and methods such as option pricing models, discounted cash flows, forward pricing and credit and liquidity spreads. Contractual provisions are taken into account and available objective market data are used, such as market-based yield curves for discounting, correlations, volatilities, cross-currency basis spreads, credit spreads, valuation adjustments and other factors, estimates and assumptions which market parties would use to determine the price. 'Level 3' valuations are based in part on assumptions that are not supported by market data.

For a detailed description of fair value, please refer to the 'Other notes to the consolidated financial statements'.

IMPAIRMENTS

Impairments include the impairments of financial and non-financial fixed assets. BNG Bank recognises the changes in the incurred loss provision (Amounts due from banks and Loans and advances), impairments of instruments in Financial assets available-for-sale, and impairments of associates and joint ventures and impairments of non-financial fixed assets in the Impairments item.

Impairments are recognised in the financial statements if the carrying amount of a financial or non-financial asset or the cash-flow generating unit to which the financial or non-financial asset pertains exceeds the estimated realisable value. If the financial or non-financial asset was provided against collateral, the proceeds minus costs from the sale of that collateral are taken into account in calculating future cash flows. If irrecoverable financial or non-financial assets generate cash flows even after having been written down, these cash flows are recognised directly in the income statement.

IMPAIRMENT OF FINANCIAL ASSETS

At the balance sheet date, all financial assets are reviewed as to whether there are objective indicators that indicate impairment. A financial asset is subject to impairment if objective indications exist that one or more events after initial recognition had a reliably estimated negative effect on expected future cash flows from that asset. BNG Bank establishes objective indicators in the event of a major change in market conditions, for example in share prices and exchange rates, interest rates, degree of market liquidity, the creditworthiness of counterparties and the chance of default (in terms of amount and timeliness) of the cash flows to be received. Impairments concern two groups of financial assets of BNG Bank:

- Financial assets carried at amortised cost.
- Financial assets carried at fair value, with value movements recognised through equity (revaluation reserve for financial assets available-for-sale).

Financial and non-financial assets which were subject to impairment are assessed at each balance sheet date to determine whether there are indications that the impairment has decreased or no longer exists. If, in a subsequent period, the amount of the impairment decreases and this decrease can be objectively attributed to an event that occurred after the impairment, the impairment recognised earlier will be reversed for all financial assets, except for investments in equity instruments, and the amount will be recognised under the Impairments item in the income statement. In the case of an equity instrument in the Financial assets available-for-sale item this decrease is treated as a (new) revaluation and credited to the revaluation reserve in equity.

FINANCIAL ASSETS CARRIED AT AMORTISED COST

BNG Bank creates an incurred loss provision which is charged to the income statement for outstanding loans to and receivables from banks, and loans and advances carried at amortised cost. In determining impairments, a distinction is made between loans and receivables involving an objective indication of impairment, and loans and receivables for which there is no objective indication of impairment. If an asset becomes permanently irrecoverable, it is charged to the impairment provision already created, with any difference being charged or added to the Impairments income statement item.

In forming this provision, BNG Bank first determines whether there are any indications of impairment of individual loans and advances, taking into account the amounts that are actually expected to be received after the write-down. For all items involving an objective indication of impairment an estimate is made at individual counterparty level of the future cash flows calculated at present value on the basis of the Discounted Cash Flow (DCF) method. The assumptions applied in this context include an estimate of the (forced-sale) value of collateral, an estimate of payments still to be received, an estimate of the timing of these payments and the discount rate. Under IFRS uncertain future loss events may not be taken into account. Therefore the degree of probability plays no part in determining the individual impairments other than in the cash flow projections.

Loans and advances for which no objective indication of impairment exists are included in the collective assessment of the so-called Incurred But Not Identified loss model (IBNI). This portfolio method considers the off-balance exposures as well as the credit exposures. Important parameters in calculating the IBNI are the EAD (Exposure at Default), PD (Probability of Default) and LGD (Loss Given Default). In 2011 the method for determining the level of the IBNI incurred loss provision was changed. The new method seeks to align the outcome of the internal rating models and the associated chance of a loss. As a result, the bank is considerably less dependent on management estimates when determining the level of this provision.

FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH EQUITY

The impairments concern two groups of BNG Bank's financial assets carried at fair value through equity:
- Investments in equity instruments;
- Investments in debt instruments.

In addition to the general objective indicators for impairment, investments in available-for-sale equity instruments, such as participating interests, also involve objective indications for impairment if the cost persistently exceeds the realisable value, that is, if the fair value is persistently (for more than nine months) or significantly (more than 25%) lower than the cost. If there are objective indications of impairment in investments available-for-sale, the difference between the cost and the current fair value, less any impairments recognised earlier, is recognised in the Impairments income statement item.

Investments in debt instruments, such as interest-bearing securities, are assessed for impairment if there are objective indications of the loss of a market, that the counterparty is facing financial problems or other indications. With regard to debt investments available-for-sale, any impairment is recognised in the Impairments income statement item.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amount of BNG Bank's non-financial assets (property and equipment, investments in associates and joint ventures), with the exception of deferred tax assets, is assessed twice a year in order to determine whether there are objective indications of impairment. To determine impairments, an estimate is made of the realisable value and individual assets are divided into groups at the lowest level at which future cash flows can be identified (cash-flow generating units). The goodwill included in a participating interest is not considered separately in the impairment assessment, but is incorporated in the total carrying amount.

The realisable value of an asset or cash-flow generating unit is equal to the higher of the value in use, or the fair value minus selling costs. In determining the value in use, the present value of the estimated future cash flows is calculated using a discount rate before tax which reflects both the current market appraisals of the time value of money and the specific risks relating to the asset. Impairments recognised in respect of cash-flow generating units are first offset against the carrying amount of any goodwill allocated to the units and subsequently offset pro rata against the carrying amount of the other assets of the unit (or group of units).

An impairment of non-financial assets, with the exception of goodwill included in non-financial assets, is reversed through the income statement (Impairments item) if there has been a change in the indication of impairment on the basis of which the realisable value was determined. An impairment is only reversed to the extent that the carrying amount of the asset does not exceed the carrying amount minus depreciation or amortisation, which would have been determined if no impairment had been recognised.

BALANCE SHEET NETTING

Assets and liabilities are only netted on the balance sheet if and insofar as it is certain that the net and simultaneous settlement of the amount receivable and the amount payable can be legally enforced, and there is a distinct intention to settle either the net amount as such, or both items simultaneously.

FOREIGN CURRENCY

The euro is the functional currency and reporting currency used by BNG Bank, including its group companies. The consolidated balance sheet is drawn up in euros. Foreign currency transactions are translated into functional currency on initial recognition at the exchange rate applicable on the transaction date, and the exchange results are charged or added to the foreign currency result. At the balance sheet date, the foreign currency items, including debt and equity instruments shown under Financial assets available-for-sale, are revalued in functional currency at the closing rate. Non-monetary foreign currency items carried at cost are not revalued at the balance sheet date, unless these items were designated as a hedging instrument in a fair value hedge accounting relationship. The exchange results of monetary items arising from exchange rate and translation differences are recognised at the balance sheet date in the income statement, Result financial transactions, with the exception of:

- The effective portion of the foreign currency items that were designated in a cash flow hedge accounting relationship. These exchange rate differences are recognised in the cash flow hedge reserve.
- Non-monetary foreign currency items whereby fair value adjustments are recognised through equity, including the equity instruments under the Financial assets available-for-sale item. These exchange rate differences are recognised in the revaluation reserve in equity.

RECOGNITION AND ACCOUNTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are recognised on a transaction basis. This means they are recognised from the moment the bank is entitled to the benefits or is liable for the obligations arising from the contractual provisions of the financial instrument. This includes both traditional financial instruments (loans, interest-bearing securities and debt securities) and derivatives.

Financial assets and liabilities are initially recognised at fair value plus the transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability, with the exception of the transactions recognised at fair value and the results recognised through the income statement. The transactions included in the latter balance sheet item are measured at fair value without adding the transaction costs. After initial recognition, financial assets and liabilities are measured at either amortised cost or fair value, depending on the classification of the transaction.

In addition to the notional amount, the amortised cost (amortisation value) consists of accrued interest, settled transaction costs and/or premiums or discounts distributed in accordance with the effective interest method over the interest rate maturity of the transaction.

At contract level, financial derivatives are stated as assets (positive fair value) or liabilities (negative fair value). Fair value movements of financial derivatives are recognised in the income statement in full.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

A financial asset is derecognised if:

- The contractual right to receive cash flows from the asset has expired; or
- BNG Bank has retained the right to receive cash flows from the asset, but has assumed a contractual obligation to pass on these cash flows, in full and without material delay, to a third party pursuant to a special arrangement; or
- The contractual rights to receive cash flows from the asset and virtually all the risks and benefits of this asset have been transferred, i.e. when control over the asset has been transferred.

A financial liability is derecognised when the obligation specified in the contract has been discharged or cancelled, or has expired. If an existing financial asset or liability is contractually exchanged for another asset or liability from the same counterparty on substantially the same terms, the new asset or liability is treated as a continuation of the existing asset or liability at the same balance sheet value. No sales results are recognised in this case.

As far as the sale of financial assets and liabilities is concerned, BNG Bank applies the First In, First Out (FIFO) principle. Within this context, the difference between the proceeds from the transfer and the carrying amount of the asset or liability is immediately and fully recognised in the income statement.

TRANSFER OF FINANCIAL ASSETS

BNG Bank retains the financial assets transferred on its balance sheet if all or substantially all of the risks and benefits attached to (components of) the financial assets transferred are retained. For example, the bank may contribute financial assets while retaining all or nearly all of the risks and benefits in the context of repurchase transactions.

RECOGNITION AND ACCOUNTING OF DERIVATIVES

From initial recognition, derivatives are carried at fair value and any value movements are recognised under the Result financial transactions item in the income statement. Derivatives with a positive fair value are presented in the balance sheet as assets under Financial assets at fair value through the income statement if they are not involved in a hedge accounting relationship, and under Other financial assets if they are involved in a hedge accounting relationship.

Derivatives with a negative market value are presented in the balance sheet as liabilities under Financial liabilities at fair value through the income statement if they are not involved in a hedge accounting relationship, and under Other financial liabilities if they are involved in a hedge accounting relationship.

EMBEDDED DERIVATIVES

Embedded derivatives are valued separately if the following conditions have been met:

- There is no close relationship between the economic characteristics and risks of the embedded derivative and those of the host contract.
- The host contract is not carried at fair value, with value movements recognised through the income statement; and
- A separate instrument on the same terms would match the definition of a derivative.

Derivatives that meet these conditions are measured at fair value on the date the contract is entered into, and value movements are recognised under the Result financial transactions item in the income statement. Contracts are only re-assessed if there is a change in the contractual terms which materially affects the expected cash flows.

HEDGE ACCOUNTING

The interest rate risks to which the bank is exposed in relation to its financial assets or liabilities and the variability in cash flows are primarily hedged using financial instruments. In market value terms, value movements resulting from interest rate and exchange rate fluctuations are offset. Insofar as the hedge accounting relationship is effective, in principle hedge accounting enables the bank to neutralise the difference in result recognition between the hedging instruments and the hedged items. BNG Bank applies both fair value and cash-flow hedge accounting. BNG Bank uses derivatives only as hedging instruments. They are mandatorily measured at fair value in the balance sheet. In principle, the counterpart in the hedging relationship – i.e. the hedged item – is generally recognised at amortised cost. On the trade date of a derivative transaction, the bank designates whether or not it constitutes this derivative as a hedge instrument of the asset or a liability item in the balance sheet.

Hedge accounting is only applied when formal documentation is available with respect to the hedging instrument, the hedged item, the relationship between them and the objective of the hedge. Hedge documentation should demonstrate that the hedge is expected to be effective and the way in which effectiveness is determined.

Effectiveness means that, during the reporting period, there are opposing risks between the hedging instrument and the hedged item, which are within the limits defined by IAS 39 (80-125%). It should furthermore be demonstrated that the hedge will remain effective for the remaining term. The ineffective portion of the hedge relationship is recognised directly in the Result financial transactions item of the income statement.

The hedge accounting relationship is discontinued when it no longer meets the conditions for hedge accounting, or when the hedged item or hedging instrument is sold or matures. The difference between the preceding balance sheet value and the amortised cost of the hedged item is amortised over the remaining period of the hedged item, to the extent that it is retained on the balance sheet.

FAIR VALUE HEDGE ACCOUNTING

BNG Bank applies two types of fair value hedge accounting: micro-hedging and portfolio hedging. Micro-hedging is applied to individual transactions involved in an economic hedge relationship to offset interest rate risks. In the case of micro-hedging, there is an apparent one-on-one relationship between the hedged item and the hedging instrument. BNG Bank applies micro-hedging to (a large part of) the financial obligations also stated under the Funds entrusted and Debt securities items as well as to large portions of the (highly) liquid assets in the Financial assets-available-for sale item.

Portfolio hedging concerns a group of transactions that are hedged for interest rate risk using several derivatives. BNG Bank applies portfolio hedging to the majority of Loans and advances granted. There is no relationship between individual hedged items and hedging instruments, but it is shown at the portfolio level that the derivatives involved offset the fair value changes in the related assets arising from interest rate movements. Due to the lack of a direct relationship between the assets and the derivatives used for hedging, the fair value adjustment – unlike the micro-hedging situation – is recognised as a single line item in the Other financial assets balance sheet item.

CASH FLOW HEDGE ACCOUNTING

Cash flow hedging is used to hedge possible variability in future cash flows due to changes arising from exchange rate differences. BNG Bank applies cash flow hedge accounting to foreign-currency financial obligations included in micro-hedging which are recognised primarily in the Funds entrusted and Debt securities items. The effective portion of changes in the fair value of derivatives (hedging instruments), arising from changes in the cross-currency basis spread is not recognised in the income statement but in the cash flow hedge reserve in the equity. The cumulative fair value changes arising from cash flow hedge accounting are transferred to the income statement (Result financial transactions) when the hedging instrument is sold or the hedge accounting relationship is discontinued.

For a detailed description of hedging risks using derivatives, please refer to the 'Other notes to the consolidated financial statements'.

CASH AND BALANCES HELD WITH CENTRAL BANKS

This item comprises all legal tender as well as cash balances and deposits held with the Dutch Central Bank (DNB) and the European Central Bank (ECB).

AMOUNTS DUE FROM BANKS AND LOANS AND ADVANCES

These asset items include receivables (including reverse repurchase transactions) held for purposes other than trading, from both banks and clients, which are carried at amortised cost. In addition, interest-bearing securities (MTNs and bonds) are partly included in these items, if as they are not traded on an active market. Amounts due from banks and Loans and advances are recognised net of the incurred loss provision. For the accounting principles concerning the incurred loss provision, please refer to the Impairments section.

In 2008 a number of Financial assets available-for-sale were reclassified and transferred to the Amounts due from banks item and the Loans and advances item. After reclassification, these assets were initially recognised at fair value as at 1 July 2008. The difference between the fair value and the redemption value as at 1 July 2008 is amortised over the remaining terms of the individual contracts.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE INCOME STATEMENT

These balance sheet items include derivatives that do not qualify for fair value hedge accounting in conformity with the conditions set out in IAS 39. Furthermore, BNG Bank occasionally uses the option to designate individual assets and liabilities such as loans and interest-bearing securities at fair value, with full result recognition through the income statement. Transactions are designated at fair value in a number of specific cases if:

- The purpose is to exclude an accounting mismatch; or
- A portfolio is managed and evaluated on the basis of fair value; or
- It concerns an instrument with an embedded derivative that is not separated.

In principle the fair value designation of transactions, which is irrevocable, takes place at the trade date.

OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

These balance sheet items include the market value of derivatives involved in a hedge accounting relationship. In addition, the Other financial assets item includes portfolio hedging value adjustments. These value adjustments refer to the effective portion of movements in market value resulting from hedging the interest rate risk in assets at the portfolio level.

FINANCIAL ASSETS AVAILABLE-FOR-SALE

Interest-bearing securities for which there is an active market at the trade date and equity instruments (such as participating interests with an interest of less than 20%) – if they are not recognised in Financial assets at fair value through the income statement – are classified under the Financial assets available-for-sale item. These assets are retained for an indefinite period and may be sold, if desired. They are measured at fair value and value movements are recognised in equity, net of taxes.

The fair value of participating interests for which no market quotation is available is determined by means of valuation methods, such as the net present value method or the visible net asset value method, from which the shareholder value can be derived. If equity instruments are not quoted on an active market and the fair value cannot be reliably determined, valuation at cost will be allowed.

If the interest-bearing securities are involved in a fair value hedge accounting relationship, the effective portion of the hedge is accounted for in the result, and not in equity. The interest result (interest, premiums and discounts) amortised on the basis of the effective interest method and any currency revaluation are recognised directly in the income statement. In the event that interest-bearing securities and participating interests are sold, the cumulative fair value movement is deducted from equity and recognised in the Result financial transactions item of the income statement. For the impairment accounting principles, please refer to the Impairments section.

ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are recognised pro rata in accordance with the equity method. Associates are companies over which BNG Bank has significant influence on operational and financial policy but no control. In general, significant influence is assumed when BNG Bank holds between 20 to 50% of the shares or voting rights. Joint ventures are collaborations in which BNG Bank and other parties with joint control over the contractual agreements have contractual entitlements to the net assets. These contractual agreements are structured by means of separate legal entities. The joint control of the arrangement is contractually agreed and only exists if the relevant activities under the arrangement require the unanimous consent of the parties sharing control. For a description of the bank's associates and joint ventures, please refer to the 'Other notes to the consolidated financial statements'. For the impairment accounting principles, please refer to the Impairments section.

PROPERTY AND EQUIPMENT

All property and equipment owned by the bank, such as buildings and durable installations, are valued at cost less accumulated depreciation, taking into account any accumulated impairment losses. The depreciation period is determined on the basis of the estimated useful life of the assets. The estimated useful life and residual value are reviewed annually. Depreciation is calculated on a straight-line basis and charged to the income statement. Land is not depreciated. Impairments are recognised in the income statement. For the impairment accounting principles, please refer to the Impairments section.

ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities are classified as held for sale if they meet all the conditions set out below:

- The relevant group of assets and liabilities must be available for immediate sale.
- The sales must be highly probable.
- There must be a plan and an intention to sell.
- Management is committed to executing the plan to sell.
- The asset must be currently marketed actively at a price which represents the fair value of the group of assets and liabilities.
- The intention to sell must lead to the actual sale of the asset within one year (approval from the General Meeting of Shareholders).

Assets and liabilities held for sale are disclosed separately in the balance sheet with separate explanatory notes. With the exception of a number of individual assets or (part of a) group of assets, assets and liabilities held for sale are measured at the lower of the carrying amount and the fair value, less the selling costs. The excluded assets, which includes the financial assets, are measured in line with their own measurement bases. An impairment is recognised if the fair value less the selling costs is lower than the carrying amount, both initially and subsequently. Revaluation after the initial recognition of assets and liabilities held for sale is carried as the result on continued activities (before tax).

AMOUNTS DUE TO BANKS, DEBT SECURITIES, FUNDS ENTRUSTED AND SUBORDINATED DEBTS

Borrowings (including repurchase transactions) and debt securities are carried in the balance sheet at amortised cost. As regards transactions in Debt securities and Funds entrusted involved in a micro fair value hedge accounting relationship, the amortised cost is adjusted for the effective portion of the movements in market value arising from interest rate risk. Any repurchased obligations are removed from the balance sheet, and the difference between the carrying amount and the consideration paid is recognised in the income statement.

EMPLOYEE BENEFITS

PENSIONS

The bank classifies its multi-employer pension plan as a defined contribution plan. Under this plan, the members bear almost all of the actuarial and investment risks while the employer members of the plan are under no obligation to make any supplementary contributions if a deficit occurs in the fund. The obligations consist of payment of the contribution determined by the pension fund. The pension fund determines the contribution each year based on the information contained in its own dataset, taking account of the parameters and requirements specified by the regulatory authority. The obligation to pay a contribution takes effect when becoming a pension fund member in the relevant year, and not from membership in previous years. The employer's share of the pension contribution and any supplementary amounts are charged to the result in the year to which the contribution relates.

OTHER EMPLOYEE BENEFITS

Other employee benefits are classified as defined benefit plans for which separate provisions have been formed. These other employee benefits relate to the continued granting of interest rate discounts on mortgage loans for the benefit of both active and retired BNG Bank employees. The level of the provision is determined on the basis of calculations made every two years by independent actuarial experts, using the Projected Unit Credit Method (PUCM). The provision associated with the mortgage interest rate discount is stated under the Other liabilities balance sheet item. The costs relating to the employee benefits are recognised as staff costs in the income statement. All actuarial results are recognised directly through equity and cannot be recycled to the income statement in subsequent periods. The Other employee benefits item also includes a provision for a vitality scheme. The vitality discount is recognised as an amendment to the existing CLA classified as a defined benefit plan. Amendments to a defined benefit plan are included initially through the income statement; this also applies to the revaluations arising from actuarial results.

TAXES

The tax amount is calculated on the basis of the statutory tax rates and the tax legislation in force. Deferred tax assets and liabilities are recognised as temporary differences between the carrying amounts and the tax bases of assets and liabilities. These deferred tax assets and liabilities are calculated on the basis of current tax rates relating to the periods in which they are expected to be realised. Differences in deferred tax assets and liabilities resulting from a change in tax rates are recognised in the income statement. Deferred tax assets are recognised only to the extent to which taxable profits are expected to be available in the near future to compensate for these temporary differences. Deferred tax assets and deferred tax liabilities are both carried at nominal value. All deferred tax assets and liabilities are stated in the accounts of the parent company of the fiscal unit. Tax assets and liabilities, both current and deferred, are netted if they concern the same tax authority and the same type of tax and netting of these assets and liabilities is permitted by law. Group companies within the fiscal unit apply the determined tax rate.

EQUITY

The balance sheet is drawn up before profit appropriation. This means that the total net result for the financial year is presented in equity.

HYBRID CAPITAL

The privately issued hybrid capital comprises a perpetual loan with an annual non-cumulative discretionary interest payment on the original principal amount. The mandatory depreciation of the original principal amount occurs in the event the trigger ratio has been reached, and is transferred to the Other reserves. Depreciation from the Other reserves is reversed the moment the trigger ratio again exceeds the minimum level. BNG Bank is entitled to distribute the interest payment on a discretionary basis in the form of a dividend charged to the Other reserves. The dividend distribution is determined unchanged on the basis of the original principal amount. The dividend distribution is deductible before corporate income tax. This perpetual capital instrument is classified as equity. BNG Bank has the unilateral contractual option of buying back this perpetual capital instrument in May 2021, and subsequently in May of every year.

REVALUATION RESERVE

Equity includes a revaluation reserve in which the unrealised fair value changes arising from Financial assets available-for-sale, net of taxes, are recognised. This revaluation reserve also includes the changes in fair value net of taxes recognised until 1 July 2008, relating to assets reclassified in 2008 and transferred from Financial assets available-for-sale to Amounts due from banks and Loans and advances. This portion of the revaluation reserve is amortised over the remaining maturity period of the reclassified assets and recognised under Interest result in the income statement. In the event of an actual sale subject to the FIFO principle, the cumulative revaluation results are recognised in the income statement. The effective portion of fair value changes in transactions involved in hedge accounting is either credited or charged to the income statement during the period in which the transactions are involved in a hedge accounting relationship.

CASH FLOW HEDGE RESERVE

Furthermore, equity includes a cash-flow hedge reserve in which the unrealised changes in the fair value of derivatives, net of taxes, resulting from changes in the cross-currency basis spread are recognised. The revaluation reserve for Financial assets available-for-sale and the cash-flow hedge reserve are adjusted by a deferred tax asset based on the expected tax settlement if the assets concerned were sold immediately at the balance sheet date.

INTEREST INCOME AND INTEREST EXPENSES

Interest income and Interest expenses for all interest-bearing instruments included in the balance sheet are calculated on the basis of amortised cost. The effective interest method is used to determine amortised cost. If a transaction valued at amortised cost is sold, the difference between the carrying amount and the net proceeds of the sale is also recognised under either Interest income or Interest expenses.

RESULTS OF ASSOCIATES AND JOINT VENTURES

This item includes the results from associates and joint ventures, valued in accordance with the equity method.

COMMISSION INCOME AND COMMISSION EXPENSES

In this item, the commission and fees paid or received are recognised in the period in which the services were provided.

RESULT ON FINANCIAL TRANSACTIONS

This item includes the realised and unrealised gains or losses on changes in the fair value of derivatives, changes in the fair value of financial instruments recognised at fair value through the income statement, market value adjustments for derivative transactions without a daily or limited exchange of collateral arising from counterparty credit risk (Credit Value Adjustment) and own credit risk (Debit Valuation Adjustment), the effective market value adjustments arising from the hedged interest rate risk of hedged items involved in a fair value hedge accounting relationship, as well as the ineffective portion of the hedged risk in cash-flow hedge accounting.

This item also includes gains and losses on the sale of Financial assets available-for-sale. These results comprise the release of related accumulated fair value movements from the revaluation reserve and the difference between the carrying amount and the net proceeds of the sale. In addition, this item includes the foreign currency results of financial transactions. Finally, the returns from the participating interests (equity instruments) included under Financial assets available-for-sale are recognised here.

OTHER RESULTS

Other results include the results not relating to BNG Bank's core operational activities.

AMORTISATION AND DEPRECIATION

Please refer to the Property and equipment section.

CONTRIBUTION TO RESOLUTION FUND

The European resolution regime entered into force on 1 January 2015. This regime is based on the EU Bank Recovery and Resolution Directive (BRRD). The full amount payable will be charged to the result in the month of payment. The annual contribution to the European resolution fund is recognised in the income statement under the item Contribution to resolution fund.

BANK LEVY

The Bank Tax Act entered into force on 1 October 2012. In accordance with the Act, banks are required to pay a bank levy in October each year. The amount paid is charged to the result as a lump sum in that month.

STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income presents the aggregate net result of the reporting period and the direct changes in equity, net of taxes where applicable. In the statement, the amounts net of taxes are presented in groups of items that can be reclassified from equity to the income statement in the future (recycled), and items that can never be recycled.

CASH FLOW STATEMENT

The cash flow statement has been drawn up in accordance with the indirect method. The cash flows are categorised as cash flows from operating, investing and financing activities. Cash and cash equivalents include cash at hand, the available balances with banks and the central banks, and overnight interbank loans. These funds have less than three months' maturity from the date of acquisition, are readily convertible into a known amount of cash and are subject to a negligible risk of changes in value.

The changes in loans and advances, funds entrusted, derivatives and amounts due from and due to banks are included in the cash flow from operating activities. Investing activities comprise purchases, sales and redemptions in the investment portfolio as well as purchases and sales of associates and joint ventures and property and equipment. Drawdowns and repayments of subordinated debts and bond loans, as well as the dividend paid, are presented as financing activities.

STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity shows the movement in items recognised in equity.

Notes to the consolidated financial statements

Amounts in millions of euros

1 CASH AND BALANCES HELD WITH THE CENTRAL BANKS

	31/12/2015	31/12/2014
Current account balances with the central banks (due on demand)	3,175	2,241
TOTAL	**3,175**	**2,241**

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2 AMOUNTS DUE FROM BANKS AND LOANS AND ADVANCES

This item comprises all the amounts due from banks measured at amortised cost and the loans and advances granted as well as the interest-bearing securities insofar as they are not traded on an active market.

	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	AMOUNTS DUE FROM BANKS		LOANS AND ADVANCES		TOTAL	
Short-term loans and current accounts	3	2	4,328	4,470	4,331	4,472
Reverse repurchase transactions	–	501	501	501	501	1,002
Cash collateral	10,041	10,090	–	–	10,041	10,090
Long-term lending	11	12	82,702	83,456	82,713	83,468
Interest-bearing securities	100	–	309	579	409	579
Reclassified available-for-sale transactions	385	441	1,575	1,779	1,960	2,220
Incurred loss provision	–	–	−49	−53	−49	−53
TOTAL	**10,540**	**11,046**	**89,366**	**90,732**	**99,906**	**101,778**

	2015	2014
MOVEMENT IN THE INCURRED LOSS PROVISION		
Opening balance	−53	−43
Additions during the financial year	−7	−16
Release during the financial year	6	6
Withdrawals during the financial year	5	–
CLOSING BALANCE	**−49**	**−53**

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The EUR 49 million (2014: EUR 53 million) incurred loss provision comprises EUR 33 million (2014: EUR 35 million) in individual provisions and a collective provision (IBNR) of EUR 16 million (2014: EUR 18 million).

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT

This item includes assets specifically designated as measured at fair value with changes in fair value recognised through the income statement, and derivatives not involved in a hedge accounting relationship.

	31/12/2015	31/12/2014
Derivatives	831	1,522
Loans and advances	885	946
Interest-bearing securities	1,999	1,779
TOTAL	**3,715**	**4,247**

No new loans and advances or securities were included in this item in 2015. The total redemption value of the loans and advances and securities at year-end 2015 is EUR 2,118 million (2014: EUR 1,956 million).

4 OTHER FINANCIAL ASSETS

This balance sheet item includes the fair value of derivatives involved in a hedge accounting relationship and the value of the effective portion of the hedged interest rate risk of loans involved in a portfolio hedge accounting relationship.

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	31/12/2015	31/12/2014
Derivatives involved in a portfolio hedge accounting relationship	4,277	5,172
Derivatives involved in a micro hedge accounting relationship	11,262	10,106
Value of hedged interest rate risk of loans involved in a portfolio hedge accounting relationship	13,559	16,044
TOTAL	**29,098**	**31,322**

5 FINANCIAL ASSETS AVAILABLE-FOR-SALE

This includes purchased fixed and variable rate bonds and other interest-bearing securities and equity instruments, if they are not recognised in Amounts due from Banks, Loan and advances, Financial assets at fair value through the income statement and Investments in participating interests.

	31/12/2015	31/12/2014
Interest-bearing securities, issued by:		
– Governments	8,488	8,541
– Supranational organisations	1,020	1,212
– Amounts due from banks	1,757	1,565
– Other financial institutions	1,675	1,856
– Non-financial institutions	495	417
Investments in participating interests	24	102
TOTAL	**13,459**	**13,693**

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The bank's interest in BNG Depositofonds is classified and disclosed under Assets held for sale at the end of 2015. The carrying amount is EUR 67 million (see note 10).

TRANSFERS WITHOUT DERECOGNITION

The Risk section contains additional explanatory notes on the transfer of Financial assets available-for-sale without derecognition in relation to repurchase transactions.

6 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	INTEREST		BALANCE SHEET VALUE	
ASSOCIATES				
Dataland BV, Rotterdam	30%	30%	0	0
Data B Mailservice BV, Leek	45%	45%	2	2
SUBTOTAL			**2**	**2**
JOINT VENTURES				
BNG Gebiedsontwikkeling BV, various	See Other notes		45	52
TOTAL			**47**	**54**

For summarised financial information on associates and joint ventures, please refer to Other notes to the consolidated financial statements.

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7 PROPERTY AND EQUIPMENT

The movement in this balance sheet item is as follows:

	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	PROPERTY		EQUIPMENT		TOTAL	
HISTORICAL COST						
Value as at 1 January	47	47	14	13	61	60
Investments	1	0	1	1	2	1
Disposals	–	–	–	–	–	–
Value as at 31 December	48	47	15	14	63	61
DEPRECIATION						
Accumulated depreciation as at 1 January	33	32	12	11	45	43
Depreciation during the year	1	1	1	1	2	2
Accumulated depreciation as at 31 December	34	33	13	12	47	45
TOTAL	**14**	**14**	**2**	**2**	**16**	**16**

ESTIMATED USEFUL LIFE	
Buildings	33⅓ years
Technical installations	15 years
Machinery and inventory	5 years
Hardware and software	3 years

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8 OTHER ASSETS AND OTHER LIABILITIES

	31/12/2015	31/12/2014
OTHER ASSETS		
Current tax asset	–	58
Various receivables	27	96
TOTAL OTHER ASSETS	**27**	**154**
OTHER LIABILITIES		
Current tax liability	16	–
Deferred tax liability	206	224
Employee benefits provision	2	3
Other liabilities	84	33
TOTAL OTHER LIABILITIES	**308**	**260**

For the deferred tax assets and liabilities, please refer to note 9. The other receivables are primarily composed of amounts receivable from lending to clients. The other liabilities are primarily composed of amounts payable related to derivatives and lending to clients.

The employee benefits provision includes a provision of EUR 1 million (2014: EUR 2 million) for the interest rate discount on mortgage loans to both active and retired employees. With effect from 1 January 2014, the employee benefits provision includes a EUR 1 million provision for vitality leave. This provision amounted to EUR 1 million as at the end of 2015 (2014: EUR 1 million). These provisions have a long-term character.

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The movements in the present value of the net liability in relation to the defined benefits relating to the mortgage interest rate discount and the provision for vitality leave are as follows:

	2015	2014
EMPLOYEE BENEFITS PROVISION		
Net liability as at 1 January	3	2
Movements in the provision	-1	1
NET LIABILITY AS AT 31 DECEMBER	**2**	**3**

9 TAXES

BNG Bank and the Dutch tax authorities have concluded a bilateral agreement ('vaststellingsovereenkomst') for the period 2013 – 2017. The bilateral agreement applies to the BNG Bank fiscal unit. Pursuant to the agreement, all financial instruments are stated – for both reporting and tax purposes – in accordance with the IFRS principles of valuation, with the exception of transactions classified as Financial assets available-for-sale. All transactions within this category are valued for tax purposes at the lower of either the cost price or the market value. The result for tax purposes differs from the result for reporting purposes if, on balance, unrealised losses have arisen. If the revaluation reserve increases, the positive amount is added to the annual profit for tax purposes up to the level at which the cost price is reached. The reconciliation between the effective tax rate and the nominal tax rate is as follows:

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	2015	2014
Profit before tax	314	179
Tax levied at the nominal tax rate	–79	–45
Tax adjustment from previous years	–	–
Participation exemption	–	–
Non-deductible costs (bank levy)	–9	–8
EFFECTIVE TAX	**–88**	**–53**
Nominal tax rate	25.0%	25.0%
Effective tax rate	28.0%	29.6%

	2015			
	OPENING BALANCE	CHANGES THROUGH EQUITY	CHANGES THROUGH THE INCOME STATEMENT	CLOSING BALANCE
CHANGES IN DEFERRED TAXES				
Fiscal treatment opening balance sheet	1	–	–1	0
Financial assets available-for-sale	–101	–23	–	–124
Cash flow hedge reserve	–125	42	–	–83
Employee benefits provision	1	–	–	1
TOTAL	**–224**	**19**	**–1**	**–206**

	2014			
	OPENING BALANCE	CHANGES THROUGH EQUITY	CHANGES THROUGH THE INCOME STATEMENT	CLOSING BALANCE
CHANGES IN DEFERRED TAXES				
Fiscal treatment opening balance sheet	1	–	–	1
Financial assets available-for-sale	−87	−14	–	−101
Cash flow hedge reserve	−110	−15	–	−125
Employee benefits provision	–	–	1	1
TOTAL	**−196**	**−29**	**1**	**−224**

The share of Assets held for sale in the current tax item is zero. EUR 6 million of the deferred taxes in Financial assets available-for-sale relate to Assets held for sale.

10 ASSETS HELD FOR SALE

On 22 January 2016, BNG Bank entered into a sales contract to sell the shares of BNG Vermogensbeheer and the bank's interest in the BNG Depositofonds. The shares will be transferred to the purchasing party following the approval of the AFM and DNB, which is expected to be granted in the second quarter of 2016. At the same time, the interest in the investment fund will be transferred at fair value.

BNG Bank has a total of EUR 68 million in Assets held for sale, EUR 67 million of which comprises the intended sale of the bank's interest in BNG Depositofonds and EUR 1 million the intended sale of BNG Vermogensbeheer.

