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Nationale-Nederlanden Bank

Investor Presentation - Covered bond programme

February 2019



Executive summary¹

NN Bank² at a glance

- Fifth retail bank in the Netherlands (based on balance sheet size)
- NN Bank was established in 2011³
- Significant player in Dutch residential mortgage loan and retail savings markets
- Leading player in bank annuities in the Netherlands
- Built around longstanding Nationale-Nederlanden mortgage business (since 1963)
- Originated EUR 2.7bn of mortgage loans in 1H18 and services EUR 46bn of mortgage loans for various entities (in house origination and servicing platform)
- Distribution both direct (online) and via intermediaries

NN Bank strategy

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

NN Bank financials at 30 June 2018³

- Total assets of EUR 21.6bn; residential mortgage loan book of EUR 18bn
- External funding for two-thirds retail savings (EUR 14.7bn), the remainder predominantly secured and unsecured wholesale funding
- Net profit of EUR 85m for FY17
- Strong capital position: CET1 ratio > 16%, Total Capital Ratio 17.8%
- Strong credit rating of 'A-' rating from S&P (stable outlook) reflects the Bank's "highly strategic importance" for NN Group

Source: NN Bank

1. All financial information included in this Investor Presentation is based on 30 June 2018, except the provisional pool data (cut-off 31 December 2018) or if stated otherwise
2. Full name is Nationale-Nederlanden Bank
3. See appendix D for corporate history of NN Bank



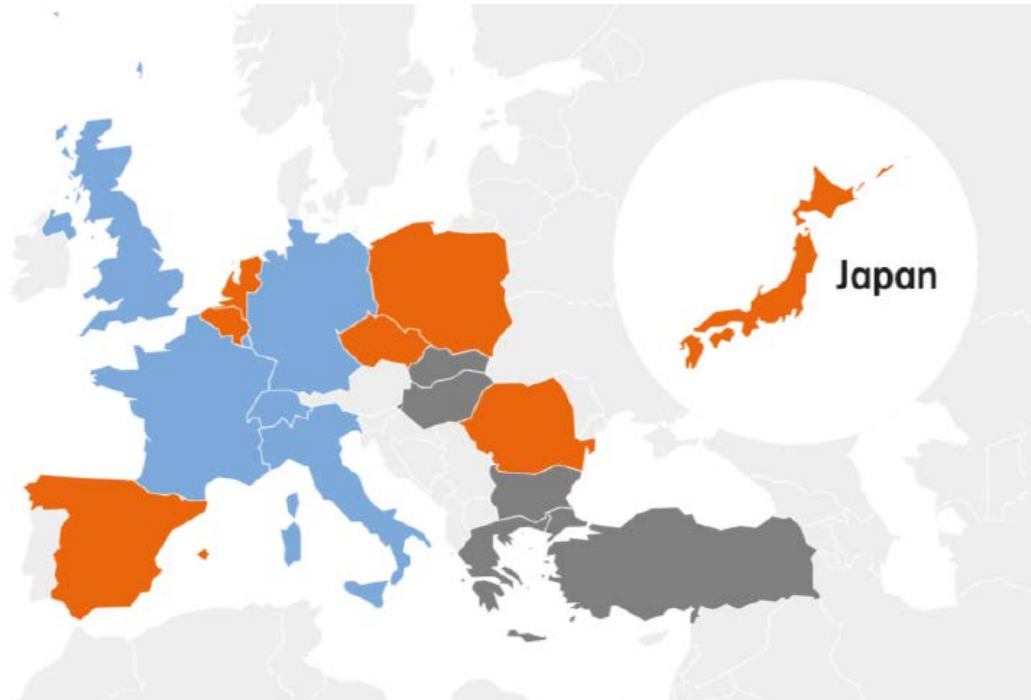
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Nationale-Nederlanden Bank

Strong parent company: NN Group

International footprint



■ Insurance and Asset Management ■ Asset Management¹ ■ Insurance

Overview of NN Group

- International financial services company, active in 18 countries with a strong presence in a number of European countries and Japan
- Offering innovative solutions and value-added products and services to retail, SME, large corporate and institutional customers
- Financial Strength Ratings: A+/stable (Fitch), A/stable (S&P)
- Successful IPO on Euronext Amsterdam on 2 July 2014
- Acquisition of Delta Lloyd completed in April 2017
- Shareholders' equity of EUR 22.8bn at 31 December 2018

NN Group has leading market positions

- #1 life insurer in the Netherlands: 41% market share² in group pensions and 22% market share² in individual life
- #2 non-life insurer in the Netherlands: 28% market share² in Disability & Accident (#1); 21% market share² in Property & Casualty (#2)
- Market share in Dutch mortgage origination of 5.0% (YTD Sep 2018)³
- Top 3 player in CEE⁴ focused on life and voluntary pensions
- Top 3 player⁵ in corporate-owned life insurance products in Japan
- International asset manager with AuM of EUR 246bn at 4Q18

Source: NN Group

1. Outside Europe and Japan, NN Investment Partners has offices in New York and Singapore

2. Source: DNB and CVS, based on GWP (2017, for NN and Delta Lloyd combined), only Dutch insurers that are subject to DNB-supervision, exclusive foreign insurers

3. Source: Kadaster September 2018

4. Central and Eastern Europe

5. By APE (2016), source: internal estimate NN Group



Position and strategy

NN Bank adding value to NN Group in the Netherlands

- Operating under the Nationale-Nederlanden brand since its start in 2011
- Sharing client base, distribution and marketing with other NN entities
- Offering banking products complementary to Nationale-Nederlanden's individual (non-)life insurance products for retail customers
- NN Group's mortgage originator and servicer in the Netherlands, providing mortgage investment opportunities for other NN companies and customers of NN Investment Partners
- NN Bank is a fully-owned subsidiary of NN Group and a fellow subsidiary of the Dutch insurance entities, i.e. NN Life and NN Non-Life

NN Bank is organised around mortgages, savings and investments

- Purpose is to support retail customers to secure their financial futures by helping them to manage and protect their assets and income
- Guided by the corporate values of 'we care, we are clear, we commit'

	Mortgage loans	Consumer loans	Retail savings	Investments
Banking products	<ul style="list-style-type: none"> • Prime Dutch mortgage loans under various labels (NN, HQ 50 and Delta Lloyd)¹ • NHG and non-NHG² 	<ul style="list-style-type: none"> • Personal loans and revolving credit • Flexible credit offering at competitive rates and attractive terms 	<ul style="list-style-type: none"> • Online savings accounts and deposits • Bank annuity product (retirement) 	<ul style="list-style-type: none"> • Investment services (discretionary management) • Both mortgage linked and non-mortgage linked investments
Amounts ³	EUR 18.0bn	EUR 0.3bn	EUR 14.7bn	EUR 1.2bn

Source: NN Bank

1. From 1 February 2018, Delta Lloyd-labelled mortgage loans are no longer offered
2. Dutch National Mortgage Guarantee, guarantee provided by WEW (*Stichting Waarborgfonds Eigen Woning*)
3. Numbers as at 30 June 2018



Providing customers with efficient and excellent services

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

- Principal activities are providing retail customers with mortgage loans, savings, bank annuities and retail investment products
- National player, with coverage of all regions
- Operating under a strong and well-known household brand in the Netherlands, *Nationale-Nederlanden*
- Mortgage loans exclusively offered through advisors (intermediaries), while savings products and credit loans primarily offered online
- Nationale-Nederlanden's track record in in-house mortgage loan origination and servicing goes back to 1963
- Two types of bank annuities are offered:
 - supplementary pension savings: fiscal friendly *building up* of annuity on a blocked savings account up to pension date
 - supplementary pension benefits: *pay-out* of built-up pension savings (annuity) over time

