



# Nationale-Nederlanden Bank

Debt Investor Presentation

September 2023



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# Executive summary

## Nationale-Nederlanden Bank N.V.

- Top 5 retail bank in the Netherlands (based on balance sheet size)
- 100% subsidiary of NN Group N.V.
- Established in 2011 and operates in the Netherlands under the brand name 'Nationale-Nederlanden'
- Shares client base, distribution and marketing with other NN entities
- Built around long-standing mortgage business (since 1963)
- Significant player in Dutch residential mortgage loan and retail savings markets

## Purpose, ambition and strategy

- Purpose: to help people care for what matters most to them
- Ambition: a digital and data-driven bank with industry-leading and personalised customer experiences
- Our strategic priorities:
  - Strong customer relations
  - Digitalisation and data-driven way of working
  - Sustainable company and society
  - Learning and agile organisation
- Committed to further enhancing sustainability and social responsibility

## Financials at 30 June 2023<sup>1</sup>

- Total assets of EUR 24.5bn; residential mortgage loan portfolio of EUR 22.4bn
- NN Bank services EUR 55.9bn of mortgage loans
- Return on equity of 12.0%; Cost/income ratio of 54.5%
- Net profit of EUR 64.8m in 1H23 compared with EUR 49.9m in 1H22
- Solid capital position: CET1 ratio of 15.8% (Standardised Approach), Total Capital Ratio of 17.1%<sup>2</sup>
- NN Bank's A- rating from S&P (positive outlook) reflects its "highly strategic importance" for NN Group

## Funding diversification

- Diversified funding mix, in terms of investors, markets and maturities
- Funding comprises retail savings (EUR 16.3bn) and wholesale funding (EUR 6.4bn)
- Soft Bullet covered bond programme used to raise secured funding up to 20-year tenors
- Green bonds issued under both Soft Bullet covered bond and Debt Issuance programmes



1. All financial information in this Investor Presentation is based on the 30 June 2023 Condensed consolidated interim financial information dated 29 August 2023 (unless stated otherwise). This financial information may deviate from the financial information of the segment Banking as reported by NN Group
2. CET1 ratio would be 16.5% and Total Capital Ratio<sup>1</sup> would be 17.8% after inclusion of the net result less the payment of the proposed interim dividend for the first half of 2023

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# 1 Strategy and business highlights

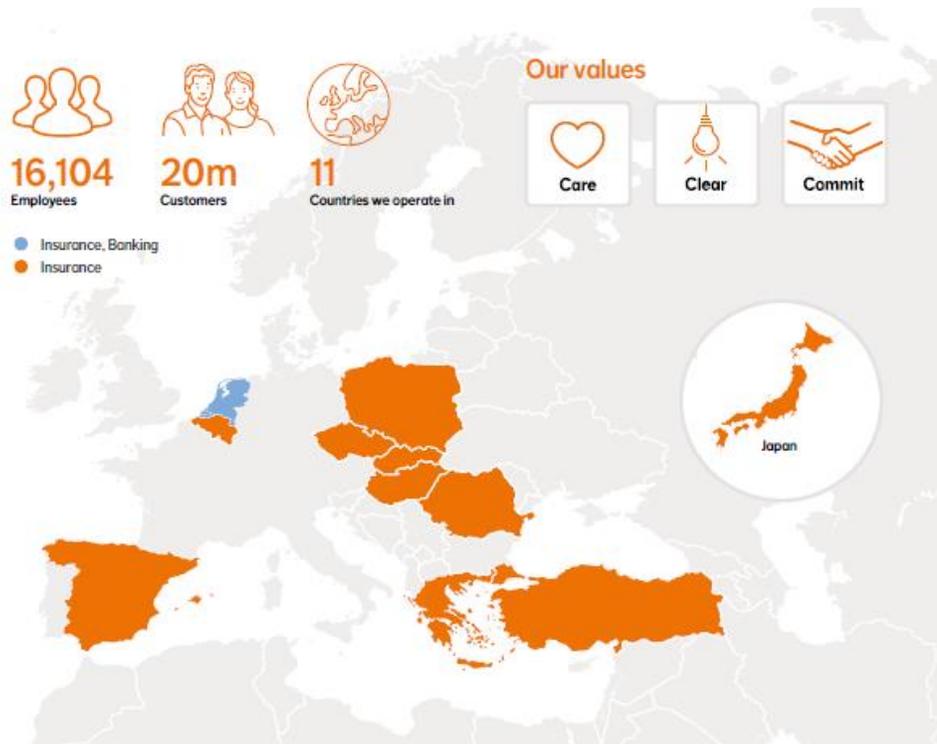
# NN Bank profile

- Nationale-Nederlanden Bank ('NN Bank') is the fifth largest Dutch retail banking franchise, based on balance sheet size
- 100% subsidiary of NN Group N.V.
- Significant player in Dutch residential mortgage loans and retail savings, with close to one million retail clients in the Netherlands
- Established in 2011
- Built around long-standing Nationale-Nederlanden mortgage business (since 1963)
- Distribution both direct (savings) and via intermediaries (mortgages)
- Origination and servicing for own balance sheet but also for other group entities and external investors, generating fee income
- Long-term credit rating of A- and short-term rating of A-1 from S&P; positive outlook



# Parent company: NN Group

## International footprint



## Overview of NN Group

- International financial services company, active in 11 countries, with a strong presence in several European countries and Japan
- Around 16,000 employees, providing retirement services, pensions, insurance, banking and investments to approximately 20 million customers
- NN Group's main brands are Nationale-Nederlanden, NN, Movir, AZL, BeFrank, OHRA and Woonnu
- Financial Strength Ratings: AA-/stable (Fitch), A/positive (S&P)
- ESG Ratings: AA by MSCI, 14.5 (low risk) by Sustainalytics
- Member of S&P Global Dow Jones Sustainability Index (DJSI)
- Listed on Euronext Amsterdam since 2 July 2014
- Shareholders' equity of EUR 19.4bn at 30 June 2023

## NN Group has leading market positions

- #1 position in life insurance in the Netherlands: market share<sup>1</sup> of ~40% in group pensions
- #1 position in non-life insurance in the Netherlands: market share<sup>2</sup> of 28% in Disability & Accident (#2) and 22% in Property & Casualty (#2)
- Top 3 player in CEE<sup>3</sup> focused on life and voluntary pensions
- Leading player in SME life insurance products in Japan

Source: NN Group

1. Source: DNB and Data Analytics Centre Dutch Association of Insurers, based on 2021 recurring premium inflow; Includes internal data. Apf not included
2. Source: DNB and Data Analytics Centre Dutch Association of Insurers, based on GWP 2021; Only Dutch insurers that are subject to DNB supervision, excluding foreign insurers
3. Central and Eastern Europe

# NN Bank's added value to NN Group

## NN Bank is highly strategically important for NN Group

- Operating under the Nationale-Nederlanden brand since its start in 2011
- Fully-owned subsidiary of NN Group N.V. and a fellow subsidiary of the Dutch insurance entities, i.e. NN Life and NN Non-life
- NN Bank has a long-term issuer credit rating A- from S&P (positive outlook) reflecting the “highly strategical importance” of the bank for NN Group

### 1 Financially sound bank

- With its business model, NN Bank realises a strong operating result and a healthy return on equity (12.0% in 1H23)



### 2 Originate high-quality mortgage loans

- NN Bank is NN Group's mortgage originator and servicer in the Netherlands
- Providing mortgage investment opportunities with good investment return for other NN companies



### 3 Cross-sell opportunities

- Sharing client base, distribution and marketing with other NN entities in the Netherlands
- Offering products complementary to Nationale-Nederlanden's individual life and non-life insurance products for retail customers, including (internet) savings, and bancassurance
- Servicing of more than 1 million customers



# NN Bank key figures

## 1H23 financial highlights

Return on equity

**12.0%**

1H22: 9.5%

Cost/income ratio

**54.5%**

1H22: 55.6%

Net result

**EUR 64.8m**

1H22: EUR 49.9m

Net interest margin

**1.66%**

1H22: 0.97%

Total capital ratio

**17.1%**

1H22: 15.9%

Net portfolio growth mortgages<sup>1</sup>

**EUR 0.3bn**

1H22: EUR 0.5bn

Net portfolio growth savings

**EUR 0.1bn**

1H22: EUR 0.2bn

## Non-Financial KPIs at year-end 2022

Net promoter score

**+19.6**

2021: +21.4

Employee engagement

**7.6**

2021: 7.5

Average Internal and external FTE

**1,312**

2021: 1,246

Number of customers

**954,000**

2021: 959,000

Gender diversity (M/F) in Management Team

**40%/60%**

2021: 50%/50%

Mortgage portfolio with energy label A (%)

**24%**

2021: 24%

Emission intensity mortgage portfolio

**25.7 kg CO<sub>2</sub>/m<sup>2</sup>**

2021: 27.8 kg CO<sub>2</sub>/m<sup>2</sup>

1. The residential mortgage portfolio excludes notary amounts in transit, staged payments and accounting effects such as premiums and the fair value hedge adjustment

# Creating long-term value for our stakeholders

Our purpose

**We help people care for what matters most to them**

Our ambition

**We want to be an industry leader, known for our customer engagement, talented people, and contribution to society**

Our values



Care



Clear



Commit

Our brand promise

**You matter**



**The Digital Retail Bank**  
**The bank you prefer to choose**

NN Bank's priorities



**Strong customer relations**

- Payment transactions and PSD2 proposition to promote customer interaction
- Improve customer experience and intermediary satisfaction
- Joint proposition with other business units



**Digitalisation & data-driven way of working**

- Introduction of data and AI initiatives
- Digitalisation of customer and employee processes
- Implementation mid-office mortgages



**Sustainable business & society**

- Dectanium, AIRB
- License to operate and FEC/AML
- Selling mortgages to investors
- ESG for sustainable progress of our organisation, customers and stakeholders



**Learning & agile organisation**

- Agile way of working
- Workforce transformation
- Create a learning organisation

# Retail-focused business model

## NN Bank is the fifth largest Dutch retail banking franchise

- Providing retail customers with mortgage loans, (internet) savings, bank annuities, bancassurance and retail investment products
- National player, with coverage of all Dutch regions, operating under a strong and well-known household name, *Nationale-Nederlanden*

### 1 Mortgages: significant experience in origination and servicing

- Nationale-Nederlanden's track record in in-house mortgage loan origination, servicing and arrears management goes back to 1963
- In 2020, NN Bank introduced Woonnu, a 100% subsidiary of NN Bank, that supports sustainable living with a discount on mortgage interest for homes with a high energy label (A and B)
- Originated EUR 2.2bn of mortgage loans in 1H23 compared with EUR 4.9bn in 1H22. In total NN Bank serviced EUR 55.9bn of mortgage loans at 30 June 2023
- Mortgage loans distributed via intermediaries.
- No branch network
- Offering reset tenors in range 1 month to 30 years

Market share 2022  
mortgage origination  
in the Netherlands<sup>1</sup>  
**6.8%**

### 2 Savings: savings on demand and pension savings are two strong pillars

- Savings on demand and fixed-term deposits (EUR 7.6bn):
  - Consumers save mainly to build a buffer against unforeseen expenses
  - Low-cost online savings platform
- Fiscal-driven pension savings, called bank annuities (EUR 6.9bn):
  - supplementary pension savings: tax-incentivised annuities on a blocked savings account up to pension date
  - supplementary pension benefits: pay-out of built-up pension savings (annuity) over time
  - Stable funding source