	31/12/2015	31/12/2014
Interest in BNG Depositofonds	67	–
BNG Vermogensbeheer	1	–
TOTAL	**68**	**–**

The bank's interest in BNG Depositofonds comprises a financial asset measured at fair value through equity and was classified until the intended sale as an investment in participating interests (see note 5 to Financial assets available-for-sale).

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11 AMOUNTS DUE TO BANKS, FUNDS ENTRUSTED AND SUBORDINATED DEBTS

This includes debts to banks, funds entrusted and subordinated debts, insofar as they are not embodied in debt securities.

	31/12/2015	31/12/2014
Current account	2,273	1,725
Cash collateral	1,761	878
Deposits from central/banks	1,280	1,207
Other deposits	167	2,151
Repurchase transactions	–	510
Private loans	4,356	3,608
Subordinated debts	31	32
TOTAL	**9,868**	**10,111**

Note 29 includes a breakdown by remaining contractual maturity.

12 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE INCOME STATEMENT

This item includes debt securities specifically designated as measured at fair value with changes in fair value recognised through the income statement, and derivatives not involved in a hedge accounting relationship.

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	31/12/2015	31/12/2014
Derivatives	1,417	1,250
Debt securities	1,356	1,455
Private interest-bearing securities	432	622
TOTAL	**3,205**	**3,327**

The total redemption value of the debt securities and private interest-bearing securities at year-end 2015 is EUR 1,401 million (2014: EUR 1,715 million).

13 OTHER FINANCIAL LIABILITIES

This balance sheet item concerns the fair value of derivatives involved in a hedge accounting relationship.

	31/12/2015	31/12/2014
Derivatives involved in a portfolio hedge accounting relationship	18,902	22,297
Derivatives involved in a micro hedge accounting relationship	2,942	3,060
TOTAL	**21,844**	**25,357**

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14 DEBT SECURITIES

This includes bonds and other negotiable debt securities issued with either fixed or variable interest rates. Any unsold portion of an issue is deducted from the relevant bond loan.

	31/12/2015	31/12/2014
Bond loans	92,019	90,858
Commercial Paper	13,341	15,211
Private bond loans	4,763	4,799
TOTAL	**110,123**	**110,868**

Note 29 includes a breakdown by remaining contractual maturity.

15 EQUITY

Since BNG has no minority interests after consolidation, the entire consolidated equity, excluding hybrid capital, can be attributed to the shareholders. The items included in equity are explained below.

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	31/12/2015	31/12/2014
Share capital	139	139
Share premium reserve	6	6
Hybrid capital	424	–
Revaluation reserve	320	234
Cash flow hedge reserve	251	375
Other reserves	2,797	2,702
Unappropriated profit	226	126
TOTAL	**4,163**	**3,582**

	31/12/2015	31/12/2014
Number of paid-up shares outstanding	55,690,720	55,690,720
Proposed dividend per share in euros	1.02	0.57
PROPOSED DIVIDEND		
– Primary dividend pursuant to the Articles of Association	7	7
– Proposed dividend above the primary dividend	50	25
TOTAL	**57**	**32**

SHARE CAPITAL

The authorised capital is divided into 100 million shares with a nominal value of EUR 2.50 each, of which 55,690,720 shares have been issued and fully paid up. The number of shares in circulation remained unchanged during the financial year. There are no issued shares that are not fully paid up. BNG Bank and its subsidiaries hold no company shares. None of the shares carry preferential rights, nor are they subject to restrictions. There are no options that can be exercised to obtain entitlement to the issue of shares.

SHARE PREMIUM RESERVE

There were no movements in 2015.

HYBRID CAPITAL

In 2015 BNG Bank privately issued EUR 424 million in hybrid capital comprising a perpetual loan with an annual non-cumulative discretionary payment on the outstanding principal, which is subject to mandatory depreciation if the CET1 ratio falls below 5.125%. Under IFRS this payment qualifies as dividend and is charged to the Other reserves. The deductibility of this payment has led to a public debate, and the announcement of an enquiry into this subject by the European Commission. If this compensation is no longer deductible in the future, this will have negative consequences for the bank's results and equity.

The instrument is structured in line with CRR requirements and the EBA guidelines and qualifies as additional Tier 1 capital. BNG Bank has the unilateral contractual option of repaying this perpetual capital instrument prematurely in May 2021, and subsequently in May of every year on the coupon due date.

REVALUATION RESERVE

The revaluation reserve includes unrealised changes in fair value, excluding the value of the hedged part of the interest-rate risk of interest-bearing securities involved in hedge accounting, which are recognised in the Financial assets available-for-sale item. The revaluation reserve is adjusted for taxes. Upon the sale of these assets, the associated cumulative result recognised in equity is transferred to the income statement. At year-end 2015, EUR 22 million (2014: EUR 21 million) in the revaluation reserve comprises equity instruments, of which EUR 20 million (after tax) is related to Assets held for sale arising from the interest in BNG Depositofonds.

CASH FLOW HEDGE RESERVE

The changes in the fair value of derivatives, resulting from changes in the cross-currency basis spread, are recognised in the cash flow hedge reserve. The revaluation reserve is adjusted for taxes. The cash flow hedge reserve concerns a large number of derivatives and hedged items with different maturities. The maximum remaining maturity runs up to 38 years, with the largest concentrations of remaining maturities varying between 1 and 5 years, in line with the maturities of the long-term funds in foreign currency involved in hedge accounting.

OTHER RESERVES

After determination of the appropriations of the distributable profit pursuant to the Articles of Association, the General Meeting of Shareholders decides which portion of the remaining profit is added to the reserves. The Other reserves include a share premium of EUR 1 million as a result of the hybrid capital issued in 2015. The annual dividend payment will be taken to the Other reserves.

UNAPPROPRIATED PROFIT

The balance sheet is prepared prior to profit appropriation. This item represents the result achieved after deduction of corporate income tax.

16 INTEREST INCOME

This includes the interest income from loans and advances, exposures and investments, as well as the results from financial instruments used to hedge interest rate and currency risks. In addition, other credit-related income received is included in this item.

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	2015	2014
Financial assets at fair value through the income statement	69	60
Derivatives not involved in a hedge accounting relationship	185	123
Derivatives involved in a hedge accounting relationship	−2,294	−2,202
Financial assets available-for-sale not involved in a hedge accounting relationship	10	6
Financial assets involved in a hedge accounting relationship	2,933	3,070
Financial assets at amortised cost	119	163
Negative interest income on current financial assets at amortised cost	−24	–
Other	0	38
TOTAL	**998**	**1,258**

The interest revenues in 2015 include EUR 4 million (2014: EUR 0 million) in interest revenues for financial assets, Loans and advances (note 2), and Financial assets available-for-sale (note 5), which were subject to impairment.

17 INTEREST EXPENSES

This includes the cost of borrowing and related transactions, as well as other interest-related charges.

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	2015	2014
Financial liabilities at fair value through the income statement	71	71
Derivatives not involved in a hedge accounting relationship	74	80
Derivatives involved in a hedge accounting relationship	−1,988	−1,810
Financial liabilities involved in a hedge accounting relationship	2,179	2,223
Financial liabilities at amortised cost	225	245
Negative interest expenses on current financial liabilities at amortised cost	−18	–
Other	5	5
TOTAL	**548**	**814**

18 RESULTS FROM ASSOCIATES AND JOINT VENTURES

This item includes the results from associates and joint ventures.

	2015	2014
Associates	1	–
Joint ventures	1	1
TOTAL	**2**	**1**

For a description of the bank's associates and joint ventures, please refer to the 'Other notes to the consolidated financial statements'.

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19 COMMISSION INCOME

This item includes income received or to be received from services provided to third parties.

	2015	2014
Income from loans and credit facilities	17	19
Income from payment services	10	11
Income from fiduciary activities	5	5
TOTAL	**32**	**35**

EUR 5 million in commission income from fiduciary activities was recognised for 2015, which is attributable to Assets held for sale (note 10).

20 COMMISSION EXPENSES

This item comprises expenses totalling EUR 4 million (2014: EUR 6 million) relating to fees paid or to be paid for services rendered by third parties in relation to loans and credit facilities, payment services and fiduciary activities. EUR 1 million in commission expenses from fiduciary activities was recognised for 2015, which is attributable to Assets held for sale (note 10).

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21 RESULT ON FINANCIAL TRANSACTIONS

This item relates to realised and unrealised results arising from value changes of financial instruments measured at fair value, with changes in fair value recognised through the income statement. These are offset almost entirely by movements in the market value of the relating derivatives. This item also includes the result from sales of financial assets available-for-sale. In addition, this item includes the movements in the market value adjustments due to the counterparty credit risk (Credit Valuation Adjustment, CVA) and adjustments for own credit risk (Debit Valuation Adjustment, DVA) for all derivative transactions with clients and financial counterparties without a daily or with a limited exchange of collateral.

	2015		2014	
MARKET VALUE CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT RESULTING FROM CHANGES IN CREDIT AND LIQUIDITY SPREADS, CONSISTING OF:				
– Interest-bearing securities	−85		−112	
– Structured loans	−8		3	
		−93		−109
RESULT FROM HEDGE ACCOUNTING				
– Financial assets involved in a hedge accounting relationship	−2,756		9,785	
– Financial liabilities involved in a hedge accounting relationship	−2,883		−6,683	
– Derivatives involved in a hedge accounting relationship	5,662		−3,065	
		23		37
Change in counterparty and own credit risk for derivatives (CVA/DVA)		9		−51
Realised sales and buy-out results		57		12
Other market value changes		20		−76
TOTAL		**16**		**−187**

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In 2015 the result on financial transactions was negatively affected by unrealised results, mainly arising from the increased credit and liquidity risk spreads of a limited number of interest-bearing securities recorded under Financial assets at fair value through the income statement.

The following factors had a favourable effect on the result on financial transactions:
- the lower counterparty credit risk for derivatives;
- the result on hedge accounting;
- the realised results on the sale of interest-bearing securities;
- other realised results on the premature termination of contracts on the counterparty's initiative.

22 OTHER RESULTS

	2015	2014
Income from consultancy services	3	4
TOTAL	**3**	**4**

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23 STAFF COSTS

	2015	2014
Wages and salaries	26	26
Pension costs	4	4
Social security costs	2	2
Addition to provisions	0	0
Other staff costs	6	6
TOTAL	**38**	**38**

The variable remuneration of individual staff members in 2015 amounted to a maximum of 20% of their fixed salary (2014: 25%). Staff costs amounting to EUR 2 million, attributable to Assets held for sale were recorded for 2015 (see note 10).

24 OTHER ADMINISTRATIVE EXPENSES

These expenses include outsourcing costs, rent and maintenance costs of property and equipment, printing costs, training expenses and advertising expenses. The total other administrative expenses for 2015 amounted to EUR 27 million (2014: EUR 27 million), of which EUR 1 million relates to Assets held for sale (note 10).

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25 DEPRECIATION

A breakdown of this item is included in the note on Property and equipment (note 7). Depreciation costs amounted to EUR 2 million in 2015 (2014: EUR 2 million).

26 IMPAIRMENTS

Impairments amounted to EUR 72 million in 2015 (2014: EUR 15 million).

	2015	2014
Addition to the incurred loss provision for loans and advances	7	16
Release from the incurred loss provision for loans and advances	−6	−6
Impairment of financial assets available-for-sale	63	–
Impairment of associates and joint ventures	8	5
TOTAL	**72**	**15**

The impairments in 2015 were caused by negative developments in individual loans and advances and a number of participating interests of BNG Gebiedsontwikkeling (joint ventures). Furthermore a bond owned by the bank was written down.

The changes in the incurred loss provision are included in the Loans and advances item (note 2). On the one hand, an addition of EUR 7 million was made to this provision (2014: EUR 16 million), EUR 7 million of which (2014: EUR 11 million) relates to individual provisions. On the other hand, EUR 6 million was released from this provision (2014: EUR 6 million), EUR 4 million of which (2014: EUR 6 million) relates to individual provisions and EUR 2 million (2014: EUR 0 million) to the collective provision (IBNR).

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151 155 230 260

Over EUR 63 million comprises a partial write-down on a bond with a nominal value of EUR 125 million of the former Austrian Hypo Alpe Adria Bank (HAA) guaranteed by the federal state of Carinthia. The Austrian state indicated in March 2015 that it no longer intended to devote new capital to HETA, the entity appointed to wind down HAA. The Austrian Financial Market Authority (FMA) subsequently issued a moratorium until 31 May 2016 on HETA's interest and redemption liabilities. The impairment consists of a write-down on the principal amount based on the market rate as at the end of March 2015 (58%), the accrued interest (around EUR 1 million) and almost EUR 10 million arising from the mandatory termination of the hedge relationship. The latter is the value of the hedged interest rate risk in this bond loan.

Lastly, two BNG Gebiedsontwikkeling participations were written down by EUR 8 million in total.

27 CONTRIBUTION TO RESOLUTION FUND AND BANK LEVY

The European resolution regime arising from the Bank Recovery and Resolution Directive entered into force on 1 January 2015. The expenses for the resolution fund are deductible for corporate income tax purposes. The EUR 9 million payable for 2015 was paid as a lump sum in December and was charged to the income statement.

The Bank Tax Act entered into force on 1 October 2012. The expenses concerning the bank levy are not deductible for corporate income tax purposes. As a consequence, the effective tax burden exceeds the nominal tax burden. BNG Bank is due to pay the bank levy on 1 October of every year, which for 2015 amounts to EUR 37 million (2014: EUR 30 million). Following a recalculation in 2015, an additional tax demand for 2014 was paid and recognised in the income statement. Based on the methodology and assumptions laid down in the Act, the bank levy owed for 2016 is expected to be EUR 35 million.

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	2015	2014
THE BANK LEVY IS CALCULATED AS FOLLOWS:	**BASIS 2014**	**BASIS 2013**
Balance sheet total	153,505	131,183
Less: Tier 1 capital	2,864	2,811
Less: Deposits covered by the deposit-guarantee scheme	44	43
Less: Liabilities relating to insurance activities	–	–
TAXABLE BASE	**150,597**	**128,329**
Less: Efficiency exemption	20,000	20,000
TAXABLE AMOUNT	**130,597**	**108,329**
Total sum of debts with a maturity of less than one year, according to the balance sheet	42,733	31,751
Total sum of all debts, according to the balance sheet	149,923	127,753
Bank levy on short-term debt (0.044% of taxable amount)	16	12
Bank levy on long-term debt (0.022% of taxable amount)	21	18
TOTAL CALCULATED/DUE	**37**	**30**
Additional tax demand paid and recognised in 2015	0	–
TOTAL IN THE INCOME STATEMENT	**37**	**30**

28 FEES OF EXTERNAL AUDITORS

The fees paid to external auditors are included in Other administrative expenses. In conformity with Section 382a of Part 9, Book 2 of the Dutch Civil Code, a breakdown of the fees paid to the external auditors for audits and audit related and non-audit related services is given in note 28 to the company financial statements.

29 BREAKDOWN OF BALANCE SHEET VALUE BY CATEGORY AND BY REMAINING CONTRACTUAL MATURITY

							31/12/2015
CATEGORY BREAKDOWN	**FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH THE INCOME STATEMENT**	**DERIVATIVES NOT INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP**	**DERIVATIVES INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP**	**FINANCIAL ASSETS AVAILABLE-FOR-SALE NOT INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP**	**FINANCIAL ASSETS AND LIABILITIES INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP**	**FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST**	**TOTAL**
– Cash and balances held with central banks						3,175	3,175
– Amounts due from banks					303	10,237	10,540
– Financial assets at fair value through the income statement	2,884	831					3,715
– Other financial assets			15,539		13,559		29,098
– Financial assets available-for-sale				1,486	11,973		13,459
– Loans and advances					72,227	17,139	89,366
TOTAL ASSETS	**2,884**	**831**	**15,539**	**1,486**	**98,062**	**30,551**	**149,353**

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							31/12/2015
CATEGORY BREAKDOWN	FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH THE INCOME STATEMENT	DERIVATIVES NOT INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP	DERIVATIVES INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP	FINANCIAL ASSETS AVAILABLE-FOR-SALE NOT INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP	FINANCIAL ASSETS AND LIABILITIES INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP	FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST	TOTAL
– Amounts due to banks						2,968	2,968
– Financial liabilities at fair value through the income statement	1,788	1,417					3,205
– Other financial liabilities			21,844				21,844
– Debt securities					89,952	20,171	110,123
– Funds entrusted					2,172	4,697	6,869
– Subordinated debts						31	31
TOTAL LIABILITIES	**1,788**	**1,417**	**21,844**	**–**	**92,124**	**27,867**	**145,040**

							31/12/2014
CATEGORY BREAKDOWN	**FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH THE INCOME STATEMENT**	**DERIVATIVES NOT INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP**	**DERIVATIVES INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP**	**FINANCIAL ASSETS AVAILABLE-FOR-SALE NOT INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP**	**FINANCIAL ASSETS AND LIABILITIES INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP**	**FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST**	**TOTAL**
– Cash and balances held with central banks						2,241	2,241
– Amounts due from banks					12	11,034	11,046
– Financial assets at fair value through the income statement	2,725	1,522					4,247
– Other financial assets			15,278		16,044		31,322
– Financial assets available-for-sale				3,270	10,423		13,693
– Loans and advances					73,155	17,577	90,732
TOTAL ASSETS	**2,725**	**1,522**	**15,278**	**3,270**	**99,634**	**30,852**	**153,281**

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CATEGORY BREAKDOWN	FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH THE INCOME STATEMENT	DERIVATIVES NOT INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP	DERIVATIVES INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP	FINANCIAL ASSETS AVAILABLE-FOR-SALE NOT INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP	FINANCIAL ASSETS AND LIABILITIES INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP	FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST	TOTAL
							31/12/2014
– Amounts due to banks						2,544	2,544
– Financial liabilities at fair value through the income statement	2,077	1,250					3,327
– Other financial liabilities			25,357				25,357
– Debt securities					89,141	21,727	110,868
– Funds entrusted					2,001	5,534	7,535
– Subordinated debts						32	32
TOTAL LIABILITIES	**2,077**	**1,250**	**25,357**	**–**	**91,142**	**29,837**	**149,663**

						31/12/2015
BREAKDOWN BY REMAINING CONTRACTUAL MATURITY	DUE ON DEMAND	UP TO 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
– Cash and balances held with central banks	3,175	–	–	–	–	3,175
– Amounts due from banks	3	10,089	203	241	4	10,540
– Financial assets at fair value through the income statement	–	161	244	413	2,897	3,715
– Other financial assets	–	1,292	3,932	13,206	10,668	29,098
– Financial assets available-for-sale	–	171	636	5,058	7,594	13,459
– Loans and advances	1,373	5,953	10,523	34,130	37,387	89,366
TOTAL ASSETS	**4,551**	**17,666**	**15,538**	**53,048**	**58,550**	**149,353**
– Amounts due to banks	2	2,966	–	–	–	2,968
– Financial liabilities at fair value through the income statement	–	−8	178	802	2,233	3,205
– Other financial liabilities	–	367	1,088	6,997	13,392	21,844
– Debt securities	–	11,062	21,678	49,626	27,757	110,123
– Funds entrusted	2,280	301	251	1,706	2,331	6,869
– Subordinated debts	–	1	1	4	25	31
TOTAL LIABILITIES	**2,282**	**14,689**	**23,196**	**59,135**	**45,738**	**145,040**

						31/12/2014
BREAKDOWN BY REMAINING CONTRACTUAL MATURITY	DUE ON DEMAND	UP TO 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
– Cash and balances held with central banks	2,241	–	–	–	–	2,241
– Amounts due from banks	2	10,101	509	389	45	11,046
– Financial assets at fair value through the income statement	–	374	823	744	2,306	4,247
– Other financial assets	–	1,432	3,298	14,150	12,442	31,322
– Financial assets available-for-sale	–	186	826	4,527	8,154	13,693
– Loans and advances	1,846	5,758	9,476	36,261	37,391	90,732
TOTAL ASSETS	**4,089**	**17,851**	**14,932**	**56,071**	**60,338**	**153,281**
– Amounts due to banks	3	2,349	192	–	–	2,544
– Financial liabilities at fair value through the income statement	–	51	74	682	2,520	3,327
– Other financial liabilities	–	366	1,087	8,196	15,708	25,357
– Debt securities	–	12,185	22,315	48,153	28,215	110,868
– Funds entrusted	1,725	1,251	1,102	1,978	1,479	7,535
– Subordinated debts	–	1	2	5	24	32
TOTAL LIABILITIES	**1,728**	**16,203**	**24,772**	**59,014**	**47,946**	**149,663**

30 RECLASSIFICATION OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

On 15 October 2008, the EU adopted several amendments to IAS 39 and IFRS 7 (amendments to IAS 39: Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosure) which allow an entity to reclassify financial instruments in certain circumstances, such as illiquid markets. BNG Bank used this option and reclassified part of the instruments in the Financial assets available-for-sale item to Amounts due from banks and Loans and advances. The intention is to retain these assets for the foreseeable future. When trading in the portfolio (or parts of it) is restored, the possibility of a partial sale is not ruled out. The reclassification does not affect the realised results.

The effective interest rate of these reclassified assets, from the moment of reclassification, has a weighted average of 5.2% and ranges from 2.8% to 6.3%. In light of the fact that the assets have not been impaired, the calculation of the effective interest rate is based on the original cash flows.

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	31/12/2015		
BALANCE SHEET VALUE	WITH RECLASSIFICATION	WITHOUT RECLASSIFICATION	EFFECT OF RECLASSIFICATION
Financial assets available-for-sale	13,459	15,386	−1,927
Amounts due from banks	10,540	10,155	385
Loans and advances	89,366	87,791	1,575
Equity	4,163	4,130	33
– of which revaluation reserve	320	287	33

	31/12/2014		
BALANCE SHEET VALUE	WITH RECLASSIFICATION	WITHOUT RECLASSIFICATION	EFFECT OF RECLASSIFICATION
Financial assets available-for-sale	13,693	15,909	−2,216
Amounts due from banks	11,046	10,605	441
Loans and advances	90,732	88,953	1,779
Equity	3,582	3,578	4
– of which revaluation reserve	234	230	4

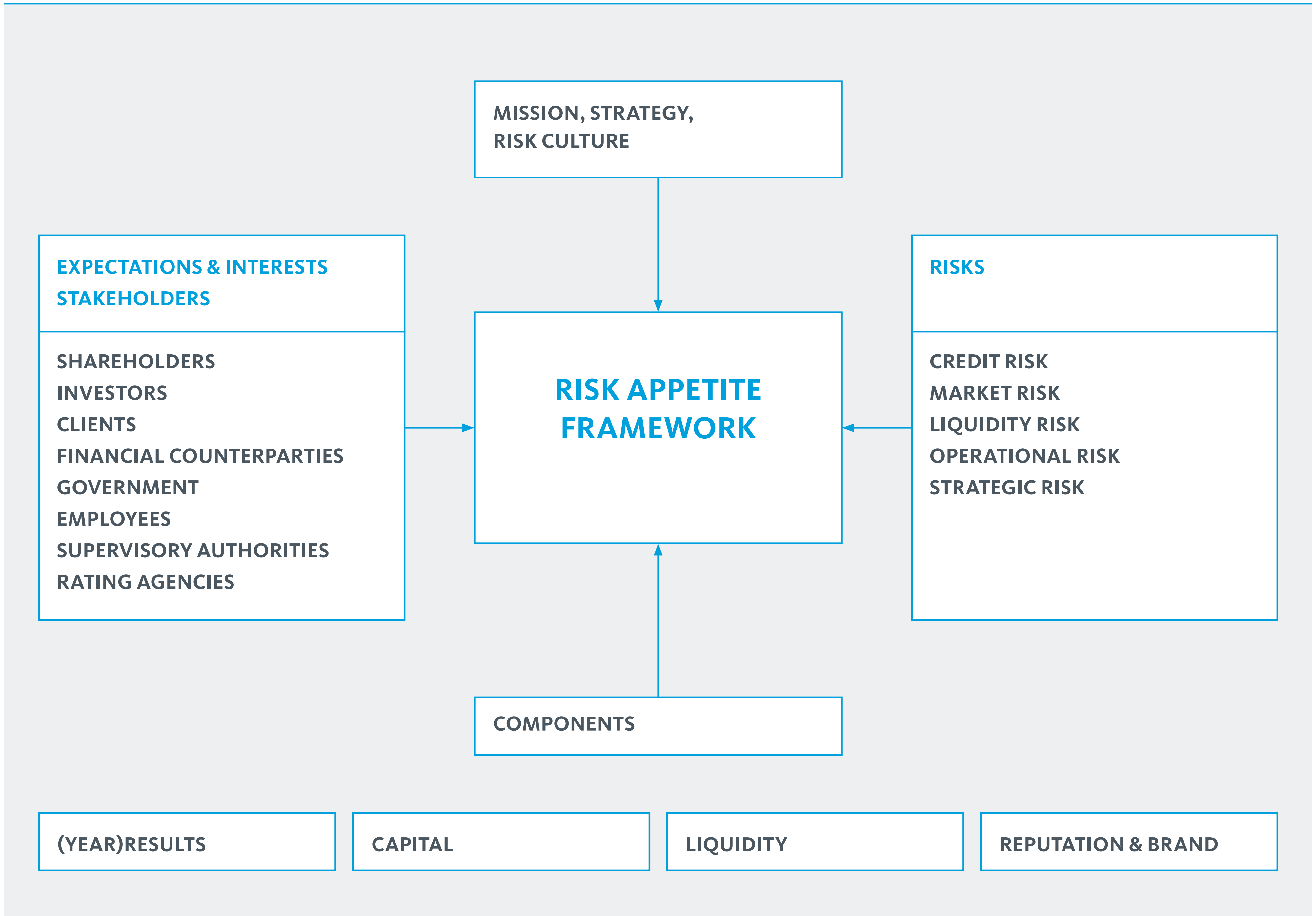
RECLASSIFIED ASSETS	31/12/2015		31/12/2014	
	WITH RECLASSIFI-CATION	WITHOUT RECLASSIFI-CATION	WITH RECLASSIFI-CATION	WITHOUT RECLASSIFI-CATION
– Balance sheet value	1,960	1,927	2,220	2,216
– Fair value	1,927	1,927	2,216	2,216
– Balance unrealised market value changes in equity	−77	−110	−99	−103
– Movement in unrealised market value changes in equity	22	−7	15	199

Risk section

General

The process of accepting and controlling risks is inherent to the day-to-day operations of any bank. In order to conduct lending operations, a bank will have to accept a certain amount of credit, market, liquidity and operational risk. BNG Bank has only a banking book and does not use a trading book. BNG Bank's risk management strategy is aimed at maintaining its safe risk profile, which is expressed in its high external credit ratings. For this reason, BNG Bank pursues a strict capitalisation policy with lower limits for the leverage ratio and the Tier 1 ratio. In combination with the restriction on services as laid down in its Articles of Association, these limits determine the scope and sphere of activity of the bank.

The bank has prepared a risk appetite which sets out the types and degree of risk the bank is prepared to accept in order to achieve its strategic objectives and implement its business plan. The risk appetite falls within the risk capacity, which is the maximum risk level that the bank can take on without exceeding regulatory capital, liquidity and operating environment limits and at which it is still able to meet its obligations towards its clients, investors, shareholders and other stakeholders. The operating environment includes such aspects as the technical infrastructure, risk management capacities and expertise.


MISSION, STRATEGY, RISK CULTURE
EXPECTATIONS & INTERESTS STAKEHOLDERS
SHAREHOLDERS
INVESTORS
CLIENTS
FINANCIAL COUNTERPARTIES
GOVERNMENT
EMPLOYEES
SUPERVISORY AUTHORITIES
RATING AGENCIES
RISK APPETITE FRAMEWORK
RISKS
CREDIT RISK
MARKET RISK
LIQUIDITY RISK
OPERATIONAL RISK
STRATEGIC RISK
COMPONENTS
(YEAR)RESULTS
CAPITAL
LIQUIDITY
REPUTATION & BRAND

The risk appetite is evaluated annually and adjusted where necessary in order to ensure that this appetite remains in line with BNG Bank's strategic objectives:
- substantial market shares in the Dutch public and semi-public domain;
- a reasonable return for the shareholders;

And satisfies the conditions identified in this context:
- an excellent credit rating and adequate risk management;
- a competitive funding position;
- effective and efficient operations.

In translating these strategic objectives and conditions into the risk appetite, the bank first of all identifies the interests and expectations of all its stakeholders. This subsequently results in the formulation of ambitions with regard to profitability, solvency, liquidity and reputation & brand. In this way, the risk appetite serves as a risk tolerance guideline for the various risk types and the associated control frameworks and limits.

It is the Supervisory Board that determines this risk appetite. For 2015, the risk appetite for the four components is reflected in the following objectives:

PROFITABILITY
Rather than wishing to maximise its profit, BNG Bank seeks to keep its lending rates for the public sector as low as possible. The bank also seeks to generate a reasonable return for its shareholders. Relative stability of the annual results is also important for various stakeholders, such as regulators and rating agencies.

SOLVENCY
BNG Bank remains eager to stand out in the financial markets in terms of the volume and quality of its capital. This is reflected in the desired rating profile: a rating equal to that of the Dutch State. To this end, BNG Bank's risk-weighted capital ratios must be significantly above the criteria imposed by the regulators and significantly above those of (the majority of) the other banks.

LIQUIDITY

Based on its function for the public sector, BNG Bank wants to provide a constant and stable presence in the market and continue meeting the demand for credit also in difficult times. In addition, it pursues a prudent liquidity position, based on strict internal criteria and the point of departure that it should always be able to fulfil its short-term obligations. In this context, ongoing access to funding is essential and thereby the ongoing maintenance of an attractive, varied and sufficiently large issue programme for investors.

REPUTATION & BRAND

BNG Bank wants to maintain the perception among stakeholders of the bank as a quasi-government institution with an excellent credit rating and a first-class reputation and integrity profile. BNG Bank wants to maintain its prominent profile as a specialist sectoral bank with a high level of niche expertise. BNG Bank offers tailor-made services at competitive lending rates.

This risk appetite was subsequently translated into a system of limits, targets and reference figures. The principal indicators include capital and liquidity ratios, liquidity limits, external ratings, customer satisfaction, turnover figures, return on equity and changes in the development of results. Where appropriate, a policy adjustment is made in order to keep practical application aligned with the risk appetite. A monitoring programme is conducted each quarter to determine whether the bank is still within the limits of its risk appetite. In this way, the risk appetite is embedded in the organisation while its practical applicability is increased. The various directorates and departments indicate in their control statements and annual plans how they will ensure compliance with the risk appetite from their respective areas of responsibility. In 2015, BNG Bank could not always remain within the boundaries set for the return on equity on account of temporary turnover fluctuations and a write-down on a bond of the Austrian bank HETA. This did not result in changes to BNG Bank's long-term plan or its risk appetite.

Risk management uses a set of reports aimed at both internal risk management and accountability for that risk management towards external stakeholders. It should be noted that financial risks are more effectively monitored than less tangible matters such as the ability to continue to comply with new regulations in the future. In addition, the bank ensures that it meets the increasingly strict reporting requirements on aspects such as capital (Internal Capital Adequacy Assessment Process, ICAAP) and liquidity (Internal Liquidity Adequacy Assessment Process, ILAAP).

Risk management structure

Supplementary to its risk appetite, BNG Bank applies a risk appetite framework which helps it work out and monitor the system of limits, targets and reference figures. This framework distinguishes between various risk types, the relevant responsibilities and the various policy documents that describe the acceptance and management of these risks.

RISK APPETITE FRAMEWORK

STRESS TESTING AND SCENARIO ANALYSIS

RISK APPETITE STATEMENT

CREDIT RISK	MARKET RISK	OPERATIONAL RISK	STRATEGIC RISK	LIQUIDITY RISK
CREDIT RISK POLICY PUBLIC FINANCE FUNDING & TREASURY	MARKET RISK POLICY	CONTROL SYSTEM OPERATIONAL RISK	CAPITAL MANAGEMENT PLAN	LIQUIDITY & FUNDING RISK POLICY

ICAAP	ILAAP

DISCLOSURE POLICY

The framework also includes the Capital Management Policy, which originates in the ICAAP, the process that the bank uses to assess and control its own capital. This is regarded as an overarching policy covering all risk types, with the exception of liquidity risk, which requires a capital reserve and is covered by the ILAAP. This is the process by which an institution assesses and controls its own liquidity.

The bank has two special management meetings made up of Executive Board members and the responsible managing directors. Each meeting focuses on a specific risk area. The Asset & Liability Committee (ALCO) focuses on market and liquidity risk. The policies on credit risk and operational risk are dealt with in the Management Board. In both committees, the members of the Executive Board have voting power. In addition to the above, the bank addresses strategic risks in the regular Executive Board meetings. The Executive Board periodically discusses the structure and performance of the bank's internal risk management and control systems with the Supervisory Board and the Audit & Risk Committee.

The Capital Policy and Financial Regulations Committee issues recommendations on capital policy and the allocation of capital to the bank's various business units. In addition, the committee offers advice on the introduction of new regulations in the fields of solvency and liquidity and on technical financial issues. The Management Board takes decisions that influence capital allocation and approves the ICAAP and ILAAP. The Management Board is also responsible for stress testing. This involves an assessment of the impact of stress situations on various types of risk – both separate risks and specific combinations of risks based on economic scenarios. The manner in which this assessment is performed is described in the Stresstesting Policy.

Decisions regarding the actual acceptance of credit risks in the form of individual credits or other exposures are made by three independently operating committees, whose decisions are based on current policy: the Credit Committee, the Financial Counterparts Committee and the Investment Committee. Each committee is chaired by a member of the Executive Board.

The following departments support the Executive Board and the committees in implementing risk policy:
- The Risk Management department qualifies, quantifies and monitors risks, and reports to the responsible committees. These risks consist of credit risk, market risk, liquidity risk, operational risk and other risks. The department has a supporting role as regards strategic risk. It manages the risk policy documents and the risk appetite framework.
- The Credit Risk Assessment department draws up policy proposals with respect to credit risk, while as part of the lending process it also provides independent assessments and advice on risks relating to credit and review proposals for clients and financial counterparties. The Credit Risk Assessment department is represented in

the bank's Credit Committee, the Financial Counterparties Committee and the Investment Committee. This department is also responsible for the bank's special credit watch activities – namely the supervision, management and processing of problematic financing arrangements.

- The Internal Audit Department (IAD) periodically conducts operational audits in order to evaluate the structure and performance of the bank's risk management systems and assess compliance with the applicable legislation. The IAD functions as an independent entity within the bank and reports to the Executive Board.

Where necessary, the Legal Affairs, Tax and Compliance department (JFC) is engaged in connection with conduct-related issues. An independent Compliance Officer monitors compliance with all relevant laws and regulations. The duties, position and authorities of this compliance function are laid down in the BNG Bank Compliance Regulations.

Credit risk

DEFINITIONS

Credit risk is defined as the chance of losses in the event a counterparty is unable to meet its financial and/or other obligations and includes concentration risk, settlement risk and counterparty risk.

- Concentration risk: the extent to which a bank's exposure is spread over the number and variety of countries, sectors, and parties.
- Counterparty risk: the chance of losses if a party defaults on payments resulting from a financial transaction at the moment the payments are due to be executed.
- Settlement risk: the chance of losses if a party fails to meet the terms and conditions of a contract (or group of contracts) with the other party on the specified settlement date.