Highlights 2018

- New back-office system for the NN-labelled mortgage portfolio
- Migration of mortgage loans and savings to new target systems
- Integration of NN Bank and Delta Lloyd Bank teams
- Decision to implement a new risk-based pricing policy for mortgage loans, whereby interest rate risk premium depends on the loan-to-value ratio (implementation in 2019)
- Introduction of three customised mortgage propositions, servicing specific target groups
- Improvement of digital customer experience by redesigning web pages and by being personal and relevant in every customer contact
- Introduction of a new construction deposit process for mortgages, whereby customers can make drawdown requests via the NN app
- Launching a pilot internet savings product in Spain

Source: NN Bank

Balance sheet composition

Assets

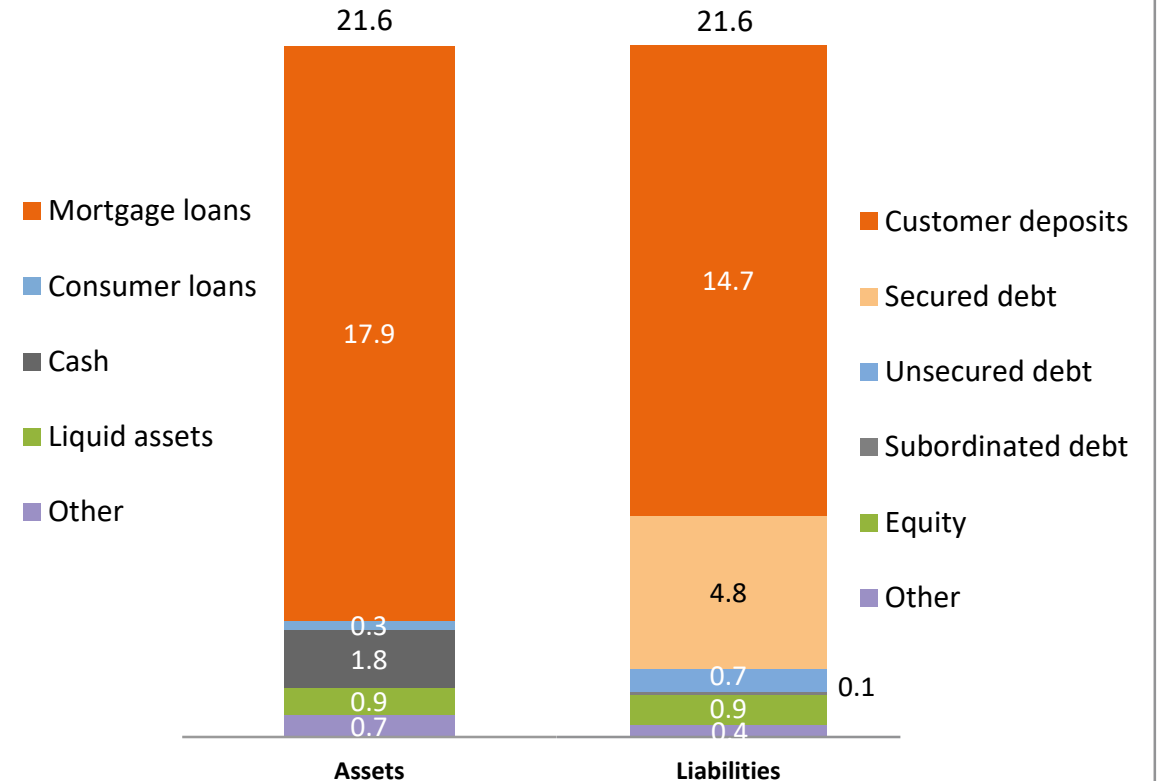
- Mainly mortgage loans, small consumer loan portfolio and liquid assets (HQLA)
- Mortgage portfolio consists of EUR 12.6bn NN-labelled mortgages, EUR 4.3bn Delta Lloyd mortgages and EUR 1.1bn Quion (HQ 50) mortgages
- 30% of outstanding mortgage amounts are guaranteed through NHG

Liabilities

- Well-diversified funding mix, comprising internet savings, deposits, bank annuities, secured (RMBS and covered bonds) and unsecured long-term funding
- Customer savings portfolio is the main funding source (two-third of balance sheet size)
- Total secured funding portfolio of EUR 4.8bn, consisting of securitisations and covered bonds

Balance sheet at 30 June 2018

EUR bn



Source: NN Bank

Profitable growth

Interest result

- Mortgage margin under pressure due to persistent and intense competition, partly offset by lower funding costs
- One-off charge of EUR 21.6m recognised in 1H18 as a result of the change in risk-based pricing for mortgages

Other income

- Fee and commission income comprises origination fees on cessions to NN Life (“production bridge”)² and commissions related to servicing of the mortgage portfolio
- Gains on financial transactions comprise origination fees and premiums on assets sold to Group entities and NN Dutch Residential Mortgage Fund

Costs

- Investments in growth, digitalisation (technology) and integration of Delta Lloyd Bank
- Integration to lead to synergies and economies of scale (target cost reduction of ~10-15% of 2016 combined cost base of EUR 235m by 2020)

Addition to loan loss provisions

- Benefiting from the positive economic climate, increasing house prices and decreasing unemployment rate
- Number of delinquencies decreasing further due to the economic climate and improved arrears management

Summary profit and loss account

(Amounts in EUR m)	2016 ¹	2017 ¹	1H18
Interest income	498	539	301
Interest expense	(295)	(307)	(192)
Interest result	203	233	109
Fee and commission income	48	48	38
Gains and losses on financial transactions and other income	41	14	13
Valuation results on non-trading derivatives	(6)	(6)	(10)
Total income	287	289	150
Staff expenses	(93)	(100)	(56)
Other operating expenses	(82)	(79)	(55)
Total operating expenses	(175)	(179)	(110)
Addition to loan loss provisions	(5)	4	4
Result before tax	107	113	44
Taxation	(27)	(28)	(11)
Net result	80	85	33

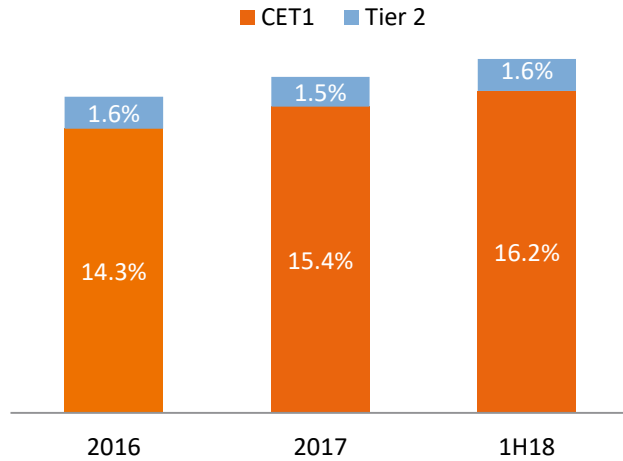
Source: NN Bank

1. NN Bank figures, excluding Delta Lloyd Bank numbers

2. NN Bank originates mortgages on behalf of NN Life, i.e. committed offers in the pipeline are sold to NN Life. Mortgages sold to other Group entities are originated on behalf of the NN Bank mortgage portfolio and derecognized from the balance sheet when sold through a cession