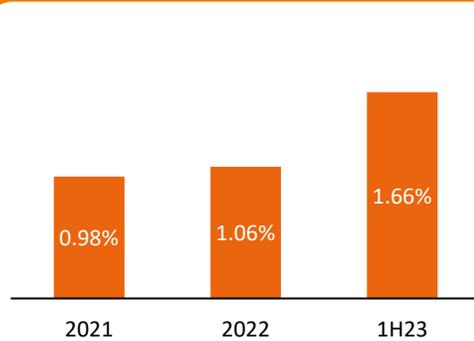
Market share 2022  
total savings amount  
in the Netherlands<sup>2</sup>  
**3.7%**

1. Source: Kadaster, December 2022

2. Source: DNB, December 2022

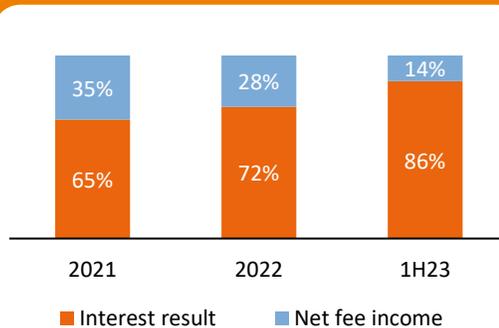
# Financially sound bank with diversified income model

## Net interest margin<sup>1</sup>



- Higher net interest income was mainly driven by the increased interest margins on liabilities, partly offset by decreasing margins on new mortgages and lower prepayments on the mortgage portfolio

## Income diversification



- Originating and servicing of mortgage loans for third parties
- Management advisory and servicing of investment portfolios for retail clients
- Woonnu is a platform that generates additional fee business for NN Bank through origination and management of sustainable mortgage loans

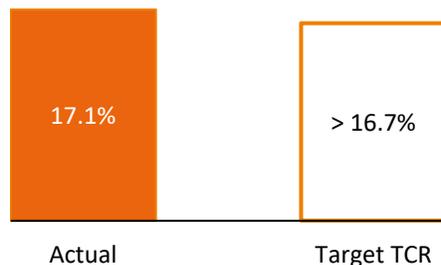
## Summary profit and loss account

(Amounts in EUR m) <sup>2</sup>	1H23	1H22
Interest income	476	277
Interest expense	(275)	(158)
Interest result	202	119
Net fee and commission income	32	59
Gains and losses on financial transactions and other income	-	(1)
Valuation results on non-trading derivatives	(16)	11
<b>Total income</b>	<b>218</b>	<b>187</b>
Staff expenses	(76)	(66)
Impairment charges	2	2
Regulatory levies	(14)	(18)
Other operating expenses	(43)	(38)
<b>Total operating expenses</b>	<b>(131)</b>	<b>(120)</b>
<b>Result before tax</b>	<b>87</b>	<b>67</b>
Taxation	(23)	(17)
<b>Net result</b>	<b>65</b>	<b>50</b>

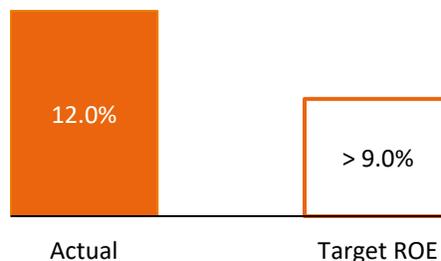
- Net Interest Margin is calculated as interest result divided by the average total assets in the period
- Small deviations may occur due to rounding

# Long-term financial targets

## Total capital ratio (transitional CRD IV)



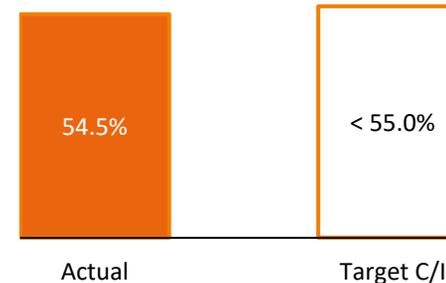
## Return on equity



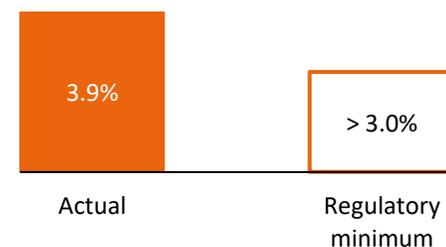
- Steering capital on Total Capital Ratio (TCR) and meeting all capital targets
- Total Capital Ratio target of 16.7% for 2023
- All other things being equal, target TCR will increase to 17.7% in 2024<sup>1</sup>

- RoE increased to 12% versus 9.5% in 1H22 reflecting the higher net result
- Net operating Return on Equity (ROE) of 12% in 2025 on Group reporting basis<sup>2</sup> equals a target ROE of approximately 9% on a statutory basis

## Cost/income ratio



## Leverage ratio



- Cost/income (C/I) ratio target of below 55% in 2025
- C/I ratio decreased to 54.5%, compared with 55.6% in 1H22, reflecting a higher total income partly offset by higher operating expenses

- Development of core equity in relation to total assets is comfortably above the regulatory minimum threshold of 3%

1. In February 2022, DNB released its updated countercyclical capital buffer (CCyB) framework. DNB has already increased this buffer to 1% from 0% as per 1 May 2023 but aims to reach a CCyB of 2% in a standard risk environment. DNB communicated that the CCyB requirement will increase by another 1% in 2024. This increase in capital requirements will be reflected in NN Bank's total capital target which, all other things being equal, will increase from 15.7% in 2022 to 17.7% in 2024

2. On 17 November 2022, NN Group announced in its Capital Markets Day a net operating return on equity target for NN Bank of 12% or higher in the medium term

# Sustainability is one of the cornerstones of our strategy

## NN Bank focuses on two key topics:

### 1. Customer empowerment:

- Providing customers with the tools and resources needed to make better informed financial choices and exercise greater control over their personal financial situation

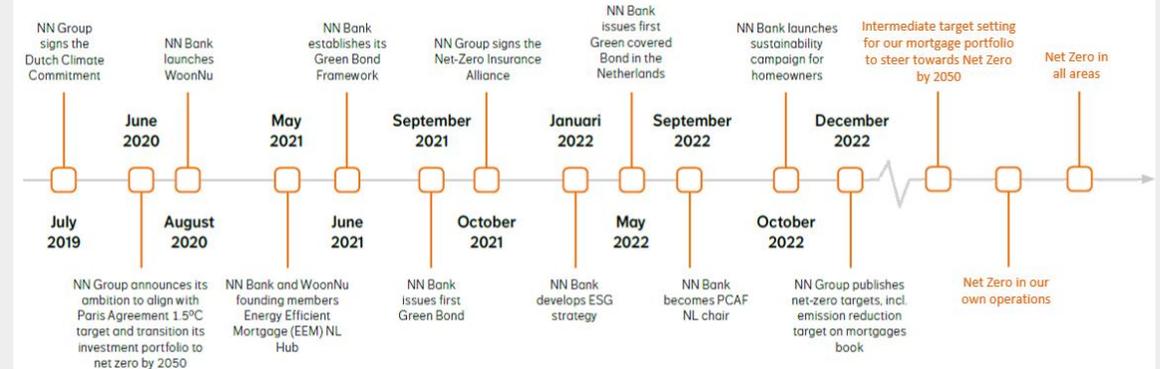
### 2. Climate change & environment:

- Steering the banking product portfolio, including the HQLA investment portfolio, towards **Net zero by 2050** or sooner, to align with the Paris Agreement 1.5°C pathway
- Aiming to reach Net zero in our own operations by 2040, or sooner, in accordance with NN Group's sustainability goals

## NN Bank's actions:

- Spark customer activation through an innovative engagement platform
- Develop new mortgage-specific propositions and services
- Leverage NN Bank's Green Bond Framework
- Evaluate and adjust all other products to help customers
- Contribute to (sector) initiatives and partnerships

## Our climate journey:



## NN Bank's ESG scores (at year-end 2022)

### Excellent customer experience

Net promoter score of +19.6



### Positive contribution to society

Energy label A mortgages: 24%



### Engaged Employees

Employee engagement score: 7.6



### Engaged Employees

Women in MT NN Bank: 60%



# Sustainability is embedded in our governance

## Our Governance:

- ESG Office providing ESG knowledge, programme management and monitoring of NN Bank's ESG strategy
- The Bank's CEO is accountable for ESG matters, the Management Team is responsible for strategic direction and implementing the ESG strategy and the Supervisory Board performs structural oversight of ESG issues on the Board level

## Product and a customer activation scope

- The customer activation scope aims to activate our current and future customers to take steps towards sustainability
- The product scope is focused on sustainably organising NN Bank's products and services
- We are in the process of finalising key metrics for both scopes. This will enable us to monitor progress and performance as we work towards net zero



## Our ESG roadmap:

- Outlines our contribution to mitigating climate change and environmental risks, aligned with supervisory guidelines and regulatory requirements
- The roadmap addresses the entire Bank, including risk management

## Our risk profile:

- Prudent ESG risk management by fully embedding it into our risk management frameworks
- Stress tests performed covering both physical and transition climate risks; in both cases, capital adequacy remained well above minimum regulatory requirements



# NN Bank enhancing sustainability & social responsibility

## PLANET

- As a mortgage provider, NN Bank wants to **contribute to the reduction of greenhouse gas emissions** in houses we finance
- One of the ways in which we do this, is by **making real estate more sustainable**. Customers will also be encouraged to reduce their CO<sub>2</sub> emissions where possible and helped to do so with products and services such as **Woonnu** and **Powerly**
- NN Bank offers financing options to make homes more sustainable and to source green mortgages for ourselves, and also for third parties

**woonnu**

Integrating sustainability advice into the mortgage application process and managing the property renovation

Woonnu supports sustainable living with a **discount on mortgage interest for homes with a high energy label (A and B)**

Since its start in August 2020, Woonnu has originated EUR 2.8bn in sustainable mortgages

 **powerly**

Offering **online home improvement advice**; based on a property check for energy-efficiency measures such as insulation, solar panels, heat pump etc. are offered and executed by affiliated partners



## HEALTHY LIVING

- NN Bank wishes to **help customers who have financial difficulties**
- We provide coaching and tools intended to **generate more income, reduce costs, reduce monthly mortgage payments** or a combination of all of these

**Better Living platform**

The platform provides customers with **insights into their current CO2 footprint**, tailored advice on how to make their homes more sustainable, and insight into the air quality inside their homes

# Intermediate target setting for our mortgage portfolio in order to steer towards net-zero in 2050

## Intermediate target setting:

- We used the tool of Carbon Risk Real Estate Monitor (**CRREM**) to analyse our portfolio against science-based decarbonisation pathways aligned with the Paris agreement. The CRREM methodology is aligned with recommendations from the Science Based Target initiative (**SBTi**)
- We have chosen the available **1.5°C pathway** for the Netherlands, as it is more accurately than a global or European pathway
- We have developed a model that shows that we need to **reduce our emission intensity to 18.0 kgCO<sub>2</sub>/m<sup>2</sup> by 2030**. In January 2023 the CRREM pathway was updated through a collaboration with SBTi. While we are still analysing the exact implications of this update, our preliminary results indicate that the new pathway is considerably stricter than the 2021 CRREM pathway. In our next Climate Action Plan, we intend to provide further insights into our plans and actions, particularly with regard to the January 2023 CRREM pathway
- NN Group is a signatory of the Net-Zero Insurance Alliance (NZIA)