BNG Bank has an internal risk management organisation that serves to control its credit risks. This organisation is geared to the diversity and complexity of the bank's lending activities and is structured as follows:

- The Executive Board determines the relevant lending framework.
- The Credit Committee decides on all loans and advances subject to solvency requirements. In some cases this authority is delegated.
- The Financial Counterparties Committee decides on limits for transactions with financial institutions.
- The Investment Committee decides on proposals for investment in interest-bearing securities.
- The Client Acceptance Committee assesses whether potential clients are suitable under the bank's Articles of Association, fit in the bank's commercial policy and whether they constitute an integrity risk.

The Credit Risk Assessment and Risk Management departments (at portfolio level) are responsible for assessing, quantifying and reporting on the credit risk involved. In the organisation, these departments operate independently from the Public Finance and Treasury directorates, which are responsible for accepting the credit risks.

TOTAL CREDIT RISK EXPOSURE

The tables below provide insight into the total gross credit risk exposure value, broken down into type of exposure. The total gross exposure value consists of the total balance sheet value of the assets, increased by the off-balance sheet commitments. For the derivatives positions, the positive balance sheet value is replaced by the total value in credit equivalents for derivatives in order to determine the risk value.

	31/12/2015					
	TOTAL EXPOSURE	LOANS AND ADVANCES AND OFF-BALANCE, EXCLUDING INCURRED LOSS PROVISION	INTEREST-BEARING SECURITIES	DERIVATIVES	EQUITY INSTRUMENTS	OTHER
– Cash and balances held with central banks	3,175					3,175
– Amounts due from banks	10,540		485			10,055
– Financial assets at fair value through the income statement	3,715	885	1,999	831		
– Other financial assets*	29,098			15,539		13,559
– Financial assets available-for-sale	13,459		13,435		24	
– Loans and advances	89,366	87,531	1,884			−49
– Assets held for sale	68				68	
– Non-financial assets	90					90
TOTAL BALANCE SHEET VALUE	**149,511**	**88,416**	**17,803**	**16,370**	**92**	**26,830**

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						31/12/2015
	TOTAL EXPOSURE	LOANS AND ADVANCES AND OFF-BALANCE, EXCLUDING INCURRED LOSS PROVISION	INTEREST-BEARING SECURITIES	DERIVATIVES	EQUITY INSTRUMENTS	OTHER
– Contingent liabilities	99	99				
– Irrevocable facilities	6,415	6,415				
– Revocable facilities	6,694	6,694				
TOTAL OFF-BALANCE SHEET EXPOSURE	**13,208**	**13,208**	**0**	**0**	**0**	**0**
– Less: Balance sheet value of derivatives (assets)	−16,370			−16,370		
– Credit equivalents for derivatives	3,765			3,765		
TOTAL GROSS EXPOSURE VALUE	**150,114**	**101,624**	**17,803**	**3,765**	**92**	**26,830**

	31/12/2014					
	TOTAL EXPOSURE	LOANS AND ADVANCES AND OFF-BALANCE, EXCLUDING INCURRED LOSS PROVISION	INTEREST-BEARING SECURITIES	DERIVATIVES	EQUITY INSTRUMENTS	OTHER
– Cash and balances held with central banks	2,241					2,241
– Amounts due from banks	11,046		441			10,605
– Financial assets at fair value through the income statement	4,247	946	1,779	1,522		
– Other financial assets*	31,322			15,278		16,044
– Financial assets available-for-sale	13,693		13,591		102	
– Loans and advances	90,732	88,427	2,358			−53
– Non-financial assets	224					224
TOTAL BALANCE SHEET VALUE	**153,505**	**89,373**	**18,169**	**16,800**	**102**	**29,061**

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	31/12/2014					
	TOTAL EXPOSURE	LOANS AND ADVANCES AND OFF-BALANCE, EXCLUDING INCURRED LOSS PROVISION	INTEREST-BEARING SECURITIES	DERIVATIVES	EQUITY INSTRUMENTS	OTHER
– Contingent liabilities	172	172				
– Irrevocable facilities	5,326	5,326				
– Revocable facilities	5,599	5,599				
TOTAL OFF-BALANCE SHEET EXPOSURE	**11,097**	**11,097**	**0**	**0**	**0**	**0**
– Less: Balance sheet value of derivatives (assets)	−16,800			−16,800		
– Credit equivalents for derivatives	3,028			3,028		
TOTAL GROSS EXPOSURE VALUE AFTER PROVISIONS	**150,830**	**100,470**	**18,169**	**3,028**	**102**	**29,061**

* In the item Other financial assets, the column Other shows the value of the hedged interest risk of loans involved in a portfolio hedge accounting relationship. At year-end 2015, this value was EUR 13,559 million (2014: EUR 16,044 million).

As at 31 December 2015 the nominal value of the guarantees provided by governments, the WSW (Social Housing Guarantee Fund) and the WfZ (Healthcare Sector Guarantee Fund) on loans in the Loans and advances balance sheet item totalled EUR 80.2 billion (2014: EUR 81.0 billion). The contingent liabilities and the irrevocable facilities are explained in the section entitled ‘Other notes to the consolidated financial statements’. That section also indicates the part of the financial assets that are not freely disposable.

The calculation of the market value of financial assets and financial liabilities at fair value through the income statement includes a credit and liquidity risk spread. Changes in value due to credit-risk and liquidity-risk fluctuations are derived from changes in these spreads. The risk profiles of individual clients and financial instruments are assessed periodically. If necessary, the credit-risk spread will be adjusted.

Movements in the market value of financial assets at fair value through the income statement as a result of adjusted credit and liquidity risk spreads totalled EUR 450 million negative (2014: EUR 366 million negative) and EUR 84 million negative over 2015 (2014: EUR 160 million negative). Changes in the market value of financial liabilities at fair value through the income statement as a result of adjusted credit and liquidity risk spreads in recent years totalled approximately nil (accumulated).

The total gross exposure value subject to credit risk amounted to EUR 150,114 million (year-end 2014: EUR 150,830 million). After deduction of financial collateral (primarily cash collateral) and taking account of the credit conversion factors for off-balance sheet exposure, the (net) exposure value at year-end 2015 amounted to EUR 126,481 million (year-end 2014: EUR 128,978 million). The sub-section entitled ‘Concentration risk’ contains tables in which the (net) exposure value per exposure category is broken down by geographical area, risk weighting and type of counterparty.

CREDIT RISK STANDARDISED APPROACH (SA)	GROSS EXPOSURE VALUE AFTER PROVISIONS	SUB-STITUTION EFFECT (GUARAN-TEES)	FINANCIAL COLLATERAL	ADJUST-MENT PURSUANT TO CCF*	EXPOSURE VALUE	RISK-WEIGHTED EXPOSURE	AVERAGE RISK WEIGHT (%)	AVERAGE EXPOSURE VALUE
	31/12/2015							
– Central governments or central banks	11,850	48,141	0	−1,880	58,111	0	0%	59,237
– Regional governments or local authorities	36,704	4,967	−41	−5,231	36,399	112	0%	36,214
– Public sector entities	3,359	−330	−6	−777	2,246	347	15%	2,323
– Multilateral development banks	837	0	0	0	837	0	0%	881
– International organisations	1,020	0	0	0	1,020	0	0%	1,094
– Institutions	12,967	−293	−11,437	0	1,237	476	38%	1,867
– Corporates	64,254	−52,292	−575	−3,540	7,847	7,046	90%	8,152
– Secured by mortgages on immovable property	228	−163	0	0	65	65	100%	73
– Exposures in default	179	−30	0	0	149	153	103%	121
– Covered bonds	1,929	0	0	0	1,929	459	24%	1,934

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CREDIT RISK STANDARDISED APPROACH (SA)	GROSS EXPOSURE VALUE AFTER PROVISIONS	SUB-STITUTION EFFECT (GUARAN-TEES)	FINANCIAL COLLATERAL	ADJUST-MENT PURSUANT TO CCF	EXPOSURE VALUE	RISK-WEIGHTED EXPOSURE	AVERAGE RISK WEIGHT (%)	AVERAGE EXPOSURE VALUE
	31/12/2015							
– Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0%	75
– Collective investment undertakings (CIUs)	88	0	0	0	88	123	140%	94
– Equity	50	0	0	0	50	50	100%	51
– Securitisation positions	3,047	0	0	−146	2,901	1,335	46%	2,931
– Other items	13,602	0	0	0	13,602	31	0%	15,270
TOTAL CREDIT RISK EXPOSURE	**150,114**	**0**	**−12,059**	**−11,574**	**126,481**	**10,197**	**8%**	**130,317**
– of which: Small & medium-sized businesses	15,026	−14,076	−8	−319	623	618	99%	677

CREDIT RISK STANDARDISED APPROACH (SA)	31/12/2014						
	GROSS EXPOSURE VALUE AFTER PROVISIONS	SUBSTITUTION EFFECT (GUARANTEES)	FINANCIAL COLLATERAL	ADJUSTMENT PURSUANT TO CCF	EXPOSURE VALUE	RISK-WEIGHTED EXPOSURE	AVERAGE RISK WEIGHT (%)
– Central governments or central banks	10,001	48,360	0	−828	57,533	0	0%
– Regional governments or local authorities	35,724	4,896	−38	−4,545	36,037	115	0%
– Public sector entities	3,597	−371	−7	−871	2,348	366	16%
– Multilateral development banks	913	0	0	0	913	0	0%
– International organisations	1,212	0	0	0	1,212	0	0%
– Institutions	12,316	−42	−11,239	0	1,035	385	37%
– Corporates	64,993	−52,661	−577	−3,563	8,192	7,401	90%
– Secured by mortgages on immovable property	250	−173	0	0	77	77	100%
– Exposures in default	81	−4	0	−2	75	86	115%
– Covered bonds	1,944	0	0	0	1,944	525	27%

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CREDIT RISK STANDARDISED APPROACH (SA)	GROSS EXPOSURE VALUE AFTER PROVISIONS	SUB-STITUTION EFFECT (GUARAN-TEES)	FINANCIAL COLLATERAL	ADJUST-MENT PURSUANT TO CCF	EXPOSURE VALUE	RISK-WEIGHTED EXPOSURE	AVERAGE RISK WEIGHT (%)
							31/12/2014
– Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0%
– Collective investment undertakings (CIUs)	99	0	0	0	99	124	125%
– Equity	57	0	0	0	57	57	100%
– Securitisation positions	3,390	−5	0	−182	3,203	1,454	45%
– Other items	16,253	0	0	0	16,253	46	0%
TOTAL CREDIT RISK EXPOSURE	**150,830**	**0**	**−11,861**	**−9,991**	**128,978**	**10,636**	**8%**
– of which: Small & medium-sized businesses	15,409	−14,316	−8	−328	757	748	99%

CONCENTRATION RISK

BNG Bank's lending activities are subject to a degree of concentration risk. This is inherent to the bank's mission: financing the Dutch public sector. A considerable portion of the bank's exposure is indirectly related to public sector property. These risks are generally mitigated by government guarantees on credit lending and by the WSW (Social Housing) and WfZ (Healthcare) guarantee funds. These guarantees in turn result in a concentration risk in relation to public authorities and guarantee funds. The guarantee funds are guaranteed by the government via back-up constructions. What results on balance is a risk in relation to the Dutch State. The concentration of this risk is great, but inextricably linked to BNG Bank's business model and to its place in the Dutch social system. Non-guaranteed loans and advances are governed by sector-specific policies and limits designed to minimise concentration risks. Exposures to individual parties are limited, in accordance with an internal standard, to an amount significantly below the maximum allowed under external regulations.

GEOGRAPHICAL BREAKDOWN OF EXPOSURE VALUE BY EXPOSURE CATEGORY

31/12/2015	NETHERLANDS	REST OF EUROZONE	REST OF EUROPE	REST OF THE WORLD	TOTAL EXPOSURE VALUE
Central governments or central banks	51,746	5,761	604	0	58,111
Regional governments and local authorities	35,582	817	0	0	36,399
Public sector entities	1,469	777	0	0	2,246
Multilateral development banks	0	837	0	0	837
International organisations	0	1,020	0	0	1,020
Institutions	178	208	736	115	1,237
Corporates	6,408	584	855	0	7,847
Secured by mortgages on immovable property	65	0	0	0	65
Exposures in default	54	95	0	0	149
Covered bonds	507	1,187	235	0	1,929
Collective investment undertakings (CIUs)	67	21	0	0	88
Equity	50	0	0	0	50
Securitisation positions	2,049	852	0	0	2,901
Other items	13,602	0	0	0	13,602
TOTAL CREDIT RISK EXPOSURE	**111,777**	**12,159**	**2,430**	**115**	**126,481**

	31/12/2014				
	NETHER-LANDS	REST OF EUROZONE	REST OF EUROPE	REST OF THE WORLD	TOTAL EXPOSURE VALUE
Central governments or central banks	51,003	5,945	585	0	57,533
Regional governments and local authorities	35,502	535	0	0	36,037
Public sector entities	1,607	741	0	0	2,348
Multilateral development banks	0	913	0	0	913
International organisations	0	1,212	0	0	1,212
Institutions	116	200	630	89	1,035
Corporates	6,675	650	862	4	8,191
Secured by mortgages on immovable property	77	0	0	0	77
Exposures in default	66	10	0	0	76
Covered bonds	544	1,277	123	0	1,944
Collective investment undertakings (CIUs)	80	19	0	0	99
Equity	57	0	0	0	57
Securitisation positions	2,245	941	17	0	3,203
Other items	16,253	0	0	0	16,253
TOTAL CREDIT RISK EXPOSURE	**114,225**	**12,443**	**2,217**	**93**	**128,978**

BREAKDOWN OF EXPOSURE VALUE BY RISK WEIGHTING AND EXPOSURE CATEGORY

	31/12/2015							
	0%	10%	20%	35%	50%	100%	› 100%	TOTAL EXPOSURE VALUE
– Central governments or central banks	58,111							58,111
– Regional governments or local authorities	36,067		275			57		36,399
– Public sector entities	807		1,365			74		2,246
– Multilateral development banks	837							837
– International organisations	1,020							1,020
– Institutions			550		641	46		1,237
– Corporates	3		612		616	6,616		7,847
– Secured by mortgages on immovable property						65		65
– Exposures in default						139	10	149
– Covered bonds		892	497		540			1,929
– Collective investment undertakings (CIUs)						19	69	88
– Shares						50		50
– Securitisation positions	36		1,769	110	551	260	175	2,901
– Other items	13,571					31		13,602
TOTAL CREDIT RISK EXPOSURE	**110,452**	**892**	**5,068**	**110**	**2,348**	**7,357**	**254**	**126,481**

								31/12/2014
	0%	10%	20%	35%	50%	100%	> 100%	TOTAL EXPOSURE VALUE
– Central governments or central banks	57,533							57,533
– Regional governmentsor local authorities	35,695		283			59		36,037
– Public sector entities	817		1,456			75		2,348
– Multilateral development banks	913							913
– International organisations	1,212							1,212
– Institutions			442		593			1,035
– Corporates	9		576		629	6,977		8,191
– Secured by mortgages on immovable property						77		77
– Exposures in default						69	7	76
– Covered bonds		670	598		676			1,944
– Collective investment undertakings (CIUs)			10			24	65	99
– Equity						57		57
– Securitisation positions	46		1,813	137	890	116	201	3,203
– Other items	16,207					46		16,253
TOTAL CREDIT RISK EXPOSURE	**112,432**	**670**	**5,178**	**137**	**2,788**	**7,500**	**273**	**128,978**

BREAKDOWN OF EXPOSURE VALUE BY TYPE OF COUNTERPARTY AND EXPOSURE CATEGORY

	31/12/2015						
	PUBLIC SECTOR	CREDIT INSTITU-TIONS	OTHER FINANCIAL CORPORA-TIONS	NON-FINANCIAL CORPORA-TIONS	HOUSE-HOLDS	OTHER	TOTAL EXPOSURE VALUE
– Central governments or central banks	8,034	3,176	592	44,114	2,195		58,111
– Regional governments or local authorities	32,072	341	394	2,882	710		36,399
– Public sector entities	2,196			47	3		2,246
– Multilateral development banks		837					837
– International organisations	1,020						1,020
– Institutions		1,191	1	45			1,237
– Corporates	9		340	6,728	770		7,847
– Secured by mortgages on immovable property					65		65
– Exposures in default			97	52			149
– Covered bonds		1,127	802				1,929
– Collective investment undertakings (CIUs)			88				88
– Equity				50			50
– Securitisation positions			2,901				2,901
– Other items						13,602	13,602
TOTAL CREDIT RISK EXPOSURE	**43,331**	**6,672**	**5,215**	**53,918**	**3,743**	**13,602**	**126,481**

							31/12/2014
	PUBLIC SECTOR	CREDIT INSTITU-TIONS	OTHER FINANCIAL CORPORA-TIONS	NON-FINANCIAL CORPORA-TIONS	HOUSE-HOLDS	OTHER	TOTAL EXPOSURE VALUE
– Central governments or central banks	10,368		547	44,533	2,085		57,533
– Regional governments or local authorities	31,728	42	472	3,067	728		36,037
– Public sector entities	2,287			45	16		2,348
– Multilateral development banks		913					913
– International organisations	1,212						1,212
– Institutions		1,035					1,035
– Corporations	9		348	7,041	793		8,191
– Secured by mortgages on immovable property					77		77
– Exposures in default			24	33	19		76
– Covered bonds		1,128	816				1,944
– Collective investment undertakings (CIUs)			99				99
– Equity				57			57
– Securitisation positions			3,203				3,203
– Other items						16,253	16,253
TOTAL CREDIT RISK EXPOSURE	**45,604**	**3,118**	**5,509**	**54,776**	**3,718**	**16,253**	**128,978**

EXPOSURE EQUITY CATEGORY

The exposure comprises the shareholdings in BNG Bank's banking book. The tables below present the various values of the portfolio at year-end 2015 and 2014.

				31/12/2015
	BALANCE SHEET VALUE (EXPOSURE)	FAIR VALUE	CUMULATIVE UNREALISED RESULTS	RESULTS REALISED IN FINANCIAL YEAR
– Financial assets available-for-sale	3	3	0	–
– Associates and joint ventures:				
Associates	2	3	–	1
Joint ventures	45	25	–	0
TOTAL	**50**	**31**	**0**	**1**

	31/12/2014			
	BALANCE SHEET VALUE (EXPOSURE)	FAIR VALUE	CUMULATIVE UNREALISED RESULTS	RESULTS REALISED IN FINANCIAL YEAR
– Financial assets available-for-sale	3	3	−1	–
– Associates and joint ventures:				
Associates	2	3	–	1
Joint ventures	52	30	–	−12
TOTAL	**57**	**36**	**−1**	**−11**

BNG Bank has no investments in listed shares. The shares in the Investments in associates and joint ventures balance sheet item concern investments in joint ventures entered into by BNG Gebiedsontwikkeling. The purpose of these partnerships is to develop and allocate land for the construction of homes and industrial estates, together with public authorities, at the bank's own expense and risk. The shares in associates and the shares in the Financial assets available-for-sale balance sheet item concern investments in private equity exposures in companies that are significant suppliers to the public sector.

The Investments in associates and joint ventures balance sheet item is stated according to the equity method.
The Financial assets available-for-sale item is stated at fair value and value movements are recognised in equity, net of taxes. Further information can be found under 'Accounting principles for the consolidated financial statements'.

SECURITISATION POSITIONS

BNG Bank acts primarily as an investor in the most senior tranches of securitisations for the ALM portfolio; these investments in securitisations are part of the banking book. The underlying assets are mostly home mortgages. The bank does not invest in synthetic securitisations or resecuritisations. As well as acting as an investor in securitisations, BNG Bank fulfils a number of additional roles, albeit to a limited extent. These include the role of Issuer Account Bank and the role of Cash Advance Facility Provider in that the bank provides liquidity facilities to finance securitisations. BNG Bank does not act as an originator or sponsor. This means that the bank has not transferred any assets to securitisations and does not support securitised assets.

	31/12/2015	31/12/2014
SECURITISATIONS BROKEN DOWN BY UNDERLYING ASSETS		
Securitisations on the balance sheet with underlying assets in:		
– Home mortgages	1,003	1,115
– Home mortgages with NHG guarantee	1,706	1,847
– Other	47	63
TOTAL BALANCE SHEET VALUE	**2,756**	**3,025**
Off-balance sheet commitments regarding securitisations	291	365
TOTAL SECURITISATION POSITIONS	**3,047**	**3,390**

At year-end 2015 the balance sheet value amounted to EUR 2.8 billion (2014: EUR 3.0 billion) in securitisation positions. The off-balance sheet securitisation commitments at year-end 2015 amounted to EUR 0.3 billion (2014: EUR 0.4 billion) and concerned liquidity facilities. BNG Bank considers the credit risk of these facilities to be virtually zero. The facilities may only be drawn on under strict conditions (e.g. in the event of technical payment problems), and in that case BNG Bank's claim will have preference over all other claims.

The securitisation positions maintained are exposed in particular to the credit risk of the underlying assets and, to a lesser extent, to liquidity risk. All securitisations in the bank's portfolio have at least one external rating from S&P, Moody's, Fitch or DBRS. Any interest rate risks are hedged with derivatives, in conformity with policy. The aforementioned risks are monitored by the Investment Committee. All securitisations are subjected to an impairment test twice a year.

EXPOSURE VALUE AND CAPITAL REQUIREMENT OF SECURITISATIONS BROKEN DOWN BY RISK WEIGHTING

	31/12/2015		31/12/2014	
	EXPOSURE VALUE	CAPITAL REQUIREMENT	EXPOSURE VALUE	CAPITAL REQUIREMENT
0%	36	0	46	0
20%	1,769	354	1,813	363
35%	110	38	137	48
50%	551	276	890	445
100%	260	260	116	116
350%	116	407	138	482
1250%*	59	0	63	0
TOTAL	**2,901**	**1,335**	**3,203**	**1,454**

* The exposure with a risk weight of 1250% is offset against the CET1 capital

Under CRD IV, BNG Bank applies the Standardised Approach (SA) in calculating risk-weighted exposure values of securitisations in relation to credit risk. Most of the securitisation positions have a 20% weighting. A limited number of securitisations have a 1250% weighting because of the rating. BNG Bank takes advantage of the option to offset these items against the CET1 capital.

Financial counterparties of the bank also represent a concentration risk. The market risks associated with these parties are mitigated primarily through interest rate and currency swaps. BNG Bank sets requirements for the minimum ratings of the financial counterparties with which it does business. These restrict the number of available parties, which is why a large number of transactions are conducted with these parties. Daily exchange of collateral helps to mitigate the credit risk from these parties in terms of market value. However, operational risk remains if all contracts with a party would have to be replaced in the short term by contracts with other parties. This may entail significant costs. Central Clearing of derivatives reduces the risk for individual counterparties but introduces a risk for the parties handling the clearing. This risk materialises at the moment when the bank starts using Central Clearing, which has been anticipated for 2016. Here, too, limits will apply. Exposures to financial counterparties are explained in more detail in the subsection entitled ‘Counterparty risk’.

Concentration risk also comprises the country risk. BNG Bank’s loan portfolio is strongly focused on the Netherlands, which is a reason for the bank to consciously include foreign securities in its liquidity portfolio. With respect to interest-bearing securities and the lending of credits, BNG Bank exclusively deals with countries within the EU and has set an overall limit on long-term exposures in foreign countries of 15% of its balance-sheet total. The bank also applies limits for individual countries, which are determined on the basis of external country ratings. In many cases, such foreign credit lending is directly or indirectly guaranteed by the relevant governments. The deteriorating creditworthiness of euro zone countries is increasing the country risk. This has resulted in a downward adjustment of internal limits. The bank is gradually reducing its exposure in these countries. Until now, this is mainly done by ensuring that existing exposures are not replaced by new ones once they have expired. At the end of 2015, the bank’s foreign exposure (expressed in balance sheet value) totalled EUR 21.7 billion (2014: EUR 22.7 billion), of which EUR 13.4 billion consisted of long-term credits (2014: EUR 13.8 billion). This represents 9.0% of the balance sheet total (2014: 9.0%).

LONG-TERM FOREIGN EXPOSURE

The following tables provide an overview of long-term exposures abroad. Derivatives transactions and short-term transactions (including in particular cash collateral with banks) have not been included. The amounts shown are remaining principal amounts in millions of euros.

							31/12/2015
	AAA	AA	A	BBB	NON-INVESTMENT GRADE	TOTAL NOMINAL VALUE	TOTAL BALANCE SHEET VALUE
Supranational institutions	250	705				955	1,020
Multilateral development banks	713					713	836
Belgium	38	610	136	130		914	1,122
Germany	1,473	40				1,513	2,106
Finland	690					690	823
France	199	1,050	47	50	77	1,423	1,777
United Kingdom	618		323	192	90	1,223	1,694
Italy		49	46	247	62	404	506
Austria	817	19			125	961	1,093
Portugal			69	66	207	342	333
Spain		281	703	821	240	2,045	2,128
TOTAL	**4,798**	**2,754**	**1,324**	**1,506**	**801**	**11,183**	**13,438**

							31/12/2014
	AAA	AA	A	BBB	NON-INVESTMENT GRADE	TOTAL NOMINAL VALUE	TOTAL BALANCE SHEET VALUE
Supranational institutions	270	830				1,100	1,212
Multilateral development banks	753					753	913
Belgium	40	598	133	126		897	1,106
Germany	1,423	40				1,463	2,109
Finland	770					770	928
France		1,046	43	50	78	1,217	1,604
United Kingdom	478		323	196	81	1,078	1,589
Italy		14	100	229	86	429	519
Austria	804	18			125	947	1,120
Portugal			51	87	272	410	360
Spain		83	858	894	356	2,191	2,298
TOTAL	**4,538**	**2,629**	**1,508**	**1,582**	**998**	**11,255**	**13,758**

The non-investment grade items (i.e. items with a rating below BBB-) mainly consist of exposures in so-called GIIPS countries. This largely concerns interest-bearing securities, including covered bonds and RMBS transactions.

The non-investment grade exposure in Austria concerns the exposure to the entity HETA with a guarantee from the federal state of Carinthia and a maturity until early 2017. In the reporting year, the bank recognised an impairment on this bond in the income statement. The non-investment grade exposures in France and the United Kingdom concern a limited number of private project financing schemes in the areas of infrastructure, education, energy and healthcare.

The reduction in the non-investment grade exposure is attributable in particular to scheduled repayments and the improved ratings of a number of items. The total fair value of foreign non-investment grade exposures in December 2015 amounted to EUR 713 million (year-end 2014: EUR 890 million). This decrease in fair value is proportional to the decrease in nominal value.

COUNTERPARTY RISK

The bank is exposed to counterparty risk in relation to market parties according to the Articles of Association (hereinafter referred to as 'public authorities'), financial counterparties and investments in interest-bearing securities.

CREDIT RISK MITIGATION TECHNIQUES

BNG Bank applies the following credit risk mitigation techniques:

- Because loans subject to solvency requirements are often extended under (partial) guarantees or suretyships, on balance the loan remains (partly) solvency-free for BNG Bank and is also treated as such in the process (see the section 'Public authorities'). The guarantees are provided by a central or local authority or by the guarantee funds WSW and WfZ;
- Bilateral collateral agreements based on a daily collateral exchange with financial counterparties. See also the section 'Financial counterparties';
- Other forms of security, such as pledges and mortgages, do not replace creditworthiness for BNG Bank and are not used to reduce the capital requirement. They are used to minimise possible losses due to credit risks.

The majority of risks are concentrated in the market segments with exposures subject to solvency requirements. Almost all exposures to public authorities subject to solvency requirements have been guaranteed by counterparties in the form of collaterals and securities. The other exposures subject to solvency requirements relate to a select number of financial institutions, primarily due to the applicable collateral requirements. The loans subject to solvency requirements involve 3 counterparties (2014: 5), representing more than 10% of the Tier 1 capital.

PUBLIC AUTHORITIES

The bank's Articles of Association limit the issue of loans and advances to parties subject to some form of government involvement. As a result, the credit portfolio is largely comprised of solvency-free loans, provided to or guaranteed by the government. Despite the virtual absence of credit risk within this solvency-free portfolio, BNG Bank is in the process of setting up an individual credit assessment and revision procedure for loans made solvency-free through guarantees. This is in conformity with regulations prescribing an individual credit assessment for every loan. In the case of the Social Housing (WSW) and Healthcare (WfZ) guarantee funds, the credit risk assessment of guaranteed institutions is carried out expressly by the guarantee fund concerned. BNG Bank keeps a close eye on developments within the sectors in which it operates. This also applies to (the operation of) the institutions issuing the individual guarantees or suretyships. In addition, BNG Bank maintains contacts with relevant parties through a variety of channels, including conferences, seminars and bilateral talks.

Loans and advances subject to solvency requirements are preceded by an extensive creditworthiness analysis:

- The Financial Analysis department draws up the credit proposal in consultation with the account manager. This contains a detailed assessment of the creditworthiness of the client concerned, based in part on the bank's own internal rating model. The greater the degree of tailoring involved in a transaction, the more intensive the operational risk procedure followed. To that end, the bank has implemented a tailor-made assessment process for managing the complexity for both the client and the bank.
- The Credit Risk Assessment department prepares an independent second opinion on the credit proposal.
- The intensity of the decision-making process is determined based on the proposed rating and the size of the loan. The bank's risk appetite also determines the level of maximum credit risk the bank is prepared to accept for the client in question. The credit proposal must be in accordance with this maximum risk.
- The Credit Committee decides whether the credit is to be accepted or not. The Credit Committee is chaired by a member of the Executive Board and includes representation from the Public Finance directorate, the Credit Risk Assessment department and – where applicable – the Treasury department. If the Credit Committee is unable to form a unanimous opinion, the decision on the proposal is escalated to the Executive Board.

Following the approval of a credit proposal and its acceptance by the client, the credit management process starts. This includes the following elements:

- The file is completed by the Mid Office department.
- The Mid Office department is responsible for the file management, including monitoring securities and covenants.
- The creditworthiness is reassessed at least once a year, which review involves an updating of the internal rating. The Credit Committee evaluates these reviews. Loans and advances whose credit quality (rating) has fallen below a specific level (see the table below) are subject to increased management scrutiny and, if necessary, transferred to the Special Management group within the Credit Risk Assessment department.

CREDIT MODELS

Most of BNG Bank's clients do not have an external rating. The bank makes their creditworthiness transparent using internally developed rating models. Given the 'low default' character of the loan portfolio, expert models are utilised. Models are used for the following sectors:

- Public housing
- Healthcare and education
- DBFMO (Design Build Finance Maintain Operate, project financing)
- Area development
- Financial institutions
- Energy, water, telecom, transport, logistics and the environment

The significance of the internal ratings is the same for all models:

INTERNAL RATING	DESCRIPTION
0	Loans and advances not subject to solvency requirements.
1 through 11	The credit risk is deemed acceptable. A regular annual review is performed.
12 through 13	Watch list: there is a heightened credit risk. A review takes place at least twice a year.
14 through 17	Special Management: there is a strongly heightened credit risk. At least three times a year a report on these relationships is submitted to the Executive Board.
18 through 19	Special Management: there is a strongly heightened credit risk and/or the debtor repeatedly fails to fulfil the payment obligations and/or there is no expectation of continuity. At least three times a year a report on these relationships is submitted to the Executive Board.

FORBORN EXPOSURES

Forbearance concerns credit agreements whose credit conditions have been amended in the debtor’s favour as a result of the debtor’s precarious financial position, so as to enable it to fulfil its obligations. The following table does not include interest-bearing securities since the bank is unable to change the conditions of such securities.

	31/12/2015		
	LOANS AND ADVANCES AND OFF-BALANCE, EXCLUDING INCURRED LOSS PROVISION	DISTRIBUTION %	FORBORNE LOANS
SOLVENCY-FREE LOANS AND ADVANCES	**88,971**	**88%**	**20**
LOANS AND ADVANCES SUBJECT TO SOLVENCY REQUIREMENTS			
INTERNAL RATING:			
– 1 through 11	11,737	12%	101
– 12 through 13	520	0%	6
– 14 through 17	313	0%	9
– 18 through 19	83	0%	0
	12,653	**12%**	**116**
	101,624	**100%**	**136**

	31/12/2014		
	LOANS AND ADVANCES AND OFF-BALANCE, EXCLUDING INCURRED LOSS PROVISION	DISTRIBUTION %	FORBORNE LOANS
SOLVENCY-FREE LOANS AND ADVANCES	**87,383**	**87%**	**20**
LOANS AND ADVANCES SUBJECT TO SOLVENCY REQUIREMENTS			
INTERNAL RATING:			
– 1 through 11	11,699	12%	0
– 12 through 13	1,056	1%	15
– 14 through 17	249	0%	87
– 18 through 19	83	0%	9
	13,087	**13%**	**111**
	100,470	**100%**	**131**

The financial assets whose contractual terms have changed as a result of the debtor's unfavourable financial position amounted to EUR 136 million as at 31 December 2015 (2014: EUR 131 million). The share in the total loan portfolio is 0.1% (year-end 2014: 0.1%) and concerns 7 debtors (year-end 2014: 6 debtors).

NON-PERFORMING AND IMPAIRED EXPOSURES

Non-performing exposures are exposures:

- whose contractual conditions have been breached by the debtor (e.g. payment arrears – 'past due' – exceeding 90 days); and/or
- in respect of which the debtor is not expected to be able to continue fulfilling its future payment obligations (in full) ('unlikely to pay'); and/or
- for which an individual provision has been created.

The term 'past due' refers to the payment arrears commencing at the moment when the debtor has not paid (in full) by the date on which payment was due under the contract.

Impaired exposures are exposures that have undergone an impairment. The term 'impairment' refers to write-offs on the items carried at fair value on the balance sheet, and loans for which an individual provision was created. Exposures included under the IBNR provision are not classified as impaired exposures. Likewise, off-balance sheet exposures are not classified as impaired either.

The tables below provide insight into the total exposure in loans and advances and interest-bearing securities, indicating which portion has been classified as non-performing and impaired respectively.

	31/12/2015					
	LOANS AND ADVANCES AND OFF-BALANCE, EXCLUDING INCURRED LOSS PROVISION	OF WHICH NON-PERFORMING EXPOSURES	OF WHICH IMPAIRED EXPOSURES	INTEREST-BEARING SECURITIES	OF WHICH NON-PERFORMING EXPOSURES	OF WHICH IMPAIRED EXPOSURES
– Amounts due from banks				485	0	0
– Financial assets at fair value through the income statement	885	0	0	1,999	0	0
– Financial assets available-for-sale				13,435	85	85
– Loans and advances	87,531	127	67	1,884	18	18
TOTAL BALANCE SHEET VALUE	**88,416**	**127**	**67**	**17,803**	**103**	**103**
– Contingent liabilities	99	0				
– Irrevocable facilities	6,415	0				
– Revocable facilities	6,694	0				
TOTAL EXPOSURE	**101,624**	**127**	**67**	**17,803**	**103**	**103**

	31/12/2014					
	LOANS AND ADVANCES AND OFF-BALANCE, EXCLUDING INCURRED LOSS PROVISION	OF WHICH NON-PERFORMING EXPOSURES	OF WHICH IMPAIRED EXPOSURES	INTEREST-BEARING SECURITIES	OF WHICH NON-PERFORMING EXPOSURES	OF WHICH IMPAIRED EXPOSURES
– Amounts due from banks				441	0	0
– Financial assets at fair value through the income statement	946	0	0	1,779	0	0
– Financial assets available-for-sale				13,591	0	0
– Loans and advances	88,427	113	96	2,358	19	19
TOTAL BALANCE SHEET VALUE	**89,373**	**113**	**96**	**18,169**	**19**	**19**
– Contingent liabilities	172	0				
– Irrevocable facilities	5,326	2				
– Revocable facilities	5,599	0				
TOTAL EXPOSURE	**100,470**	**115**	**96**	**18,169**	**19**	**19**

The development of loans to debtors with non-performing exposures is shown in the following table.