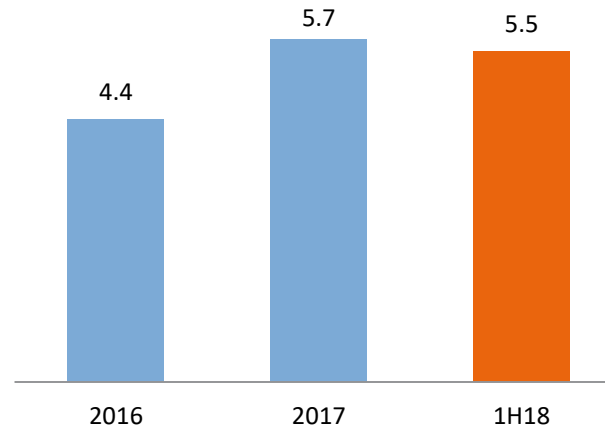
Solid capital position¹

Total capital ratio²



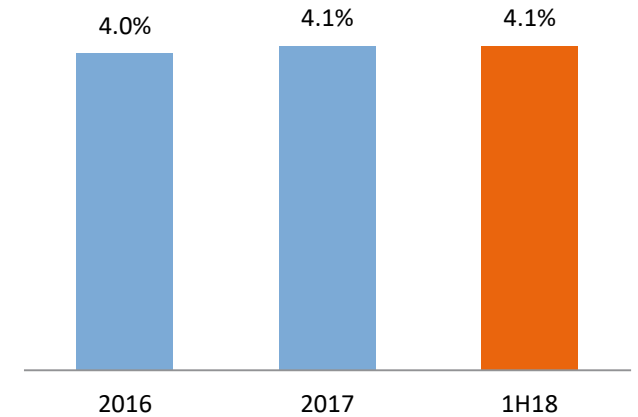
- Solid capital position
- Additional capital through internal capital generation and Tier 2 capital contribution from NN Group
- CET1 ratio increased despite growing total assets

Risk weighted assets



- YTD June 2018 decrease in RWA due to increasing house prices and decreasing NPLs
- Standardised Approach used to calculate minimum capital requirements

Leverage ratio



- Leverage ratio stable over time, despite growing balance sheet

Source: NN Bank and Delta Lloyd Bank

1. 2016 NN Bank figures at 31 December 2016, excluding Delta Lloyd Bank. Pro-forma combined bank figures at 31 December 2017

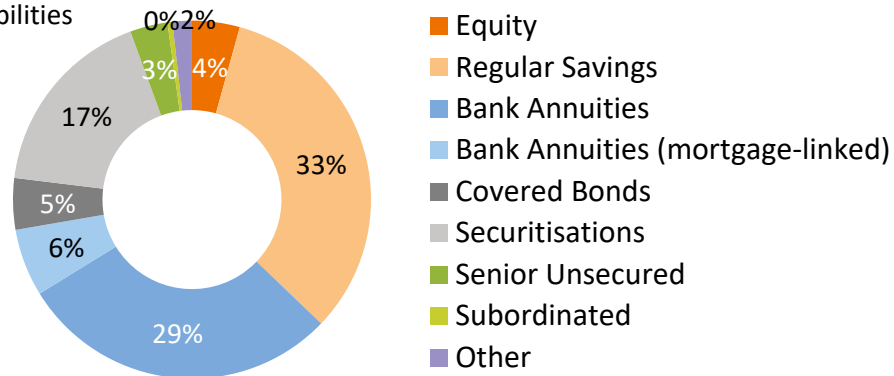
2. CRDIV Transitional total capital ratio



Diversified funding mix

Funding mix

Total Equity & Liabilities
1H18

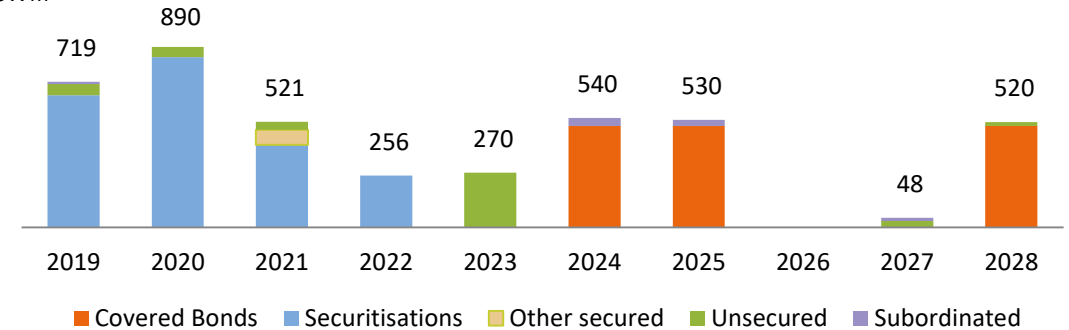


NN Bank manages and executes its own funding strategy

- Retail funding consists of online savings, term deposits and bank annuities (a tax-friendly product to either save or pay for retirement and therefore a stable funding source)
- Pilot online savings product similar to current Dutch product (internetsparen) launched in Spain to diversify retail funding
- Wholesale funding consists of secured and unsecured debt

Redemption profile¹

EUR m



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

- Long-term credit rating of 'A-' (stable outlook), 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

Source: NN Bank

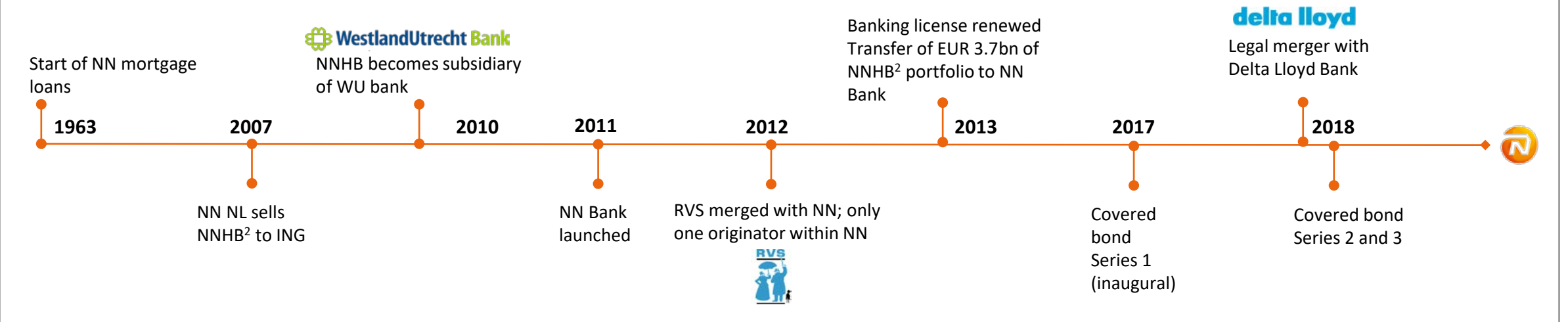
1. Redemption profile at 31 December 2018

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')¹
- NN Bank was launched in 2011 to take advantage of new banking opportunities in response to declining individual life savings insurance market
- Growth accelerated in 2013 with the acquisition of parts of WU Bank (within ING Bank), gaining product expertise and a solid banking platform
- On 1 January 2018, Delta Lloyd Bank was merged into NN Bank
- NN-labelled mortgage loans are serviced by NN Bank and are eligible for inclusion in the cover pool³