## Monitoring the actual carbon footprint of our mortgage portfolio:

### Carbon emission figures

Year	Total carbon emissions kilotonnes CO <sub>2</sub> e	Attribution factor	Total financed carbon emissions kilotonnes CO <sub>2</sub> e	Carbon intensity per EUR million	Carbon intensity per m <sup>2</sup>	Data quality indicator based on PCAF
2021 (old method)	384	57%	221	11	n.a.	5
2021 (restated)	350	69%	237	12	27.8	3
2022	329	67%	215	10	25.7	3

- Working with industry peers in the Partnership for Carbon Accounting Financials (**PCAF**) and the **EEM NL Hub** to develop harmonized standards and frameworks for energy-efficient mortgages and carbon footprint measurement

- Accounting for the **scope 1 and 2 emissions** of each house
- In 2022, we have updated our carbon footprint methodology and data sources to improve robustness and correctness. **Measuring the carbon footprint of every house** based on energy label, floor space, building type and corresponding emission factor
- The method is based on theoretical average consumption data. The Dutch financial institutions that are part of the PCAF – including NN – are presently **exploring ways to obtain actual consumption data**



## 2. Capital, liquidity and funding

# Balance sheet composition

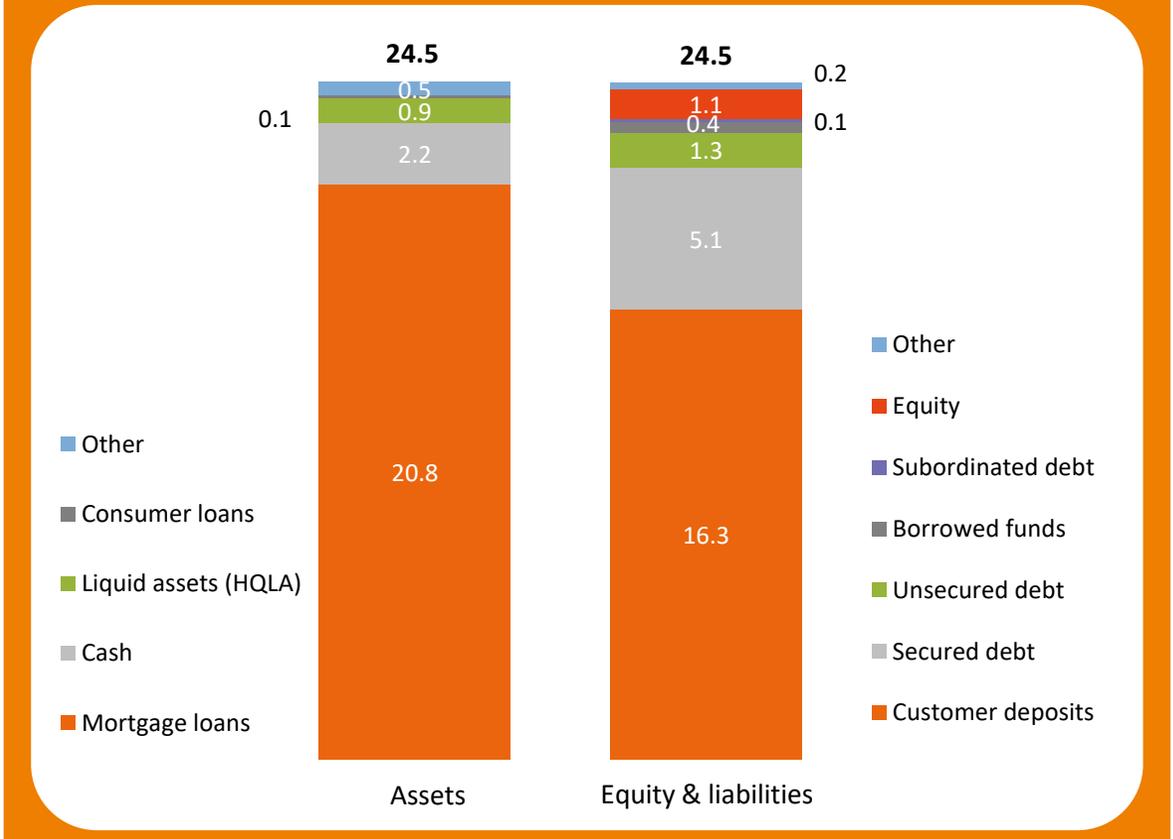
## Assets

- Dutch residential mortgage loans (85% of the balance sheet)
- High Quality Liquid Assets (HQLA) portfolio of EUR 1.0bn consisting of (semi)sovereign bonds and covered bonds
- 32% of outstanding mortgage amounts are guaranteed through NHG

## Liabilities

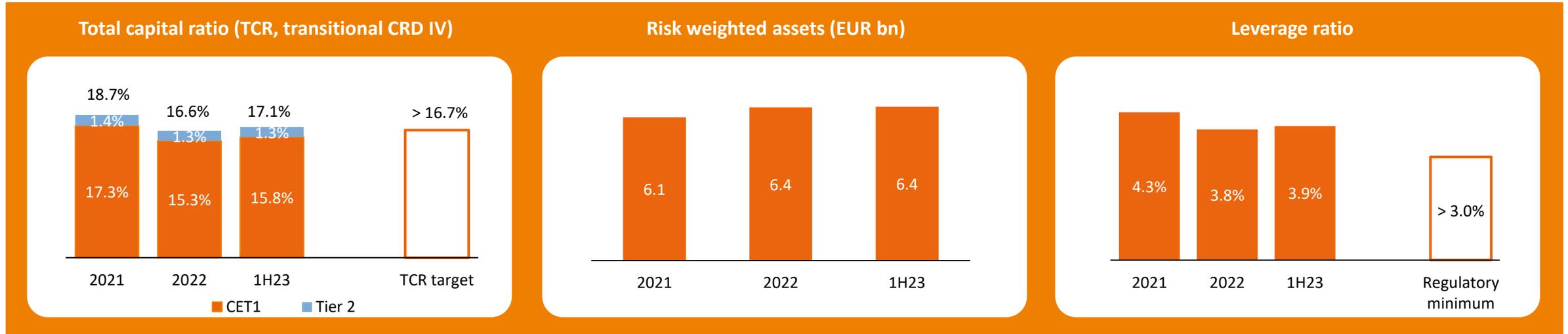
- Well-diversified funding mix, based on three main pillars:
  - Customer deposits (66% of the balance sheet). Approximately half is on demand savings and term deposits and the other half is bank annuity pension savings
  - Secured funding through issuance of covered bonds
  - Unsecured funding, including MREL<sup>1</sup> debt
- Total secured funding portfolio of EUR 5.1bn related to soft bullet covered bonds
- No participation in TLTRO

Balance sheet at 30 June 2023 (in EUR bn)



1. Minimum Requirement for Own Funds and Eligible Liabilities

# Solid capital position



## Solid capital position

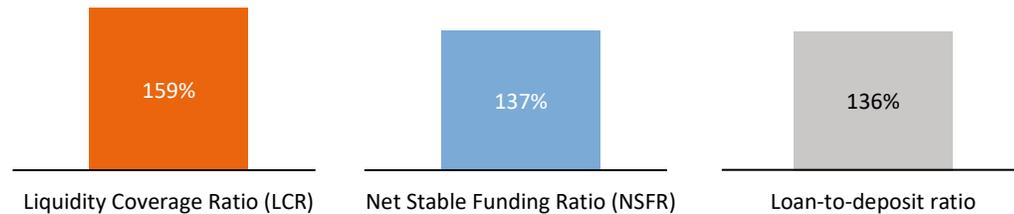
- The increase in the capital ratios was mainly the result of retaining net profit, since the capital requirement increased due to the introduction of the countercyclical capital buffer (CCyB)
- Total Capital Ratio target of 16.7% in 2023. All other things being equal, this will increase to 17.7% in 2024
- Limited impact of Basel IV as NN Bank uses Standardised Approach for both credit and operational risk
- Self-funded growth: capital generation through retained profits

## Dividend policy

- Aiming to pay dividends to its shareholder on a semi-annual basis, while ensuring that the capital ratios show stable development that remain well within NN Bank's risk appetite and the regulatory required capital ratios
- In the second half of 2023, NN Bank intends to pay an interim dividend of EUR 20 million relating to the profit for the first half of 2023

# Conservative approach to liquidity management

## Liquidity adequacy (30 June 2023)

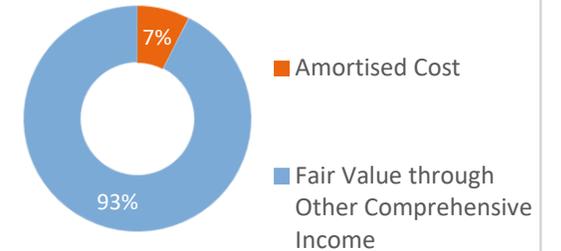


## Sources of liquidity

- An on-balance sheet HQLA (High Quality Liquid Assets) portfolio and cash available
- LCR ratio of 159% at end of 1H23
- Other sources of liquidity available:
  - Large portfolio of retained notes, which can be used for ECB standing facilities and other secured funding transactions
  - Two credit facilities in place with NN Group, one of which secures NN Bank's liquidity needs related to variation margin calls

## Investment securities portfolio / HQLA portfolio insight

- Macro fair value hedge accounting used to minimize losses
- Majority of bonds have a duration of 1 - 5 years



## Measurement and monitoring of funding position

- NSFR ratio<sup>1</sup>:
  - Incentive to fund NN Bank's activities from stable sources of funding on an ongoing basis
  - NSFR ratio of 137% at end of 1H23, well above regulatory minimum and internal target
- Loan to Deposit (LtD) ratio<sup>2</sup>:
  - Diversification of NN Bank's funding base and indication of the bank's dependence on wholesale funding for financing client loans
  - LtD ratio of 136% at end of 1H23

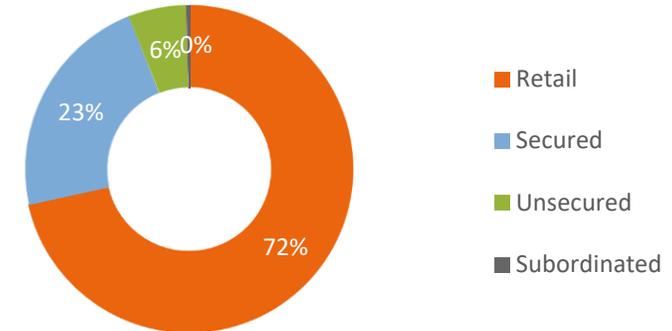
1. NSFR is defined as the amount of available stable funding relative to the amount of required stable funding  
2. Loan-to-deposit ratio is calculated by dividing the bank's total volume of commercial loans by its retail deposits