	2015	2014
OPENING BALANCE	**115**	**81**
– Non-performing exposure not requiring an individual provision	50	19
– Non-performing exposure and exposure with an individual provision	0	58
– Repayments on settlement of non-performing exposure	–38	–7
– Shift from non-performing to performing exposure	–	–36
CLOSING BALANCE	**127**	**115**

In 2015, an individual provision was created for one client with a non-performing exposure. Individual provisions were not considered necessary for three clients with non-performing exposures. One client's individual provision was released because this client's total exposure had been repaid. With regard to one client, the individual provision was used to settle the exposure. Movement in the incurred loss provision is explained in note 2.

POLICY ON LOAN LOSS PROVISIONS

BNG Bank employs a number of triggers that may lead to an individual loan loss provision:

- an internal rating of 14 of higher, or
- payment arrears and/or a breach of the contractual terms exceeding 90 days and/or the debtor is unlikely to pay ('default').

The individual provision only relates to loans and advances subject to solvency requirements Loans and advances that are not subject to solvency requirements and are deemed to be free of credit risk on account of guarantees, collateral or by virtue of the status of the counterparty, such as Dutch local authorities. Furthermore, the bank has a provision on portfolio level based on a so-called Incurred But Not Reported (IBNR) model. For loans and advances subject to solvency requirements, this model calculates a provision based on factors such as exposure and the debtor's rating. Lastly, for loans and advances not subject to solvency requirements due to a local authority guarantee, the model calculates a provision on the basis of a premium for operational risk.

MATURITY ANALYSIS OF PAST DUE FINANCIAL ASSETS (LOANS) WITHOUT INDIVIDUAL IMPAIRMENT

	31/12/2015	31/12/2014
Less than 31 days	1	1
31 through 60 days	0	0
61 through 90 days	0	0
Over 90 days	1	2
CLOSING BALANCE	**2**	**3**

The past due assets relate entirely to the Loans and advances item (note 2).

CREDIT LOSSES AND IMPAIRMENTS

The impairments of financial assets are explained in note 26.

FINANCIAL COUNTERPARTIES

Financial counterparties are (large) financial institutions with which BNG Bank concludes transactions such as money market and derivatives transactions. The bank only does business with financial counterparties that have been rated by an external agency. These parties, too, are periodically assessed for creditworthiness. This creditworthiness analysis includes determining the bank's internal rating. Subsequently a limit is set on the basis of current policy. Financial counterparties with which BNG Bank actively concludes derivatives transactions are offered netting agreements in order to reduce the credit risk. In addition, bilateral collateral agreements are concluded. These ensure that market value developments are mitigated on a daily basis by collateral. The mutual market values of derivatives are arranged in a prudent manner and in conformity with the relevant regulations. At year-end 2015, the paid-up collateral amounted to EUR 10.1 billion (2014: EUR 12.2 billion). A lowering of BNG Bank's rating by three notches would increase this amount by EUR 35 million (2014: EUR 168 million).

EXTERNAL RATING

BNG Bank uses the external ratings awarded by rating agencies, being S&P, Moody's, Fitch and DBRS. In determining the capital requirement, the bank uses the ratings of these four agencies if such ratings are available. Where possible, this applies to exposures to financial counterparties and investments in listed securities. The ratings relate to the counterparties themselves or specifically to the securities purchased.

INVESTMENTS IN INTEREST-BEARING SECURITIES (IBS)

BNG Bank's IBS portfolio is held primarily for liquidity management purposes. The portfolio is composed of high-quality bonds, the majority of which are accepted as collateral by the central bank. BNG Bank's total IBS portfolio can be subdivided into a liquidity portfolio and an ALM (Asset & Liability Management) portfolio. The liquidity portfolio consists exclusively of highly negotiable securities and is subdivided according to the various LCR levels as shown in the table below. The ALM portfolio is subdivided according to type of security. Each month, the development of the portfolio is reported to and discussed by the committee concerned. Using factors such as external ratings and – in part – internal ratings, the bank monitors the development on an individual basis. The securities qualifying in accordance with the Delegated Act are subjected to a due diligence review process. The assets within these portfolios undergo an impairment analysis twice a year.

The amounts shown below for each rating category concern the remaining principal amounts in millions of euros. The final column shows the total balance sheet value.

31/12/2015	AAA	AA	A	BBB	NON-INVESTMENT GRADE	TOTAL NOMINALE VALUE	TOTAL BALANCE SHEET VALUE
LIQUIDITY PORTFOLIO							
Level I – Public sector/ Supranational	6,069	2,320		257	46	8,692	10,891
Level II A – Covered bonds			177			177	189
Level II A – Public sector/ Supranational		68		13		81	106
Level II B – Covered bonds	664	105				769	851
Level II B – Corporates			65			65	70
Level II B – RMBS	762	9				771	781
	7,495	**2,502**	**242**	**270**	**46**	**10,555**	**12,888**
ALM PORTFOLIO							
RMBS/CMBS	51	177	216	340	202	986	938
Covered bonds		40	267	420		727	800
ABS	115	7	207		62	391	391
NHG	669	123	307			1,099	1,078
Other	386	19	446	185	245	1,281	1,708
	1,221	**366**	**1,443**	**945**	**509**	**4,484**	**4,915**
TOTAL	**8,716**	**2,868**	**1,685**	**1,215**	**555**	**15,039**	**17,803**

	AAA	AA	A	BBB	NON-INVESTMENT GRADE	TOTAL NOMINALE VALUE	TOTAL BALANCE SHEET VALUE
							31/12/2014
LIQUIDITY PORTFOLIO							
Level I – Public sector/ Supranational	5,745	2,415	1	251	46	8,458	10,909
Level II A – Covered bonds	499	75				574	671
Level II A – Public sector/ Supranational		64		17		81	110
Level II B – Corporates			196			196	261
Level II B – RMBS	88	14	38			140	135
	6,332	**2,568**	**235**	**268**	**46**	**9,449**	**12,086**
ALM PORTFOLIO							
RMBS/CMBS	136	97	488	120	231	1,072	997
Covered bonds			474	565	95	1,134	1,273
ABS	121	18	65	161	64	429	431
NHG	853	625	354			1,832	1,844
Other	355	19	302	167	274	1,117	1,538
	1,465	**759**	**1,683**	**1,013**	**664**	**5,584**	**6,083**
TOTAL	**7,797**	**3,327**	**1,918**	**1,281**	**710**	**15,033**	**18,169**

TRANSFER OF FINANCIAL ASSETS WITHOUT DERECOGNITION

The following table shows the balance sheet values of the financial assets that were transferred but not derecognised and related financial liabilities. The financial assets are not removed since BNG Bank retains the credit risks and the rights to the underlying cash flows. At the end of 2015, BNG Bank has no financial assets in its portfolio that were transferred and derecognised in which it has a continuing involvement.

INTEREST-BEARING SECURITIES TRANSFERRED IN REPURCHASE TRANSACTIONS

	31/12/2015		31/12/2014	
	BALANCE SHEET VALUE	MARKET VALUE	BALANCE-SHEET VALUE	MARKET VALUE
TRANSFERRED ASSETS				
Financial assets available-for-sale	–	–	522	522
RELATED LIABILITIES				
Amounts due to banks	–	–	510	510
NET POSITION	**–**	**–**	**12**	**12**

At year-end 2015, no interest-bearing securities had been transferred in repurchase transactions.

NETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (DERIVATIVES)

BNG Bank has entered into netting and collateral agreements with counterparties for its derivatives transactions. However, these agreements are not eligible for balance sheet netting. The following table shows the positions if these agreements had met the balance sheet netting conditions and if the collateral agreements had been taken into account.

	31/12/2015		
	DERIVATIVES STATED AS ASSETS	DERIVATIVES STATED AS LIABILITIES	NET
– Gross value of financial assets and liabilities before netting*	16,370	23,261	**–6,891**
– Gross value of the financial liabilities to be netted	–	–	**–**
– Balance-sheet value of financial assets and liabilities (following netting)	16,370	23,261	**–6,891**
– Value of financial netting instrument that does not comply with IAS32 (Netting of derivatives with the same counterparty) for netting purposes	13,347	13,347	**–**
– Exposure before collateral	3,023	9,914	**–6,891**
– Value of financial collateral that does not comply with IAS32 for netting purposes	1,761	10,041	**–8,280**
NET EXPOSURE	**1,262**	**–127**	**1,389**

* Excluding value of hedged risk of loans involved in a portfolio hedge accounting relationship of EUR 13,559 million (2014: EUR 16,044 million).

			31/12/2014
	DERIVATIVES STATED AS ASSETS	DERIVATIVES STATED AS LIABILITIES	NET
– Gross value of financial assets and liabilities before netting*	16,800	26,607	**−9,807**
– Gross value of the financial liabilities to be netted	–	–	**–**
– Balance-sheet value of financial assets and liabilities (following netting)	16,800	26,607	**−9,807**
– Value of financial netting instrument that does not comply with IAS32 (Netting of derivatives with the same counterparty) for netting purposes	14,324	14,324	**–**
– Exposure before collateral	2,476	12,283	**−9,807**
– Value of financial collateral that does not comply with IAS32 for netting purposes	897	12,247	**−11,350**
NET EXPOSURE	**1,579**	**36**	**1,543**

* Excluding value of hedged risk of loans involved in a portfolio hedge accounting relationship of EUR 13,559 million (2014: EUR 16,044 million).

CREDIT EQUIVALENTS OF DERIVATIVES ON THE ASSETS SIDE OF THE BALANCE SHEET

The credit risk of derivatives is relatively small despite the fact that principal amounts totalled EUR 243 billion at year-end 2015 (2014: EUR 246 billion). With the exception of currency derivatives, these contractual principal amounts merely serve as accounting quantities and do not reflect the size of cash flows or the risk associated with the derivatives. The credit equivalent of the derivatives portfolio serves as a more accurate indicator in this regard.
The credit risk is expressed in terms of credit equivalents, in accordance with central bank guidelines. The credit equivalent consists of the market value plus an add-on for future credit risk. Contracts with a positive value – where contractual default by the counterparty would cause the bank to lose revenue – are relevant in this regard.
BNG Bank determines this value using the Mark-to-Market (MtM) method. In addition, the principal amounts are multiplied by percentages based on the specific product and its maturity period in order to determine the potential

credit risk ('add-on'). The sum of these two values (credit equivalent) indicates the gross exposure to credit risk. Collateral received is offset in order to calculate the net credit exposure. These figures reflect netting of the positive and negative market values of contracts per counterparty.

	31/12/2015			31/12/2014		
	MTM VALUE	ADD-ON	TOTAL	MTM VALUE	ADD-ON	TOTAL
Interest contracts	1,378	402	1,780	1,468	406	1,874
Currency contracts	1,609	376	1,985	820	334	1,154
TOTAL	**2,987**	**778**	**3,765**	**2,288**	**740**	**3,028**
Less: Collateral received	1,731		1,731	819		819
TOTAL AFTER DEDUCTION OF COLLATERAL	**1,256**	**778**	**2,034**	**1,469**	**740**	**2,209**

At year-end 2015 the risk-weighted credit equivalent of the derivatives portfolio totalled EUR 1,211 million (2014: EUR 1,312 million).

SETTLEMENT RISK

Exposure to settlement risks is mainly limited to transactions with financial counterparties. In addition to hedging counterparty risk, the netting and collateral agreements concluded with those parties serve to limit settlement risks resulting from the mutual offsetting of payments. Control measures throughout the operational process serve to further mitigate the settlement risk.

Market risk

DEFINITIONS

Market risk is defined as existing or future threats to the bank's capital and results as a result of market price fluctuations. There are several forms of market risk (including replacement risk): interest rate risk, foreign exchange risk, volatility risk and fluctuations in credit and liquidity risk spreads.

- Interest rate risk is defined as the risk to annual results and capital arising from unfavourable market interest rate fluctuations.
- Foreign exchange risk is defined as the risk to annual results and capital arising from unfavourable exchange rate fluctuations.
- Volatility risk is defined as the risk to the annual result and capital arising from unfavourable fluctuations in the volatility of market interest rates or currencies expected by the market (also known as 'implied volatility').
- Spread risk is defined as the risk to annual results and capital arising from unfavourable credit and liquidity risk spread fluctuations.

DEVELOPMENTS

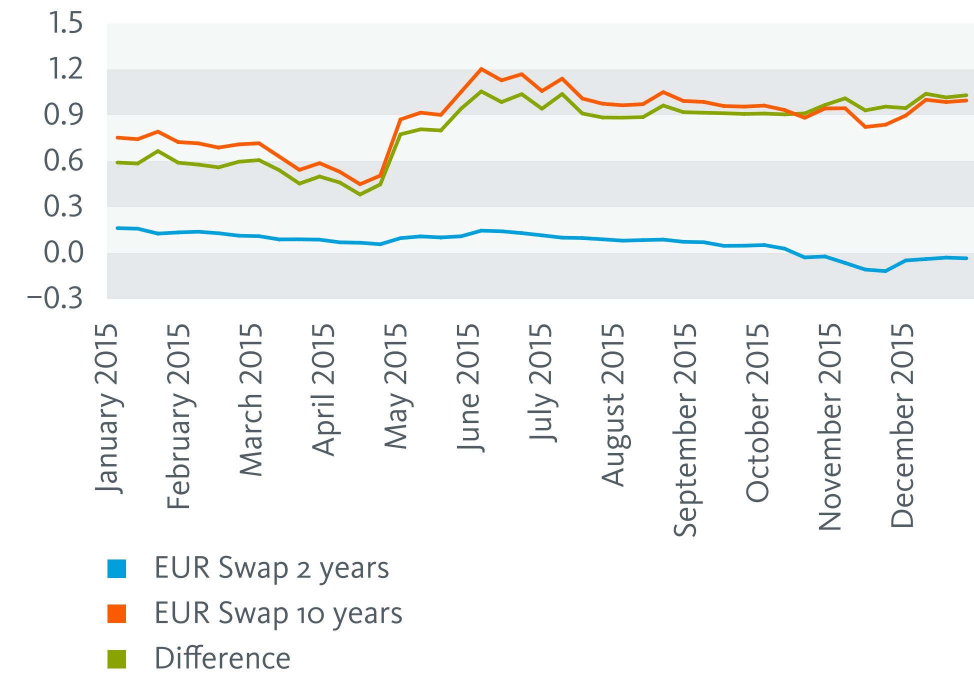
As in previous years, the bank opted for a restrictive exposure policy: the interest rate exposure measured in basis point sensitivity was low throughout the year. The bank considered that the possible yield generated by a higher exposure if interest rates continued to fall would count for little against the negative consequences of a sharp interest rate hike for that higher exposure. Given the current low interest rate and its expected development, the bank continues to exercise restraint. In conformity with the bank's market risk policy, the foreign exchange position in terms of cash flows was virtually zero throughout year.

INTEREST-RATE RISK

BNG Bank applies an active interest rate position policy, aimed at achieving additional return on equity by anticipating interest rate fluctuations. The Asset & Liability Committee (ALCO), in which all Executive Board members participate and have voting rights, is responsible for implementing this policy. In addition to the Executive Board members, ALCO also contains the directors responsible for Treasury and Public Finance and representatives from the Risk Management and Economic Research (SEO) departments. Working on the basis of market forecasts from Treasury and Economic Research, ALCO periodically determines the bank's interest-rate outlook and defines – within the predetermined framework – the limits within which the Treasury directorate will operate.

EUROPEAN SWAP CURVE

(in %)



The Treasury directorate is responsible for day-to-day interest-rate risk management. This directorate is responsible for hedging the market risks resulting from commercial activities, and manages the bank's interest-rate position.

Risk Management is responsible for the independent monitoring of market risk and checks on a daily basis whether the bank remains within its limits. The department prepares reports for ALCO and Treasury and provides risks analyses and advice, both proactively and upon request. It also plays an important role in the decision to assume new market risks (as part of the product approval process).

In 2015 the bank implemented a new interest rate risk framework, which has greatly improved the measurement and management of interest rate risks. BNG Bank now measures interest rate risk on the basis of the internal transfer of this risk from the commercial departments to the Treasury department. In this way, the risks arising from the bank's strategic exposure policy can be measured separately, as can the risks resulting from the mismatches between the internal transfer and the external hedging. The new interest rate risk framework provides better insight into the bank's interest rate risks. However, it has had no impact on the accounting policies.

The principal risk standard applied by BNG Bank is the susceptibility to interest rate fluctuations per time interval (delta), which is reported on a daily basis. ALCO now manages the risks on the basis of these deltas. This is more precise than the duration standard applied previously. In addition, the bank carries out monthly scenario analyses and stress tests and analyses the basic risks and the Earnings at Risk figures. Together, these complementary interest-rate risk standards form a coherent whole which provides a basis for ensuring the transparency and manageability of risks. To this end, the bank prepares reports (in various degrees of detail and at various frequencies) for a range of target groups.

ALCO has set limits for the principal risk standards, which are monitored by Risk Management. The bank also sees to it that the outlier criterion is not exceeded, applying an internal threshold value which serves as an early warning. The outlier criterion is prescribed by the Basel regulations, where it is used to express the maximum relationship between market risk and equity. In this context, the market risk is measured under extreme conditions with an instantaneous parallel interest rate shock of plus or minus 200 basis points.

The table below outlines the effect of an instantaneous interest-rate shock at the end of 2015. It provides an overview of the resulting market value fluctuation. This fluctuation is then broken down in terms of its impact on the bank's results. Finally, the right column shows the market value fluctuation's estimated effect on the bank's results after 2015.

	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	TOTAL CHANGE IN MARKET VALUE		IMPACT ON THE INCOME STATEMENT		IMPACT ON EQUITY		LONG-TERM IMPACT ON THE FUTURE INCOME STATEMENT	
INTEREST RATE SHOCK								
+200 basis points	−114	−183	23	75	2	−4	−139	−254
−200 basis points	133	205	−20	−65	−5	4	158	266

As the table shows, a relatively large market value shock due to interest rate fluctuations will only have a relative minor effect on the bank's annual result. This is because the bank's interest result is determined largely on the basis of amortised costs. This is the result of the hedging strategy and the corresponding hedge accounting system employed by the bank, causing profits and losses due to interest rate fluctuations to be spread out over a longer period in the result. The bank's income statement and/or equity is only affected by a limited part of these market value fluctuations. In the example described above (the 200 basis points scenario), EUR 23 million positive (2014: EUR 75 million positive) is immediately reflected in the annual result, with a EUR 139 million negative impact (2014: EUR 254 million negative) on future years. Of this amount, EUR 2 million positive (2014: EUR 4 million negative) immediately ends up in the bank's equity.

Because BNG Bank's policy does not provide for early redemption options in its regular loan products and consequently there is no material presence of such options in its portfolio, there is no necessity to model client behaviour. Likewise, there is no material exposure in mortgages, while the bank does not offer savings accounts.

FOREIGN EXCHANGE RISK

The bank obtains a large portion of its funding in foreign currencies, and is thus exposed to major potential foreign exchange fluctuations. The bank's policy specifies that all foreign exchange risks should be hedged in full. Incidental foreign exchange positions may occur in certain cases where it is not cost-efficient to hedge these risks. The foreign exchange risk of these minor positions is also measured on a daily basis.

VOLATILITY RISK

In managing its interest rate exposure, the bank has a limited margin for assuming volatility risk. This margin is monitored by the Risk Management department. With regard to its other activities, BNG Bank's policy specifies that the volatility risks for new products should be hedged in full. There are still some minor positions exposed to volatility risks that were arranged in the past.

CREDIT SPREADS, LIQUIDITY PREMIUMS AND INTEREST-RATE RISK MANAGEMENT

BNG Bank's economic market value position is determined over its entire portfolio of assets and liabilities. Both assets and liabilities are valued on the basis of an interest rate curve made up of market-based swap rates plus credit and liquidity risk spreads and discounts. The impact of changes in these spreads and discounts is measured periodically. As these spreads and discounts play no part in determining the bank's interest rate exposure, changes in these spreads and discounts will not affect that exposure.

Liquidity and funding risk

DEFINITIONS

Liquidity risk is defined as the existing or future threat to the institution's capital and results due to a default at any given time on its payment obligations without incurring any unacceptable costs or losses.

- Short-term liquidity risk is defined as the risk that the bank will not be able to attract sufficient funds to meet its payment obligations.
- Refinancing or long-term liquidity risk is defined as the risk that the bank will not be able to attract any (or sufficient) funds to ensure that the continuity of its operations is not jeopardised due to fluctuations in its own creditworthiness.

DEVELOPMENTS

Because the bank's bonds qualify as liquid assets under the prudential regulations, they can be included in other banks' liquidity portfolios, which has a favourable effect on the bank's funding position in the capital market. The ECB's public sector purchase programme also had a positive effect on the demand for BNG Bank's bonds. The USCP programme was much on demand on the money market and has amply proved its value since it was introduced a few years ago. The liquidity position remained within the limits throughout the year for both short-term and long-term liquidity.

In 2015, the bank developed and implemented a new liquidity risk framework. Until then, it had measured short-term and long-term liquidity in different ways at internal level. There now is a uniform method which is also in line with the regulators' views. In addition, a number of assumptions were introduced with regard to uncertain cash flows which, in the bank's opinion, provide the best estimate of the future funding deficit. The new framework was implemented early in 2016.

Further steps will be taken in 2016 to fine-tune the monitoring cycle around the funding plan, the management concerning the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) and liquidity stress testing.

LIQUIDITY

Based on its function for the public sector, BNG Bank wants to provide a constant and stable presence in the market and continue meeting the demand for credit also in difficult times. It also pursues a prudent liquidity position to ensure that it can meet its obligations at all times. In this context, ongoing access to the money and capital markets is essential and thereby the ongoing maintenance of attractive, varied and sufficiently large issue programmes for investors. In addition, buffers are required in order to have access to liquidity at times of stress. In this context, BNG Bank holds an ample quantity of collateral with the central bank, which enables it to obtain short-term funding immediately. Since a very large portion of the assets could serve as collateral, this collateral may be further extended in the event of prolonged stress. A second buffer is formed by assets held explicitly for liquidity purposes, known as the liquidity portfolio. The size of this portfolio is also in line with the requirement under the CRR to have an LCR of at least 100%.

The limits to the maximum permitted funding deficits in the short term and in the long term are an explicit part of the risk appetite and directly determine the level of the principal liquidity limits. The risk appetite also provides for a survival period. This is the period during which the bank can survive in the event of a heavy stress scenario specified in greater detail. This stress scenario is a scenario in which the bank has difficulty obtaining funding over a long period, while its clients draw more heavily on existing credit facilities and new lending must remain possible as well. The survival period is the period in which the standard liquidity buffers, therefore without management intervention, are sufficient for absorbing the consequences of the scenario. The survival period appearing from the stress tests meets the requirement laid down in the risk appetite.

In order to monitor its liquidity position, the bank maintains a liquidity expiration calendar that is updated on a daily basis, and prepares weekly multi-year liquidity prognoses. The aforementioned limits apply to this liquidity position. BNG Bank's liquidity position is well within the requirements of existing regulatory standards and future regulatory standards that are already known.

The Treasury directorate has been tasked with implementing the funding and liquidity policy. The Risk Management department independently reports to ALCO on the use of predetermined limits.

FUNDING

BNG Bank distinguishes between short-term and long-term funding. The following resources are used for short-term funding:

- Commercial Paper. The bank uses a European Commercial Paper (ECP) programme of a maximum of EUR 20 billion and a US Commercial Paper (USCP) programme of a maximum of USD 15 billion. Under normal circumstances, a substantial margin is maintained between the maximum scope allowed under the programme and the bank's actual usage.
- Repurchase transactions with interbank parties under a Global Master Repurchase Agreement (GMRA).
- Deposits from institutional money market parties.
- Refinancing operations by the European Central Bank, if necessary.

The bank has virtually no retail deposits and, following the implementation of 'treasury banking' in late 2013, the bank is no longer able to use the deposits of local authorities.

The bank is primarily reliant on the capital market for its long-term funding requirements, and to that end employs the following programmes/instruments:

- a Debt Issuance Programme (DIP) of a maximum of EUR 90 billion; and furthermore
- the Kangaroo-Kauri Programme, specifically for the Australian and New Zealand market, of AUD 10 billion; and
- Samurai shelf registration and Uridashi shelf registration, specifically for Japanese investors.

For reasons of diversification, the bank also uses the following in order to finance its activities:

- Funding raised in exchange for instruments from the liquidity portfolio as collateral (repurchase transactions).
- Guaranteed Investment Contracts (GICs).

The bank has a funding plan in which the desired funding mix is described in more detail. A cycle for monitoring the actual realisation of this mix or the reason for diverging from it is largely in place by now.

MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES ON THE BASIS OF THE REMAINING CONTRACTUAL PERIOD

The amounts featured in the table below represent the non-discounted future cash flows of financial assets and liabilities. For the maturity analysis of issued guarantees and irrevocable commitments, 'Other notes to the consolidated financial statements' section.

	31/12/2015				
	UP TO 3 MONTHS	3 – 12 MONTHS	1 – 5 YEARS	OVER 5 YEARS	TOTAL
Cash and balances held with central banks	3,175	–	–	–	3,175
Amounts due from banks	10,093	206	249	6	10,554
Financial assets at fair value through the income statement (excluding derivatives)	23	69	468	3,509	4,069
Financial assets available-for-sale	135	606	4,976	8,659	14,376
Loans and advances	5,940	10,259	37,465	59,939	113,603
Other assets	27	–	–	–	27
TOTAL ASSETS (EXCL. DERIVATIVES)	**19,393**	**11,140**	**43,158**	**72,113**	**145,804**
Amounts due to banks	−2,969	–	–	–	−2,969
Financial liabilities at fair value through the income statement (excluding derivatives)	−8	−101	−387	−1,868	−2,364
Debt securities	−10,917	−21,347	−50,871	−39,173	−122,308
Funds entrusted	−2,576	−259	−1,869	−2,867	−7,571
Subordinated debts	−1	−1	−5	−44	−51
Other liabilities	−78	−18	–	–	−96
TOTAL LIABILITIES (EXCL. DERIVATIVES)	**−16,549**	**−21,726**	**−53,132**	**−43,952**	**−135,359**

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	UP TO 3 MONTHS	3 – 12 MONTHS	1 – 5 YEARS	OVER 5 YEARS	TOTAL 31/12/2015
GROSS BALANCED DERIVATIVES					
Assets amounts receivable	8,052	16,693	29,905	24,428	79,078
Assets amounts payable	−6,851	−13,355	−20,907	−15,855	−56,968
DERIVATIVES STATED AS ASSETS	**1,201**	**3,338**	**8,998**	**8,573**	**22,110**
Liabilities amounts receivable	3,622	1,531	6,164	17,535	28,852
Liabilities amounts payable	−4,422	−3,830	−15,033	−29,249	−52,534
DERIVATIVES STATED AS LIABILITIES	**−800**	**−2,299**	**−8,869**	**−11,714**	**−23,682**
GRAND TOTAL	**3,245**	**−9,547**	**−9,845**	**25,020**	**8,873**

					31/12/2014
	UP TO 3 MONTHS	3 – 12 MONTHS	1 – 5 YEARS	OVER 5 YEARS	TOTAL
Cash and balances held with central banks	2,241	–	–	–	2,241
Amounts due from banks	10,103	511	409	52	11,075
Financial assets at fair value through the income statement (excluding derivatives)	22	116	381	2,847	3,366
Financial assets available-for-sale	146	794	4,434	9,261	14,635
Loans and advances	7,620	9,732	39,739	59,077	116,168
Other assets	155	–	–	–	155
TOTAL ASSETS (EXCL. DERIVATIVES)	**20,287**	**11,153**	**44,963**	**71,237**	**147,640**
Amounts due to banks	−2,353	−192	–	–	−2,545
Financial liabilities at fair value through the income statement (excluding derivatives)	−8	−15	−481	−2,766	−3,270
Debt securities	−11,863	−21,915	−48,804	−30,571	−113,153
Funds entrusted	−2,996	−1,161	−2,448	−11,146	−17,751
Subordinated debts	−1	−2	−6	−45	−54
Other liabilities	−34	–	–	–	−34
TOTAL LIABILITIES (EXCL. DERIVATIVES)	**−17,255**	**−23,285**	**−51,739**	**−44,528**	**−136,807**

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	31/12/2014				
	UP TO 3 MONTHS	3 – 12 MONTHS	1 – 5 YEARS	OVER 5 YEARS	TOTAL
GROSS BALANCED DERIVATIVES					
Assets amounts receivable	10,325	18,457	32,701	26,416	87,899
Assets amounts payable	−8,915	−15,288	−23,743	−17,022	−64,968
DERIVATIVES STATED AS ASSETS	**1,410**	**3,169**	**8,958**	**9,394**	**22,931**
Liabilities amounts receivable	930	528	5,397	17,021	23,876
Liabilities amounts payable	−1,721	−2,857	−15,383	−31,176	−51,137
DERIVATIVES STATED AS LIABILITIES	**−791**	**−2,329**	**−9,986**	**−14,155**	**−27,261**
GRAND TOTAL	**3,651**	**−11,292**	**−7,804**	**21,948**	**6,503**

LIQUIDITY PORTFOLIO

The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) have been introduced under the CRD IV regulations. The LCR indicates to what extent BNG Bank has an adequate buffer of liquid assets in order to absorb a stressed net outgoing cash flow over a 30-day period. The NSFR is a ratio for liquidity over a one-year period. This ratio is calculated by dividing the available stable funding by the required stable funding. Both the LCR and the NSFR should be at least 100%.

BNG Bank makes relatively little use of deposits and much use of the capital market. Deposits have a more even expected redemption pattern than issues on the capital market. As a result, the LCR may fluctuate when issues are placed or redeemed. Since such developments are easy to predict, however, pre-emptive steps can be taken in time. In addition, the movements in the market value of the derivatives used to hedge the interest rate risk and foreign exchange risks cause the level of the LCR to fluctuate via the collateral obligations securing these derivatives.

In 2015, an LCR projection model was developed and introduced which enables the bank to calculate the LCR a year in advance each month. In this way, the bank can identify potential deficit situations in good time.

The LCR at year-end 2015 amounted to 171% (2014: 168%) and, as such, met the minimum standard. The NSFR is expected to take effect on 1 January 2018. Measured against the definitions currently applicable, the bank complies with this liquidity requirement. Given that the NSFR has a longer horizon, its results are more stable in nature than those of the LCR. The NSFR at year-end 2015 amounted to 120% (2014: 103%) and, as such, was also above the 100% limit.

BNG Bank has a liquidity portfolio, which enables it to create additional liquidity in a relatively short period under stressful circumstances. This desire originates primarily in prudential liquidity policy, but also in the obligation to fulfil the new regulatory requirements.

At year-end 2015, the value of the liquidity portfolio for the purpose of calculating the LCR amounted to EUR 12.9 billion (2014: EUR 9.1 billion). The increase of EUR 3.8 billion (as opposed to a decrease of EUR 4.5 billion in 2014) is attributable on the one hand to an increase in the liquidity portfolio in government bonds and securitisations and on the other to an increase in the market value caused primarily by the narrowing of the spreads on government bonds and securitisations.

LCR CLASS	REMAINING PRINCIPAL AMOUNT*	REMAINING PRINCIPAL AMOUNT UNENCUMBERED	MARKTET VALUE UNENCUMBERED	LCR VALUE UNENCUMBERED
	31/12/2015			
Level I – Cash and balances held with DNB/ECB	401	401	401	401
Level I – Government	5,991	5,976	7,891	7,867
Level I – Supranational	2,701	2,701	3,001	3,001
Level I B – Covered bonds	769	769	853	793
Level II A – Covered bonds	177	177	191	162
Level II A – Government/Supranational	81	81	106	90
Level II B – RMBS	771	771	782	587
Level II B – Corporates	65	65	70	35
	10,956	**10,941**	**13,295**	**12,936**

* Including collateral received in the form of securities (not shown on balance sheet).

	31/12/2014			
	REMAINING PRINCIPAL AMOUNT*	REMAINING PRINCIPAL AMOUNT UNENCUMBERED	MARKTET VALUE UNENCUMBERED	LCR VALUE UNENCUMBERED
LCR CLASS				
Level I – Government	5,628	3,763	4,980	4,980
Level I – Supranational	2,848	2,848	3,246	3,246
Level II A – Covered bonds	574	574	570	570
Level II A – Government/ Supranational	81	81	94	94
Level II B – RMBS	140	140	104	104
Level II B – Corporates	196	196	130	130
	9,467	**7,602**	**9,124**	**9,124**

* Including collateral received in the form of securities (not shown on balance sheet).

CLARIFICATION:

- Market value unencumbered: market value of the unencumbered part of the liquidity portfolio;
- LCR value unencumbered: LCR liquidity value of the unencumbered part of the portfolio.

At year-end 2015 a nominal amount of EUR 0 million (2014: EUR 0.4 billion) in assets from this portfolio was used as collateral for repurchase transactions. At year-end 2015 a nominal amount of EUR 15 million (2014: EUR 1.4 billion) in assets from this portfolio was used as collateral for derivatives transactions.

ENCUMBERED AND UNENCUMBERED FINANCIAL ASSETS

In times of funding and liquidity needs, encumbered financial assets are not freely disposable to be able to meet these needs in the short term. The following table shows the balance-sheet values of the assets, broken down into encumbered (not freely available) and unencumbered (freely available) assets.

	31/12/2015		
	ENCUMBERED	UNENCUMBERED	TOTAL
Cash and balances held with central banks	–	3,175	3,175
Amounts due from banks	10,041	499	10,540
Financial assets at fair value through the income statement	–	3,715	3,715
Other financial assets	–	29,098	29,098
Financial assets available-for-sale	24	13,435	13,459
Loans and advances	437	88,929	89,366
Non-financial assets	–	158	158
TOTAL	**10,502**	**139,009**	**149,511**
AVERAGE (TOTAL) 2015*	**10,949**	**145,101**	**156,050**

	31/12/2014		
	ENCUMBERED	UNENCUMBERED	TOTAL
Cash and balances held with central banks	–	2,241	2,241
Amounts due to banks	10,089	957	11,046
Financial assets at fair value through the income statement	–	4,247	4,247
Other financial assets	–	31,322	31,322
Financial assets available-for-sale	2,704	10,989	13,693
Loans and advances	889	89,843	90,732
Non-financial assets	–	224	224
TOTAL	**13,682**	**139,823**	**153,505**

* Based on the relevant EBA guideline, only closing balances are reported for 2014.

Operational risk

DEFINITIONS

Operational risk is defined as the risk of losses due to the shortcomings of internal processes, people and systems, or as a result of external events. In addition to the general operational risk, operational risk comprises the following risks:

- IT risk is the risk that business processes and information systems are supported by information technology whereby protection is insufficiently sound, discontinuous or unsatisfactory.
- Outsourcing risk is the risk that the continuity, integrity and/or quality of activities outsourced to third parties or the equipment or staff provided by these third parties are adversely affected.
- Integrity risk is the risk that the institution's integrity is adversely affected by unprofessional or unethical behaviour by the organisation or its employees and clients in breach of applicable legislation or social and institutional standards.
- Legal risk is the risk associated with (changes in and compliance with) legislation and potential threats to the institution's legal status, including the possibility that contractual stipulations prove unenforceable or have been incorrectly documented.

GENERAL

Line management has primary responsibility as the 'first line of defence' for managing operational risk in day-to-day operations, in conformity with policy and arrangements. In this, it is supported by specialised departments, such as the Internal Control department. Although operational risks cannot be fully mitigated, they must obviously be made transparent and manageable.

Risk Management, Compliance and Security constitute the 'second line of defence' and are responsible for providing an overview and understanding of risks, as well as control guidelines. They support and advise line management by facilitating periodical risk self-assessments and by analysing operational risks. The risks, control measures and residual risks identified are documented. They will propose supplementary control measures where necessary and monitor their timely implementation. Residual risks will be communicated to the responsible managing director, who will, if applicable, advise the Executive Board on their acceptance. Risk Management is involved in process changes in the context of operational risk management.