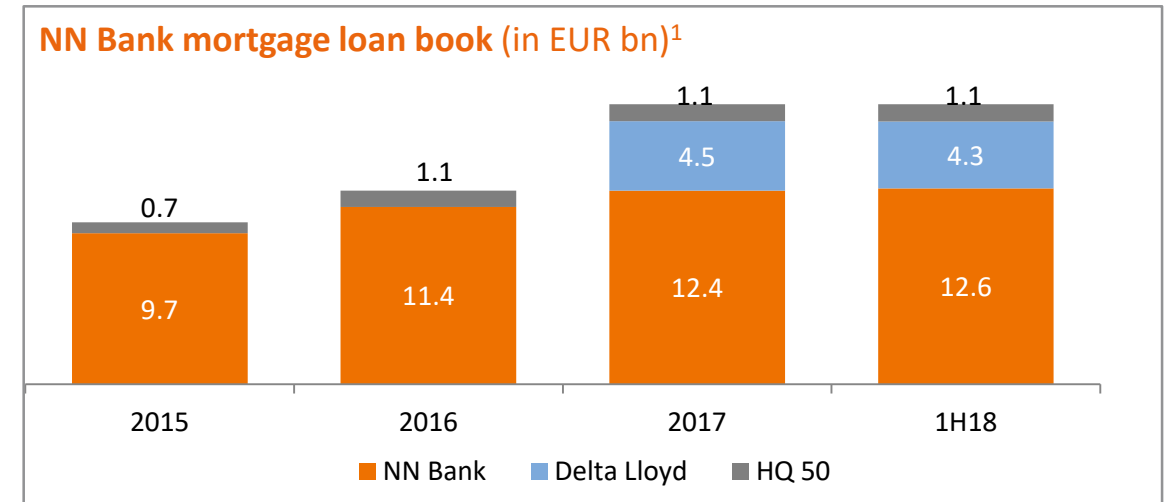
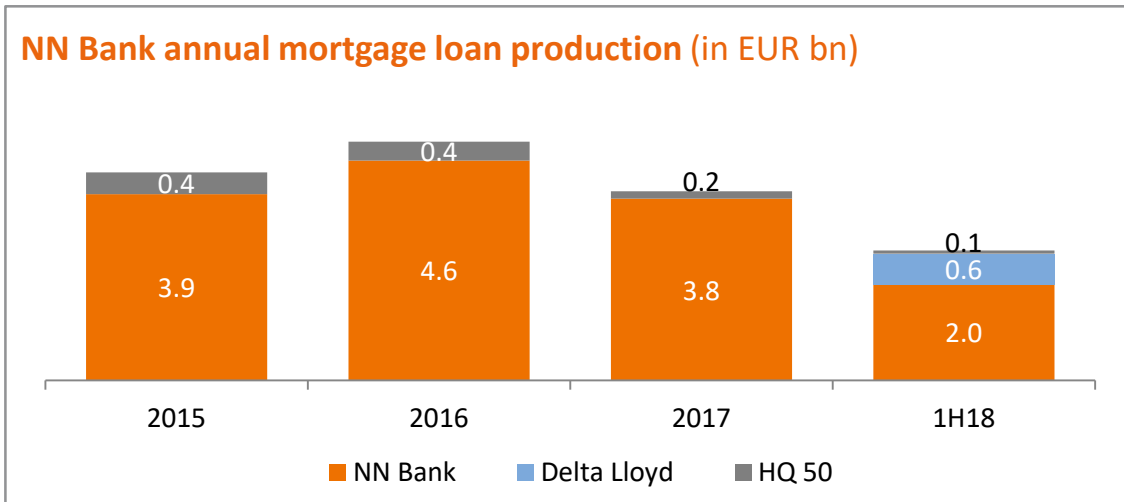


Source: NN Bank

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
3. Quion (HQ50) and Delta Lloyd originated mortgage loans are not eligible for inclusion in the cover pool



Mortgage loan origination and bank book



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

- Market share of new production (NN Bank, HQ50 and Delta Lloyd) was 5.0% YTD September 2018, lower than in 2017 due to strong competition
- Just over half of new mortgage production ceded to insurance entities within NN Group companies and to NNIP's Dutch Residential Mortgage Fund
- NN Bank offers the full range of mortgage loan interest rate reset tenors to its customers, i.e from 1 month to 30 years
- Compliant with MCD standards since 2016 and offering interest rate averaging²
- Implementation of a new risk-based pricing policy for mortgage loans in 2019, whereby interest rate risk premium depends on the loan-to-value ratio

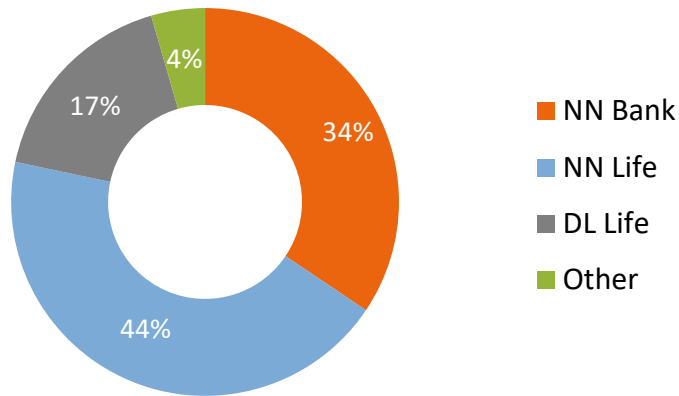
Source: NN Bank, HQ 50, Delta Lloyd Bank

1. All results presented are as at the end of the year; 2017 numbers on a pro forma basis for NN Bank
2. "Rentemiddeling"

Mortgage loan distribution and servicing

Newly-originated mortgage loans¹ distributed to several entities ...

Economic ownership of new mortgage production 1H18 (EUR 2.7bn)

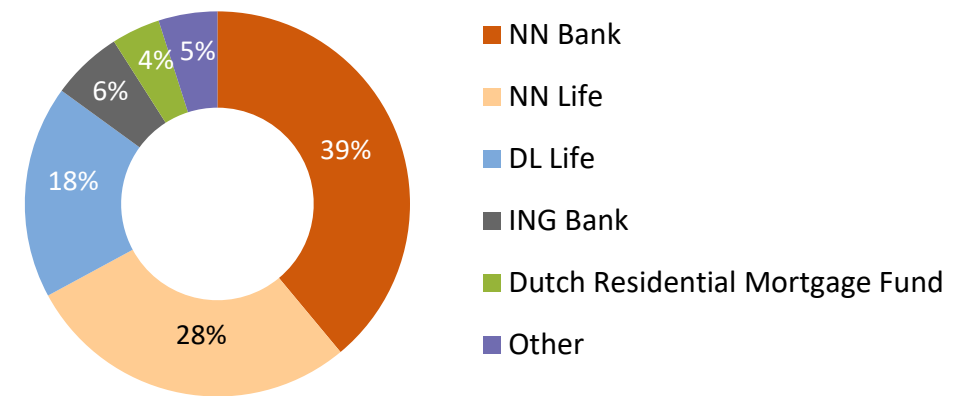


... offering attractive investment opportunities within NN Group

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

Mortgage loans being serviced for multiple entities² ...

Mortgage portfolio at 30 June 2018 (EUR 46.0bn)



... with a continuing shift from ING Bank to NN Bank

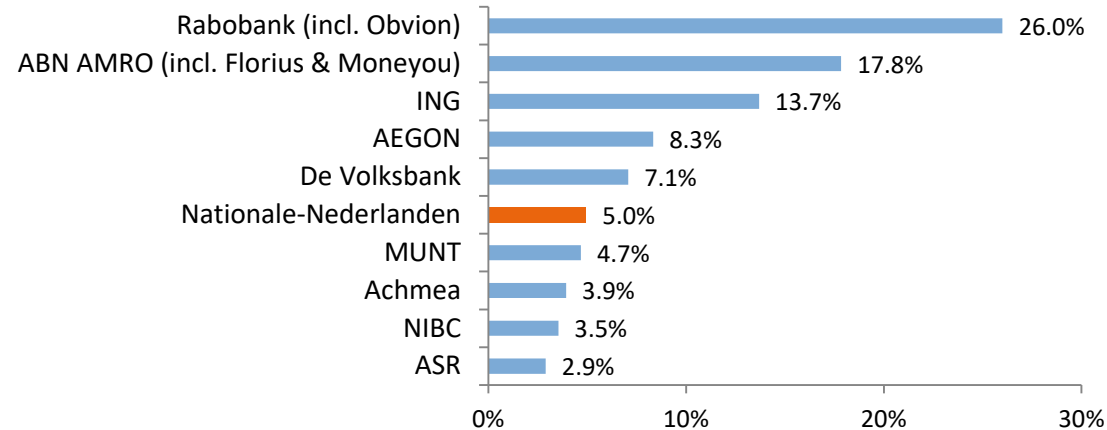
- In line with transfer agreement, NN Bank purchases NN-labelled mortgage loans held by ING Bank (NNHB) at reset date
- NN Bank portfolio will increase further due to these transfers (EUR 2.7bn still to be transferred over time)