# Funding strategy geared to optimisation and diversification

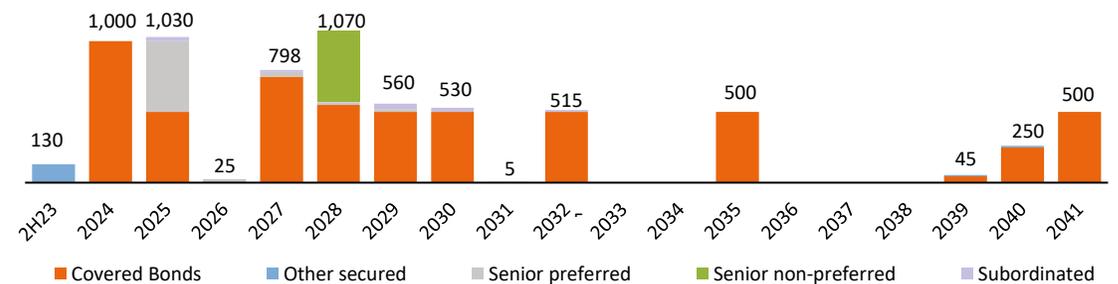
## Wholesale funding strategy



## Funding mix (as at 30 June 2023)



## Redemption profile (EUR m)

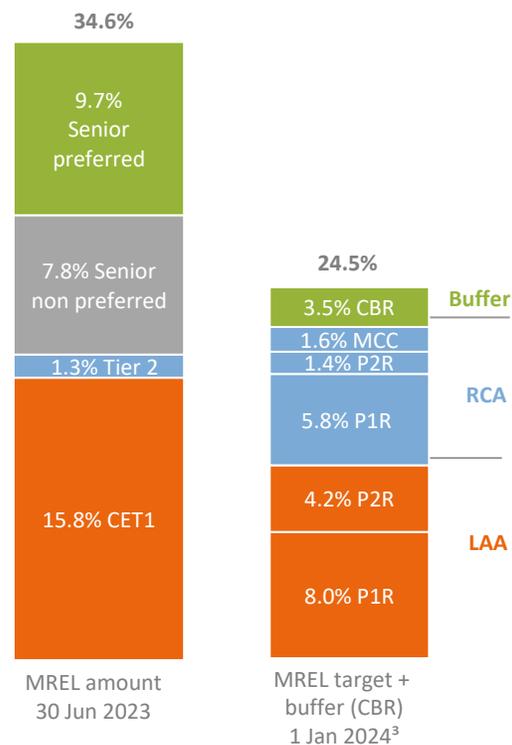


# Minimum Required Eligible Liabilities

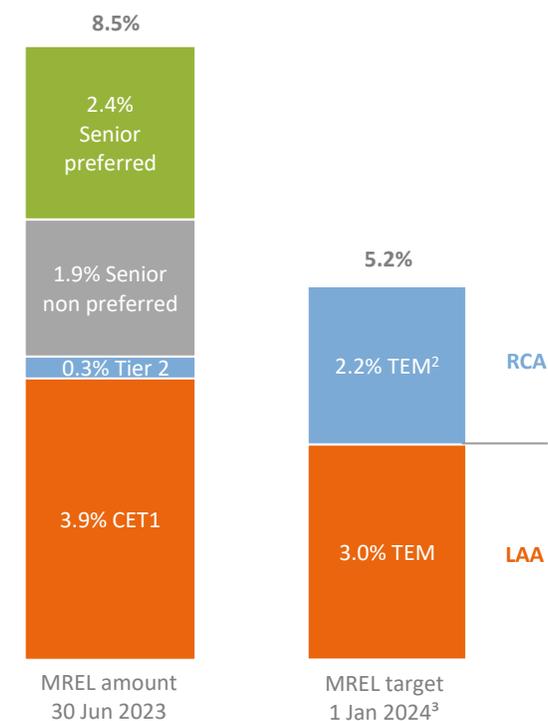
## NN Bank meeting MREL requirements

- Intending to meet MREL requirements with a combination of equity, Tier 2 and senior (non) preferred
- In December 2022, The Dutch National Resolution Authority (NRA) defined final MREL requirements for NN Bank, applicable as of 1 Jan 2024<sup>3</sup>:
  - MREL-TREA: 21.0%
  - MREL-TREA + buffer: 24.5%
  - MREL-TEM: 5.2%
- Comfortably meeting all MREL requirements
- The No Creditor Worse Off (NCWO) analysis for NN Bank does not result in indications of NCWO risks. Hence, the NRA has not imposed a subordination target for NN Bank

## Total Risk Exposure Amount (TREA)<sup>1</sup>



## Total Exposure Measure (TEM)



Based on the SRB's MREL Policy under the Banking Package disclosed by the SRB in May 2021

1. LAA (P1R + P2R) + RCA (P1R + P2R *post resolution* + MCC) + CBR, where LAA: Loss Absorbing Amount, RCA: Recapitalization Amount, MCC: Market Confidence Charge, CBR: Combined Buffer Requirement
2. TEM: Total Exposure Measure
3. Targets as at 1 January 2024. The indicative MREL targets and/or actual exposures may be subject to change as a result of TREA development, future SREP requirements and regulatory developments in Dutch legislation



# NN Bank's Green Bond Framework

The NN Bank Green Bond Framework follows the ICMA Green Bond Principles (GBP) 2018 edition<sup>1</sup>



## Use of Proceeds

Green Buildings meeting the Use of Proceeds eligibility criteria



## Process for Project Evaluation and Selection

Loan selection in accordance with Use of Proceeds eligibility criteria and carried out by NN Bank's Treasury team



## Management of Proceeds

Portfolio approach: the Eligible Green Portfolio matches or exceeds the amount of eligible bonds outstanding. NN Bank's Treasury team responsible for proceeds tracking



## Reporting

On the allocation of net proceeds to the Eligible Green Loan Portfolio until bond maturity and Impact report aligned, on a best effort basis, with the portfolio approach described in "**Handbook - Harmonized Framework for Impact Reporting (December 2020)**"



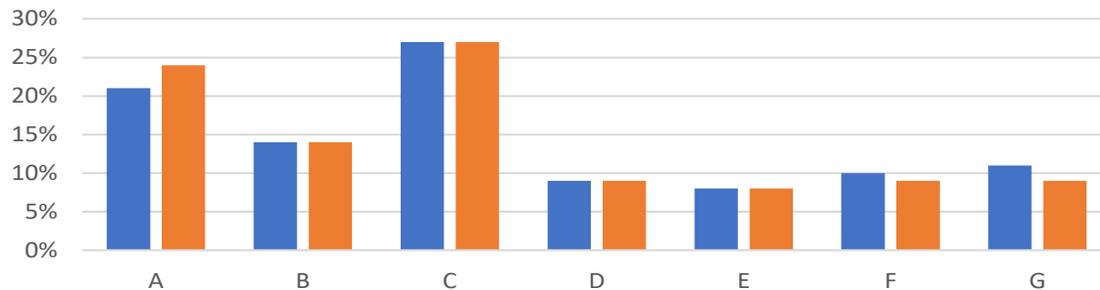
## External Review

Positive SPO by Sustainalytics



## Share of label A in NN Bank's portfolio increased to 24%

NN Bank portfolio: energy label distribution (based on number of houses)



## Framework follows best practice and latest market developments

- In line with the draft delegated act on the EU Taxonomy<sup>2</sup>
- Do No Significant Harm "DNSH" elements associated with the residential mortgage portfolio are addressed through a reliance on the Dutch regulatory requirements applicable to the development and refurbishment of residential buildings
- Broadly in line with CBI Low Carbon Buildings Standards approach



1. In line with ICMA Green Bond Principles 2021 (with 22 Appendix)

2. As well as draft Technical Expert Group (TEG) Report on the EU Taxonomy. NN Bank Green Bond Framework was published at the time the delegated acts were in draft format

# Use of Proceeds

## Green Buildings that meet one of the following criteria:



Dutch residential properties built prior to 31 December 2020:

- Existing residential buildings in the Netherlands with an **Energy Performance Certificate “A”**, AND belonging to the **top 15% low-carbon residential buildings** in the Netherlands

Dutch residential properties built from 1 January 2021:

- New or existing residential buildings that have a primary energy demand at least 10% lower than the one resulting from the local **Nearly Zero Energy Buildings (NZEB)**<sup>1</sup>

Refurbished Dutch residential properties with at least a **30% improvement in energy efficiency**. In terms of EPC labels, this corresponds to a two-step EPC label improvement

Individual measures aimed at **energy efficiency improvement** and the **installation of renewables** on-site in residential buildings

## The Use of Proceeds advance the following initiatives:

- UN Sustainable Development Goals: SDG 7, SDG 11 and SDG 13
- EU Environmental Objectives: Climate Change Mitigation (1.b)



## Definition top 15% low-carbon residential buildings in the Netherlands

CFP green buildings is a specialised consultant who helped to develop the approach for identifying the top 15% in the Netherlands as the Dutch building stock with an energy label A already exceeds 15%. See also the [Green Residential Buildings Methodology Assessment Document](#)<sup>2</sup>



## Green reporting figures 2022

- The Eligible Green Loan Portfolio meets the Green Buildings EU Taxonomy 7.7 criteria
- EUR 4.3bn Eligible Green Loan Portfolio compared to EUR 4.0bn in 2021. EUR 0.9bn new Eligible Green Loans since 31 December 2021
- Total energy consumption of Eligible Green Loan Portfolio calculated at 95kWh/m<sup>2</sup>
- 34% lower energy consumption than the average Dutch housing stock

1. The Dutch version of NZEB is called BENG. In accordance with the EU Taxonomy, the net primary energy demand of new constructions (built as of the 1st of January 2021) must be at least 10% lower than the primary energy demand resulting from the relevant BENG requirements

2. <https://www.nn-group.com/nn-group/file?uuid=d55c93fb-46c5-4d03-ada8-fdb0332c54e0&owner=84c25534-c28a-4a64-9c78-5cc1388e4766&contentid=11520>

# Credit ratings

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

- Short-term credit rating of A-1 by Standard & Poor's (S&P)
- Long-term credit rating of A- (positive outlook) by S&P, reflecting that NN Bank:
  - is a fully owned subsidiary of NN Group
  - is closely linked to the Group's reputation, dependent on its brand recognition and operates in line with the Group's overall strategy
  - supports the Group's cross selling strategy in the Netherlands and facilitates the Group's asset and liability management
- Senior non preferred rating of BBB+ by S&P, one notch lower than NN Bank's long-term credit rating, reflecting:
  - the risk the noteholders would be bailed in before senior preferred debt in the event of the bank's resolution
  - that NN Bank would benefit from implicit group support, due to what S&P sees as its highly strategic status within NN Group

## Nationale-Nederlanden Bank N.V.

ST issuer rating, outlook	A-1 positive
LT issuer rating, outlook	A- positive
Senior non preferred rating	BBB+
Rating affirmation	9 Nov 2022

## S&P Global Ratings

"S&P Global Ratings' positive outlook on the Netherlands-based NN Bank N.V. mirrors the positive outlook on its parent, the Netherlands-based multiline insurer NN GroupN.V.