The Internal Audit Department (IAD) conducts independent assessments in supplement to the self-assessments and risk analyses by Risk Management and the activities of Internal Control, in order to determine the existence and effect of control measures. The IAD thereby constitutes the 'third line of defence' and reports to the Executive Board. Each year, the managing directors and the department heads inform the Executive Board whether they are in control of the processes and risks for which they are responsible. The compliance officer conducts periodical integrity analyses.

BNG Bank registers all operational incidents upwards of an impact of EUR 5,000. To this end, employees involved in the operational process report all incidents to Risk Management. The incidents are handled within the operational process. Risk Management conducts joint assessments with the various departments in order to determine whether the prevention of future incidents will require any adjustments to the process, systems or working methods. Every quarter, Risk Management reports on incidents to the Executive Board and management. It provides annual reports on incidents with a (potential) impact of more than EUR 100,000 to the Management Board and the Supervisory Board's Audit & Risk Committee. The 2015 Incidents Report contained no incidents with an impact in excess of EUR 100,000 (2014: 1). The impact of operational incidents on the bank's annual results in both 2014 and 2015 was limited. Incidents which pose a serious threat to the ethical conduct of the business must be reported to the regulator. No such incidents occurred in 2015.

DEVELOPMENTS

Supervision by the ECB was given further shape in 2015. BNG Bank set up a point of contact within the organisation for prudential supervision purposes. The changes in supervision still involve considerable work pressure for the bank. The ECB imposes different requirements on banks, and treats BNG Bank as any other bank. Its questions require very precise answers, supported by figures, irrespective of the individual risk profile of the bank concerned. As a bank with a low credit risk profile and a specific business model, BNG Bank focuses on knowledge-intensive collaboration and a service-oriented attitude towards clients. The bank has developed a joint data warehouse and embedded a permanent focus on data quality in its organisation, partly in order to meet the rapidly changing requirements in this area and the often strict deadlines of requests for information.

Work pressure is consistently high in parts of the organisation. The resulting operational risks remain a point for concern, but have not caused an increase in the number of incidents. The workforce was strengthened in a number of critical areas in 2015 and will be further extended in 2016. BNG Bank is a technology-intensive and knowledge-intensive business with a relatively small number of staff members. This may result in dependence on particular persons. The bank is aware of this and believes that the increase in its workforce will help mitigate this risk. Various specialist topics regularly require external expertise. This expertise will be guaranteed within the bank.

Operational risk has a soft component, also referred to as 'culture'. BNG Bank is convinced of the importance of this component and includes it in the various operational risk management activities, such as the risk analyses and the banker's oath.

IT RISK

The bank's information policy is based around an information system that allows the bank to continue executing its company strategy successfully. The information policy is reviewed annually, based on the business strategy objectives and external developments.

The management of IT risk is based on the application of preventative rather than remedial measures. These measures are aimed at preventing (potential) incidents or detecting them at the earliest possible opportunity and preventing the resulting damages or restoring the desired situation as quickly as possible. In order to guarantee the continuity of IT support at the bank, a fallback test was also conducted in 2015. This successful test demonstrated that the bank's backup systems are adequately equipped to ensure that services continue as normal in the event of a calamity. Furthermore, the systems are frequently tested for sensitivity to hacking. There were no information security incidents in 2015.

In setting up information systems, the key principles are services to clients, regulatory requirements and risk management. To limit the IT risk, the bank seeks to reduce the complexity of its IT systems. The dynamics of the financial markets and law and regulatory requirements constitute a challenge to the bank in this regard. For the bank's IT organisation, this has resulted in a full project portfolio and considerable investment in hardware and software. The process of strengthening the information management function will be continued in 2016.

Further improvements were introduced in the quality of project planning, enabling the bank to more effectively steer its project portfolio – which has many links with IT – and set the right priorities for this process. Many system adjustments are still prompted by changing laws and regulations. In 2015 the bank started building up the joint data warehouse as part of a programme designed to improve data quality. Internal capacity of the bank's IT department was expanded in 2015 in order to handle the large number of projects, which process will be continued in 2016. Where necessary, external expertise and capacity will be used.

As described in the section on outsourcing risk, the bank has partially outsourced its IT to Centric FSS. Effective cooperation between the bank and Centric FSS is essential in managing the IT risk. Given the end date of the outsourcing contract (2017), negotiations with Centric FSS on the provision of these services were started as early as 2015. On 28 December, BNG Bank concluded a new contract with Centric FSS ensuring the continuation of the outsourcing. From 1 January 2016 the parties are collaborating under new arrangements.

OUTSOURCING RISK

BNG Bank's most important outsourcing contract relates to the outsourcing of a large portion of the bank's IT activities to Centric FSS. These activities include payment services and current account administration, the computing centre and workstation management. BNG Bank's activities are linked to those carried out by Centric FSS via Service Level Agreements (SLAs) and the bank's internal demand organisation.

IT support is crucial for a bank. This is why BNG Bank has a procedure in place for the proper monitoring and evaluation of the service provider's services. The ISAE 3402 statement annually issued by Centric FSS is part of this procedure. The IAD's periodical audits of Centric FSS provide extra assurance. The bank also structurally monitors the financial situation of Centric FSS and draws up contingency plans.

The party to which the management of the buildings and installations had been outsourced went bankrupt in 2015. By now a new party has been contracted. This change of partner did not cause any interruptions or financial loss for the bank.

INTEGRITY RISK

Integrity is a key part of the operations. The BNG Bank Company Code serves as a guideline for all actions undertaken by BNG Bank and its employees. The bank values ethical and reliable behaviour over an exclusive focus on financial profit. The BNG Bank Company Code is published on the bank's website. New employees are assessed on their integrity when they take up their duties, irrespective of whether they were recruited internally or externally.

The issue of integrity is highlighted among all staff on a regular basis. All the employees took the banker's oath in 2015, thereby endorsing the underlying rules of conduct. BNG Bank's employees are subject to disciplinary regulations for banks. Before they took the oath, integrity was discussed with them at great length. All new employees take the banking oath, irrespective of whether they were recruited internally or externally. In addition, the bank performed an integrity risk analysis in 2015, which did not reveal any major integrity risks.

The bank also applies ethical standards to the actions of its clients and other contacts. These standards have been laid down in policy rules.

LEGAL RISK

The bank has a specialist legal department whose tasks and responsibilities include setting out arrangements with clients and other parties in legally sound agreements. To this end, standard contracts and provisions have been drawn up, which are managed in an internal (contract) models library. Any deviation from these standard contracts is coordinated with the Legal Affairs, Tax and Compliance department (JFC).

The bank is working to further automate the administration of contractual provisions in agreements with clients, with an intention to standardise the conditions and provisions as much as possible. To this end, the internal (contract) models library is being further developed and updated, also in the interest of the efficiency of the bank's lending activities. This will reduce the number of manual activities in the operational process to a minimum and prevent the necessity of sorting out individual contracts where possible. In 2015, further steps were taken in standardising conditions. This process will continue in 2016.

Where applicable, the JFC department also seeks external assistance, for example in the event of complex (often syndicated) transactions and in cases requiring specialist legal knowledge.

As at year-end 2015 BNG Bank was involved in a small number of legal proceedings, with a relatively limited financial interest. Legal proceedings are being prepared with regard to the dispute concerning HETA. The write-down of this exposure in 2015 on account of the credit risk is clarified in note 26. After assessing the disputes concerned, the bank does not expect that these proceedings will have any negative financial consequences. The legal proceedings did not result in the payment of any claims during the reporting year.

Strategic risk

DEFINITIONS

Strategic risk is defined as the risk that strategic decisions of the bank could result, in the execution of those decisions, in losses and/or the chance of losses as a consequence of changes beyond the control of the institution or group in the areas of the bank's competitive position, stakeholders, reputation and business climate (including political climate). Strategic risk consists of the following aspects:

- Competitive risk is the risk that the bank's competitive and market position will be influenced by the activities, actions and/or decisions of new or existing competitors.
- Reputation risk is the risk that the bank's market position will deteriorate due to a negative perception of its image amongst stakeholders.
- Dependency risk is the risk that stakeholder influence and developments will result in a conflict of interests with the bank and/or affect the institution's financial position.
- Risks resulting from the business climate are risks due to environmental changes in terms of the economy, stock exchange climate, wage and/or purchasing power developments, broader society, politics and technology.

COMPETITIVE RISK

The relatively low credit margins characteristic of the market in which BNG Bank operates act as an obstacle to potential new entrants. Scale and efficiency are key to a profitable business model. Parties striving to maximise their profits will thus enter this market on a limited scale. The bank's exposure to competitive risk is still limited. The diversity in competition is increasing, however. Thus, the bank experiences competition in the public sector from treasury banking and from mutual lending among provincial authorities. Pension funds and insurers also provided competition on an irregular basis. In addition, institutional investors and foreign banks are increasingly interested in financing DBFMO projects and sectors with a relatively low risk profile, such as water supply companies and energy network companies.

REPUTATION RISK

BNG Bank is always looking for solutions that are in the client's interest. This of vital importance for its reputation as a bank of and for the public sector. This is reflected not only in the bank offering products that its clients ask for, but especially in a certain reticence if it is not sufficiently clear that a particular product is in the client's interest. The bank will stress this when it receives requests for financing arrangements which it considers unsuitable for the client concerned. This applies in particular to smaller organisations of which the bank has reason to believe that they lack the in-house expertise to manage the risks of the product in question. This is incorporated into the bank's product approval process.

Naturally, reputation risk also applies to the bank's other stakeholders, such as investors and shareholders. It often arises as a consequential risk if other risks are not properly managed. Therefore it makes up an integral part of all aspects of the bank's risk policy. Mitigation of the various risks thus indirectly safeguards the bank's reputation.

DEPENDENCY RISK AND BUSINESS CLIMATE

At BNG Bank, dependency risk and political risk (business climate) are closely linked, because public authorities are both shareholders and clients. BNG Bank has a high dependency risk with respect to governmental developments. Continuing cutbacks in the public sector have resulted in near to zero growth in BNG Bank's balance sheet on account of lending, which has unfavourable consequences for scale and cost ratios. However, it can be seen as an advantage in view of the need to comply with the mandatory leverage ratio from the beginning of 2018.

The future role of housing associations presents a potential threat to the bank's sales market. Based on the advice of the Parliamentary Committee of Inquiry into Housing Associations, the Minister for Housing and the Central Government Service presented proposals in June 2015 on the guarantee system providing funding to housing associations and the Social Housing Guarantee Fund (WSW). The Minister wants to increase the (public) grip on the WSW without making the system fully public or fully private. Under the amended Housing Act, it is possible for housing associations to go bankrupt. The Minister is also considering proposals to introduce own-risk provisions for lenders and municipal authorities in providing finance to housing associations. If such provisions are introduced, and depending on the form they will take, this may affect BNG Bank. In that case the bank will have a choice between adapting its risk profile or accepting constraints in its ability to serve this important client category in the future. The key point is that such a measure would reduce the efficiency of the current lending process and would therefore result in higher lending rates in financing the social task that the housing associations perform.

Another potential threat is the EU's Bank Recovery and Resolution Directive (BRRD), which poses the question whether the shareholders are permitted to assist BNG Bank in the event of acute problems, without this creating discussions on state aid or a bail-in. Uncertainty as to the exact form and interpretation of bail-in regulations has made the rating agencies slightly more cautious.

BNG Bank incidentally invested modest amounts of risk-bearing capital in area development projects. This allows the bank to participate in such projects in its capacity as lender. In view of the market conditions in the sector, these efforts have been on hold since mid-2010 and the activities are directed primarily at managing and phasing out the existing portfolio.

Capital and solvency

A multitude of new regulations followed the publication of the Third Basel Accord, on which a part of the new regulations are based. In 2013, these regulations were legally incorporated through the Capital Requirements Directive IV (CRD IV) and the associated Capital Requirements Regulation (CRR). The CRD IV is incorporated into national legislation, with national discretions being permitted. This phase is effectively skipped for the CRR as the content of this regulation is incorporated directly into the national legislation of all EU Member States. The CRR is known as the 'single rule book' as it precludes differences between the Member States. The CRR was published in the Official Journal of the European Union on 27 June 2013 and was followed by an amended version on 30 November 2013. The CRR has been in effect since 1 January 2014. The CRD IV section was published simultaneously and has since been incorporated into Dutch national legislation.

One of the things introduced by CRD IV/CRR is a leverage ratio, which is the ratio between the total non-risk-weighted balance sheet and the capital of the bank. Given the fact that a very large part of BNG Bank's balance sheet consists of 0% credit risk weighted assets, application of the leverage ratio is much less favourable than the more highly rated weighted solvency ratio. The minimum level required for this ratio is not expected to be formally determined until 2016. This decision will be based on a recommendation by the European Banking Association (EBA), to be issued by mid-2016 at the latest, which should take into account for the various business models applied by banks. Thus far, only a figure of 3% has been mentioned, effective from January 2018. The Member States will not be authorised to set a lower leverage ratio, although they will be authorised to increase it. In the Netherlands, the Minister of Finance announced his intention to impose a 4% leverage ratio on the four large consumer banks in due course. This ratio will not apply to public sector banks. Even though DNB classified BNG Bank as a bank of national systemic importance in December 2015, the bank still proceeds from the level of 3% in its capital planning. Its classification as a bank of national systemic importance does mean, however, that as of 2016, BNG Bank must maintain a systemic buffer of 1% within the weighted solvency. This buffer will be implemented in the coming four years. In view of the bank's high CET1 and Tier 1 ratios, the additional buffer, on top of the Pillar I and Pillar II requirements, does not pose a bottleneck. The obligation to meet a leverage ratio in the future has meant among other things that, beginning in the 2011 financial year, the dividend was reduced from a payout percentage of 50% to 25%. The possibility of attracting hybrid capital that qualifies as (additional) Tier 1 capital is also part of the migration plan. The preparations for this were completed in 2015, and EUR 424 million was raised in hybrid capital. If the capital planning for the leverage ratio should necessitate this in the near future, the bank would expressly consider a further issue of hybrid capital. By taking these measures, the bank prevents threats to client lending due to a constrictive leverage ratio. The deductibility of hybrid capital for corporate income tax purposes has led to a public debate. If the deductibility should be abolished in the future, this will have a negative impact on the bank's income statement and thereby on its future capitalisation.

In order to maintain its good credit ratings, BNG Bank has for many years applied a self-imposed Tier 1 ratio of 18%, which is also more than sufficient to satisfy the requirements of CRD IV. The bank considers this ratio to be amply sufficient in relation to its risk profile. Given its desire to maintain a high Tier 1 capital ratio relative to the other banks, BNG Bank is aiming for a ratio that is higher than 18% for 2015 and beyond. As at 31 December 2015 the Tier 1 ratio and the CET1 ratio were 26.7% and 23.3% respectively.

Under CRD IV/CRR, BNG Bank employs the 'Standardised Approach' (SA) for credit risk and market risk. In calculating the counterparty risk of derivatives transactions, the bank applies the 'Mark-to-Market' method. It applies the 'Basic Indicator Approach' for operational risk. Based on the CRR, BNG Bank has obtained the regulator's permission to apply the specific prudential regulations at consolidated level, rather than on an individual basis ('solo waiver'). Because BNG Bank does not have a trading book, the interest rate risk does not affect the capital ratio. Only temporary small foreign exchange positions for which it is not efficient to hedge the risks may result in a limited capital ratio in the interim. These positions are measured on a daily basis and have no material effect on the Tier 1 ratio.

The overview below presents the ratios as at 31 December 2015 based on the principles of CRD IV/CRR. The value present is shown for both the transitional situation and the final situation after full phasing-in (in 2018). In both cases, the minimum standards required externally represent the desired or expected final situation (2018).

SOLVENCY

	31/12/2015		31/12/2014	
	MINIMUM REQUIRED EXTERNALLY	PRESENT	MINIMUM REQUIRED EXTERNALLY	PRESENT
CRD IV/CRR (TRANSITIONAL)				
Tier 1 capital	1,024	3,412	934	2,770
Total capital ratio	8%	27%	8%	24%
Common Equity Tier 1 capital	576	2,988	529	2,770
Common Equity Tier 1 ratio	4.5%	23%	4.5%	24%
Risk-weighted assets	N/A	12,797	N/A	11,681
Leverage ratio (LR)	N/A	2.6%	N/A	2.1%
CRD IV/CRR (FULLY PHASED IN)				
Tier 1 capital	1,024	3,603	934	3,019
Total capital ratio	8%	28%	8%	26%
Common Equity Tier 1 capital	576	3,180	529	3,019
Common Equity Tier 1 ratio	4.5%	25%	4.5%	26%
Risk-weighted assets	N/A	12,797	N/A	11,681
Leverage ratio (LR)	expectation 3%	2.8%	expectation 3%	2.2%

REGULATORY CAPITAL

The two tables below show the structure of the regulatory capital. The tables present the capital in the transitional situation and the capital after full phasing-in (2018).

	31/12/2015		
	CAPITAL (TRANSITIONAL)	CAPITAL (FULLY PHASED IN)	IFRS EQUITY
Paid-up capital	139	139	139
Share premium	6	6	6
Retained earnings from previous years	2,797	2,797	2,797
Unappropriated profit			226
Accumulated other comprehensive income			
– Cash flow hedge reserve	251	251	251
– Revaluation reserve	320	320	320
COMMON EQUITY TIER 1 (CET1) CAPITAL BEFORE REGULATORY ADJUSTMENTS	**3,513**	**3,513**	**3,739**

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	31/12/2015		
	CAPITAL (TRANSITIONAL)	CAPITAL (FULLY PHASED IN)	IFRS EQUITY
Adjustments to CET1 capital due to prudential filters:			
– Cash flow hedge reserve	–251	–251	
– Cumulative gains and losses arising from the bank's own credit risk related to derivative liabilities	–12	–12	
– Value adjustments due to the prudential valuation requirements	–12	–12	
Deduction of capital for securitisation positions eligible as alternatives for a risk weight of 1250%	–59	–59	
Transitional adjustments to CET1 capital:			
– Unrealised losses in the revaluation reserve	36	–	
– Unrealised gains in the revaluation reserve	–227	–	
COMMON EQUITY TIER 1 (CET1) CAPITAL BEFORE REGULATORY ADJUSTMENTS	**2,988**	**3,179**	
Additional Tier 1 capital	424	424	424
TIER 1 CAPITAL	**3,412**	**3,603**	
TOTAL EQUITY	**–**	**–**	**4,163**

	31/12/2014		
	CAPITAL (TRANSITIONAL)	CAPITAL (FULLY PHASED IN)	IFRS EQUITY
Paid-up capital	139	139	139
Share premium	6	6	6
Retained earnings from previous years	2,702	2,702	2,702
Unappropriated profit			126
Accumulated other comprehensive income			
– Cash flow hedge reserve	375	375	375
– Revaluation reserve	234	234	234
COMMON EQUITY TIER 1 (CET1) CAPITAL BEFORE REGULATORY ADJUSTMENTS	**3,456**	**3,456**	

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	31/12/2014		
	CAPITAL (TRANSITIONAL)	CAPITAL (FULLY PHASED IN)	IFRS EQUITY
Adjustments to CET1 capital as a result of prudential filters:			
– Cash flow hedge reserve	–375	–375	
– Cumulative gains and losses arising from the bank's own credit risk related to derivatives liabilities	0	0	
– Value adjustments due to the prudential valuation requirements			
Deduction of capital for securitisation positions eligible as alternatives for a risk weight of 1250%	–63	–63	
Transitional adjustments to CET1 capital:			
– Unrealised losses in the revaluation reserve	60	–	
– Unrealised gains in the revaluation reserve	–308	–	
COMMON EQUITY TIER 1 (CET1) CAPITAL BEFORE REGULATORY ADJUSTMENTS	**2,770**	**3,018**	
Additional Tier 1 capital	–	–	–
TIER 1 CAPITAL	**2,770**	**3,018**	
TOTAL EQUITY	**–**	**–**	**3,582**

PRUDENTIAL FILTERS

BNG Bank applies the following prudential filters to the CET1 capital:
- The cash flow hedge reserve is eliminated in its entirety, because this reserve has no loss-absorbing capacity;
- The DVA in relation to derivatives transactions is eliminated;
- For prudent valuation purposes, an adjustment is calculated in relation to the balance sheet valuation of assets and liabilities that are carried at fair value.

DEDUCTIBLE ITEMS

BNG Bank has opted to reduce the CET1 capital by a number of securitisation positions that are eligible for 1250% solvency weighting.

ADJUSTMENTS IN CRD IV/CRR TRANSITION PHASE

The portion of unrealised losses from the revaluation reserve included in the CET1 capital was 40% in 2015 (2014: 20%). The portion of unrealised gains from the revaluation reserve included in the CET1 capital was 40% (2014: 0%).

ADDITIONAL TIER 1 CAPITAL

For a clarification, please refer to note 15 of the Notes to items of the consolidated financial statements.

RISK EXPOSURE AMOUNTS

	31/12/2015	31/12/2014
CREDIT RISK		
STANDARDISED APPROACH (SA)		
Central governments or central banks	0	0
Regional governments or local authorities	112	115
Public sector entities	347	366
Multilateral development banks	0	0
International organisations	0	0
Institutions	476	385
Corporates	7,046	7,401
Secured by mortgages on immovable property	65	77
Exposures in default	153	86
Covered bonds	459	525
Institutions and companies with a short-term credit rating	0	0
Collective investment undertakings (CIUs)	123	124
Equity	50	57
Securitisation positions	1,335	1,454
Other items	31	46
TOTAL RISK-WEIGHTED CREDIT RISK EXPOSURE	**10,197**	**10,636**
MARKET RISK (STANDARDISED APPROACH)	0	0
OPERATIONAL RISK (BASIC INDICATOR APPROACH)	762	850
CVA CAPITAL CHARGE (STANDARDISED APPROACH)	1,838	195
TOTAL RISK-WEIGHTED EXPOSURE	**12,797**	**11,681**

LEVERAGE RATIO

	31/12/2015		31/12/2014	
BALANCE SHEET TOTAL (CONSOLIDATED)		**149,511**		**153,505**
NETTING OF DERIVATIVES (CASH VARIATION MARGIN):				
Less: Balance sheet value of derivatives (debit)	–16,370		–16,800	
Less: Balance sheet value of cash collateral relating to amounts receivable	–9,773		–10,089	
Plus: Positive replacement value of derivatives	2,987		2,267	
Plus: Add on (risk charge) for derivatives	778		740	
Less: Balance sheet value of cash collateral relating to amounts due to banks	–1,686		–816	
		–24,064		–24,698
OFF-BALANCE EXPOSURE:				
Off-balance 10%	695		591	
Off-balance 20%	106		96	
Off-balance 50%	1,262		2,325	
Off-balance 100%	3,217		7	
		5,282		3,019
Elimination of 1250% weighted positions		–59		–63
Elimination of cash flow hedge reserve		–251		–375
Elimination of revaluation reserve (transitional definition)		–191		–248
Elimination of net profit		–226		–126
ADJUSTED BALANCE SHEET TOTAL FOR LEVERAGE RATIO PURPOSES		**130,000**		**131,014**

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Continuation of previous page	31/12/2015	31/12/2014
Adjusted balance sheet total (transitional)	130,000	131,014
Adjusted balance sheet total (fully phased-in)	130,191	131,262
Tier 1 capital (transitional)	3,412	2,770
Tier 1 capital (fully phased-in)	3,603	3,018
Tier 1 capital (transitional) including 2015 retained earnings	3,582	2,896
Tier 1 capital (fully phased-in) including 2015 retained earnings	3,773	3,144
Leverage ratio (transitional)	2.6%	2.1%
Leverage ratio (fully phased-in)	2.8%	2.3%
Leverage ratio capital (transitional) including 2015 retained earnings	2.8%	2.2%
Leverage ratio capital (fully phased-in) including 2015 retained earnings	2.9%	2.4%

CAPITALISATION POLICY

The capitalisation policy is incorporated in the so-called Internal Capital Adequacy Assessment Process (ICAAP). Key to this policy is the capital management plan, which determines the level and composition of the capital based on the risks to be insured by the capital. In determining the required capital, a number of stress scenarios are taken into account which could affect the capital.

The available capital is determined within the Pillar I and Pillar II restrictions of the Basel III Capital Accord, which relate to the regulatory capital and economic capital, respectively. Furthermore, the standards formulated in the bank's risk appetite serve as upper limits to the deployment of capital.

A capital allocation is defined for each risk type. The actual risks are not permitted to exceed the allocated amounts. The capital required for credit risk under Pillar I is determined on the basis of solvency weighting. The capital required for credit risk under Pillar II is determined using a model that calculates any expected and unexpected loss and which employs a reliability interval of 99.99% and a time horizon of one year. A high reliability interval has been selected to reflect the bank's ratings ambition. Due to the limited number of client groups, the bank has to rely on expert models. Another reason for choosing this high reliability interval is the uncertainty inherent in the expert models the bank must use given its limited number of client groups.

A confrontation between allocated capital and the actual use of capital occurs each month for Pillar I and Pillar II for each risk type. No capital limits were exceeded in 2015. However, the capital requirement for the credit risk relating to derivatives increased considerably at the end of 2015. The background to this increase is described in paragraph Shareholders – Financial review – Balance sheet in this Annual Report.

There is a public debate on whether lending to or guaranteed by government authorities can remain solvency-free in due course. The so-called zero weighting of Dutch public authorities in terms of solvency is an important pillar under the bank's capital ratios. The bank also views the credit risk as zero in economic terms under Pillar II of the capital rules of the Basel III Accord. Indeed, in practice there has never been a credit loss on lending to or guaranteed by the Dutch government. Another weighting of loans and advances to the Dutch public sector or guaranteed by the Dutch public sector can have a significant impact on the Tier 1 capital ratio of BNG Bank. In that event, the bank still expects to be able to comply with the minimum requirements, although that will ultimately depend on weighting itself.

Other notes

Fair value of financial instruments

The fair value is the transfer price (not adjusted for transaction costs) which, regardless of the intention or capability, would be received if an asset was sold or the price which would be paid if a liability was transferred in an orderly transaction between market participants at the measurement date under the current market conditions. The assumption is that the valuation must be viewed from the perspective of market parties, whereby only the specific characteristics and limitations of the financial instrument are taken into consideration. A distinction is made between three levels of fair value, with the nature of the input factors and their significance for the total valuation being decisive for the correct classification in the hierarchy.

FAIR VALUE HIERARCHY

- **LEVEL 1**: Valuation based on (unadjusted) quoted market prices of the instrument itself or, if unavailable, of identical instruments, in an active market. A financial instrument is regarded as quoted in an active market if the quoted price is regularly available, and if these prices reflect current and regularly occurring arm’s length market transactions. The quoted market prices for financial assets and liabilities are based on mid-market prices.
- **LEVEL 2**: Valuation based on a valuation technique using directly/indirectly observable market data other than quoted market prices as used at Level 1. This category includes instruments with a valuation that uses quoted prices in an active market for comparable instruments, quoted prices for identical or comparable instruments in markets deemed to be less than active or other valuation techniques whereby all significant input variables are directly or indirectly observable from market data.
- **LEVEL 3**: Valuation based on valuation techniques that make significant use of input data which are not publicly observable in the market. This category includes instruments with a valuation technique that uses input variables

that are not based on observable market data and whereby the non-observable market data significantly influences the valuation of the instrument. This category also includes the instruments valued in accordance with the quoted prices for comparable instruments whereby significant not publicly observable changes or presumptions are necessary for expressing the differences between the instruments.

Where possible, BNG Bank uses quoted market prices (Level 1). Quoted market prices are based on bid prices (for financial assets) and offer prices (for financial liabilities). Using mid-market prices is permitted if the market risk of the financial assets and liabilities is offset. BNG Bank uses mid-market prices for valuation purposes.

In many cases, the bank is reliant on theoretical valuations (Level 2) in respect of its debtors. In such cases, the fair value is determined on the basis of valuation models and techniques that are customarily used in the financial sector. These are mostly models based on net present value calculations and option pricing models. The input for these models is based on direct or indirect objectively observable input data such as market prices, forward pricing, market-based yield curves for discounting, correlations, volatilities, cross-currency basis spreads, counterparty creditworthiness and other factors, estimates and assumptions which market parties would use to determine the price. The bank uses so-called spread curves to determine the fair value of financial instruments that involve credit and liquidity risk and for which a theoretical valuation is required. These spread curves are constructed on the basis of the relevant interest rate curve and a spread for credit and liquidity risk. The credit risk spread is dependent on the creditworthiness of the debtor, taking into account the collateral received, guarantees and maturities. The liquidity risk spread depends on the degree of marketability of the instrument. The risk profiles of individual clients and financial instruments are assessed at least once per quarter. If necessary, the credit-risk spread will be adjusted.

In a limited number of cases, the valuation of the bank's financial instruments is based to a significant extent on input data and management estimates which are not publicly observable in the market (Level 3).

With regard to interest rate swaps whereby the bank does not have an agreement with clients subject to solvency requirements for the daily exchange of collateral, as of 2012 a Credit Valuation Adjustment (CVA) for the counterparty's credit risk is applied in the calculation of the fair value. As a consequence of the changed market practice, several improvements were implemented in 2014. In determining the fair value of derivatives transactions, the CVA is applied to all derivatives transactions with all clients and financial counterparties with which the bank does not have an agreement for the daily exchange of collateral. The CVA is also applied, in determining the fair value, to all derivatives transactions with clients or counterparties with which the bank has an agreement for the daily exchange of collateral which is not regarded as sufficient. The bank also applies adjustments to its own credit risk, the Debit Valuation Adjustment (DVA), in the fair value of derivatives transactions with clients and financial counterparties with which the bank does not have an agreement, or no sufficiently robust agreement, for the daily exchange of collateral.

The bank has set the adjustments to its own credit risk, the Own Credit Adjustment (OCA), for instruments recognised under Financial liabilities at fair value through the income statement, at zero on the basis of its credit rating.

Insofar as financial instruments have the character of a forward contract, official forward prices are used, including forward yield curves and forward exchange rates. In the case of complex instruments, the constituent parts of the instrument are measured separately on the basis of the above techniques and models. The fair value of the entire instrument is determined as the sum of the fair values of its constituent parts. BNG Bank applies only recurring fair values, which are measured on an ongoing basis for processing in the financial position at the end of each reporting period.

	31/12/2015		31/12/2014	
	BALANCE SHEET VALUE	FAIR VALUE	BALANCE SHEET-VALUE	FAIR VALUE
Cash and balances held with central banks	3,175	3,175	2,241	2,241
Amounts due from banks	10,540	10,551	11,046	11,064
Financial assets at fair value through the income statement	3,715	3,715	4,247	4,247
Other financial assets*	29,098	15,539	31,322	15,278
Financial assets available-for-sale	13,459	13,459	13,693	13,693
Loans and advances	89,366	103,800	90,732	107,837
TOTAL FINANCIAL ASSETS	**149,353**	**150,239**	**153,281**	**154,360**
Amounts due to banks	2,968	2,968	2,544	2,544
Financial assets at fair value through the income statement	3,205	3,205	3,327	3,327
Other financial liabilities	21,844	21,844	25,357	25,357
Debt securities	110,123	110,012	110,868	111,948
Funds entrusted	6,869	7,152	7,535	7,872
Subordinated debts	31	47	32	50
TOTAL FINANCIAL LIABILITIES	**145,040**	**145,228**	**149,663**	**151,098**

* In the balance sheet value of the Other financial assets item, an amount of EUR 13,559 million positive (2014: EUR 16,044 million positive) represents the value of the hedged interest rate risk relating to loans involved in a portfolio hedge accounting relationship. Please refer to 'Other notes to the consolidated financial statements' for a description of the way in which market risks are hedged with derivatives.

When effecting a transaction, the hierarchical classification is determined on the basis of the relevant characteristics of the valuation, with the nature of the input factors and their significance for the total valuation being decisive for the correct classification. The classification in one of the three levels is to take place on the basis of the lowest input level that is significant for the fair value in the transaction as a whole. Significance is assessed by determining the influence of non-observable input factors on the outcome of the total valuation, with due regard for the range of possible alternative assumptions concerning those non-observable input factors. Each quarter, the hierarchical classification of each transaction is assessed and adjusted where necessary.

The table below provides an overview of the way in which the fair value is measured for transactions recognised at fair value in the balance sheet based on the hierarchical classification which BNG Bank has embedded in its valuation process.

				31/12/2015
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value through the income statement	335	2,719	661	3,715
Other financial assets		15,539		15,539
Financial assets available-for-sale	11,124	2,267	68	13,459
TOTAL FINANCIAL ASSETS	**11,459**	**20,525**	**729**	**32,713**
Financial liabilities at fair value through the income statement		3,161	44	3,205
Other financial liabilities		21,844		21,844
TOTAL FINANCIAL LIABILITIES	**–**	**25,005**	**44**	**25,049**

				31/12/2014
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value through the income statement	339	3,024	884	4,247
Other financial assets		15,278		15,278
Financial assets available-for-sale	11,288	2,339	66	13,693
TOTAL FINANCIAL ASSETS	**11,627**	**20,641**	**950**	**33,218**
Financial liabilities at fair value through the income statement		3,276	51	3,327
Other financial liabilities		25,357		25,357
TOTAL FINANCIAL LIABILITIES	**–**	**28,633**	**51**	**28,684**

SIGNIFICANT MOVEMENTS IN FAIR VALUE LEVEL 3 ITEMS

	2015		
	FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT	FINANCIAL ASSETS AVAILABLE-FOR-SALE	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE INCOME STATEMENT
OPENING BALANCE	**884**	**66**	**51**
Results through the income statement			
– Interest result	11	0	3
– Unrealised result on financial transactions	–15	–	–10
– Realised result on financial transactions	3	–	–
	–1	–	–7
Unrealised value adjustments via the revaluation reserve	–	2	–
Investments	–	–	–
Cash flows	–55	0	0
Transferred to Level 2	–167	–	–
Transferred from Level 2	–	–	–
Derivatives transferred from assets to liabilities and vice versa	–	–	–
CLOSING BALANCE	**661**	**68**	**44**

			2014
	FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT	FINANCIAL ASSETS AVAILABLE-FOR-SALE	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE INCOME STATEMENT
OPENING BALANCE	**1,055**	**221**	**252**
Results through the income statement			
– Interest result	13	6	6
– Unrealised result on financial transactions	–1	–	120
– Realised result on financial transactions	–	–	–
	12	6	126
Unrealised value adjustments via the revaluation reserve	–	8	
Investments	–	–	–
Cash flows	–41	–15	3
Transferred to Level 2	–182	–154	–381
Transferred from Level 2	40	–	51
Derivatives transferred from assets to liabilities and vice versa	–	–	–
CLOSING BALANCE	**884**	**66**	**51**

The Level 3 items primarily concern structured interest-bearing securities that are rarely traded in the market. Because there is no such trade, the observable market data available for similar securities is not fully representative of the current fair value. Therefore the fair value of these transactions is determined on the basis of public market data that is adjusted using significant input variables not publicly observable in the market. In 2015, the counterparty bought off the credit insurance (monoline guarantee) on two inflation-linked notes, which are part of this interest-bearing securities portfolio. Because of the settlement of the guarantee, the valuation of these inflation-linked notes complies with Level 2 classification. The reclassification from Level 3 to Level 2 amounts to EUR 167 million and is included in the Financial assets at fair value through the income statement item.

INPUT VARIABLES NOT PUBLICLY OBSERVABLE IN THE MARKET

In determining the fair value of Level 3 assets and liabilities BNG Bank applies the following significant input variables not publicly observable in the market.