Source: NN Bank

1. New mortgage loan production includes origination of NN Bank, Quion (HQ50) and Delta Lloyd mortgage loans; 'Other' includes NNIP, NN Non-Life and NN Belgium
2. Excluding Quion (HQ50) labelled mortgage loans

Mortgage market developments

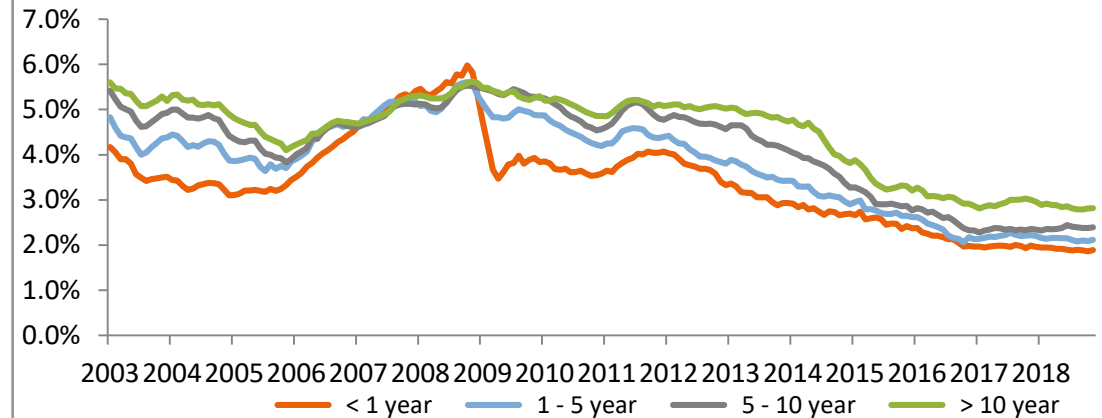
Significant player in the Dutch (new production) mortgage market¹ ...



... with a combined market share of 5.0%

- Compared with year-end 2017, the Dutch mortgage market grew by 8.2% to EUR 77.8bn in the first three quarters of 2018
- Market share of 5.0% (YTD September 2018)
- NN Bank prefers visibility and pricing consistency over market share

Stabilising mortgage rates



- Following a gradual decrease since 2008, mortgage rates have stabilised since September 2017

Source: NN Bank

1. Kadaster, September 2018

Strong historical mortgage loan performance

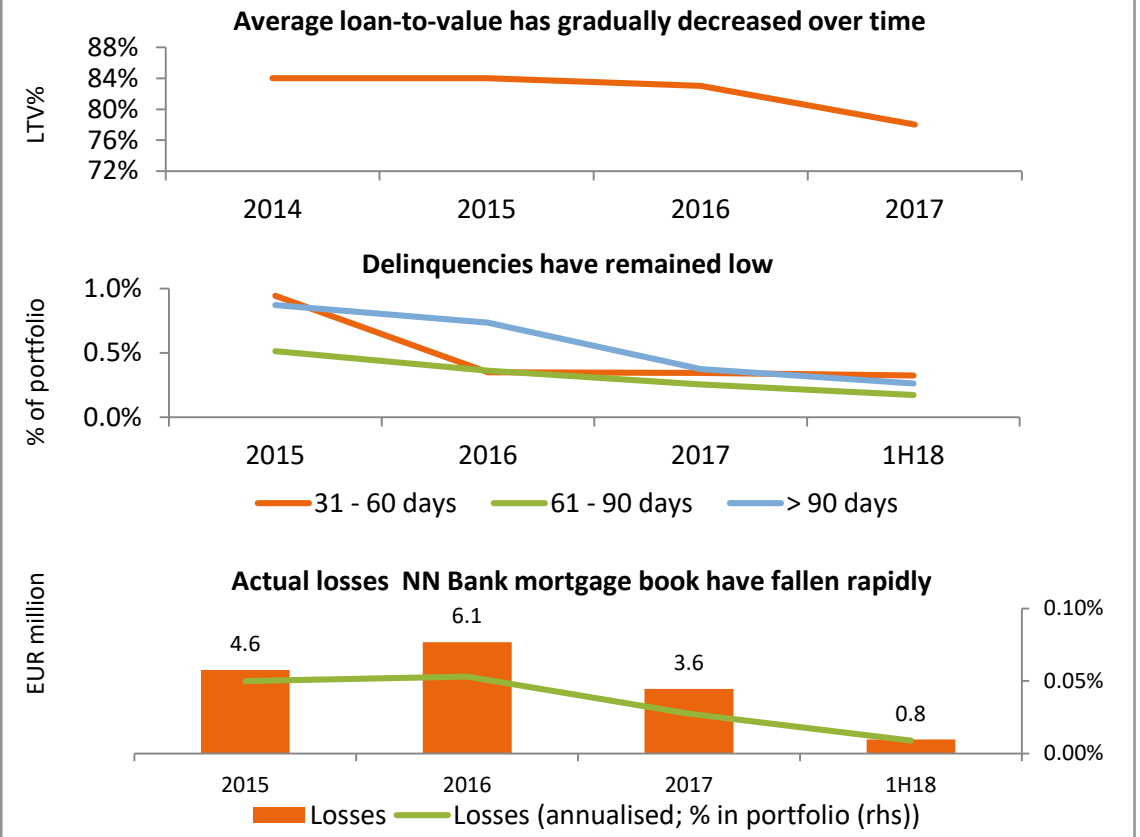
Trend to lower LTV and higher (p)repayments ...

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

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

- All NN mortgage loans are prime Dutch mortgage loans
- Strict underwriting under Code of Conduct and Dutch law (since 2013)
- Mortgage loan is typically the only debt of average Dutch household¹
- High payment moral of Dutch borrower
- Strong legal and regulatory framework of full recourse, whereby lender has a secured claim to current and future wealth of the borrower
- Affordability (debt to income) is decisive in underwriting, not LTV level

... to further support historically good performance numbers



Source: NN Bank

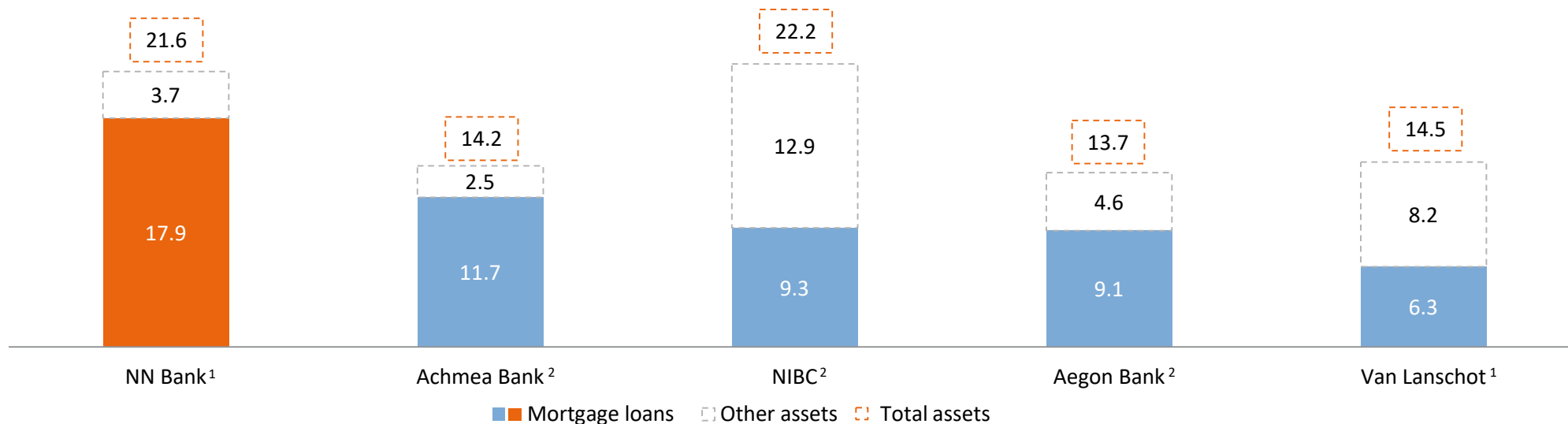
1. Total outstanding consumer credit volume is 2% of total outstanding mortgage loan volume in the Netherlands (Central Bureau of Statistics)