The positive outlook on NN Bank also reflects our expectation that the bank will remain a highly strategic subsidiary of NN Group over the next two years. Any rating action on NN Group would therefore result in a similar rating action on NN Bank."<sup>1</sup>

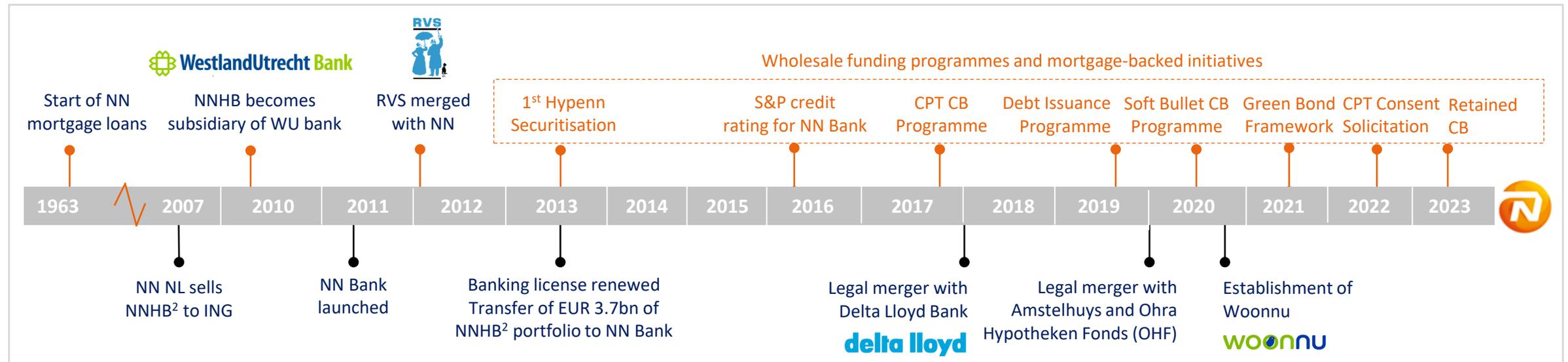
1. S&P Global Ratings, RatingsDirect, 9 November 2022

### 3. Mortgage business

# Long-standing history in mortgage business

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

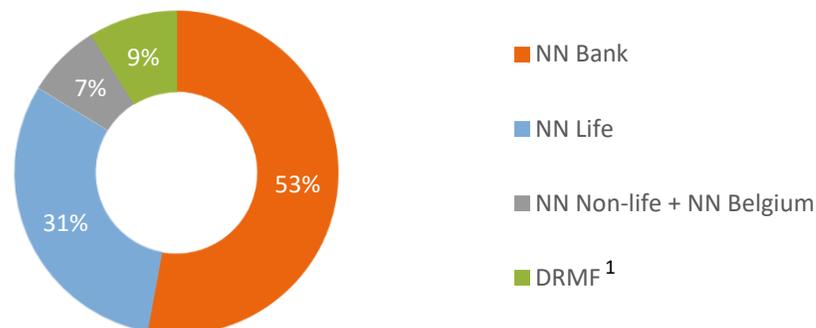
- Nationale-Nederlanden was founded in 1845, and evolved as a well-known brand in the Netherlands
- In 1963, Nationale-Nederlanden started originating mortgage loans ('NN-labelled mortgage loans')<sup>1</sup>
- NN Bank was launched in 2011 to take advantage of new banking opportunities in response to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



1. NN-labelled mortgage loans prior to 1 July 2013 were originated by NN Life and RVS Life; since 1 July 2013 NN-labelled mortgage loans have been originated by NN Bank  
 2. NNHB (NN Hypotheek Bedrijf) is a mortgage book held by ING Bank

# Distribution and servicing of mortgage loans

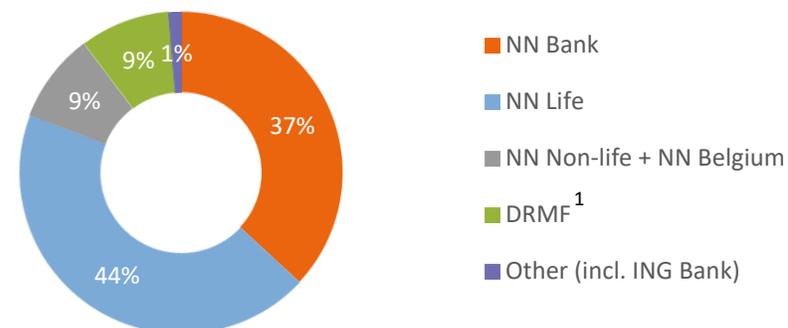
Distribution of newly-originated mortgage loans in 1H23 (EUR 2.2bn)



## Offering attractive investment opportunities within NN Group

- In 1H23, EUR 2.2bn of mortgage loans were originated, compared with EUR 4.9bn in 1H22
- Of the EUR 2.2bn, EUR 1.0bn of mortgage loans were transferred to third parties and EUR 1.2bn remained on NN Bank balance sheet<sup>3</sup>
- Mortgage loans seen as an attractive investment opportunity by these parties (buy and hold)

Mortgage loan portfolio serviced at 30 June 2023 (EUR 55.9bn)

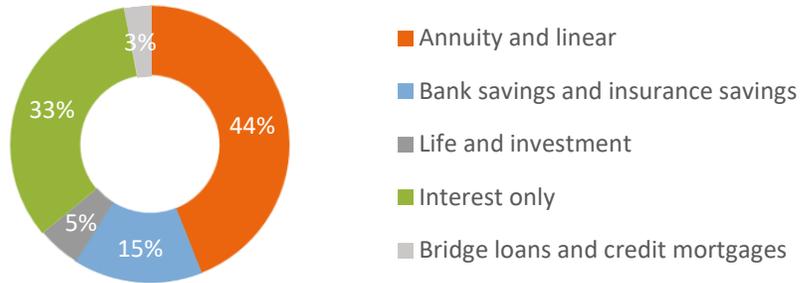


## Servicing of mortgage loans within NN Group and for third parties

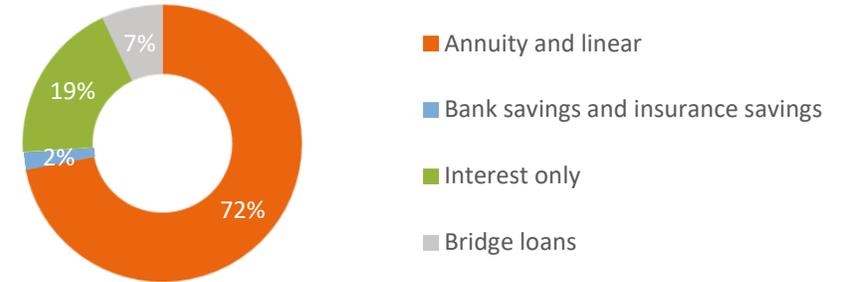
- Servicing over EUR 35bn of mortgage loans for other NN Group companies, Goldman Sachs Dutch Residential Mortgage Fund and ING Bank
- Monthly transfer of mortgage loans from ING Bank to NN Bank<sup>2</sup> (as at 30 June 2023, the size of NN-labelled mortgages held by ING Bank was EUR 0.4bn)

# Amortising mortgage loans with long fixed reset tenors

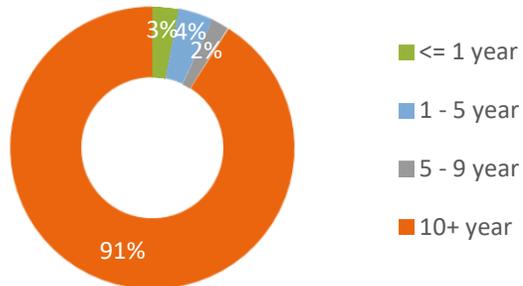
Redemption types as % of NN Bank mortgage portfolio (30 June 2023)<sup>1</sup>



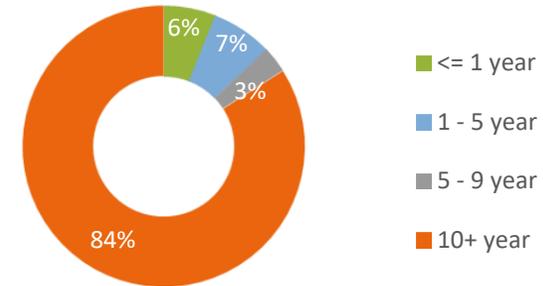
Majority of new mortgage origination is annuity type (average last 12 months)



Chosen reset tenors as % of NN Bank mortgage portfolio (30 June 2023)



Most borrowers opted for long interest reset tenors (average last 12 months)



1. Amortising mortgage types are annuity, linear, bank savings and insurance savings mortgage loans

# Strong historical mortgage loan performance

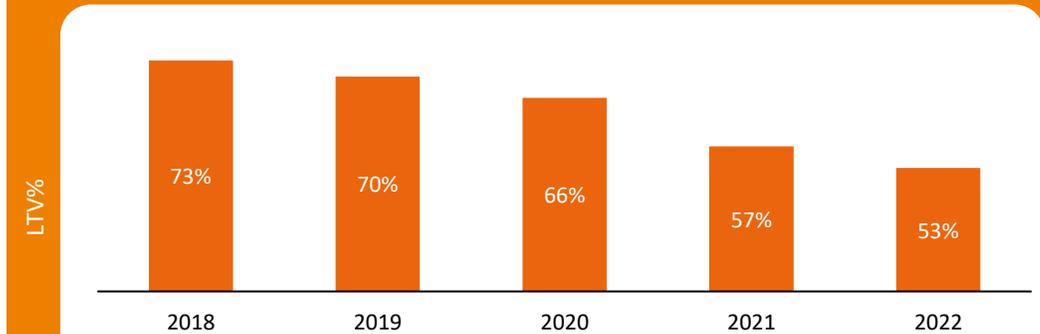
## Moderate LTVs ...

- Since 2018 LTV-cap is 100% and 106% including sustainability measures
- As per year-end 2022 the current loan-to-indexed market value is 53%
- Lower average LTV due to higher amortisation and on average increased house prices over the last decade (see also section on 'Dutch economy and housing market')
- Higher amortisation triggered by changes to tax deductibility, i.e. for new mortgage loans only annuity (or linear) loans are eligible

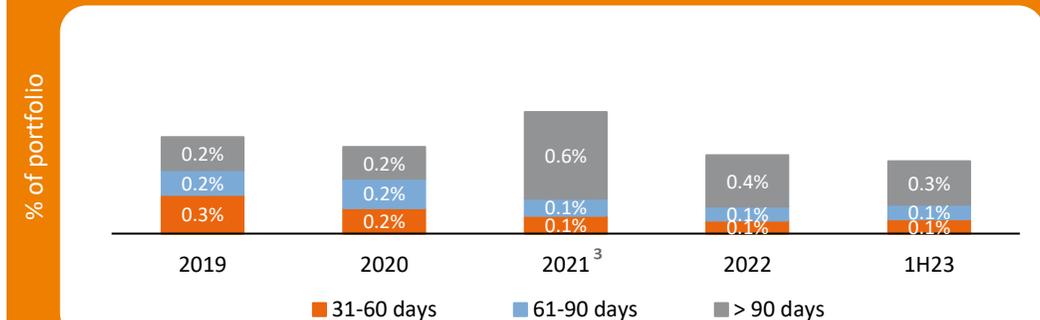
## ... supported by several other mitigating factors

- Strict underwriting under Code of Conduct and Dutch law
- Mortgage loan is typically the only debt of average Dutch household<sup>2</sup>
- High payment moral of Dutch borrower
- Strong legal and regulatory framework of full recourse, whereby lender has a secured claim to current and future wealth of the borrower
- Affordability (debt to income) is decisive in underwriting, not LTV level