FINANCIAL ASSETS AT FAIR VALUE

For the purpose of determining the spreads of interest-bearing securities and loans with an inflationary component, the following input variables not publicly observable in the market are used:

- recovery rates for the relevant debtors (0.4) and the relevant monoline insurers (0.3);
- a correlation factor between the debtor and the monoline insurer (0.2).

Due to the absence of public market data, specific liquidity risk spreads were applied in determining the individual spread curves for the purpose of valuing an RMBS transaction with an NHG guarantee and a Portuguese debtor.

FINANCIAL ASSETS AVAILABLE-FOR-SALE

Due to the absence of public market data, specific liquidity risk spreads were applied in determining the individual spread curves of four ABS transactions. In determining the market value of an infrastructure participation fund the price was derived from the basis of the fund's net asset value (131%).

SENSITIVITY OF THE FAIR VALUE OF LEVEL 3 ASSETS AND LIABILITIES TO A MOVEMENT IN SIGNIFICANT INPUT FACTORS

The sensitivity analysis was adapted with effect from 2014. As a result, the sensitivity of assets to inflation, liquidity and credit risk spread and interest rate movements is presented in both separate and correlated figures. To that end, four tables have been included. The first three indicate the sensitivity of Level 3 assets in the event of a separate movement in these significant input factors. Despite the fact that there are no direct dependencies between these input factors, the fourth table presents the sensitivity of instruments in the event of a simultaneous shift in these factors.

IMPACT ON BALANCE SHEET VALUE OF A MOVEMENT IN RELEVANT INPUT FACTORS

	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT		FINANCIAL ASSETS AVAILABLE-FOR-SALE		FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE INCOME STATEMENT		TOTAL (NET)	
BALANCE SHEET VALUE	661	884	68	66	44	51	685	899
INTEREST RATE								
+10 basis points	−8	−8	0	0	0	0	−8	−8
−10 basis points	8	8	0	0	0	0	8	8
+100 basis points	−61	−71	0	0	−6	3	−67	−68
−100 basis points	78	102	0	0	1	−10	79	92
INFLATION RATE								
+10 basis points	7	7	0	0	0	0	7	7
−10 basis points	−6	−7	0	0	0	0	−6	−7
+100 basis points	77	84	0	0	0	0	77	84
−100 basis points	−56	−62	0	0	0	0	−56	−62

Continued on next page

Continuation of previous page	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT		FINANCIAL ASSETS AVAILABLE-FOR-SALE		FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE INCOME STATEMENT		TOTAL (NET)	
CREDIT AND LIQUIDITY RISK SPREADS								
+10 basis points	−4	−8	0	0	0	0	−4	−8
−10 basis points	4	8	0	0	0	0	4	8
+100 basis points	−20	−67	−3	0	1	0	−22	−67
−100 basis points	65	90	3	0	−7	0	61	90
TOTAL SIGNIFICANT INPUT FACTORS								
+10 basis points	−4	−6	0	0	0	0	−4	−6
−10 basis points	6	7	0	0	−1	0	5	7
+100 basis points	−22	−58	−2	0	1	2	−23	−56
−100 basis points	114	90	3	0	−19	−10	98	80

BNG Bank hedges nearly all its interest rate risks through swaps. The fair value adjustments to interest-bearing securities arising from a change in the interest curve alone therefore have a limited impact on the bank's result and equity. The sensitivity to interest rate fluctuations and the value adjustments to interest-bearing securities and loans with an inflationary component has begun to diverge from the relevant swaps concluded to hedge the currency, interest rate and inflation risks. Partly as a result of using the OIS discounting method for swaps (whereby collateral obligations are exchanged on a daily basis), the sensitivity level is no longer perfectly reversed. By the end of the maturity of the assets and the associated swaps these changes in market value will approach zero, provided that all parties have met their payment obligations. On the other hand, interest rate shifts caused by a change in credit and liquidity risk spreads do have a direct impact on the result and the equity.

A large part of the financial assets (EUR 325 million) in Level 3 consists of so-called inflation-linked bonds, where the interest rate risk and inflation risk have been hedged using swaps. The default risk of these transactions is insured upon purchase through a guarantee issued by a so-called monoline insurer. If the value of such guarantees is set at zero, this would have had an unrealised negative effect on the result on financial transactions of EUR 33 million at year-end 2015 (year-end 2014: EUR 34 million negative).

FAIR VALUE HIERARCHY OF AMORTISED COST TRANSACTIONS

The table below provides an overview of the way in which the fair value is determined for transactions recognised at amortised cost in the balance sheet on the basis of the hierarchical classification referred to above.

				31/12/2015
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and balances held with central banks	3,175	–	–	3,175
Amounts due from banks	381	10,158	12	10,551
Loans and advances	1,827	94,513	7,460	103,800
TOTAL FINANCIAL ASSETS	**5,383**	**104,671**	**7,472**	**117,526**
Amounts due to banks	2	2,966	–	2,968
Debt securities	81,343	27,327	1,342	110,012
Funds entrusted	2,280	75	4,797	7,152
Subordinated debts	–	–	47	47
TOTAL FINANCIAL LIABILITIES	**83,625**	**30,368**	**6,186**	**120,179**

	31/12/2014			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and balances held with central banks	2,241	–	–	2,241
Amounts due from banks	443	10,607	14	11,064
Loans and advances	2,384	97,759	7,694	107,837
TOTAL FINANCIAL ASSETS	**5,068**	**108,366**	**7,708**	**121,142**
Amounts due to banks	3	824	1,717	2,544
Debt securities	56,799	55,149	–	111,948
Funds entrusted	1,725	54	6,093	7,872
Subordinated debts	–	–	50	50
TOTAL FINANCIAL LIABILITIES	**58,327**	**56,027**	**7,889**	**122,414**

From 2015 this overview also includes Cash and balances held with central banks, Current account balances and Collateral balances. The comparative figures have been adjusted accordingly.

The financial assets at amortised cost under Level 3 mainly relate to loans and advances subject to solvency requirements to BNG Bank's statutory clients. These assets also include the fair value of the assets that have been reclassified under the balance sheet item Loans and advances since 2008, having previously been recognised under the balance sheet item Financial assets available-for-sale, to the extent revaluation is effected using data that are not publicly observable in the market. Loans and advances to statutory counterparties under government guarantees are included in Level 2 on account of the strong correlation with bonds issued by the Dutch State.

The financial liabilities at amortised cost under Level 1 mainly relate to negotiable benchmark bonds issued by BNG Bank. Funds entrusted are classified under Level 3.

Hedging of risks with derivatives

BNG Bank applies economic hedging in order to mitigate foreign exchange risks and keep interest rate risks at a desired level. To this end, the bank has put in place a system of limits and procedures that is strictly adhered to and is monitored on a daily basis. Foreign exchange and interest rate risks are principally hedged with derivatives. The treatment of derivatives and hedged items in the balance sheet and income statement is such that they are aligned as much as possible with the actual economic hedging. For accounting purposes, BNG Bank processes this hedging relationship under IFRS by applying micro and portfolio fair value hedging, as well as cash flow hedging. The paragraph on accounting principles describes the conditions that need to be met before these forms of hedge accounting can be applied.

Micro fair value hedging (MH) is applied to individual transactions involved in an economic hedge relationship to offset interest rate risks. This form of hedging is applied to nearly all debt securities issued. The foreign exchange and interest rate risks are hedged by means of derivatives, mainly (cross-currency) interest rate swaps. The issues are fully offset against the derivatives so that, on a net basis, the fixed coupons of the issues are converted into variable interest amounts in euros. Both the issues and the accompanying derivatives can contain structures, such as options, which are also fully offset. The revaluation effect of hedged MH transactions with regard to fair value hedging is accounted for in the same balance sheet item as the hedged items.

BNG Bank applies (micro) cash flow hedge accounting to virtually all long-term funding transactions in foreign currencies in order to protect the bank's result against possible variability in future cash flows due to exchange rate fluctuations. The basis swap spread is an important building block of the value of a cross-currency (interest rate) swap. Therefore, if seen as a separate financial instrument, the fair value of these swaps is influenced by the change in the basis swap spread. However, this change has no economic effect on the bank and it, in principle, never will as the bank will generally retain the contracts until their maturity. With the exception of voluntary early redemption of funding in foreign currencies or an immediate and complete withdrawal from the banking business, there are no circumstances under which these negative revaluations can lead to a realised result. Nevertheless the bank is obligated under IFRS to recognise the change in the instrument's fair value in its accounts. The effects of this accounting mismatch must be recognised in the income statement as value adjustments to derivatives. With the use of cash flow hedge accounting, the effective part of the cash flow hedge is recognised in a cash flow hedge reserve in equity. The interest results of both the hedging instrument and the hedged item are accounted for in the same period in the income statement.

In portfolio fair value hedging (PH), the interest rate risks of a group of transactions are hedged by means of a group of derivatives. The hedging relationship is constructed and controlled at an aggregate level, thus precluding relationships with individual transactions. Within BNG Bank, the effectiveness of portfolio hedging, like that of micro hedging, has been almost perfect in recent years. The effectiveness was improved further by the decision not to involve cash flows with a maturity of less than one year, which can be allocated in a hedge accounting relationship, in portfolio hedging. Any ineffectiveness that occurs is recognised in the income statement. The revaluation of hedged PH items is accounted for in the balance sheet item Other financial assets. In both types of hedge accounting, the derivatives in question are measured at fair value and included in the Other financial assets and Other financial liabilities items.

Although BNG Bank uses derivatives for economic hedging purposes, it is not possible in all cases to include these in a hedge accounting relationship, as permitted by IFRS. The fair value of the derivatives that are not involved in a hedge accounting relationship is stated in the balance sheet item Financial assets at fair value through the income statement if the value is positive, or the balance sheet item Financial liabilities at fair value through the income statement if the value is negative. For the few derivatives that are not involved in a hedge accounting relationship, in virtually all cases there is an economic hedged item which is also recognised at fair value through the income statement so that, on balance, the volatility of the result (due to interest rate and foreign exchange risks) is limited.

The derivatives are included in various balance sheet items, depending on their treatment under IFRS. Derivatives are always recognised at fair value in the balance sheet. Derivative contracts with a positive fair value are stated as assets in the balance sheet while derivatives with a negative value are stated as liabilities.

The notional amounts of the derivatives are listed below, categorised by balance sheet item and type of derivative.

	31/12/2015		31/12/2014	
	NOTIONAL AMOUNT	FAIR VALUE	NOTIONAL AMOUNT	FAIR VALUE
DERIVATIVES INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP				
OTHER FINANCIAL ASSETS*				
Swaps	102,017	15,539	108,711	15,278
	102,017	**15,539**	**108,711**	**15,278**
OTHER FINANCIAL LIABILITIES				
Swaps	110,393	21,844	107,445	25,357
	110,393	**21,844**	**107,445**	**25,357**

* Excluding value of hedged interest rate risk of loans involved in a portfolio hedge accounting relationship of EUR 13,559 million positive (2014: EUR 16,044 million positive).

	31/12/2015		31/12/2014	
	NOTIONAL AMOUNT	FAIR VALUE	NOTIONAL AMOUNT	FAIR VALUE
DERIVATIVES NOT INVOLVED IN A HEDGE ACCOUNTING RELATIONSHIP				
FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT				
Swaps	7,653	569	8,482	631
Forwards	10,769	252	15,028	879
Options	153	10	325	12
	18,575	**831**	**23,835**	**1,522**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE INCOME STATEMENT				
Swaps	5,103	1,158	3,029	1,036
Forwards	4,120	58	385	4
Options	2,847	201	3,037	210
	12,070	**1,417**	**6,451**	**1,250**

BNG Bank receives collateral from counterparties with respect to credit risk on derivatives. As at 31 December 2015 this collateral amounted to EUR 1,762 million (2014: EUR 897 million), of which EUR 1,762 million in cash (2014: EUR 878 million) and no collateral in the form of interest-bearing securities (2014: EUR 19 million).

With regard to derivatives, BNG Bank provided EUR 10,065 million in collateral in 2015 (2014: EUR 12,270 million), of which EUR 10,041 million in cash (2014: EUR 10,089 million) and EUR 24 million in interest bearing securities (2014: EUR 2,181 million).

Related parties

TRANSACTIONS WITH RELATED PARTIES

The Dutch State owns 50% of the outstanding shares of BNG Bank. Transactions with the State include publicly traded bonds. BNG Bank also extends loans and advances guaranteed by the State. In view of the nature of these transactions, they are not treated as transactions with related parties.

Mr C. van Eykelenburg was granted a loan in 2008. The amount outstanding at year-end 2015 was EUR 701,278 (2014: EUR 703,620). The average interest rate on the loan is 4.3% (2014: 4.3%). The loan was granted under BNG Bank's standard staff terms and conditions.

Mr O.J. Labe was granted a loan in 2011. The amount outstanding at year-end 2015 was EUR 385,741. The average interest rate on the loan is 4.3%. The loan was granted under BNG Bank's standard staff terms and conditions.

BNG BANK'S PRINCIPAL DECISION-MAKING BODIES

The most important decisions and acts of management are taken and carried out by the Executive Board. The policy pursued is assessed and supervised by the Supervisory Board.

REMUNERATION OF THE EXECUTIVE BOARD

The remuneration of the Executive Board is based on the principles formulated in the Remuneration Policy, the highlights of which are included in the Report of the Supervisory Board. The complete Remuneration Policy is published on bngbank.nl. Since 2002, the fixed remuneration component has only been adjusted by the percentages set out in the collective labour agreement for the general banking industry. Management and staff do not own BNG Bank shares or options and receive no additional remuneration through subsidiaries of the bank.

Since 1 January pension accrual over salary in excess of EUR 100,000 is no longer possible under the current ABP scheme. This means that pension accrual is capped at a pensionable income of EUR 100,000. As a consequence of this cap for tax purposes and the lower pension accrual, BNG Bank decided to supplement the remuneration for the employees concerned who were in the bank's employment on 1 January 2015 with the employer's pension contribution in 2015.

REMUNERATION AWARDED TO EXECUTIVE BOARD MEMBERS

(amounts in thousands of euros)

	2015	2014	2015	2014	2015	2014	2015	2014
	FIXED REMUNERATION		VARIABLE REMUNERATION*		PENSION COMPENSATION >100K		PENSION CONTRIBUTIONS	
C. van Eykelenburg	452	448	54	32	113	480	26	148
O.J. Labe (from 1 May 2015)	229	–	–	–	19	–	14	–
J.J.A. Leenaars (until 1 May 2015)	133	362	12	24	89	386	8	123
J.C. Reichardt	359	356	36	25	35	381	23	65
TOTAL	**1,173**	**1,166**	**102**	**81**	**256**	**1,247**	**71**	**336**

* This is one half of the variable remuneration. The other half of the variable remuneration is awarded conditionally and paid out in three years' time, provided the achievement of the associated targets has not jeopardised BNG Bank's long-term continuity. Assigned – as yet unpaid – variable remuneration can also be adjusted on the grounds of (incorrect) financial information, or unethical or non-compliant behaviour.

DEFERRED VARIABLE REMUNERATION

(amounts in thousands of euros)

	2015	2014	2013	2012*
C. van Eykelenburg	54	32	52	72
O.J. Labe (from 1 May 2015)	–	–	–	–
J.J.A. Leenaars (until 1 May 2015)	12	24	39	54
J.C. Reichardt	36	25	41	57
TOTAL	**102**	**81**	**132**	**183**

* The deferred provisional variable remuneration for 2012 was paid in January 2016. The Supervisory Board has established that the achievement of the quantitative and qualitative targets formulated in 2012 did not harm the continuity of the bank.

The remuneration awarded in the reporting period is the remuneration which has been recognised as an expense in full in the income statement. The income statement for 2015 includes EUR 2 million (2014: EUR 2 million) in remuneration and pension costs. The total short-term remuneration comprises the fixed remuneration, the variable remuneration and the compensation for pension accrual over salary in excess of 100,000k.

The variable remuneration for 2015 has been capped at 20% (2014: 25%) of the defined components of the fixed remuneration. The award of the variable remuneration depends on the degree to which the objectives set by the Supervisory Board have been achieved. Following the Selection and Appointment Committee's advice, the Supervisory Board determined the degree to which the 2015 variable remuneration targets were met by the Executive Board members. Detailed information on this is included in the Report of the Supervisory Board to the shareholders. The achievement of the 2015 variable remuneration targets resulted in an allowance of 100% of the maximum variable remuneration (2014: 57%). The Executive Board members received an allowance for business expenses of EUR 3,900 in 2015 (2014: EUR 3,900). This allowance will not be adjusted in 2016.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board was amended by the General Meeting of Shareholders in 2011, effective from 1 January 2012. The policy is directed towards market-compatible remuneration that is irrespective of the company's result. It also reflects the nature of the company, the envisaged quality of the Supervisory Board members, the required availability for the task at hand, as well as the time required and aspects of responsibility and liability. Supervisory Board members do not own BNG Bank shares or options and receive no additional remuneration through subsidiaries of the bank.

Members of the Supervisory Board who were appointed or resigned during the financial year received pro rata remuneration. Members of the Audit & Risk Committee, the Selection and Appointment Committee, the Remuneration Committee and the Market Strategy Committee received an additional allowance for these duties. Furthermore, the Chair of the Supervisory Board received an allowance in addition to the basic remuneration. These allowances are set out in the 'Remuneration of Supervisory Board members' statement. The Supervisory Board members received an expense allowance of EUR 1,000 (2014: EUR 1,000). Members who sat on one or more committees received an additional expense allowance per committee of EUR 500 (Audit & Risk Committee, Market Strategy Committee) and EUR 250 (Remuneration Committee, Selection and Appointment Committee), respectively.

Former Supervisory Board members received no remuneration. In 2015 and 2014, the bank did not charge any crisis levy to the income statement that is related to the Supervisory Board's remuneration.

REMUNERATION OF SUPERVISORY BOARD MEMBERS

(amounts in thousands of euros)*

	2015	2014
Ms M. Sint, Chair	34	30
J.J. Nooitgedagt, Vice-Chair and Secretary	29	29
H.H. Apotheker	–	9
C.J. Beuving	33	22
L.M.M. Bolsius	26	20
T.J.F.M. Bovens	26	26
Ms S.M. Dekker	11	32
W.M. van den Goorbergh	12	35
Ms P.H.M. Hofsté	29	29
Ms J. Kriens	30	20
R.J.J.M. Pans	–	9
H.O.C.R. Ruding	33	36
J.C.M. van Rutte	5	–
TOTAL	**268**	**297**

* Including additional payments and excluding expense allowances and VAT.

Off-balance sheet commitments

CONTINGENT LIABILITIES

This includes all commitments arising from transactions for which the bank has issued guarantees on behalf of a third party. To a limited extent, these guarantees are covered by a counter guarantee from public authorities. These are mainly Letters of Credit with a remaining contractual maturity of more than five years, which the bank has issued on behalf of clients in the public utilities sector. BNG Bank records liabilities at the underlying principal amount that would need to be paid in the event of the borrower defaulting.

	31/12/2015	31/12/2014
Contingent liabilities	99	172

REVOCABLE FACILITIES

This concerns the set of liabilities pursuant to the revocable current account facilities.

	31/12/2015	31/12/2014
Revocable facilities	6,694	5,599

IRREVOCABLE FACILITIES

This includes all irrevocable commitments which can lead to the granting of loans and advances, and is divided as follows.

	31/12/2015	31/12/2014
Master agreements concerning the unutilised part of credit facilities	4,384	4,228
Contracted loans and advances to be distributed in the future	2,031	1,098
TOTAL	**6,415**	**5,326**

According to contract, these contracted loans and advances will be distributed as follows:

	31/12/2015	31/12/2014
Up to 3 months	1,038	611
3 to 12 months	534	367
1 to 5 years	441	120
Over 5 years	18	–
TOTAL	**2,031**	**1,098**

Nearly all these loans and advances have a contractual term to maturity of more than five years. The average interest rate is 1.2% (2014: 1.5%). BNG Bank also states these obligations at the underlying, not yet recorded, principal amount.

Encumbered financial assets and liabilities

A part of the financial assets and liabilities is encumbered because these assets serve to secure and act as collateral for money market transactions and lending transactions. The following table shows the nominal values and the collateral values.

	31/12/2015		31/12/2014	
	NOMINAL VALUE	COLLATERAL VALUE	NOMINAL VALUE	COLLATERAL VALUE
TYPE OF COLLATERAL				
Collateral pledged to the central banks*	13,051	9,240	13,715	9,734
Securities pledged to other financial institutions	15	24	15	24
Securities provided in repurchase transactions	–	–	425	522
Securities provided in derivatives transactions	–	–	1,425	2,157
Cash deposited in relation to derivatives	10,042	10,041	10,089	10,089
GIVEN AS COLLATERAL	**23,108**	**19,305**	**25,669**	**22,526**
Securities received in reverse repurchase transactions	–	–	1,109	1,111
Securities received in derivatives transactions	568	569	17	19
Cash received in relation to derivatives	1,762	1,762	878	878
RECEIVED AS COLLATERAL	**2,330**	**2,331**	**2,004**	**2,008**
TOTAL	**20,778**	**16,974**	**23,665**	**20,518**

* Of the total value of assets given as collateral to the central bank ('collateral deposited'), only a limited part has actually been used as collateral by the central bank ('collateral in use'). At year-end 2015, the value of the collateral in use under the guarantee for clients' collection files amounted to EUR 437 million (year-end 2014: EUR 615 million).

Liability of board members

Members of the Executive and Supervisory Boards of the company are indemnified by the company against any personal liability, except in the case of deliberate intent or gross negligence. In addition, the company has taken out a directors' liability insurance policy for members of the Executive and Supervisory Boards and employees acting on the company's behalf as members of the Executive Board or Supervisory Board of one or more of the company's associates.

Events after the balance sheet date

On 21 January 2016 a structured entity, funded by parties including the Austrian State and the federal state of Carinthia, presented all the HETA bondholders with an offer to settle the outstanding claims against HETA.
The offer regarding the bond held by BNG Bank was 75% of the outstanding principal amount plus accrued interest.

Long-term capitalisation and dividend policy

The capitalisation and dividend policy must be considered in light of the upcoming changes in Basel prudential regulations that compel banks to retain more capital. The new regulations as well as the current capitalisation, relative to the agreed minimum standards, resulted in the standard dividend payout percentage being lowered from 50% to 25% as of the financial year 2011. The lowering of the standard payout percentage will apply, in principle, to the period until 2018, which is the year in which the bank will have to comply with the new minimum leverage ratio, but will be reconsidered as soon as clarity is obtained on the final shape and level of the leverage ratio, or in the unlikely event that expectations on growth and/or result are not met. In 2015 BNG Bank updated its plan for meeting the 3% minimum standard for the leverage ratio by the end of 2017 at the latest. The plan has also been made available to the supervisory authorities.

Associates, joint ventures and joint operations

	31/12/2015	31/12/2014
ASSOCIATES		
Dataland BV, Rotterdam	30%	30%
A municipal non-profit initiative that aims to make information on registered properties – as held by municipalities and/or other public entities – available to a wide audience.		
Data B Mailservice Holding BV, Leek	45%	45%
Provision of services to, among others, public sector organisations, ranging from printing and mail services to payment-related, direct marketing and messaging services.		
NV Trustinstelling Hoevelaken, The Hague	0%	40%
Acceptance and administration of rights of pledge and other collaterals.		

	31/12/2015	31/12/2014
JOINT VENTURES ENTERED INTO BY BNG GEBIEDSONTWIKKELING BV		
Joint development and allocation of land with public authorities, at own expense and risk. The parties involved in the joint ventures have equal voting rights, which means that no single party has control.		
Ontwikkelingsmaatschappij Jachthaven Drimmelen CV, Drimmelen	0%	50%
Ontwikkelingsmaatschappij Jachthaven Drimmelen Beheer BV, Drimmelen	0%	50%
Development and allocation of land for residential construction		
Ontwikkelingsbedrijf Bedrijvenpark Pannenweg CV te Nederweert	50%	50%
Ontwikkelingsbedrijf Bedrijvenpark Pannenweg Beheer BV, Nederweert	50%	50%
Development and allocation of land for industrial estates		
CV Ontwikkelingsmaatschappij Zenkeldamshoek, Goor	80%	80%
Zenkeldamshoek Beheer BV, Goor	50%	50%
Development and allocation of land for industrial estates		
De Bulders Woningbouw CV	80%	80%
De Bulders Woningbouw BV	50%	50%
Development and allocation of land for industrial estates		
Ontwikkelingsmaatschappij Westergo CV, Harlingen	44%	44%
Ontwikkelingsmaatschappij Westergo BV, Harlingen	50%	50%
Development and allocation of land for industrial estates		

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	31/12/2015	31/12/2014
JOINT VENTURES ENTERED INTO BY BNG GEBIEDSONTWIKKELING BV		
Haventerrein Westzaan CV te Zaanstad	30%	30%
Bedrijventerrein Westzaan Noord CV, Zaanstad	40%	40%
Ontwikkelingsbedrijf Haventerrein Westzaan BV, Zaanstad	50%	50%
Development and allocation of land for industrial estates		
Ruimte voor Ruimte CV I, ’s-Hertogenbosch	0%	24%
Ruimte voor Ruimte CV II, ’s-Hertogenbosch	0%	24%
Ruimte voor Ruimte Beheer BV, ’s-Hertogenbosch	0%	24%
Development and allocation of land for residential construction		
Ontwikkelingsmaatschappij ‘Het Nieuwe Westland’ CV, The Hague	50%	50%
Ontwikkelingsmaatschappij ‘Het Nieuwe Westland’ BV, The Hague	50%	50%
Development and allocation of land for residential construction		
Ontwikkelingsmaatschappij ROM-S CV (Schelluinen), The Hague	50%	50%
ROM-S Beheer BV (Schelluinen), The Hague	50%	50%
Development and allocation of land for industrial estates and car parking facilities		
Project Suijssenwaerde CV, The Hague	80%	80%
Project Suijssenwaerde Beheer BV, The Hague	50%	50%
Development and allocation of land for residential construction and recreational housing		

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	31/12/2015	31/12/2014
JOINT VENTURES ENTERED INTO BY BNG GEBIEDSONTWIKKELING BV		
CV Bedrijvenpark Oostflakkee, The Hague	80%	80%
Bedrijvenpark Oostflakkee Beheer BV, The Hague	50%	50%
Development and allocation of land for industrial estates		
SGN Bestaand Rijsenhout CV, The Hague	50%	50%
SGN Nieuw Rijsenhout CV, The Hague	50%	50%
SGN Advies CV, The Hague	43%	43%
SGN Bestaand Rijsenhout Beheer BV, The Hague	50%	50%
SGN Nieuw Rijsenhout Beheer BV, The Hague	50%	50%
SGN Advies BV Beheer, The Hague	50%	50%
Stallingsbedrijf Glastuinbouw Nederland Beheer BV, The Hague	50%	50%
Development and allocation of land for glasshouse horticulture locations		
Ontwikkelmaatschappij Meerburg CV, Zoeterwoude	50%	50%
Ontwikkelmaatschappij Meerburg Beheer BV, Zoeterwoude	50%	50%
Development and allocation of land for residential construction, sports fields and office buildings		
Ontwikkelcombinatie De Bongerd CV, Amsterdam	14%	14%
Ontwikkelcombinatie De Bongerd BV, Amsterdam	14%	14%
Real estate development for residential construction and parking facilities		

Continued on next page

Continuation of previous page	31/12/2015	31/12/2014
JOINT VENTURES ENTERED INTO BY BNG GEBIEDSONTWIKKELING BV		
Sportstad Heerenveen Grondexploitatie CV, Heerenveen	0%	50%
Sportstad Heerenveen Grondexploitatie BV, Heerenveen	0%	50%
Development and allocation of land for, and operation of, sports fields		
Regionaal bedrijvenpark Laarakker CV, Cuijk	50%	50%
Regionaal bedrijvenpark Laarakker BV, Cuijk	50%	50%
Development and allocation of land for industrial estates		
Wonen Werken Waterman BV, Rijsbergen	50%	50%
Wonen Werken Waterman CV, Rijsbergen	50%	50%
Development and allocation of land for residential construction and industrial estates		
Waalwaardwonen CV, Zaltbommel	50%	50%
Waalwaardwonen BV, Zaltbommel	50%	50%
Development and allocation of land for residential construction and industrial estates		
De Jonge Voorn BV, Guisveld (Zaandam)	80%	80%
De Jonge Voorn CV, Guisveld (Zaandam)	80%	80%
Development and allocation of land for residential construction		

	31/12/2015	31/12/2014
JOINT OPERATIONS ENTERED INTO BY BNG GEBIEDSONTWIKKELING BV		
Vastgoedontwikkeling Handelskade Oude Tonge VOF, Oude Tonge	50%	50%
Construction of recreational housing and shops		

Summarised financial information

	2015	2014
ASSOCIATES		
Balance sheet value of investment (note 6)	2	2
VALUE OF THE SHARE IN:		
Total assets	5	5
Total liabilities	2	2
Income	12	12
Result from continued operations	1	1
Equity	3	3
Comprehensive income	4	4

	2015	2014
JOINT VENTURES ENTERED INTO BY BNG GEBIEDSONTWIKKELING BV		
Balance sheet value of investment (note 6)	45	52
VALUE OF THE SHARE IN:		
Total assets	97	133
Total liabilities	72	103
Income	6	11
Result from continued operations	0	-12
Equity	25	30
Comprehensive income	25	18

BNG Gebiedsontwikkeling (a wholly-owned BNG Bank subsidiary) invests in and develops land on its own account in collaboration with local authorities. Collaboration takes the form of a joint venture involving the use of limited partnerships. The risk incurred by BNG Bank is the total amount of capital invested in the participating interest, increased by further future payments obligations and retained profits. At year-end 2015 this risk amounted to EUR 50 million (2014: EUR 57 million), of which EUR 5 million related to future payment obligations (2014: EUR 5 million). The year under review showed a recovery in land sales due to the positive economic developments. The income from the land sales contributed to the improved financial position of the participating interests. Given the results in the recent past, however, additional impairments cannot be ruled out.

Involvement in non-consolidated structured entities

					2015
	BNG DEPOSITO FONDS	BNG KAPITAAL-MARKT FONDS	SECURITI-SATIONS	COVERED BONDS	TOTAL
Size of entity (balance sheet total)	453	217	28,712	27,480	56,862
Involvement in entity (balance sheet value/size in %)	15%	–	10%	3%	6%
BALANCE SHEET VALUE OF INTEREST/INVESTMENT:					
Amounts due from banks (note 2)	–	–	–	–	–
Loans and advances (note 2)	–	–	969	540	1,509
Financial assets at fair value through the income statement (note 3)	–	–	254	242	496
Financial assets available-for-sale (note 5)	–	–	1,533	20	1,553
Assets held for sale (note 10)	68	–	–	–	68
TOTAL BALANCE SHEET VALUE	**68**	**–**	**2,756**	**802**	**3,626**

Continued on next page

Continuation of previous page

					2015
	BNG DEPOSITO FONDS	BNG KAPITAAL-MARKT FONDS	SECURITI-SATIONS	COVERED BONDS	TOTAL
Maximum exposure	68	–	2,756	802	3,626
Ratio of balance sheet value vs exposure	1	–	1	1	1
AMOUNT IN REVENUE PER TYPE:					
Fund performance	–	–	N/A	N/A	–
Management fee	1	1	N/A	N/A	2
Interest income	N/A	N/A	19	26	45
Results from sales	–	1	–	7	8
TOTAL REVENUE	**1**	**2**	**19**	**33**	**55**
IMPAIRMENTS ON INVESTMENT DURING REPORTING PERIOD:					
Through equity	–	–	–	–	–
Through the income statement	–	–	3	16	19
TOTAL IMPAIRMENTS	**–**	**–**	**3**	**16**	**19**

					2014
	BNG DEPOSITO FONDS	BNG KAPITAAL-MARKT FONDS	SECURITI-SATIONS	COVERED BONDS	TOTAL
Size of entity (balance sheet total)	439	262	33,552	27,480	61,734
Involvement in entity (balance sheet value/size in %)	16%	4%	9%	3%	6%
BALANCE SHEET VALUE OF INTEREST/INVESTMENT:					
Amounts due from banks (note 2)	–	–	–	–	–
Loans and advances (note 2)	–	–	1,151	544	1,695
Financial assets at fair value through the income statement (note 3)	–	–	290	247	537
Financial assets available-for-sale (note 5)	70	10	1,583	39	1,702
TOTAL BALANCE SHEET VALUE	**70**	**10**	**3,024**	**830**	**3,934**
Maximum exposure	70	10	3,024	830	3,934
Ratio of balance sheet value vs exposure	1	1	1	1	1
AMOUNT IN REVENUE PER TYPE:					
Fund performance	–	–	N/A	N/A	–
Management fee	2	1	N/A	N/A	3
Interest income	N/A	N/A	15	27	42
Results from sales	–	–	–	–	–
TOTAL REVENUE	**2**	**1**	**15**	**27**	**45**

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	2014				
	BNG DEPOSITO FONDS	BNG KAPITAAL-MARKT FONDS	SECURITI-SATIONS	COVERED BONDS	TOTAL
IMPAIRMENTS ON INVESTMENT DURING REPORTING PERIOD:					
Through equity	1	–	–	–	1
Through the income statement	–	–	–	–	–
TOTAL IMPAIRMENTS	**1**	**–**	**–**	**–**	**1**

INVOLVEMENT IN NON-CONSOLIDATED INVESTMENT FUNDS

The investment funds are managed by BNG Vermogensbeheer and were established as unit trusts which invest at the risk and expense of their participants. The investment objective of the funds is to obtain the highest possible risk-weighted return relative to their liabilities through the careful selection of credit and interest rate risks. The funds invest in fixed-interest securities and in investments in which the principal is guaranteed, or derivative instruments thereof, in accordance with the Local and Regional Authorities (Funding) Act, the Borrowing and Derivatives (Local and Regional Authorities) Regulations and the Investment and Pledging Regulations. Other than through its participating interests in these investment funds, BNG Bank has not financed these funds nor supported them in any other way, nor does the bank have any intention to do so in the near future.

The investment funds pursue a policy of mixed investment in sustainable fixed-interest securities (including covered bonds and bonds in financial institutions) and investments in which the principal is guaranteed. These investments are issued or guaranteed in part by European governments and supranational institutions. The fund is fully financed through its participants' contributions and did not experience any financing problems in 2015. No assets have been transferred to the funds. The investment funds do not pay a performance fee, but they do pay a management fee to the fund manager.

BNG DEPOSITO FONDS

This investment fund has participating interests in Fixed-Term Tranches (VLT), Equalisation I Tranches (ET I) and Equalisation II Tranches (ET II). ET I and ET II concern the risk capital (net assets). The VLT have the character of deposits. The participants are exposed, each in proportion to its interest, to the fund performance on the investment in the participating interests concerned. However, the ET I and ET II participants are subordinate. They will incur the first losses before the VLT participants are affected. Profits will first accrue to the VLT participants, up to the level of a forecast return.

BNG Bank has participating interests in the BNG Deposito Fonds. At year-end 2015, the bank's exposure amounted to EUR 68 million (2014: EUR 70 million), of which EUR 67 million in the form of risk capital (2014: EUR 65 million). The bank received a management fee of EUR 1 million for 2015 (2014: EUR 2 million). At year-end 2015, BNG Bank's participating interest in BNG Deposito Fonds was classified as 'Assets held for sale' on account of the proposed sale (see note 10 for a clarification).

BNG KAPITAALMARKT FONDS

This investment fund consists of sub-funds whose equity is segregated. The participants are exposed, each in proportion to its interest, to the sub-fund performance and to the risk on the investment in the relevant participating interests of the sub-fund.

In 2015, BNG Bank sold its participating interests in BNG Kapitaalmarkt Fonds and recorded a sales result of EUR 1 million. The bank received a management fee of EUR 1 million for 2015 (2014: EUR 1 million).