Covered bond programme

NN Bank's mortgage book

NN Bank has largest on-balance sheet mortgage book compared with its Dutch peers (excluding 4 largest banks)

EUR bn



Covered bond programmes

Repayment type	CPTCB ³	CPTCB	CPTCB	CPTCB	CPTCB
Programme size	EUR 5.0bn	EUR 5.0bn	EUR 5.0bn	EUR 5.0bn	EUR 5.0bn
Outstanding bonds ⁴	EUR 1.5bn	EUR 0.5bn	EUR 3.0bn	EUR 2.25bn	EUR 1.5bn

Source: NN Bank, Bloomberg, annual reports of Achmea Bank, Aegon Bank, NIBC and Van Lanschot

1. NN Bank and Van Lanschot Bank figures at 30 June 2018

2. Achmea Bank, Aegon Bank and NIBC figures at year-end 2017

3. Conditional Pass-Through Covered Bond

4. Outstanding bonds at 31 December 2018



NN Bank covered bond programme highlights

Robust structure

- EUR 5bn programme size
- Conditional pass-through mechanism (maximum extension of 32 years)
- Covered bonds have target 'AAA' rating by S&P
- NN Bank long-term credit rating 'A-' by S&P (stable outlook)
- Rating stability due to de-linkage from the issuer rating
- Bullet obligation for NN Bank (no flexibility to switch to pass-through)
- Dual recourse to the issuer and CBC¹
- Over-Collateralisation ('OC') and asset percentage:
 - Regulatory minimum OC of 5%
 - Contractually committed minimum OC of 10%
- Minimum Mortgage Interest Rate of 1%
- No hedging instrument included at closing (optional)
- All cover assets are NN-labelled and originated by NN Bank and NN Life, i.e. Quion (HQ50) and Delta Lloyd originated mortgage loans are not included in the pool
- High quality Dutch residential mortgage loans

Regulatory treatment for investors

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

Transparency

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



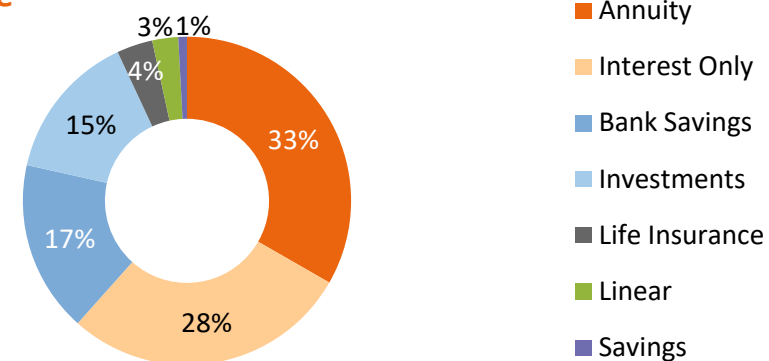
Source: NN Bank

1. Covered Bond Company
2. The DACB was established in January 2011, with the aim of strengthening the market and product offering of Dutch covered bonds through – among other things – improving transparency and standardisation. More information can be found at www.dacb.nl

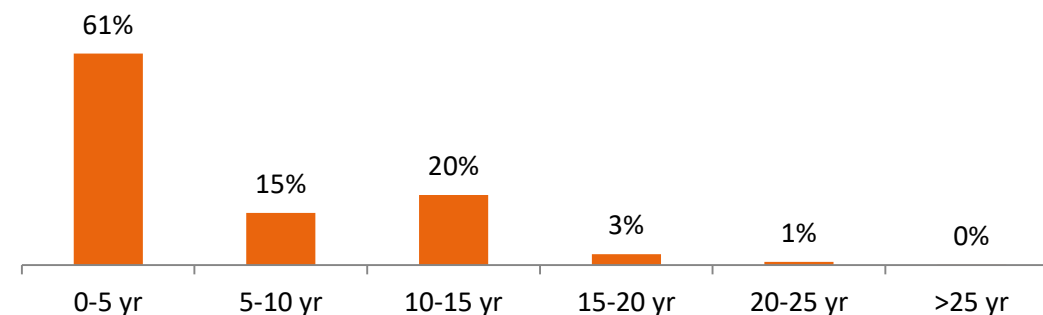
Key characteristics cover pool 1,2

Cut-off date	31-12-2018
Principal balance (EUR)	1,885,330,294
Value of saving deposits (EUR)	91,704,827
Net principal balance (EUR)	1,793,625,467
Number of loans	6,513
Number of loan parts	14,672
Average principal balance (borrower) (EUR)	275,392
Weighted average current interest rate	3.1%
Weighted average remaining fixed rate period (yrs)	11.3
Weighted average seasoning (yrs)	6.1
Weighted average LTMV (CLTOMV)	84.3%
Weighted average LTMV (indexed)	71.3%
NHG(%)	0.7%
Nominal over-collateral	20.0%