## Weighted average current loan-to-indexed market value decreases<sup>1</sup>



## Overall arrears levels in the Bank's portfolios remain low

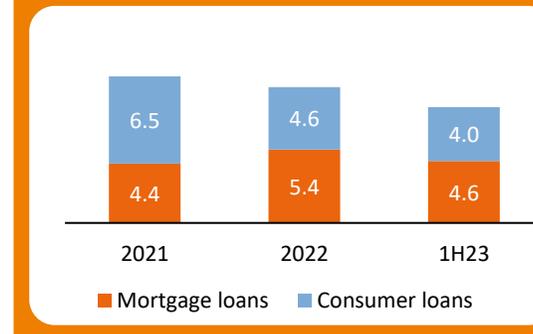


# Loan loss provisioning and stage classification

## Loan loss provisions (LLP)

- The loan loss provisions for mortgages decreased to EUR 4.6m as at 30 June 2023
- The release in provisions is largely due to the decrease of EUR 1.5m in the size of the management overlay, which NN Bank holds in relation to the high levels of inflation and the increasing mortgage interest rates. The decrease in provisions was slightly offset by the 4.0% decrease in housing prices in the first half of 2023, which resulted in an increase in provision of around EUR 0.9m
- The provisions for consumer lending decreased by EUR 0.6m due to write-offs and a decrease in the size of the portfolio
- The LLP is the sum of Stage 1, 2 and 3 provisions and POCI<sup>3</sup> assets

## Loan loss provision by type (EURm)



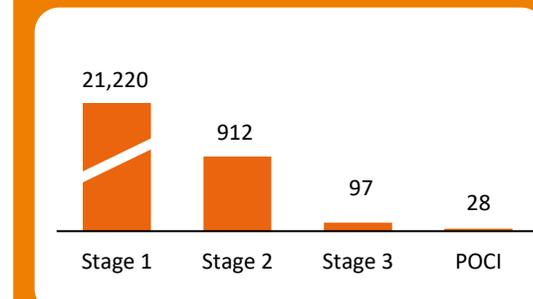
## Loans by stage

- Credit risk exposure models are used to calculate:
  - the level of 12-month Expected Loss (Stage 1)
  - the Lifetime Expected Loss (Stage 2 and Stage 3)
- Mortgage loans with payment holidays are classified under IFRS 9 Stage 2

## Coverage ratio:

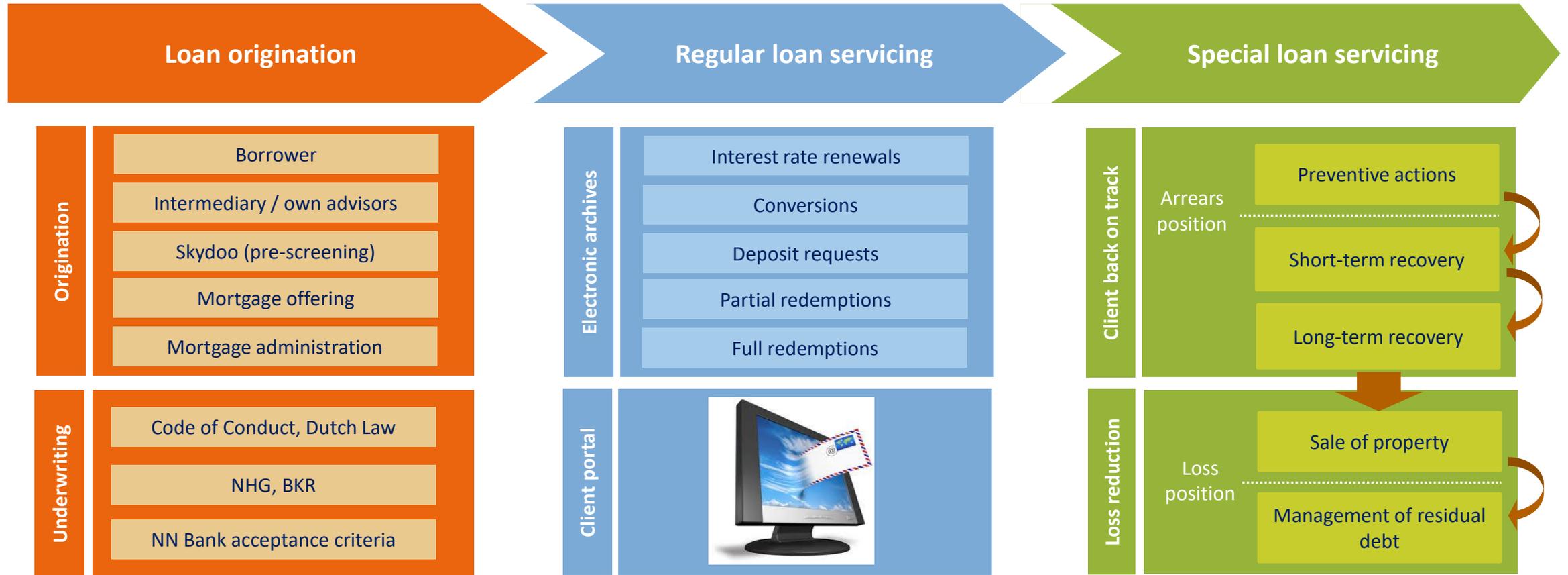
Stage	Loan loss provisions (EURm)	Loan amount (EURm)	Coverage ratio <sup>2</sup> (%)
Stage 1	0.5	21,220	0.0%
Stage 2	3.1	912	0.3%
Stage 3	5.0	97	5.1%
POCI <sup>3</sup>	0.1	28	0.3%

## Loan amounts by stage (EURm)<sup>1</sup>



# Appendices

# A Mortgage loans: origination and underwriting process<sup>1</sup>



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

# A Mortgage loans: origination and underwriting criteria<sup>1</sup>

## All mortgage production is originated via intermediary channels

- NN Bank's mortgage origination network comprises over 1,700 active intermediaries
- Since 2012, intermediaries do not receive commission on new mortgage loan origination
- In 2023 NN Bank completed the launch of a new mid-office system

## Intermediaries need to be licensed

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

## Screening of intermediaries

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

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

# A Mortgage loans: origination and underwriting criteria<sup>1</sup>

## Code of conduct

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

## Borrower criteria

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

## Collateral criteria

- All properties must be located in the Netherlands
- Properties with a market value above EUR 1m in most cases have a maximum loan amount of 80% of the market value
- For collateral with market value below EUR 1m, maximum LTMV is 100% (since 2018)
- Full valuation is commonly used; since 1 July 2021, WOZ reports can no longer be used for further advances

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

# B NN Bank funding programmes

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

### Soft Bullet Covered Bond Programme

- EUR 12.5bn programme, of which issued EUR 5.6bn for funding and EUR 2.0bn for retained purposes
- Registered with the Dutch Central Bank<sup>1</sup>
- In compliance with the Covered Bond Directive and CRR article 129
- Base Prospectus last updated on 8 August 2023, 1<sup>st</sup> Supplement dated 30 August 2023

### RMBS<sup>2</sup> Programme

- Hypenn RMBS series, with collateral originated by NN Life, NN Bank and Amstelhuys

## Unsecured funding

### Debt Issuance Programme (EMTN<sup>3</sup>)

- EUR 5.0bn programme, of which issued EUR 0.5bn of senior preferred and EUR 0.5bn senior non-preferred
- Base prospectus last updated on 22 December 2022; 1<sup>st</sup> Supplement dated 17 May 2023

## Green Bonds

### Green Bond Framework

- Under the Green Bond Framework NN Bank issues Green Bonds to finance and / or refinance mortgages for energy efficient residential buildings in the Netherlands
- Second Party Opinion
- Allocation report 2022 (including limited assurance report)
- Impact report 2022

## Programme documentation, investor reports and credit ratings

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

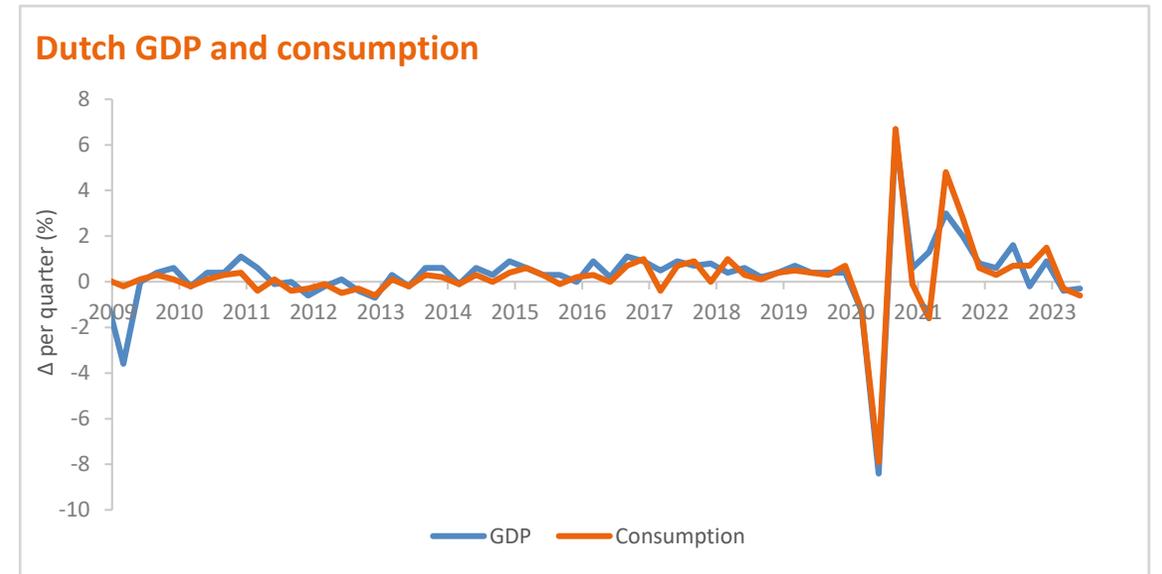
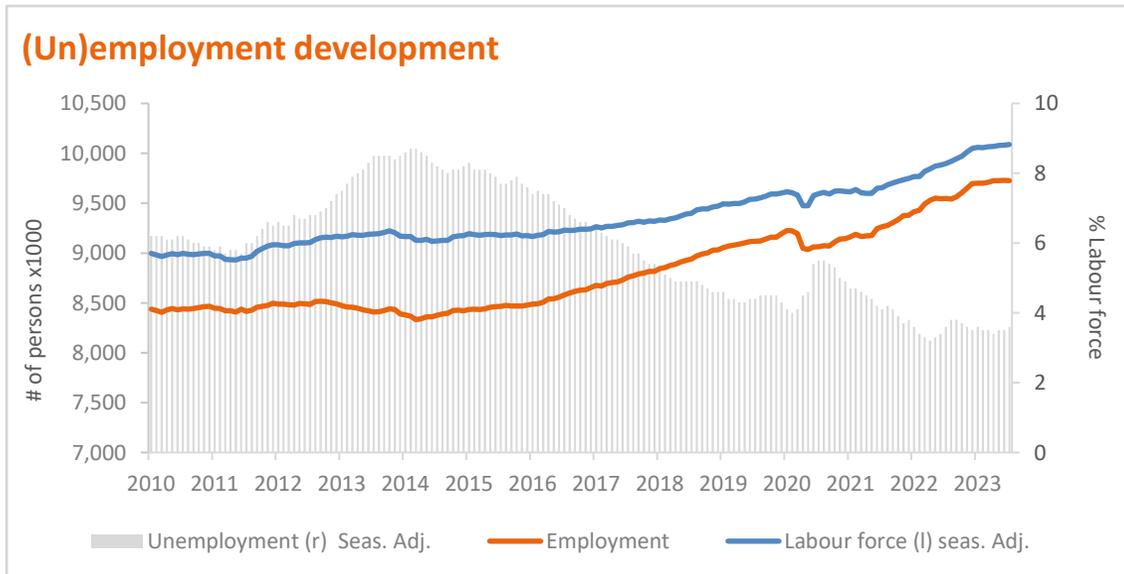
1. See also the website of Dutch Central Bank: [Implementation of the European Covered Bonds Directive in Dutch law \(dnb.nl\)](https://www.dnb.nl/en/implementation-of-the-european-covered-bonds-directive-in-dutch-law)