INVOLVEMENT IN NON-CONSOLIDATED SECURITISATIONS AND COVERED BOND STRUCTURED ENTITIES

BNG Bank has investments in securitised interest-bearing securities covered by additional security through non-consolidated structured entities. Apart from its interest as an investor in interest-bearing securities, BNG Bank has not financed these entities or supported them in any other way, nor does it have any intention to do so in the near future. The bank has not transferred any assets to these entities.

Mortgage portfolios serve as collateral for the securitisations and covered bonds. The funds invested by investors, including BNG Bank, serve to finance the underlying mortgages. The structured entities are independent entities that do not carry out any activities other than managing investments and the associated money flows.

At year-end 2015 the bank's exposure was EUR 2.8 billion (2014: EUR 3.0 billion) as regards the investments in securitisations and EUR 0.8 billion (2014: EUR 0.8 billion) as regards the covered bonds. In 2015 the bank incurred an unrealised loss of EUR 19 million on its investment in this paper (2014: no loss) through the income statement and generated EUR 45 million in interest income for 2015 (2014: EUR 42 million). The sale of covered bonds in 2015 generated a sales result of EUR 7 million positive.

The Hague, 4 March 2016

EXECUTIVE BOARD
C. VAN EYKELENBURG, CHAIR
O.J. LABE
J.C. REICHARDT

SUPERVISORY BOARD
MS M. SINT, CHAIR
J.J. NOOITGEDAGT, VICE-CHAIR (AND SECRETARY)
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MS P.H.M. HOFSTÉ
MS J. KRIENS
J.C.M. VAN RUTTE

Company financial statements

COMPANY BALANCE SHEET

Amounts in millions of euros

	31/12/2015	31/12/2014
ASSETS		
Cash and balances held with central banks[1]	3,175	2,241
Amounts due from banks[2]	10,540	11,046
Financial assets at fair value through the income statement[3]	3,715	4,247
Other financial assets[4]	29,098	31,322
Financial assets available-for-sale[5]	13,459	13,688
Loans and advances[2]	89,336	90,700
Participating interests[6]	71	70
Property and equipment[7]	16	16
Other assets[8,9]	26	152
Assets held for sale[10]	69	–
TOTAL ASSETS	**149,505**	**153,482**

Continued on next page

The references refer to the notes to the company financial statements.

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COMPANY BALANCE SHEET

Amounts in millions of euros

	31/12/2015	31/12/2014
LIABILITIES		
Amounts due to banks [11]	2,968	2,544
Financial liabilities at fair value through the income statement [12]	3,205	3,327
Other financial liabilities [13]	21,844	25,357
Debt securities [14]	110,123	110,868
Funds entrusted [11]	6,854	7,514
Subordinated debts [11]	31	32
Other liabilities [8,9]	303	253
TOTAL LIABILITIES	**145,328**	**149,895**
Share capital	139	139
Share premium reserve	6	6
Hybrid capital	424	–
Statutory reserves:		
– Revaluation reserve	320	234
– Cash flow hedge reserve	251	375
– Reserve for fair value increases	115	174
Other reserves	2,687	2,523
Unappropriated profit	235	136
EQUITY [15]	**4,177**	**3,587**
TOTAL LIABILITIES AND EQUITY	**149,505**	**153,482**

The references refer to the notes to the company financial statements.

COMPANY INCOME STATEMENT

Amounts in millions of euros

	2015		2014	
– Interest income [16]	995		1,255	
– Interest expenses [17]	547		813	
Interest result		448		442
Results from participating interests [18]		4		9
– Commission income [19]	27		30	
– Commission expenses [20]	3		5	
Commission result		24		25
Result on financial transactions [21]		16		–187
Other results [22]		1		1
TOTAL INCOME		**493**		**290**

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COMPANY INCOME STATEMENT

Amounts in millions of euros

	2015		2014	
– Staff costs[23]	34		34	
– Other administrative expenses[24]	25		25	
Staff costs and other administrative expenses		59		59
Depreciation[25]		2		2
TOTAL OPERATING EXPENSES		**61**		**61**
Impairments[26]		62		10
Contribution to resolution fund[27]		9		–
Bank levy[27]		37		30
TOTAL OTHER EXPENSES		**108**		**40**
PROFIT BEFORE TAX		**324**		**189**
Taxes[9]		−89		−53
NET PROFIT		**235**		**136**

The references refer to the notes to the company financial statements.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in millions of euros

			2015			2014
NET PROFIT			**235**			**136**
Recyclable results recognised directly in equity:						
− Changes in cash flow hedge reserve		−124			43	
− Changes in the revaluation reserve for financial assets available-for-sale:						
− unrealised value changes	46			66		
− impairments transferred to the income statement	63			−		
− realised value changes transferred to the income statement	−23			−12		
		86			54	
		−38			97	
Non-recyclable results recognised directly in equity:						
− Changes in actuarial results		0			0	
RESULTS RECOGNISED DIRECTLY IN EQUITY			**−38**			**97**
TOTAL			**197**			**233**

COMPANY CASH FLOW STATEMENT

Amounts in millions of euros

	2015		2014	
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax	324		189	
Adjusted for:				
– Depreciation	2		2	
– Impairments	62		10	
– Unrealised results through the income statement	42		198	
Cash flow generated from operations		430		399
Changes in Amounts due from and due to banks (not due on demand)	718		–4,150	
Changes in Loans and advances	984		783	
Changes in Funds entrusted	–923		1,184	
Changes in derivatives	4,684		927	
Corporate income tax paid	–19		–128	
Other changes from operating activities	–84		8	
		5,360		–1,376
TOTAL CASH FLOW FROM OPERATING ACTIVITIES*		**5,790**		**–977**

Continued on next page

* Interest received amounted to EUR 5,192 million (2014: EUR 5,314 million) while interest paid amounted to EUR 4,708 million (2014: EUR 4,745 million).

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COMPANY CASH FLOW STATEMENT

Amounts in millions of euros

	2015		2014	
CASH FLOW FROM INVESTING ACTIVITIES				
Investments and acquisitions:				
– Financial assets at fair value through the income statement and financial assets available-for-sale	−673		−4,052	
– Investments in participating interests	−2		−3	
– Property and equipment	−2		−1	
		−677		−4,056
Disposals, repayments and redemptions:				
– Financial assets at fair value through the income statement and financial assets available-for-sale	939		2,077	
– Property and equipment	–		–	
		939		2,077
TOTAL CASH FLOW FROM INVESTING ACTIVITIES		**262**		**−1,979**

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COMPANY CASH FLOW STATEMENT

Amounts in millions of euros

	2015	2015	2014	2014
CASH FLOW FROM FINANCING ACTIVITIES				
Amounts received on account of:				
– Hybrid capital	425		–	
– Debt securities	69,772		49,604	
– Financial liabilities at fair value through the income statement	–		22	
		70,197		49,626
Amounts paid on account of:				
– Debt securities	−74,810		−45,683	
– Financial liabilities at fair value through the income statement	−470		−142	
– Subordinated debts	−1		−3	
– Dividend	−32		−71	
		−75,313		−45,899
TOTAL CASH FLOW FROM FINANCING ACTIVITIES		**−5,116**		**3,727**

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COMPANY CASH FLOW STATEMENT

Amounts in millions of euros

	2015	2014
NET CHANGE IN CASH AND CASH EQUIVALENTS	**936**	**771**
Cash and cash equivalents as at 1 January	2,240	1,469
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**3,176**	**2,240**
Cash and cash equivalents as at 31 December comprise:		
– Cash and balances held with central banks	3,175	2,241
– Cash equivalents in Amounts due from banks item	3	2
– Cash equivalents in Amounts due to banks item	–2	–3
	3,176	**2,240**

COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts in millions of euros

	SHARE CAPITAL	SHARE PREMIUM RESERVE	HYBRID CAPITAL	REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	RESERVE FOR FAIR VALUE INCREASES	OTHER RESERVES	UNAPPROPRIATED PROFIT	TOTAL
BALANCE AS AT 1/1/2014	**139**	**6**	**–**	**180**	**332**	**324**	**2,155**	**289**	**3,425**
Net profit								136	136
Unrealised results				54	43				97
Transfer to reserve for fair value increases						−150	150		–
Dividend payment							−71		− 71
Appropriation from previous year's profit							289	−289	–
BALANCE AS AT 31/12/2014	**139**	**6**	**–**	**234**	**375**	**174**	**2,523**	**136**	**3,587**
Net profit								235	235
Unrealised results				86	−124				−38
Hybrid capital issue			424				1		425
Transfer to reserve for fair value increases						−59	59		–
Dividend payment							−32		−32
Appropriation from previous year's profit							136	−136	–
BALANCE AS AT 31/12/2015	**139**	**6**	**424**	**320**	**251**	**115**	**2,687**	**235**	**4,177**

Accounting principles for the company financial statements

The company financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB) and adopted throughout the European Union (EU), and with Part 9, Book 2 of the Dutch Civil Code. As far as the financial accounting principles are concerned, reference is made, with the exception of the accounting principles mentioned below, to the notes to the accounting principles for the consolidated financial statements.

PARTICIPATING INTERESTS

The participating interests are recognised at cost in the company financial statements. This leads to a difference in equity compared with the consolidated financial statements. In addition, there is a difference in the accounting method for dividends. At the time of receipt, dividends are recognised in the income statement in the Results from participating interests item.

STATUTORY RESERVE FOR FAIR VALUE INCREASES

Pursuant to Section 2:390 sub 1 of the Dutch Civil Code, for capital protection purposes a statutory reserve must be maintained at the expense of the freely distributable reserves (other reserves) or freely distributable profit (unappropriated profit) in relation to fair value increases of financial instruments stated as assets in the balance sheet for which there is no regular market quotation.

FOREIGN CURRENCY

The company financial statements are prepared in (millions of) euros, unless stated otherwise. The euro is used as the functional and reporting currency of BNG Bank.

The comparative figures are prepared in accordance with the same accounting principles as the 2015 consolidated Annual Report.

Notes to the company financial statements

Amounts in millions of euros

1 CASH AND BALANCES HELD WITH THE CENTRAL BANKS

	31/12/2015	31/12/2014
Current account balances with the central banks (due on demand)	3,175	2,241
TOTAL	**3,175**	**2,241**

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2 AMOUNTS DUE FROM BANKS AND LOANS AND ADVANCES

These items include all receivables from banks, loans and advances measured at amortised cost, as well as interest-bearing securities insofar as these are not traded on an active market.

	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	AMOUNTS DUE FROM BANKS		LOANS AND ADVANCES		TOTAL	
Short-term loans and current accounts	3	2	4,361	4,523	4,364	4,525
Reverse repurchase transactions	–	501	501	501	501	1,002
Cash collateral	10,041	10,090	–	–	10,041	10,090
Long-term lending	11	12	82,635	83,368	82,646	83,380
Interest-bearing securities	100	–	309	579	409	579
Reclassified available-for-sale transactions	385	441	1,575	1,779	1,960	2,220
Incurred loss provision	–	–	−45	−50	−45	−50
TOTAL	**10,540**	**11,046**	**89,336**	**90,700**	**99,876**	**101,746**

	2015	2014
MOVEMENT IN THE INCURRED LOSS PROVISION:		
Opening balance	−50	−40
Additions during the financial year	−5	−15
Release during the financial year	6	5
Withdrawals during the financial year	4	0
CLOSING BALANCE	**−45**	**−50**

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Of the incurred loss provision of EUR 45 million (2014: EUR 50 million), EUR 29 million (2014: EUR 32 million) relates to individual provisions and EUR 16 million (2014: EUR 18 million) to the provision at portfolio level (IBNR).

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT

This item includes assets specifically designated as measured at fair value with changes in fair value recognised through the income statement, and derivatives not involved in a hedge accounting relationship.

	31/12/2015	31/12/2014
Derivatives	831	1,522
Loans and advances	885	946
Interest-bearing securities	1,999	1,779
TOTAL	**3,715**	**4,247**

No new loans and advances or securities were included in this item in 2015. The total redemption value of the loans and advances and securities at year-end 2015 is EUR 2,118 million (2014: EUR 1,956 million).

4 OTHER FINANCIAL ASSETS

This balance sheet item includes the fair value of derivatives involved in a hedge accounting relationship and the value concerning the effective part of the hedged interest rate risk of loans involved in a portfolio hedge accounting relationship.

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	31/12/2015	31/12/2014
Derivatives involved in a portfolio hedge accounting relationship	4,277	5,172
Derivatives involved in a micro hedge accounting relationship	11,262	10,106
Value of hedged interest rate risk of loans involved in a portfolio hedge accounting relationship	13,559	16,044
TOTAL	**29,098**	**31,322**

5 FINANCIAL ASSETS AVAILABLE-FOR-SALE

This item includes purchased fixed and variable rate bonds and interest-bearing securities, insofar as they are not recognised in Amounts due to banks, Loans and advances or Financial assets at fair value through the income statement, as well as investments in participating interests.

	31/12/2015	31/12/2014
Interest-bearing securities, issued by:		
– Governments	8,488	8,541
– Supranational organisations	1,020	1,212
– Amounts due to banks	1,757	1,565
– Other financial institutions	1,675	1,856
– Non-financial institutions	495	417
Investments in participating interests	24	97
TOTAL	**13,459**	**13,688**

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At year-end 2015, the bank's participating interest in BNG Deposito Fonds is classified and presented as 'Assets held for sale'. The carrying amount is EUR 67 million (see note 10).

TRANSFERS WITHOUT DERECOGNITION

At year-end 2015, the balance sheet value of the item Financial assets available-for-sale did not include any (2014: EUR 522 million) interest-bearing securities sold under a repurchase agreement (repurchase transactions). At year-end 2015, the value of these repurchase transactions amounted to EUR 0 million (2014: EUR 510 million).

6 PARTICIPATING INTERESTS

	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	INTEREST		BALANCE SHEET VALUE	
SUBSIDIARIES				
BNG Vermogensbeheer BV, The Hague	100%	100%	–	2
BNG Gebiedsontwikkeling BV, The Hague	100%	100%	69	66
Hypotheekfonds voor Overheidspersoneel BV, The Hague	100%	100%	1	1
SUBTOTAL			**70**	**69**
ASSOCIATES				
Dataland BV, Rotterdam	30%	30%	0	0
Data B Mailservice BV, Leek	45%	45%	1	1
SUBTOTAL			**1**	**1**
TOTAL			**71**	**70**

For a description of the subsidiaries, associates and joint ventures, please refer to Appendix A and to the 'Other notes to the consolidated financial statements' ('Associates and joint ventures' and 'Summarised financial information') respectively.

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At year-end 2015, BNG Vermogensbeheer, in which BNG Bank holds a 100% interest, is classified and presented as ‘Assets held for sale’. The carrying amount is EUR 2 million (see note 10).

For summarised financial information on associates and joint ventures, refer to the ‘Other notes to the consolidated financial statements’.

7 PROPERTY AND EQUIPMENT

	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	PROPERTY		EQUIPMENT		TOTAL	
HISTORICAL COST						
Value as at 1 January	47	47	14	13	61	60
Investments	1	0	1	1	2	1
Disposals	–	–	–	–	–	–
Value as at 31 December	48	47	15	14	63	61
DEPRECIATION						
Accumulated depreciation as at 1 January	33	32	12	11	45	43
Depreciation during the year	1	1	1	1	2	2
Accumulated depreciation as at 31 December	34	33	13	12	47	45
TOTAL	**14**	**14**	**2**	**2**	**16**	**16**

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ESTIMATED USEFUL LIFE	
Buildings	$33^{1}/_{3}$ years
Technical installations	15 years
Machinery and inventory	5 years
Hardware and software	3 years

8 OTHER ASSETS AND OTHER LIABILITIES

	31/12/2015	31/12/2014
OTHER ASSETS		
Current tax asset	–	58
Various receivables	26	94
TOTAL OTHER ASSETS	**26**	**152**
OTHER LIABILITIES		
Current tax liability	18	–
Deferred tax liability	206	224
Employee benefits provision	2	2
Other commitments	77	27
TOTAL OTHER LIABILITIES	**303**	**253**

For the deferred tax assets and liabilities, please refer to note 9. The other receivables are primarily composed of amounts receivable from lending to clients. The other commitments are primarily composed of amounts payable related to derivatives and lending to clients.

322 ◁ 323 ◁

The employee benefits provision includes an amount of EUR 1 million (31 December 2014: EUR 1 million) for the interest rate discount on mortgage loans to both active and retired employees. With effect from 1 January 2014, the employee benefits provision includes a EUR 1 million provision for vitality leave. At year-end 2015 this provision amounted to EUR 1 million (2014: EUR 1 million). These provisions have a long-term character.

The movements in the present value of the net liability in relation to the defined benefits relating to the mortgage interest rate discount and the provision for vitality leave are as follows:

	2015	2014
EMPLOYEE BENEFITS PROVISION		
Net liability as at 1 January	2	2
Movements in the provision	0	0
NET LIABILITY AS AT 31 DECEMBER	**2**	**2**

9 TAXES

BNG Bank and the Dutch tax authorities have concluded a bilateral agreement (vaststellingsovereenkomst) for the period 2013 – 2017. The bilateral agreement applies to the BNG Bank fiscal unit. Pursuant to the agreement, all financial instruments are stated – for both reporting and tax purposes – in accordance with the IFRS principles of valuation, with the exception of transactions classified as Financial assets available-for-sale. All transactions within this category are valued for tax purposes at the lower of either the cost price or the market value. The result for tax purposes differs from the result for reporting purposes if, on balance, unrealised losses have arisen. If the revaluation reserve increases, the positive amount is added to the annual profit for tax purposes up to the level at which the cost price is reached.

322 ◁ 323 ◁ 325 ◁ 340 ◁

The reconciliation between the effective tax rate and the nominal tax rate is as follows:

	2015	2014
Profit before tax	324	189
Tax levied at the nominal tax rate	−81	−47
Tax adjustment from previous years	0	−1
Participation exemption	1	2
Non-deductible expenses (including bank levy)	−9	−7
EFFECTIVE TAX	**−89**	**−53**
Nominal tax rate	25.0%	25.0%
Effective tax rate	27.5%	28.1%

CHANGES IN DEFERRED TAXES

2015	OPENING BALANCE	CHANGES THROUGH EQUITY	CHANGES THROUGH THE INCOME STATEMENT	CLOSING BALANCE
CHANGES IN DEFERRED TAXES				
Fiscal treatment of opening balance sheet	1	–	–1	0
Financial assets available-for-sale	–101	–23	–	–124
Cash flow hedge reserve	–125	42	–	–83
Employee benefits provision	1	–	–	1
TOTAL	**–224**	**19**	**–1**	**–206**

2014	OPENING BALANCE	CHANGES THROUGH EQUITY	CHANGES THROUGH THE INCOME STATEMENT	CLOSING BALANCE
CHANGES IN DEFERRED TAXES				
Fiscal treatment of opening balance sheet	1	–	–	1
Financial assets available-for-sale	–87	–14	–	–101
Cash flow hedge reserve	–110	–15	–	–125
Employee benefits provision	–	–	1	1
TOTAL	**–196**	**–29**	**1**	**–224**

The share of 'Assets held for sale' in the current tax asset is zero. Of the deferred tax asset in 'Financial assets available-for-sale', EUR 6 million relates to 'Assets held for sale'.

10 ASSETS HELD FOR SALE

On 22 January 2016, BNG Bank signed an agreement regarding the sale of the shares in BNG Vermogensbeheer and the bank's participating interest in BNG Deposito Fonds. Expectations are that – following approval by the AFM and DNB – the shares will be transferred to the buyer in the second quarter of 2016. At the same time, the participating interest in the investment fund will be transferred at fair value.

In total, BNG Bank has EUR 69 million in 'Assets held for sale'. Of this amount, EUR 67 million relates to the intended sale of the participating interest in BNG Deposito Fonds and EUR 2 million to the proposed sale of BNG Vermogensbeheer. The participating interest in BNG Deposito Fonds involves a financial asset measured at fair value through equity, which was classified as an investment in participating interests until the intention to sell (see note 5, 'Financial assets available-for-sale'). BNG Vermogensbeheer is a wholly-owned BNG Bank subsidiary recognised at cost and was classified as a participating interest until the intention to sell (see note 6, 'Participating interests'). At year-end 2015, the participating interest in BNG Deposito Fonds and BNG Vermogensbeheer were classified as 'Assets held for sale' and recognised at the lower of the carrying amount and the fair value minus selling costs. No impairment was applied to the initial recognition of 'Assets held for sale' because the carrying amounts were the lower values.

	31/12/2015	31/12/2014
Participating interest in BNG Deposito Fonds	67	–
BNG Vermogensbeheer	2	–
TOTAL	**69**	**–**

322 ◁ 337 ◁ 339 ◁

11 AMOUNTS DUE TO BANKS, FUNDS ENTRUSTED AND SUBORDINATED DEBTS

This includes debts to banks, funds entrusted and subordinated debts, insofar as they are not embodied in debt securities.

	31/12/2015	31/12/2014
Current account	2,282	1,727
Cash collateral	1,761	878
Deposits from (central) banks	1,280	1,207
Other deposits	143	2,128
Repurchase transactions	–	510
Private borrowings	4,356	3,608
Subordinated debts	31	32
TOTAL	**9,853**	**10,090**

The breakdown by remaining contractual maturity is included in note 29 of the Notes to the consolidated financial statements.

12 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE INCOME STATEMENT

This item includes debt securities specifically designated as measured at fair value with changes in fair value recognised through the income statement, and derivatives not involved in a hedge accounting relationship.

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	31/12/2015	31/12/2014
Derivatives	1,417	1,250
Debt securities	1,356	1,455
Private interest-bearing securities	432	622
TOTAL	**3,205**	**3,327**

The total redemption value of the debt securities and private interest-bearing securities at year-end 2015 was EUR 1,401 million (2014: EUR 1,715 million).

13 OTHER FINANCIAL LIABILITIES

This balance sheet item concerns the fair value of derivatives involved in a hedge accounting relationship.

	31/12/2015	31/12/2014
Derivatives involved in a portfolio hedge accounting relationship	18,902	22,297
Derivatives involved in a micro hedge accounting relationship	2,942	3,060
TOTAL	**21,844**	**25,357**

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14 DEBT SECURITIES

This includes bonds and other negotiable debt securities issued with either fixed or variable interest rates. Any unsold portion of an issue is deducted from the relevant bond loan.

	31/12/2015	31/12/2014
Bond loans	92,019	90,858
Commercial Paper	13,341	15,211
Private bond loans	4,763	4,799
TOTAL	**110,123**	**110,868**

The breakdown by remaining contractual maturity is included in note 29 of the Notes to the consolidated financial statements.

15 EQUITY

Since BNG Bank has no minority interests, the entire company equity, excluding the hybrid capital, can be attributed to the shareholders. The items included in the company equity are explained below.

323

	31/12/2015	31/12/2014
Share capital	139	139
Share premium reserve	6	6
Hybrid capital	424	–
Statutory reserves:		
– Revaluation reserve	320	234
– Cash flow hedge reserve	251	375
– Reserve for fair value increases	115	174
Other reserves	2,687	2,523
Unappropriated profit	235	136
TOTAL	**4,177**	**3,587**

SHARE CAPITAL

The authorised capital is divided into 100 million shares with a nominal value of EUR 2.50 each, of which 55,690,720 shares have been issued and fully paid up. The number of shares in circulation remained unchanged during the financial year. There are no issued shares that are not fully paid up. BNG Bank holds no company shares. None of the shares carry preferential rights, nor are they subject to restrictions. There are no options that can be exercised to obtain entitlement to the issue of shares.

SHARE PREMIUM RESERVE

There were no movements in 2015.

HYBRID CAPITAL

In 2015, BNG Bank placed a private issue of EUR 424 million in hybrid capital. This concerns a perpetual loan involving an annual non-cumulative discretionary fee on the outstanding principal amount, subject to compulsory amortisation in the event that the CET1 ratio falls below 5.125%. The fee qualifies as dividend under IFRS and is charged to the 'Other reserves'. The deductibility of this fee for corporate income tax purposes has led to a public debate and the announcement of an investigation into the subject by the European Commission. If the deductibility should be abolished in the future, this will have a negative impact on the bank's result and equity.

The instrument is structured in line with the CRR requirements and the EBA guidance and qualifies as additional Tier 1 capital. Under the contract, BNG Bank has the unilateral option of early repayment of this perpetual capital instrument on the coupon date in May 2021, and thereafter each year on the coupon date.

STATUTORY RESERVES

BNG Bank's statutory reserves consist of the revaluation reserve, the cash flow hedge reserve and the reserve for fair value increases.

REVALUATION RESERVE

The revaluation reserve includes unrealised changes in fair value, excluding the value of the hedged part of the interest-rate risk of interest-bearing securities involved in hedge accounting, which are recognised in the Financial assets available-for-sale item. Upon sale of these assets, the associated cumulative result recognised in equity is transferred to the income statement. EUR 22 million (2014: EUR 21 million) of the revaluation reserve EUR 22 million (2014: EUR 21 million) of the revaluation reserve was associated with equity instruments as at 31 December 2015, of which EUR 20 million (after tax) related to 'Assets held for sale' in connection with the participating interest in BNG Deposito Fonds.

CASH FLOW HEDGE RESERVE

With the use of cash flow hedging accounting, the possible variability in future cash flows is hedged. The effective part of changes in the fair value of derivatives, resulting from changes in the cross-currency basis spread, is not recognised in the income statement but in the cash flow hedge reserve in equity. The maximum remaining maturity runs up to 38 years, with the largest concentrations of remaining maturities varying between 1 and 5 years, in line with the maturities of the long-term funds in foreign currency involved in hedge accounting. In determining the freely distributable profit (unappropriated profit), a negative cash flow hedge reserve must be offset against the freely distributable reserves (other reserves).

RESERVE FOR FAIR VALUE INCREASES

This reserve concerns the positive difference between the fair value and the amortised cost of financial instruments stated as assets in the balance sheet for which there is no regular market quotation. This statutory reserve is maintained for capital protection purposes at the expense of the freely distributable reserves (other reserves) or freely distributable profit (unappropriated profit).

OTHER RESERVES

After determination of the appropriations of the distributable profit pursuant to the Articles of Association, the General Meeting of Shareholders decides which portion of the remaining profit is added to the reserves.
The ‘Other reserves’ include EUR 1 million in share premium in connection with the issuance of hybrid capital.

UNAPPROPRIATED PROFIT

The balance sheet is prepared prior to profit appropriation. This item represents the result achieved after deduction of corporate income tax.

16 INTEREST INCOME

This includes the interest income from loans and advances, exposures and investments, as well as the results from financial instruments used to hedge interest rate and foreign exchange risks. In addition, other credit-related income received is included in this item.

324

	2015	2014
Financial assets at fair value through the income statement	69	60
Derivatives not involved in a hedge accounting relationship	185	123
Derivatives involved in a hedge accounting relationship	−2,294	−2,202
Financial assets available-for-sale not involved in a hedge accounting relationship	10	6
Financial assets involved in a hedge accounting relationship	2,933	3,070
Financial assets at amortised cost	116	160
Negative interest income on short-term financial assets at amortised cost	−24	–
Other	0	38
TOTAL	**995**	**1,255**

The interest revenues in 2015 include an amount of EUR 4 million (2014: EUR 0 million) in interest revenues for financial assets, concerning ‘Loans and advances’ (note 2), and ‘Financial assets available-for-sale’ (note 5), which were subject to impairment.

17 INTEREST EXPENSES

This includes the cost of borrowing and related transactions, as well as other interest-related charges.

324

	2015	2014
Financial liabilities at fair value through the income statement	71	71
Derivatives not involved in a hedge accounting relationship	74	80
Derivatives involved in a hedge accounting relationship	−1,988	−1,810
Financial liabilities involved in a hedge accounting relationship	2,179	2,223
Financial liabilities at amortised cost	224	244
Negative interest expenses on short-term financial liabilities at amortised cost	−18	–
Other	5	5
TOTAL	**547**	**813**

18 RESULTS FROM PARTICIPATING INTERESTS

This item includes the results from participating interests.

	2015	2014
Associates	0	0
Subsidiaries	4	9
TOTAL	**4**	**9**

For a description of the associates and subsidiaries, please refer to note 6.

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19 COMMISSION INCOME

This item includes income received or to be received in relation to services provided to third parties.

	2015	2014
Income from loans and credit facilities	17	19
Income from payment services	10	11
TOTAL	**27**	**30**

20 COMMISSION EXPENSES

This item comprises a total amount of EUR 3 million (2014: EUR 5 million) in expenses comprising fees paid or to be paid for services rendered by third parties in relation to loans and credit facilities and payment services.

21 RESULT ON FINANCIAL TRANSACTIONS

This item relates to realised and unrealised results from value changes of financial instruments measured at fair value, with changes in fair value recognised through the income statement. These are offset nearly entirely by movements in the market value of the relating derivatives. This item also includes the result from sales of financial assets available-for-sale. In addition, this item includes the changes in the market value adjustments due to the counterparty credit risk (Credit Valuation Adjustment, CVA) and adjustments for own credit risk (Debit Valuation Adjustment, DVA) for all derivatives transactions with clients and financial counterparties without a daily or with a limited exchange of collateral.

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	2015		2014	
MARKET VALUE CHANGES OF FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT RESULTING FROM CHANGES IN CREDIT AND LIQUIDITY RISK SPREADS, CONSISTING OF:				
– Interest-bearing securities	−85		−112	
– Structured loans	−8		3	
		−93		−109
RESULT FROM HEDGE ACCOUNTING				
– Financial assets involved in a hedge accounting relationship	−2,756		9,785	
– Financial liabilities involved in a hedge accounting relationship	−2,883		−6,683	
– Derivatives involved in a hedge accounting relationship	5,662		−3,065	
		23		37
Changes in counterparty and own credit risk on derivatives (CVA/DVA)		9		−51
Realised sales and buyout results		57		12
Other market value changes		20		−76
TOTAL		**16**		**−187**

The result on financial transactions was negatively affected in 2015 by unrealised results, due in particular to the increased credit and liquidity risk spreads of a limited number of interest-bearing securities in the balance sheet item Financial assets at fair value through the income statement.

The result on financial transactions was positively influenced by:

- The decrease of counterparty credit risk on derivatives; and
- the result from hedge accounting; and
- results realised on the sale of interest-bearing securities; and
- other results realised on early termination of contracts on the counterparty's initiative.

22 OTHER INCOME

	2015	2014
Income from consultancy services	1	1
TOTAL	**1**	**1**

23 STAFF COSTS

	2015	2014
Wages and salaries	23	23
Pension costs	3	4
Social security costs	2	2
Additions to provisions	0	0
Other staff costs	6	5
TOTAL	**34**	**34**

24 OTHER ADMINISTRATIVE EXPENSES

These expenses include, among other things, outsourcing costs, rent and maintenance costs of property and equipment, printing costs, training expenses and advertising expenses. In total, the other administrative expenses amounted to EUR 25 million in 2015 (2014: EUR 25 million).

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25 DEPRECIATION

A breakdown of this item is included in the note on Property and equipment (note 7). In total, the depreciation charges amounted to EUR 2 million in 2015 (2014: EUR 2 million).

26 IMPAIRMENTS

The impairments in 2015 amounted to EUR 62 million (2014: EUR 10 million).

	2015	2014
Addition to the incurred loss provision for loans and advances	5	15
Release from the incurred loss provision for loans and advances	−6	−5
Impairments of financial assets available-for-sale	63	–
Impairments of associates and joint ventures	–	–
TOTAL	**62**	**10**

The impairments in 2015 were caused by negative developments in individual loans and advances and in a bond held by the bank.

The changes in the incurred loss provision are included in the Loans and advances item (note 2). On the one hand, EUR 5 million was added to this provision (2014: EUR 15 million), of which EUR 5 million (2014: EUR 10 million) related to individual provisions. On the other, EUR 6 million was released from this provision (2014: EUR 5 million), of which EUR 4 million (2014: EUR 5 million) related to individual provisions and EUR 2 million (2014: EUR 0 million) to the provision at portfolio level (IBNR).

325

More than EUR 63 million relates to the partial write-down of a bond with a face value of EUR 125 million of the former Austrian bank Hypo Alpe Adria (HAA), guaranteed by the federal state of Carinthia. In March 2015, the Austrian State declared that it was not prepared to provide additional funds for HETA, the entity to which the resolution of HAA was transferred. Thereafter the Austrian Financial Market Authority (FMA) imposed a moratorium on the payment by HETA of its interest and repayment obligations effective until 31 May 2016. The impairment consists of the write-down on the principal amount based on the market price as at the end of March 2015 (58%), the accrued interest (approximately EUR 1 million) and nearly EUR 10 million on account of the (compulsory) termination of the hedge relationship. The latter concerns the market value of the derivative taken out to hedge the interest rate risk attached to this bond loan.

27 CONTRIBUTION TO RESOLUTION FUND AND BANK LEVY

For a breakdown of this item, please refer to note 27 of the Notes to the consolidated financial statements.

28 FEES OF EXTERNAL AUDITORS (AMOUNTS IN THOUSANDS OF EUROS)

The fees paid to external auditors are included in Other administrative expenses. In conformity with Section 382a of Part 9, Book 2 of the Dutch Civil Code, a breakdown of the fees paid to the external auditors for audits and audit-related and non-audit-related services is given below.

	2015	2014
Audit of the financial statements	333	338
Other audit-related services	252	252
Other non-audit-related services	16	16
TOTAL	**601**	**606**

174 176 325

29-30

OTHER NOTES

For the details of items 29 and 30, Notes to the consolidated financial statements. For the other notes, section entitled ‘Other notes to the consolidated financial statements’.

REMUNERATION OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

For the details of the remuneration of the Executive Board and the Supervisory Board, refer to the ‘Other notes to the consolidated financial statements’ section.

The Hague, 4 March 2016

EXECUTIVE BOARD

C. VAN EYKELENBURG, CHAIR
O.J. LABE
J.C. REICHARDT

SUPERVISORY BOARD

MS M. SINT, CHAIR
J.J. NOOITGEDAGT, VICE-CHAIR (AND SECRETARY)
C.J. BEUVING
L.M.M. BOLSIUS
T.J.F.M. BOVENS
J.B.S. CONIJN
MS P.H.M. HOFSTÉ
MS J. KRIENS
J.C.M. VAN RUTTE

Other information

Independent auditor's report

TO: THE SHAREHOLDERS AND THE SUPERVISORY BOARD OF N.V. BANK NEDERLANDSE GEMEENTEN.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2015

OUR OPINION

We have audited the accompanying 2015 financial statements of N.V. Bank Nederlandse Gemeenten (hereinafter referred to as 'BNG Bank' or 'the company') based in The Hague.

In our opinion, the financial statements give a true and fair view of the financial position of BNG Bank as at 31 December 2015 and of its result and cash flows for the year 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-FRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:
- the consolidated and company balance sheet as at 31 December 2015;
- the following consolidated and company statements for the year then ended: the income statement, the comprehensive income statement, the cash flow statement and the statement of changes in equity, and
- notes comprising a summary of significant accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including Dutch Standards on Auditing. Our responsibilities under these standards have been further specified in the 'Auditor's responsibilities for the audit of the financial statements'.

We are independent of BNG Bank within the meaning of the Regulation on the independence of auditors in the case of Assurance Engagements (ViO) and other independence regulations in the Netherlands relevant to the audit engagement. Furthermore we have complied with the Dutch Accountants Code of Conduct Regulation (VGBA).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MATERIALITY

Based on our professional judgement we determined materiality for the financial statements as a whole at EUR 16 million. Materiality is based on 5% of the result before tax, adjusted for unusual items. We have also taken into account misstatements and/or possible misstatements which we consider to be material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 0.8 million identified during the audit would be reported to them, as would smaller misstatements that we believe must be reported on qualitative grounds.