Redemption type³



Seasoning

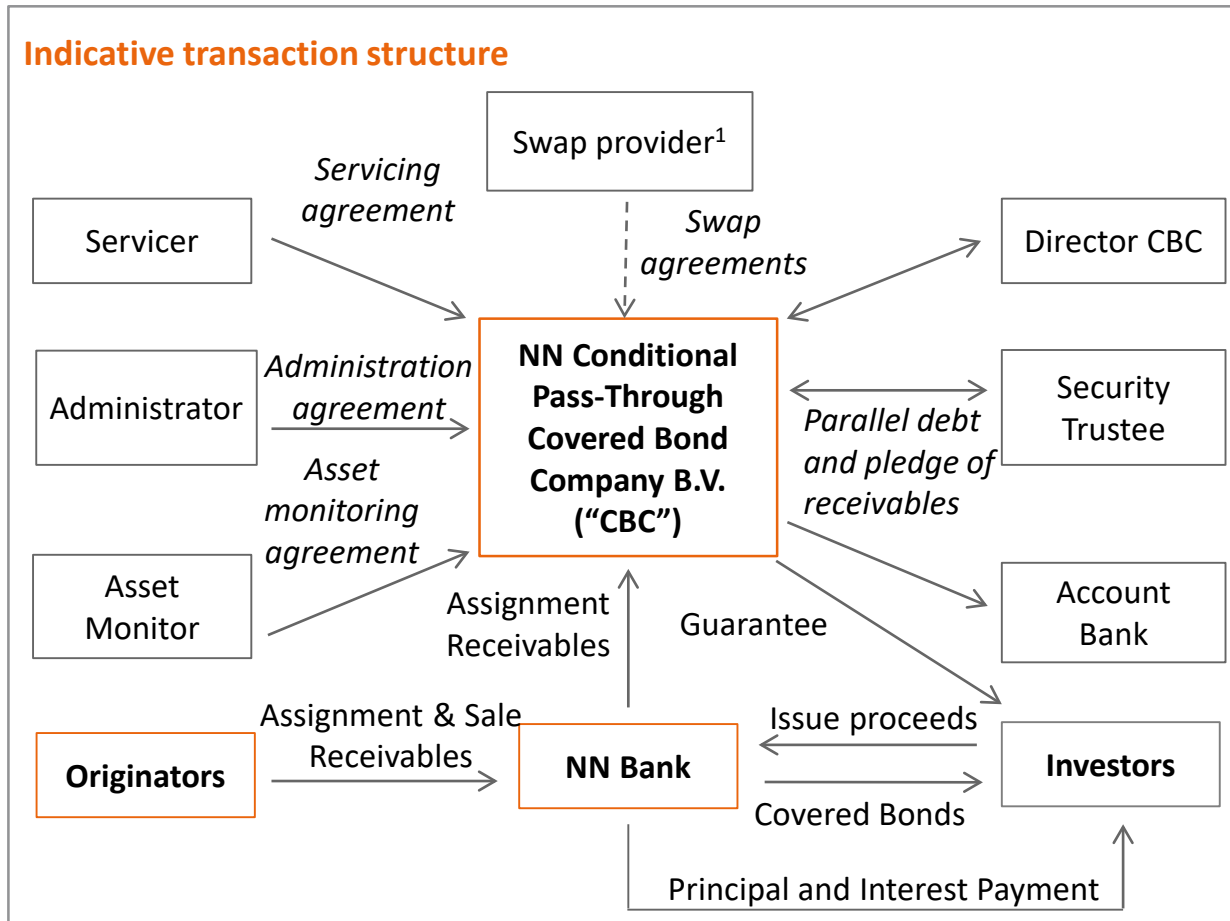


Source: NN Bank

1. NN Bank cover pool with cut-off date 31 December 2018
2. Quion (HQ50) and Delta Lloyd labelled mortgage loans are not eligible to be included in the cover pool
3. Small differences are possible due to rounding



Covered bond programme structure



Key transaction parties

Originators	NN Bank and NN Life ²
Transferor, Issuer	NN Bank
Servicer	NN Bank
Administrator	NN Bank
Guarantor	NN Conditional Pass-Through Covered Bond Company B.V.
Director CBC	Intertrust
Security Trustee	Stichting Security Trustee NN Conditional Pass-Through Covered Bond Company
Stichting Holding	Stichting Holding NN Conditional Pass-Through Covered Bond Company
Arranger	ABN AMRO
Asset Monitor	KPMG
CBC Account Bank	N.V. Bank Nederlandse Gemeenten
Rating Agency	Standard & Poor's

Source: NN Bank

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

Conditional pass-through mechanism

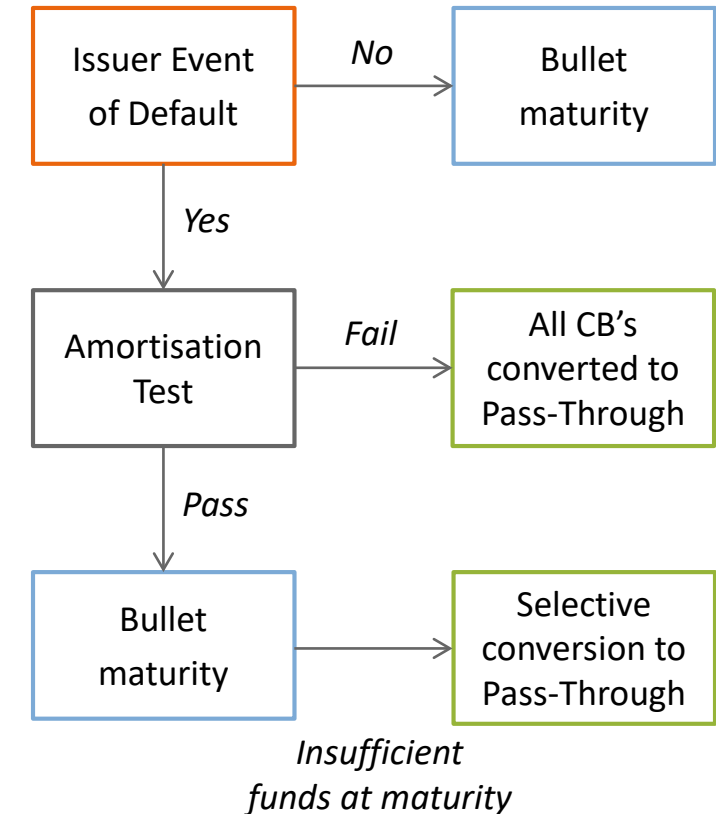
Going concern

- Under going-concern conditions, the covered bonds are bullet securities
- Monthly Asset Cover Test (ACT) ensures that the cover pool meets the minimum OC criteria

Issuer event of default: *move into pass-through mode not at the discretion of NN Bank*

- In the case of issuer default and if a covered bond reaches its maturity date, then the covered bonds will be redeemed at their respective maturities provided there are sufficient funds available in the CBC
- In the case that (i) the CBC does not have sufficient funds to redeem the covered bonds and (ii) the proceeds of a partial sale of the cover pool is not sufficient to redeem the covered bond, then the pass-through mechanism would be triggered for this bond
- After a bond has moved into pass-through, every six months the CBC tries to sell a proportionate and randomly selected part of the cover pool at a price sufficient to redeem the bond(s)
- Otherwise coupon payments continue on a monthly basis, while proceeds from (p)repayments and excess interest will be used to gradually pay back investors
- After a default of the issuer, the Amortisation Test (AT) replaces the ACT. A breach of the AT will result in all bonds becoming pass-through