2. Residential Mortgage Backed Securities

3. Euro Medium Term Notes

# C Dutch economy and housing market

- The economic growth forecast for 2023 has been upwardly revised to 1.1 percent (from 0.6 percent) due to the adjustments to GDP figures by Statistics Netherlands (CBS). The growth forecast for 2024 remains unchanged at 0.9 percent. For the rest of this year and next, the economy is expected to cool, albeit moderately
- Inflation is expected to rise in both 2023 and 2024 mainly as a result of labor shortage as well as a reasonably stable demand for goods and services mainly driven by government spending and household consumption. For this year 4.8 percent inflation is expected, followed by 3.6 percent in 2024. Note that these estimates refer to the old CBS method of measuring inflation
- Unemployment is expected to rise slightly but to remain low due to ongoing labor shortages. The average unemployment rate is expected to be 3.7 percent for this year and 4 percent for 2024. Compared to the last twenty years, these are still very low unemployment rates. Therefore, the collectively agreed wage growth in the near future is expected to be higher than in recent years. The expected increase in wages for 2023 is 5.9 percent and 3.8 percent for 2024

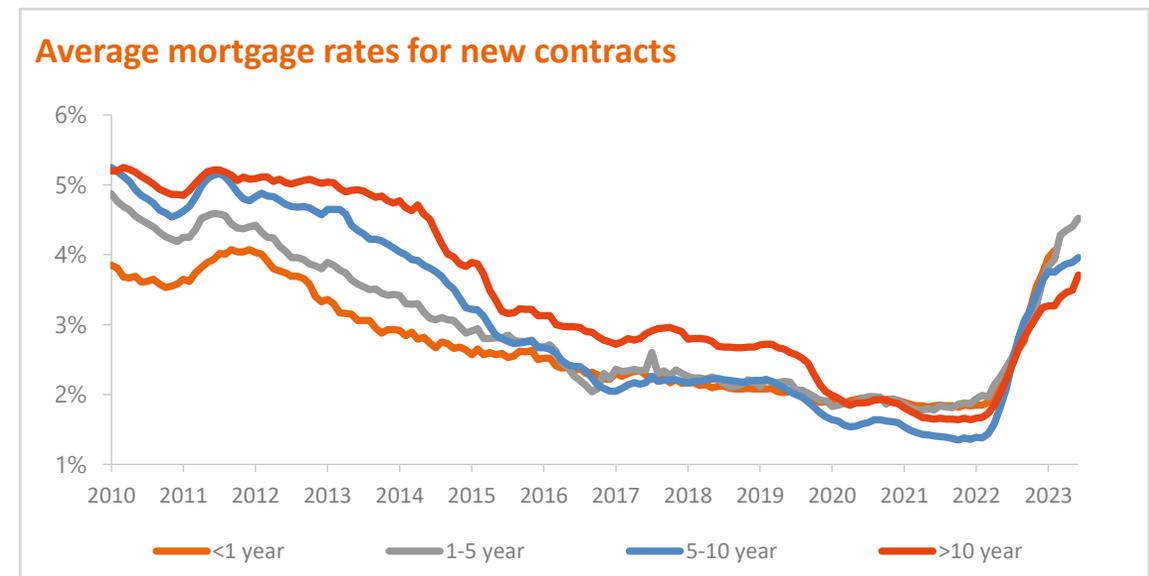
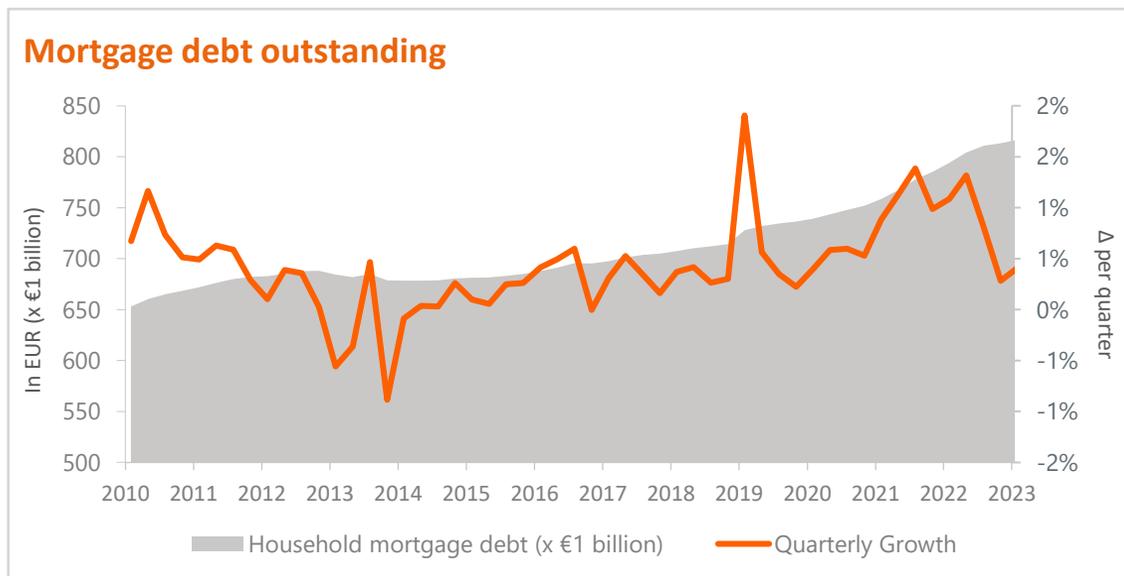


Sources:

- CBS, Land Registry, Dutch Housing Market Quarterly Rabobank and Economic Update Rabobank, unless stated otherwise
- RaboResearch: "Moderate Growth of Dutch Economy Expected, but Savings Are Under Pressure", 6 July 2023
- RaboResearch: "Dutch economy stagnated, but modest growth expected", 8 June 2023

# C Dutch economy and housing market

- House prices are expected to decrease on average by 5.2 percent this year. In 2024, the downward trend is expected to come to an end. It is expected that in 2024 house prices will be 2.4 percent less for an existing owner-occupied home than in 2023
- The average price decrease in 2024 is largely due to expected price declines in the second half of 2023 (the carry-over effect). The price of the average existing owner-occupied home sold at the end of 2024 is expected to be around EUR 33,000 lower than at the peak of the market in the summer of 2022
- Interest rates will also play a role next year. Capital market interest rates, which largely determine the level of mortgage interest rates, are expected to peak this year, only to decline somewhat thereafter

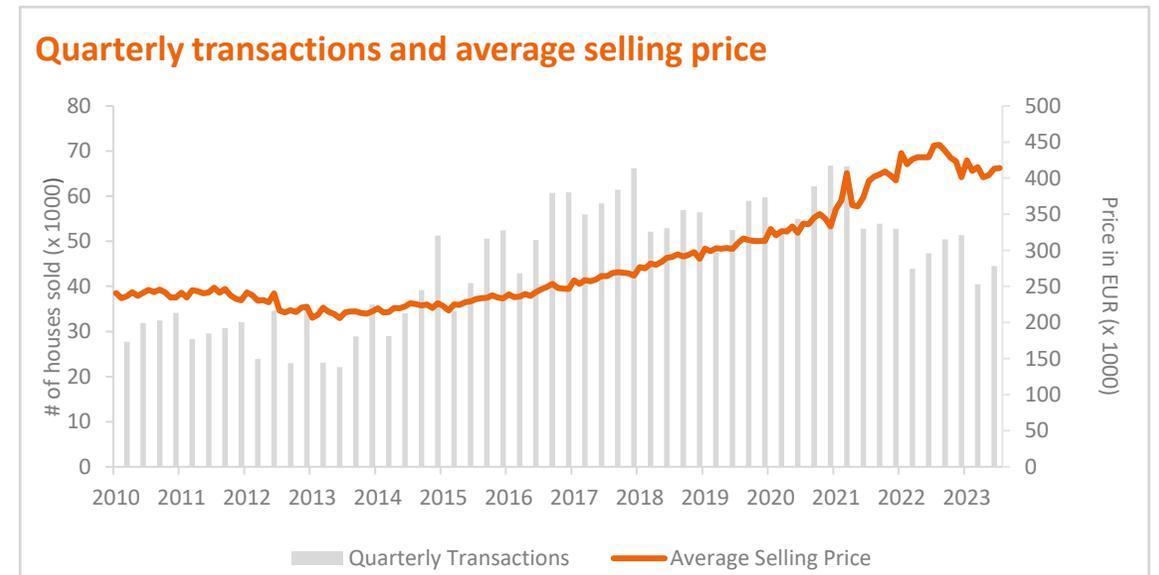


Sources:

- CBS, Land Registry, Dutch Central Bank, Dutch Housing Market Quarterly Rabobank and Economic Update Rabobank, unless stated otherwise
- RaboResearch: "House prices forecasted to drop 33,000 euros from peak, but expected to stabilize in 2024", 5 July 2023

# C Dutch economy and housing market

- The expected house price decline is slightly larger than previously expected. Prices have fallen more sharply in recent months than previously expected and the economic outlook is also slightly more negative
- Rising incomes will allow house buyers to borrow about the same amount in 2024 before interest rates began to rise. Combined with lower house prices, that is expected to improve buyers' chances
- The number of house sales fell sharply last year. Especially people in the age group of 35 to 54 years were less active in the house market. It is expected that movement in the market for existing owner-occupied homes will continue to drop due to the decline in new-built houses, which also means fewer transactions. For both 2023 and 2024, 165,000 transactions are expected, (down from 183,000 and 194,000, respectively)