SCOPE OF THE GROUP AUDIT

BNG Bank is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of BNG Bank.

We are responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for the reporting units based on their size and/or the risk profile.Based on this, we selected those group entities for which an audit or review of the full financial information or specific items was necessary.

Our group audit concentrated on BNG Bank. We have performed specific audit procedures ourselves at group entities BNG Gebiedsontwikkeling, BNG Vermogensbeheer and Hypotheekfonds voor Overheidspersoneel. We have not used the work of other auditors outside our organisation.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence in respect of the group's financial information to provide an opinion on the consolidated financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE INCOME STATEMENT

BNG Bank uses its own price curve models differentiated according to the creditworthiness of the counterparty to determine the value of structured financial instruments (Level 3) at fair value through the income statement. The valuation was significant for our audit because the estimation process is complex and highly subjective and based on assumptions.

We have also assessed, among other things, the internal control measures relating to the development and formulation of the bank's own price curve models to examine whether they are appropriate and accurately reflect the assumptions that market parties would use in similar circumstances. When assessing the model, the assumptions applied and the parameters, we made use of the work of our own valuation experts to assess the assumptions, parameters and methods and outcomes used by BNG Bank. We have concluded that the assumptions used in formulating the valuation of these financial instruments have been adequately explained. The disclosures of BNG Bank on its structured financial instruments, including the sensitivity analysis, are included in the financial statements.

CREDIT RISK RELATING TO LOANS AND ADVANCES

Credit risk and the related impairments are inherent to BNG Bank's activities. Developments in the economy and credit portfolio developments increase the focus on credit risk. BNG Bank periodically assesses whether objective indications exist of impairments on loans and advances granted and financial assets available-for-sale. If there are objective indications of impairment, an estimate is made of the discounted cash flow and a provision is determined. Total credit exposure, the underlying security/collateral, the period to maturity and the discount rate are important parameters for the determination of future cash flows.

During our audit we focused on the estimation process for the determination of impairments. We have assessed the internal control measures concerning the determination of impairments. In addition, on the basis of a partial risk-oriented observation, we assessed a number of selected loans and advances in detail and determined whether there is an impairment and/or whether the assumptions made on the basis of the estimates are adequate. We have furthermore audited the disclosures on credit risk in the Risk section of the financial statements of BNG Bank.

HEDGE ACCOUNTING

BNG Bank usually covers the interest rate risks attached to its financial assets or liabilities and the variability in cash flows using financial instruments. BNG Bank applies both fair value and cash-flow hedge accounting. Hedge accounting is only applied when formal documentation is available with respect to the hedging instrument, the hedged item, the relationship between them and the objective of the hedge. The hedge documentation demonstrates that the hedge is expected to be effective and how effectiveness is determined. BNG Bank has developed specific models to calculate hedge effectiveness. The determination of effectiveness was significant for our audit because the estimation process is complex and highly subjective and based on assumptions.

When assessing the model and the assumptions applied, we also made use of the work of our own experts to assess the assumptions, methods and outcomes. We have assessed the internal control measures for hedge accounting. Furthermore we have audited the disclosures on hedge accounting in the financial statements.

RESPONSIBILITIES OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the bank's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our responsibility as an external auditor is to plan and perform the audit engagement in a manner that allows sufficient and appropriate audit evidence to be obtained for our final opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may have not uncovered all errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included, e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence and we also communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

STATEMENT ON THE REPORT OF THE EXECUTIVE BOARD AND THE OTHER INFORMATION

Pursuant to legal requirements under Part 9, Book 2 of the Dutch Civil Code (concerning our obligation to report about the Report of the management board report and other information):

- We have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed
- We report that the management board report, to the extent we can assess, is consistent with the financial statements

ENGAGEMENT

We have been appointed as the auditor to audit the 2015 financial statements of BNG Bank and have been the external auditor for some time. The periodic rotation of the external auditor responsible for signing off the financial statements is an important measure to ensure the independence of the auditor. The latest rotation of the external auditor responsible for signing off the financial statements was in 2011.

Amsterdam, 4 March 2016

ERNST & YOUNG ACCOUNTANTS LLP
SIGNED BY W.J. SMIT

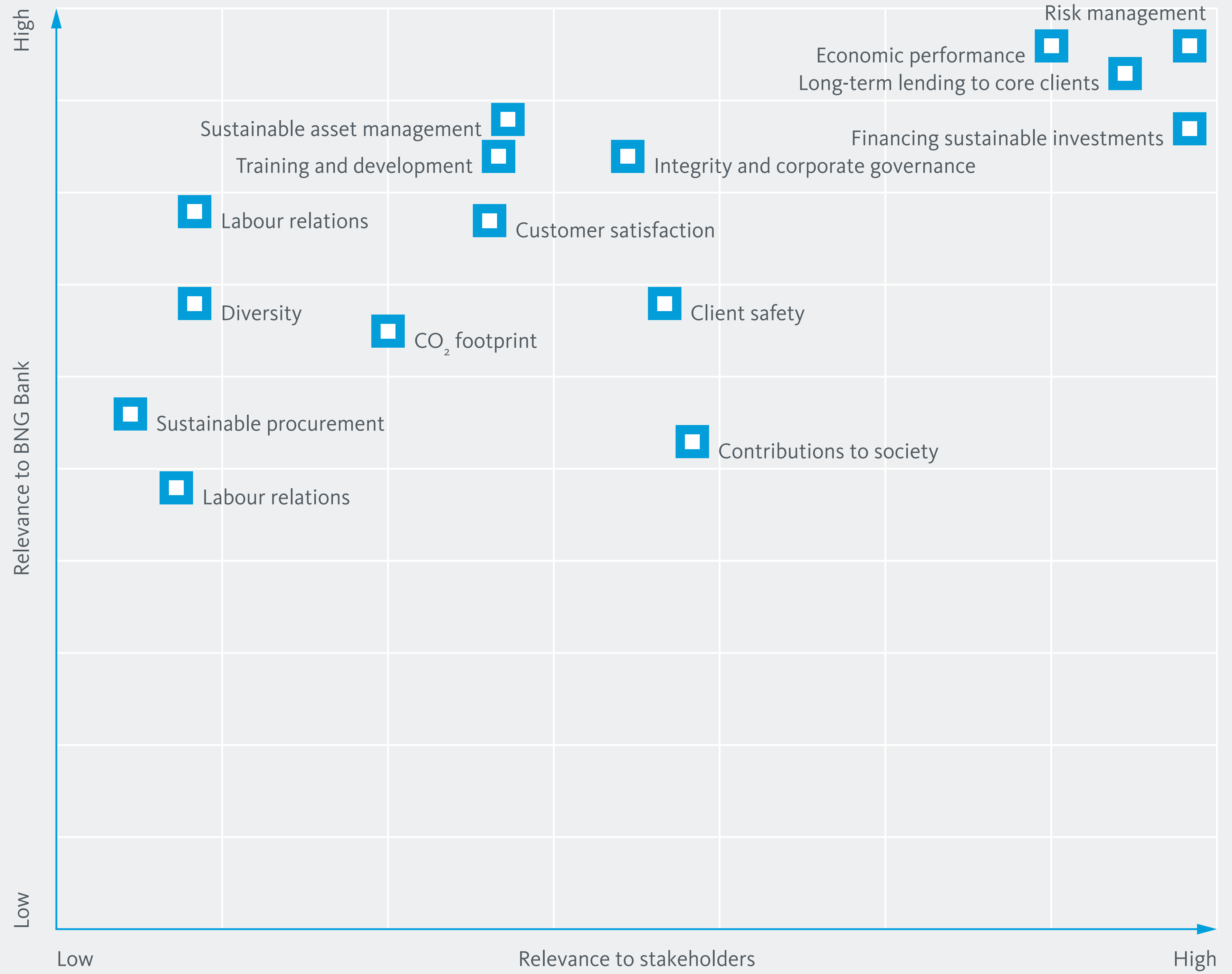
Materiality analysis procedure for CSR reporting purposes

In conformity with the GRI G4 reporting guideline, BNG Bank reports on the most material CSR topics.

The point of departure is the perspective analysis, in which BNG Bank assessed for each stakeholder group which topics are critical factors in the relationship from their perspective and the bank's perspective respectively. This perspective analysis is part of the CSR policy. The topics identified as relevant in the perspective analysis were clustered and included as sub-themes under the five themes of the bank's CSR policy. These sub-themes are linked to one or more aspects of the GRI. Using nine GRI-based criteria, the aspects were initially weighted both by BNG Bank itself and separately by an external party. On this occasion, consideration was given to the relevance to the bank and the impact on its operations and to the impact on all the stakeholders and on the living environment. In 2015 BNG Bank recalibrated this analysis in collaboration with an external party, which resulted in a few minor adjustments. The perspective analysis and the sub-themes were subsequently discussed during a meeting with the stakeholders closely involved in the bank's operations – shareholders, clients, investors and employees. At that meeting, the stakeholders assigned a relevance factor to the various sub-themes.

The outcome of the priorities set from the bank's perspective and those emerging from the meeting with the aforesaid stakeholder groups is presented in the graph below. Based on this outcome, the bank decided which topics should be reported on and where they are should be reported (in the integrated report of the Executive Board, CSR policy, GRI index or bngbank.nl). The meeting also revealed that stakeholders attach great value to the role which BNG Bank can play in promoting sustainability through its primary services. The participants consider supporting the public interest to be the bank's main task. Financing sustainable infrastructure in a broad sense in the areas of social housing, healthcare and physical infrastructure is regarded as an important element of this task. Thereby consideration should also be given to 'the client behind the client' and the impact on areas such as society, the environment and education. In this context, it is acknowledged that the precise impact is often difficult to measure. From an investor's point of view, providing finance geared to specific projects will give a better focus on the bank's added value.

OUTCOMES OF THE MATERIALITY ASSESSMENT



The reporting on material topics concerns BNG Bank and its subsidiaries BNG Gebiedsontwikkeling and BNG Vermogensbeheer. In its report, BNG Bank does not incorporate data relating to subcontractors or suppliers, because its ability to offer added value here is limited.

Based on the results, the following topics were classified as material topics:

A SAFE BANK

- Economic performance
- Client safety
- Customer satisfaction
- Risk management
- Integrity and Corporate Governance

RESPONSIBLE GROWTH

- Portfolio of long-term loans to core clients
- Financing sustainable investments
- Sustainable asset management

COMMITTED EMPLOYEES

- Working relations with employees
- Training and education
- Diversity

SOCIAL ENGAGEMENT

Making a contribution to society

ENVIRONMENTALLY CONSCIOUS OPERATIONS

CO_2 emissions and energy

These topics are discussed in the Report of the Executive Board, with a focus on developments in the reporting year. The information of a more static nature is incorporated into the GRI index or in the CSR policy document.

Other topics are addressed insofar as the bank finds it important to provide information on these topics from a transparency perspective. This information is reflected in the GRI index, the CSR policy or on bngbank.nl.

Data-measuring technique for CSR reporting purposes

Sources of data include staff records, financial reports, incident registration, the registration of reports from internal confidential counsellors and the Compliance/Compliance Officer and the consumption records of Facility Management. Assumptions/estimates have been made in calculating the organisation's CO_2 footprint in the form of an estimate of the total office area and gas and electricity consumption. The number of kilometres driven by employees in their own cars for business purposes is not known. However, this is amply compensated in the conservative estimate made for the private use of leased cars. The calculation of the quantity of waste is based on the number of container emptyings (volume) multiplied by the specific weight of the type of waste concerned. This calculation assumes that each container offered for emptying was 80% full. The methodologies are set out in work instructions. In terms of accuracy, BNG Bank deems the inherent limitations attached to the estimates as non-material.

BNG Bank uses 2010 as the baseline year for its CO_2 emissions – the year in which the bank began registering its emissions on an annual basis. The bank's CO_2 footprint is calculated using operational control instruments. All business units that fall within the bank's operational control are included in its CO_2 footprint. Through to 2012 BNG Bank applied the international conversion factors stated in the Greenhouse Gas (GHG) Protocol, those of the Department for Environment, Food and Rural Affairs (Defra in the UK) and those set out in the EC IPPC (Industrial Emissions) Directive. Since BNG Bank operates solely on the Dutch market, it was decided in 2013 to no longer apply the international conversion factors but to from now on use the standard conversation factors generally accepted in the Netherlands in accordance with the CO_2 performance ladder instead, barring one exception. Green power is extrapolated as being climate-neutral (o grams CO_2 /kWh). In contrast to the CO_2 performance ladder, business flights are attributed to scope 3 (in accordance with the GHG protocol).

The CSR information is audited internally and by an external party.

Independent assurance rapport

TO: THE SHAREHOLDERS, THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF N.V. BANK NEDERLANDSE GEMEENTEN.

We have performed an assurance engagement on the non-financial information presented in the following chapters:

- Foreword
- Report of the Supervisory Board – Sustainability/Corporate Social Responsibility
- Report of the Executive Board:
- Strategy
- Shareholders – Adoption of shareholder sustainability objectives
- Clients – Added value for society
- Clients – In dialogue with, and for the benefit of our clients
- Clients – Customer satisfaction
- Clients – The world behind our clients
- Investors and financial counterparties – First Socially Responsible Investment Bond issued
- Employees
- Laws, regulations and regulators – Intensive contact with regulators

and in the appendices 'BNG Bank CSR Policy' and 'GRI Index BNG Bank 2015' of the Annual Report (hereinafter referred to as 'the Report') of N.V. Bank Nederlandse Gemeenten in The Hague (hereinafter referred to as 'BNG Bank') for the year 2015. The Report provides an overview of the implemented policy, business operations, events and performance in the area of Corporate Social Responsibility in 2015.

LIMITATIONS OF THE AUDIT

The Report contains forward-looking information in the form of ambitions, strategy, plans, expectations and estimates. The fulfilment of such information is inherently uncertain. For that reason, we do not provide assurance in respect of the assumptions and the achievement of forward-looking information in the Report.

The appendices 'BNG Bank CSR Policy 2014' (BNG Bank CSR Policy 2014.pdf) and 'GRI Index 2014' (GRI Index BNG Bank 2014.pdf) as published on bngbank.nl are an inseparable part of the report and are as such part of our assurance engagement. The other references in the Report (to bngbank.nl, external websites and other documents) do not form a part of our engagement.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation of the Report in accordance with the G4 Sustainability Reporting Guidelines (core application level) of the Global Reporting Initiative (GRI), including the identification of stakeholders, the selection of material topics and the reporting policy of BNG Bank. The choices made by management regarding the scope of the Report and the reporting policy are set out in the appendix 'BNG Bank CSR Policy'.

Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the report based on the assurance evidence obtained. We conducted our engagement in accordance with Dutch law, including the Dutch Standard 3810N, 'Assurance Engagements with respect to Sustainability Reports'. This requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the report is free from material misstatement.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of the material misstatement of the Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An assurance engagement aimed at obtaining reasonable assurance also includes evaluating the appropriateness of reporting policies used and the reasonableness of estimates made by the management of the company, as well as evaluating the overall presentation of the Report.

SCOPE

Our most significant procedures comprised:

- Conducting a stakeholder analysis and obtaining insight into the relevant social themes and issues, relevant laws and regulations and the characteristics of the organisation.
- Evaluating the acceptability of reporting policy and the consistent application of the policy, including evaluating the results of the dialogue with stakeholders and the reasonableness of the estimates made by management.
- Evaluating the application level in accordance with the G4 Sustainability Reporting Guidelines (core application level) of GRI.
- Evaluating the design and implementation, and assessing the effectiveness of the systems and processes for collecting and processing data for the purpose of the information in the Report.
- Conducting interviews with management (or relevant employees) responsible for the sustainability strategy and policy.
- Conducting interviews with relevant employees responsible for supplying information for the Report, performing internal audits of data and the consolidation of data in the Report.
- Auditing the relevant data and the internal and external documentation, on the basis of partial observations, to determine the accuracy of the information in the Report.
- Performing an analytical evaluation of data and trends supplied for consolidation in the Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, having regard to the limitations stated in the 'Limitations of the audit' section, this Report provides, in all material respects, an accurate and adequate representation of the policy of BNG Bank with regard to sustainability and the business operations, events and performance of BNG Bank during 2015 in accordance with the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative and the reporting policy of BNG Bank as explained in the appendix 'BNG Bank CSR Policy 2014'.

The Hague, 4 March 2016

ERNST & YOUNG ACCOUNTANTS LLP
SIGNED BY R.J. BLEIJS RA

Stipulations of the articles of association concerning profit appropriation

Article 23 of the Articles of Association relating to the distribution of the profit includes the following provisions:

1. Profit may be distributed only after the General Meeting of Shareholders has adopted the financial statements from which it appears that such distribution is permitted.
2. The company may make payments to the shareholders from the profits available for distribution only insofar as its equity capital exceeds the amount of the paid-up part of the capital plus the statutory reserves.
3. First of all, if possible, an amount of ten per cent (10%) of the profit of the financial year available for distribution as evidenced by the financial statements shall be added to the general reserve; out of any surplus remaining thereafter, the shareholders shall, if possible, be paid five per cent (5%) of the nominal amount of their shareholding.
4. The remainder shall be paid to the shareholders in proportion to the nominal amount of their shareholding, insofar as the General Meeting of Shareholders does not allocate this amount to the reserves.
5. The company is empowered to make interim profit distributions, subject to the provisions of Section 105, sub 4, of Book 2 of the Dutch Civil Code.

Proposed profit appropriation

Amounts in millions of euros

	2015	2014
NET PROFIT	**226**	**126**
PROFIT APPROPRIATION IS AS FOLLOWS:		
Appropriation to the Other reserves pursuant to Article 23(3) of BNG Bank's Articles of Association	23	13
Dividend pursuant to Article 23(3) of the BNG Bank Articles of Association	7	7
	30	**20**
Appropriation to the Other reserves pursuant to Article 23(4) of BNG Bank's Articles of Association	146	81
Dividend pursuant to Article 23(4) of the BNG Bank Articles of Association	50	25
	196	**106**

Objectives as defined in the articles of association

Article 2 of the Articles of Association contains the following provisions:

1. The objective of the company shall be to conduct the business of banker on behalf of public authorities.
2. In the context of its objective as referred to in paragraph 1 the company shall engage, inter alia, in taking in and lending funds, granting loans in other ways, providing guarantees, executing payments, conducting foreign exchange transactions, acting as adviser and broker in the issue of and trade in securities, and keeping, managing and administering securities and other assets for third parties, as well as to incorporate and to participate in other enterprises and/or legal persons, whose objectives are connected with or conducive to any of the foregoing. The company shall be authorised to perform all acts which may be directly or indirectly conducive to its objective.
3. The term public authorities as referred to in paragraph 1 means:
   a. municipalities and other legal persons in the Netherlands under public law as referred to in Section 1(1) and (2) of Book 2 of the Dutch Civil Code;
   b. the European Communities and other bodies possessing legal personality to which part of the function of the European Communities has been entrusted pursuant to the treaties establishing the European Communities;
   c. Member States of the European Communities and other bodies possessing legal personality to which part of the administrative function of such a Member State has been entrusted pursuant to the law of that Member State;
   d. legal persons under private law:
      – half or more of whose managing directors are appointed directly or indirectly by one or more of the bodies referred to at a, b and c of this paragraph;

and/or

- half or more of whose share capital is provided directly or indirectly by one or more of the bodies referred to at a, b and c;

and/or

- half or more of the income side of whose operating budget is provided or secured directly or indirectly by one or more of the bodies referred to at a, b and c on the basis of a scheme, bye-law or law adopted by one or more of such bodies;

and/or

- whose operating budget is determined or approved directly or indirectly by one or more of the bodies referred to at a, b and c on the basis of a scheme, bye-law or law adopted by one or more of such bodies;

and/or

- whose obligations toward the company are guaranteed directly or indirectly by one or more of the bodies referred to at a, b and c or will be so guaranteed on the basis of a scheme, bye-law or law adopted by one or more of such bodies, which obligations are understood to include non-guaranteed obligations from pre-financing or otherwise which, following novation, will give rise to obligations that are to be guaranteed by one or more of such bodies on the basis of a scheme, bye-law or law adopted by one or more of such bodies;

and/or

- which perform a part of the government's tasks on the basis of a scheme, bye-law or law adopted by one or more of the bodies referred to at a, b and c.

Appendices

A BNG Bank subsidiaries

BNG GEBIEDSONTWIKKELING BV 100%
Dr. Kuyperstraat 12
2514 BB The Hague

MANAGEMENT BOARD
G.C.A. RODEWIJK

P.O. Box 16075
2500 BB The Hague
Telephone +31 (0)70 3119 900
info@bnggo.nl

Objective:
To directly or indirectly provide (venture) capital to public authorities and to directly or indirectly participate in and/or cooperate with projects, either with or on behalf of public authorities or institutions affiliated with public authorities.

BNG VERMOGENSBEHEER BV 100%

Koninginnegracht 2
2514 AA The Hague

MANAGEMENT BOARD

J.J.M. DE WIT
D. WIDIJANTO

P.O. Box 16450
2500 BL The Hague
Telephone +31 (0)70 3750 245
info@bngvb.nl

Objective:
To provide and develop specialised financial services in the fields of securities brokerage, consultancy, the management of investment funds with a Fido hallmark and customised asset management to and for public authorities and public sector institutions.

HYPOTHEEKFONDS VOOR OVERHEIDSPERSONEEL BV (HVO) 100%

Koninginnegracht 2
2514 AA The Hague

MANAGEMENT BOARD (AS AT 1 JANUARY 2016)

A.M. VAN OORD
T. WESSELING

P.O. Box 30305
2500 GH The Hague
Telephone +31 (0)70 3750 619
bms@bngbank.nl

Objective:
The financing of mortgage loans taken out by civil servants in the employ of an affiliated public or semi-public institution with which a cooperation agreement has been reached.

B BNG Bank consolidated annual figures from 1915

Amounts in thousands of euros

FINANCIAL YEAR	ISSUED AND PAID-UP CAPITAL	RESERVES	NET PROFIT	LONG-TERM AND SHORT-TERM ACCOUNTS RECEIVABLE	LONG-TERM AND SHORT-TERM ACCOUNTS PAYABLE
1915	20	0	2	57	930
1920	84	38	42	538	552
1925	1,767	77	155	8,660	7,086
1930	1,983	140	187	22,787	20,504
1935	2,900	231	322	32,448	25,494
1940	3,061	208	246	24,395	17,298
1945	3,061	249	232	35,646	19,621
1950	3,105	454	532	144,584	110,970
1955	3,133	908	832	639,390	614,643
1960	7,012	4,538	1,037	2,850,847	2,836,654

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FINANCIAL YEAR	ISSUED AND PAID-UP CAPITAL	RESERVES	NET PROFIT	LONG-TERM AND SHORT-TERM ACCOUNTS RECEIVABLE	LONG-TERM AND SHORT-TERM ACCOUNTS PAYABLE
1965	7,465	8,168	2,027	4,582,169	4,373,273
1970	14,862	16,427	6,587	8,852,630	8,350,749
1975	29,655	88,489	28,850	15,830,097	15,220,921
1980	66,638	246,586	70,489	20,461,463	18,950,840
1985	112,258	592,637	100,996	25,910,265	25,112,071
1990	126,409	967,389	110,461	34,993,443	33,080,496
1995	126,409	1,305,757	137,191	42,899,387	42,251,926
2000	126,420	2,075,272	230,904	57,733,722	53,066,024
2001	139,227	2,139,103	249,000	63,441,874	61,069,218
2002	139,227	2,194,764	283,127	71,839,286	65,564,192
2003	139,227	2,159,527	303,627	77,418,328	71,460,432
2004	139,227	2,330,805	300,797	78,984,495	75,351,685
2005*	139,227	2,832,809	310,833	82,967,038	79,803,004
2006	139,227	2,336,965	198,694	84,977,468	80,377,372
2007	139,227	1,815,926	195,418	89,176,132	82,698,497
2008	139,227	1,759,853	157,701	86,820,956	97,505,873
2009	139,227	1,974,507	277,589	87,855,193	100,360,334
2010	139,227	1,991,578	256,763	102,779,659	105,992,276

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FINANCIAL YEAR	ISSUED AND PAID-UP CAPITAL	RESERVES	NET PROFIT	LONG-TERM AND SHORT-TERM ACCOUNTS RECEIVABLE	LONG-TERM AND SHORT-TERM ACCOUNTS PAYABLE
2011	139,227	1,693,749	256,389	112,921,132	119,440,769
2012	139,227	2,529,382	331,912	114,251,115	119,483,591
2013	139,227	3,220,121	282,770	112,443,239	111,406,981
2014	139,227	3,411,090	125,969	120,591,806	123,316,363
2015	139,227	3,543,491	226,262	119,424,907	121,778,613

* From 2005 after withholding corporate income tax. Because BNG Bank adopted the International Financial Reporting Standards (IFRS) for the financial statements with effect from 1 January 2005 the figures from 2005 onward are not completely comparable with earlier years.

C BNG Bank shareholders as at 31 december 2015

55,690,720 SHARES	
Aa en Hunze	52,728
Aalburg	17,550
Aalsmeer	25,857
Aalten	19,305
Achtkarspelen	87,711
Alblasserdam	9,477
Albrandswaard	3,510
Alkmaar	189,930
Almelo	174,525
Almere	3,432
Alphen aan den Rijn	256,854
Ameland	3,120
Amersfoort	272,220
Amstelveen	143,520
Amsterdam	617,058
Apeldoorn	132,093
Appingedam	23,751
Arnhem	496,470
Assen	85,301
Asten	13,000
Baarle-Nassau	3,510
Baarn	46,800
Barendrecht	32,097
Barneveld	24,570
Bedum	5,265
Beek (L)	11,544
Beemster	7,020
Beesel	66,300
Bellingwedde	12,597
Bergeijk	80,886
Bergen (L)	10,530

Bergen (N.H.)	149,994
Bergen op Zoom	41,067
Berkelland	305,877
Bernheze	21,060
Best	24,570
Beuningen	14,040
Beverwijk	85,605
Binnenmaas	105,495
Bladel	62,790
Blaricum	5,967
Bloemendaal	21,060
Bodegraven-Reeuwijk	76,830
Borger-Odoorn	80,340
Borne	107,172
Borsele	39,273
Boxmeer	38,660
Boxtel	53,385
Breda	257,439
Brielle	24,414
Bronckhorst	72,384
Brummen	702
Brunssum	86,658
Bunnik	3,000
Buren	23,953
Bussum	97,188
Capelle aan den Ijssel	7,722

Castricum	40,872
Coevorden	94,926
Cranendonck	5,000
Cromstrijen	7,020
Cuijk	32,253
Culemborg	8,775
Dalfsen	33,735
Dantumadiel	12,285
Delft	47,385
Delfzijl	39,156
De Bilt	218,673
De Friese Meren	108,436
De Marne	10,530
De Wolden	31,122
The Hague	1,275,456
Den Helder	211,731
Deurne	99,840
Deventer	292,313
Diemen	8,775
Dinkelland	16,934
Doesburg	27,612
Doetinchem	62,634
Dongen	23,510
Dongeradeel	76,323
Dordrecht	233,142
Drechterland	15,756

Drenthe (province)	87,750
Drimmelen	36,426
Druten	9,477
Duiven	3,510
Echt-Susteren	21,411
Edam-Volendam	29,484
Ede	108,420
Eemsmond	21,060
Eersel	121,021
Eindhoven	171,600
Eijsden-Margraten	52,455
Elburg	76,830
Emmen	58,266
Enkhuizen	130,650
Enschede	200,343
Epe	60,879
Ermelo	75,075
Etten-Leur	9,828
Ferwerderadiel	5,967
Flevoland (province)	75,250
Franekeradeel	34,554
Friesland (province)	75,250
Geertruidenberg	133,653
Gelderland (province)	87,750
Geldermalsen	28,665
Geldrop-Mierlo	30,186
Gemert-Bakel	45,474
Gennep	10,530
Giessenlanden	25,935
Gilze en Rijen	10,179
Goeree-Overflakkee	72,501
Goes	96,369
Goirle	12,636
Gorinchem	96,330
Gouda	82,446
Groesbeek	103,116
Groningen (province)	75,250
Groningen (municipality)	329,199
Grootegast	9,750
Gulpen-Wittem	26,040
Haaksbergen	35,958
Haaren	11,278
Haarlem	230,295
Haarlemmerliede en Spaarnwoude	62,790
Haarlemmermeer	60,372
Halderberge	43,524
Hardenberg	64,935
Harderwijk	58,968
Hardinxveld-Giessendam	31,356
Haren	9,126

Harlingen	31,200
Hattem	30,030
Heemskerk	7,722
Heemstede	122,421
Heerde	9,126
Heerenveen	65,267
Heerhugowaard	9,789
Heerlen	424,827
Heeze-Leende	10,020
Heiloo	36,000
Hellendoorn	24,180
Hellevoetsluis	6,240
Helmond	52,650
Hendrik Ido Ambacht	25,818
Hengelo (O)	174,486
's-Hertogenbosch	146,188
Het Bildt	73,905
Heumen	151,515
Heusden	44,499
Hillegom	49,686
Hilvarenbeek	23,510
Hilversum	120,939
Hof van Twente	157,326
Hollands Kroon	60,294
Hoogeveen	17,550
Hoogezand-Sappemeer	31,161
Hoogheemraadschap Hollands Noorderkwartier	17,355

Hoorn	46,098
Horst aan de Maas	113,108
Houten	6,240
Huizen	85,956
Hulst	17,472
IJsselstein	4,563
Kaag en Braassem	121,719
Kampen	100,893
Kapelle	53,040
Katwijk	144,066
Kerkrade	183,300
Koggenland	29,016
Kollumerland and Nieuwkruisland	22,347
Korendijk	29,718
Krimpen aan den IJssel	32,799
Krimpenerwaard	50,700
Laarbeek	20,709
Landerd	29,094
Landgraaf	41,301
Landsmeer	24,453
Langedijk	6,318
Lansingerland	15,015
Leek	28,041
Leerdam	17,550

Leeuwarden	133,044
Leeuwarderadeel	72,150
Leiden	347,646
Leiderdorp	97,968
Leidschendam-Voorburg	203,190
Lelystad	5,000
Leudal	143,052
Limburg (province)	156,000
Lingewaal	17,550
Lingewaard	19,305
Lisse	18,252
Littenseradiel	8,736
Lochem	60,138
Loon op Zand	41,886
Lopik	26,442
Loppersum	24,102
Losser	17,550
Maasdriel	20,770
Maasgouw	72,150
Maassluis	61,035
Maastricht	347,334
Marum	7,020
Medemblik	13,650
Meerssen	13,689
Menameradiel	24,375
Menterwolde	38,688
Meppel	18,915
Middelburg	49,296
Midden-Delfland	48,594
Midden-Drenthe	60,138
Mill en St. Hubert	5,265
Moerdijk	27,027
Molenwaard	35,022
Montferland	19,756
Montfoort	12,480
Mook en Middelaar	123,708
Muiden	3,510
Neder-Betuwe	18,246
Nederweert	14,040
Neerijnen	14,040
Nieuwegein	80,184
Nieuwkoop	36,348
Nissewaard	20,280
Nijkerk	32,370
Nijmegen	193,479
Noord-Beveland	6,520
Noord-Brabant (province)	40,000
Noord-Holland (province)	610,350
Noordoostpolder	19,656
Noordwijk	12,636
Noordwijkerhout	8,775
Noordenveld	30,771

Nuenen, Gerwen en Nederwetten	1,755
Nunspeet	75,075
Nuth	11,232
Oegstgeest	46,059
Oirschot	8,775
Oisterwijk	7,845
Oldambt	181,116
Oldebroek	9,750
Oldenzaal	17,550
Olst-Wijhe	18,252
Ommen	79,638
Onderbanken	8,775
Oosterhout	35,100
Ooststellingwerf	18,720
Oostzaan	24,765
Oost Gelre	51,363
Opmeer	19,188
Opsterland	66,651
Oss	64,646
Oud-Beijerland	5,265
Ouder-Amstel	4,914
Overbetuwe	21,762
Oude IJsselstreek	161,460
Oudewater	27,612
Overijssel (province)	87,750

Papendrecht	6,318
Peel en Maas	63,687
Pekela	26,130
Pijnacker-Nootdorp	57,564
Purmerend	7,020
Putten	10,530
Raalte	25,987
Reimerswaal	15,990
Renkum	89,739
Reusel-De Mierden	10,530
Rheden	186,966
Rhenen	61,035
Ridderkerk	89,115
Rijnwaarden	4,914
Rijssen-Holten	304,746
Rijswijk (Z.H.)	165,945
Roerdalen	17,199
Roermond	34,749
Ronde Venen de	37,323
Roosendaal	56,862
Rotterdam	321,555
Rucphen	19,656
Schagen	55,497
Scherpenzeel	3,510
Schiedam	326,352

Schiermonnikoog	7,020
Schijndel	28,782
Schinnen	7,020
Schouwen-Duiveland	23,790
Simpelveld	6,630
Sint-Anthonis	12,285
Sint-Michielsgestel	21,060
Sint-Oedenrode	64,857
Sittard-Geleen	175,266
Sliedrecht	31,200
Slochteren	20,124
Sluis	10,140
Smallingerland	110,292
Soest	123,825
Someren	15,444
Son en Breugel	29,991
State of the Netherlands	27,845,360
Stadskanaal	27,339
Staphorst	30,030
Stede Broec	17,823
Steenbergen	11,583
Steenwijkerland	129,675
Stein	19,266
Stichtse Vecht	29,523
Strijen	6,240
Sudwest Fryslan	317,058

Ten Boer	3,510
Terneuzen	45,474
Terschelling	3,510
Teylingen	57,681
Texel	7,371
Tholen	33,696
Tiel	36,803
Tynaarlo	43,243
Tytsjerksteradiel	48,945
Tilburg	71,786
Tubbergen	30,000
Twenterand	23,868

Uden	17,550
Uitgeest	3,510
Uithoorn	54,522
Urk	3,861
Utrecht (municipality)	763,074
Utrecht (province)	87,750
Utrechtse Heuvelrug	201,669

Vaals	17,121
Valkenburg aan de Geul	21,060
Valkenswaard	12,987
Veendam	86,190
Veenendaal	86,970
Veere	7,020

Veghel	26,598
Veldhoven	35,100
Velsen	280,410
Venlo	106,026
Venray	54,202
Vianen	22,698
Vlaardingen	198,198
Vlagtwedde	16,458
Vlieland	3,510
Vlissingen	70,356
Voerendaal	11,232
Voorschoten	41,184
Voorst	112,983
Vught	15,795
Waalre	6,318
Waalwijk	29,133
Waddinxveen	17,823
Wageningen	50,310
Wassenaar	106,392
Waterland	14,040
Weert	41,379
Weesp	33,501
Werkendam	9,828
Westerveld	51,987
Westervoort	3,510
Westland	301,860
Weststellingwerf	58,071
Westvoorne	66,963
Wierden	21,060
Wijchen	11,193
Wijdemeren	33,930
Wijk bij Duurstede	23,751
Winsum	10,140
Winterswijk	17,199
Woensdrecht	11,232
Woerden	123,201
Wormerland	36,660
Woudenberg	3,510
Woudrichem	10,530
Zaanstad	416,286
Zaltbommel	3,861
Zandvoort	56,862
Zederik	43,017
Zeevang	12,246
Zeewolde	78
Zeist	192,075
Zevenaar	8,020
Zoetermeer	3,510
Zoeterwoude	26,871
Zuid-Holland (province)	610,350
Zuidhorn	10,140
Zuidplas	54,328

Zundert	104,949
Zutphen	95,940
Zwartewaterland	23,712
Zwolle	149,097
Zwijndrecht	47,541

COLOPHON

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