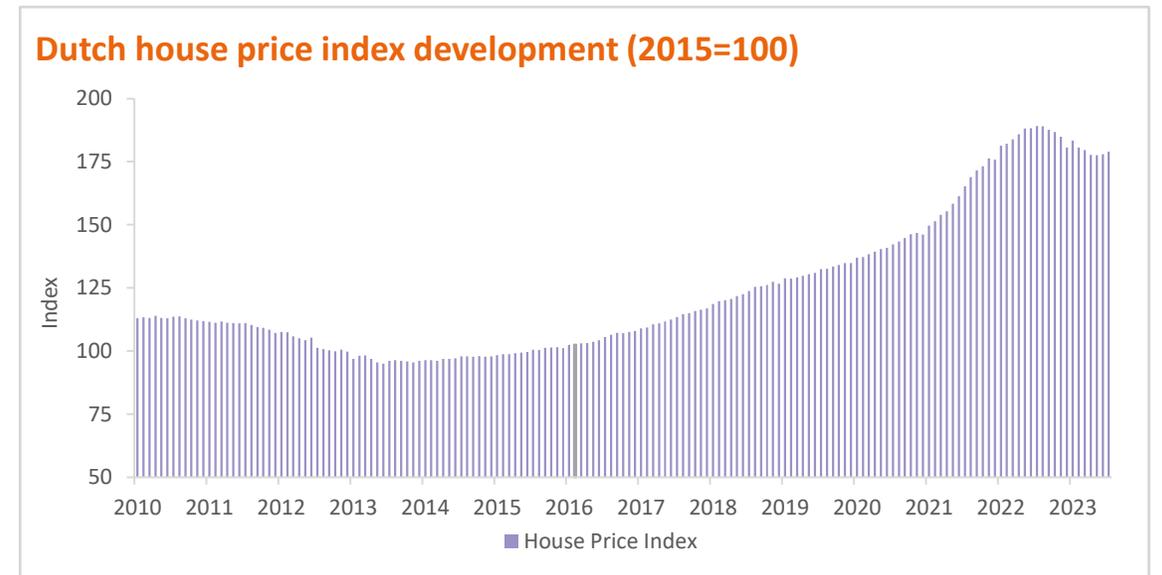
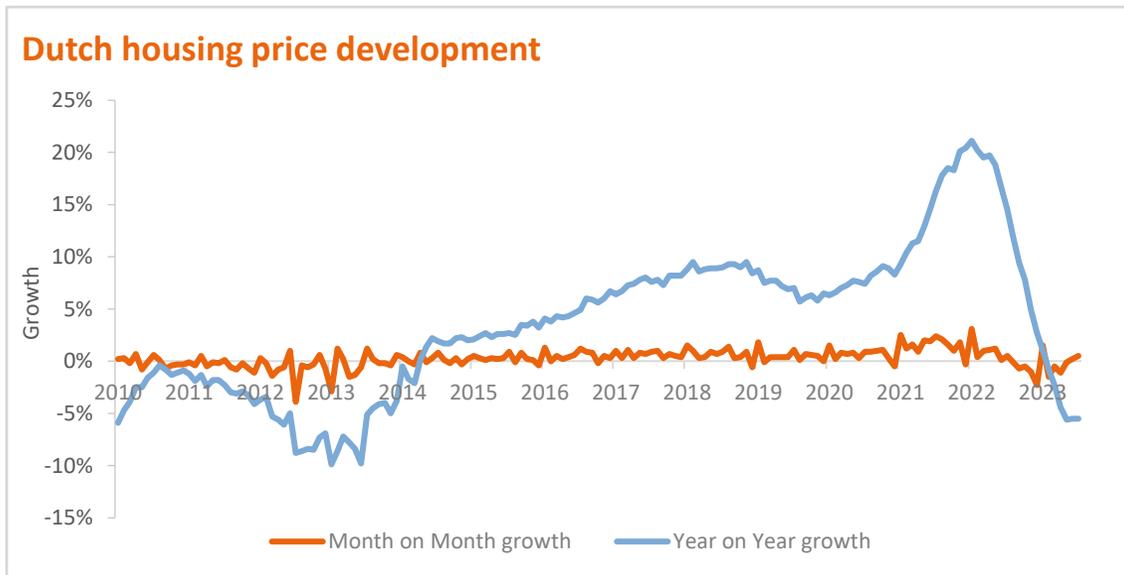


Sources:

- CBS, Land Registry, Dutch Housing Market Quarterly Rabobank and Economic Update Rabobank, unless stated otherwise
- RaboResearch: "House prices forecasted to drop 33,000 euros from peak, but expected to stabilize in 2024", 5 July 2023

# C Dutch economy and housing market

- The development of house prices in 2023 for the owner-occupied housing market is down further. The rest of 2023 will also be characterized by a rapidly cooling housing market. House prices are expected to be on average 5.2 percent lower this year than in 2022. House prices are not expected to fall much further next year. In the last quarter of 2024, the house prices are expected to be only 0.4% lower than in the last quarter of 2023
- The year-on-year change in house prices, which was up 21.1 percent early last year, fell to -4.4 percent in April this year. Average homes were sold for an estimated EUR 19,000 less in April than a year earlier. The average house price in April fell even more sharply by EUR 28,000. This is not only because homebuyers are paying less for the same home, but also because the market share of the cheaper segment has grown, so that the mix of houses sold has a lower price (a composition effect). Compared to the peak of the market, the average home sold is now EUR 26,000 cheaper

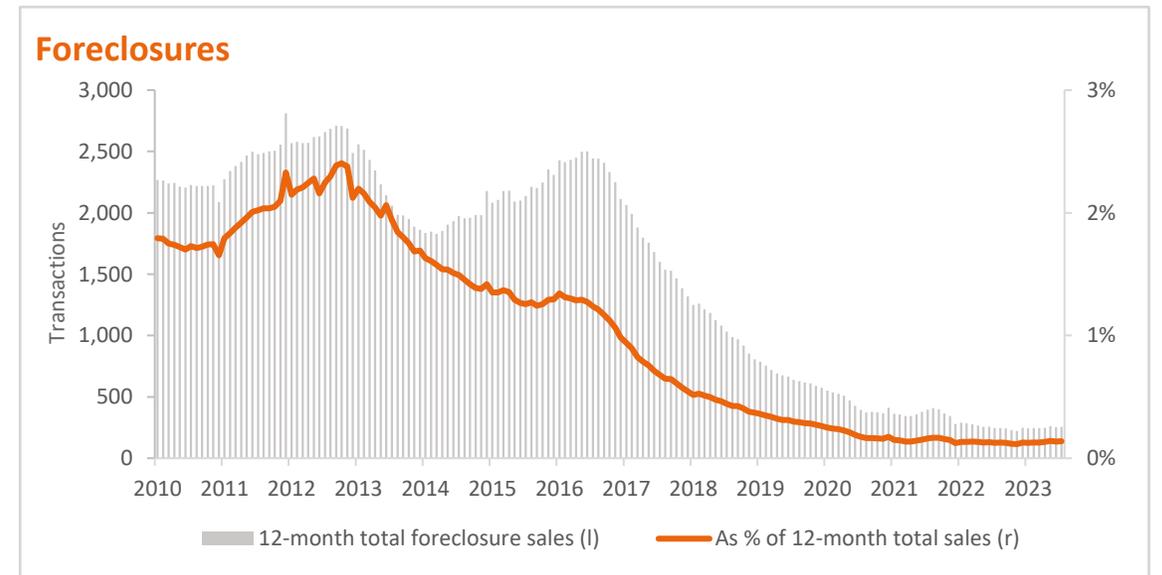
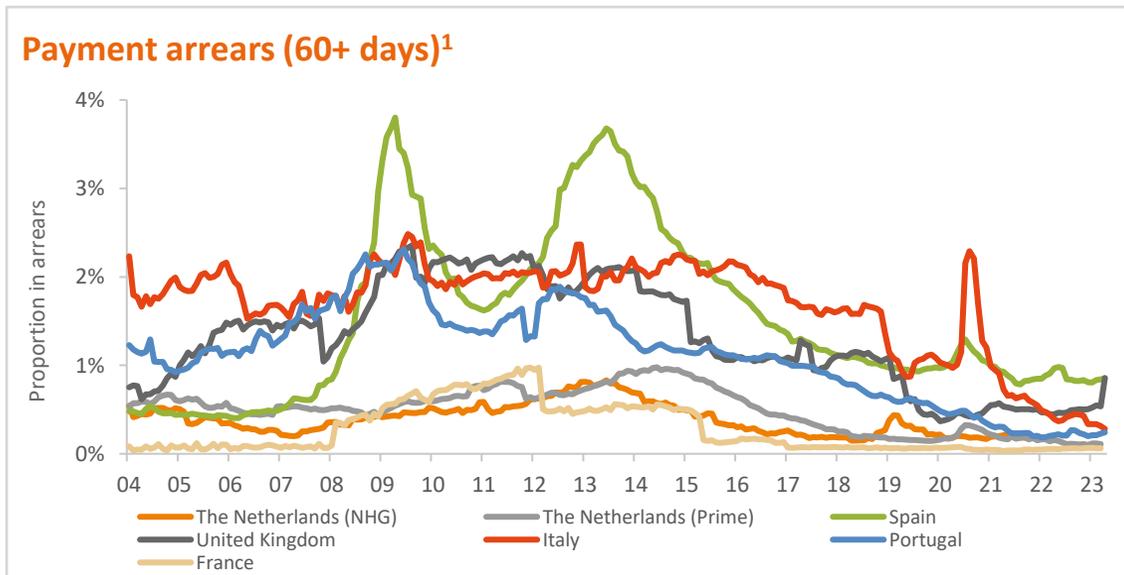


Sources:

- CBS, Land Registry, Dutch Housing Market Quarterly Rabobank and Economic Update Rabobank, unless stated otherwise
- RaboResearch: "House prices forecasted to drop 33,000 euros from peak, but expected to stabilize in 2024", 5 July 2023

# C Dutch economy and housing market

- In Europe, the mortgage payment arrears have been declining over the last couple of years. The Netherlands ranks amongst the countries with the lowest levels of arrears in Europe since 2014
- There is a trend of declining public auctions since 2012 that continued into the year 2022 and in the first half year of 2023. This decline shows both an improvement of payment behavior and a sign that banks supervise home-owners who have fallen in arrears more closely
- As shown in the graph below, the Netherlands continues to perform well in terms of forced sales and the level of payment arrears compared to other European countries. Historically the Netherlands show low and stable proportions of payment arrears



Sources:

- CBS, Land Registry, Dutch Housing Market Quarterly Rabobank and Economic Update Rabobank, unless stated otherwise
- Moody's RMBS Performance update

# D Corporate history

## NN Group

- 1845 - De Nederlanden established as a fire insurance company
- 1863 - De Nationale Levensverzekering-Bank founded as a Dutch life insurance company
- 1963 - The two biggest Dutch insurers at the time – De Nederlanden and De Nationale – merge to form Nationale-Nederlanden
- 1991 - Nationale-Nederlanden and NMB Postbank Group merge to form ING Groep N.V.
- 2013 - ING Insurance's mortgage business is concentrated within NN Bank
- 2014 - As of 1 March 2014, ING Insurance rebranded to NN Group
- 2014 - NN Group listed on Euronext Amsterdam on 2 July 2014
- 2017 - NN Group completes acquisition of Delta Lloyd Group in April 2017
- 2018 - Legal mergers of Delta Lloyd Bank with NN Bank and Delta Lloyd AM with NNIP, effective on 1 January 2018
- 2019 - Legal mergers of Delta Lloyd Life with NN Life and Delta Lloyd Non-Life with NN Non-Life, effective on 1 January 2019
- 2020 - NN Group completes acquisition of VIVAT Non-life in April 2020
- 2022 - NN Group finalised the sale of NN Investment Partners to Goldman Sachs Group (April 2022)



Source: NN Group



# D Corporate history

## NN Bank

- 
- 2011** – NN Bank launched as a savings bank to take advantage of opportunities in the Dutch banking market and respond to the declining individual life insurance market
  - 2013** – Growth accelerated via the acquisition of selected parts of ING Bank (WestlandUtrecht Bank), predominantly retail mortgage loans and savings<sup>1</sup>
  - 2018** – Legal merger of NN Bank and Delta Lloyd Bank effective on 1 January 2018, following NN Group's acquisition of Delta Lloyd Group in 2017
  - 2020** – Launch of Woonnu



Source: NN Group

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



# E Glossary

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

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