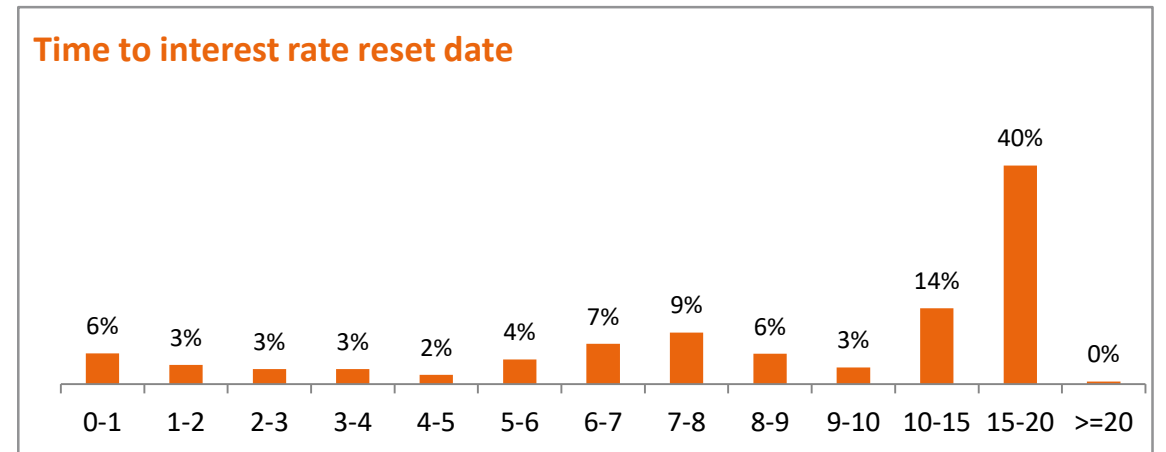
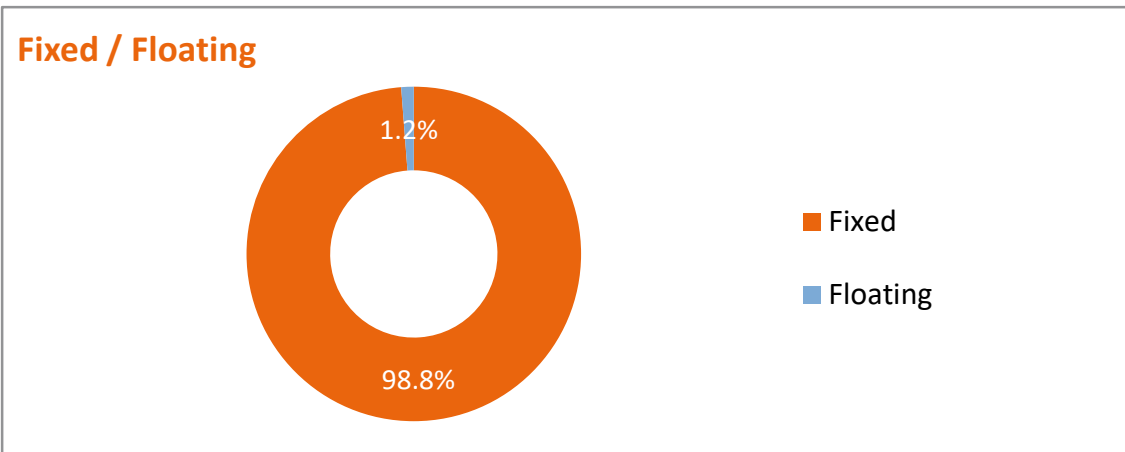
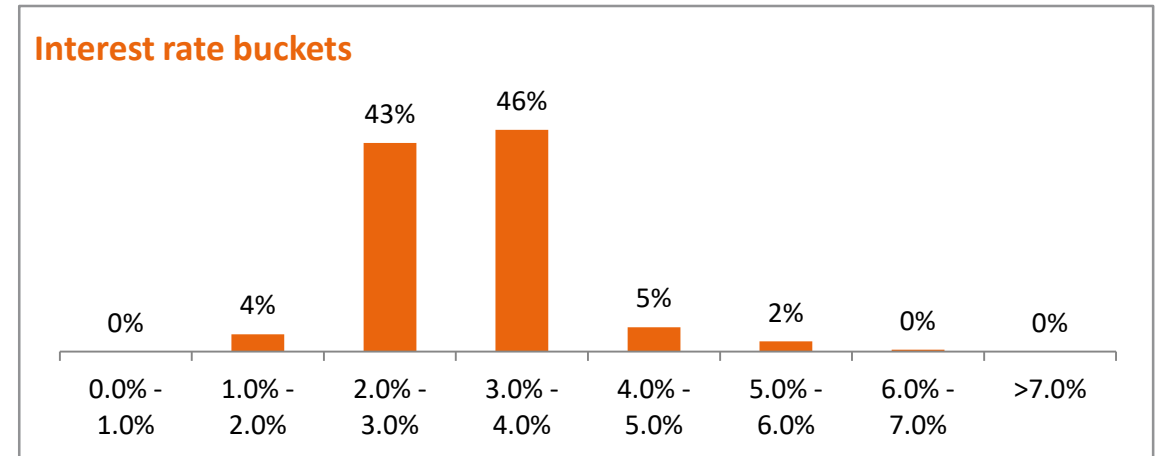
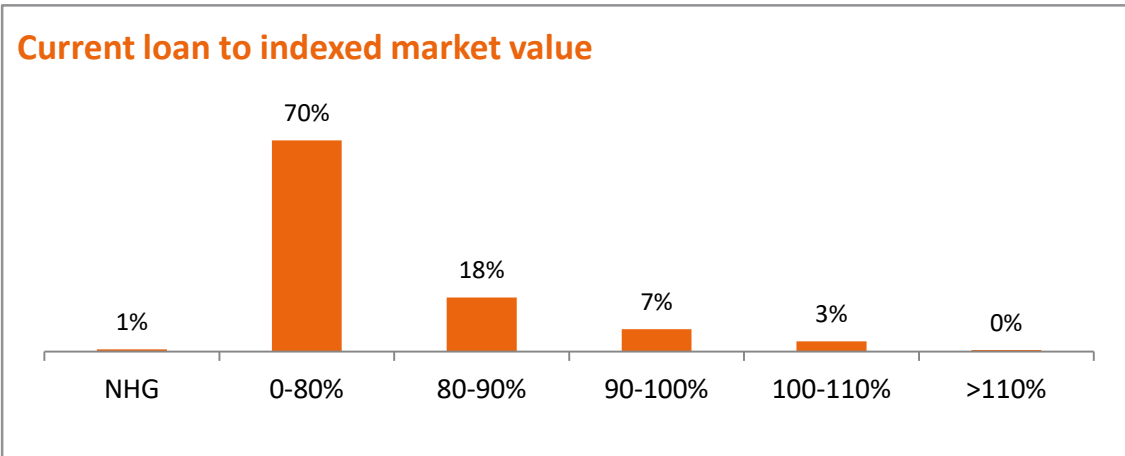
Event diagram



Source: NN Bank

Appendices

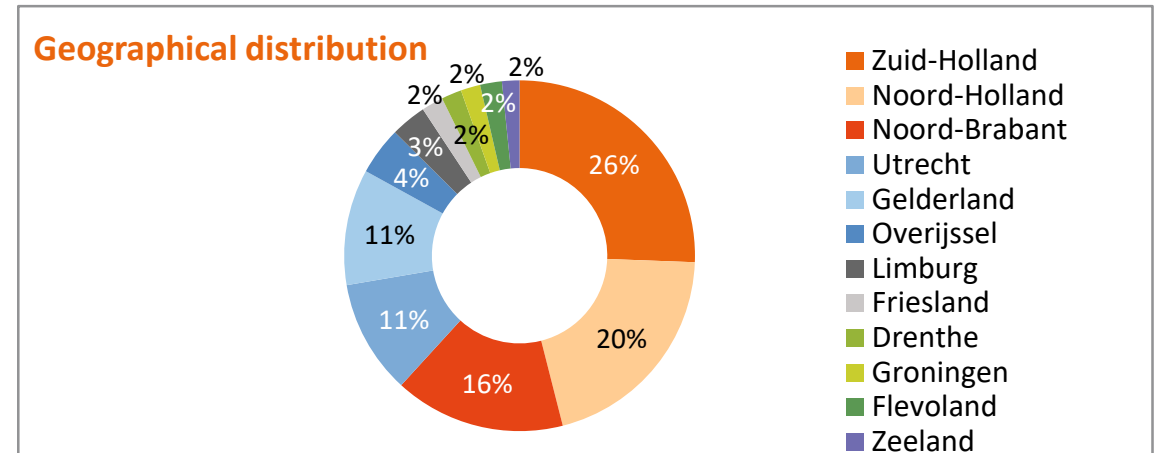
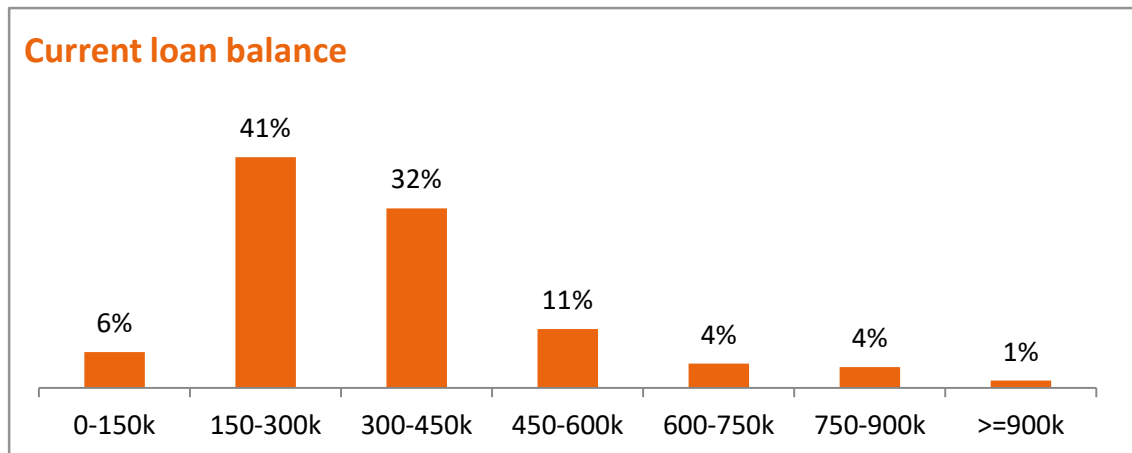
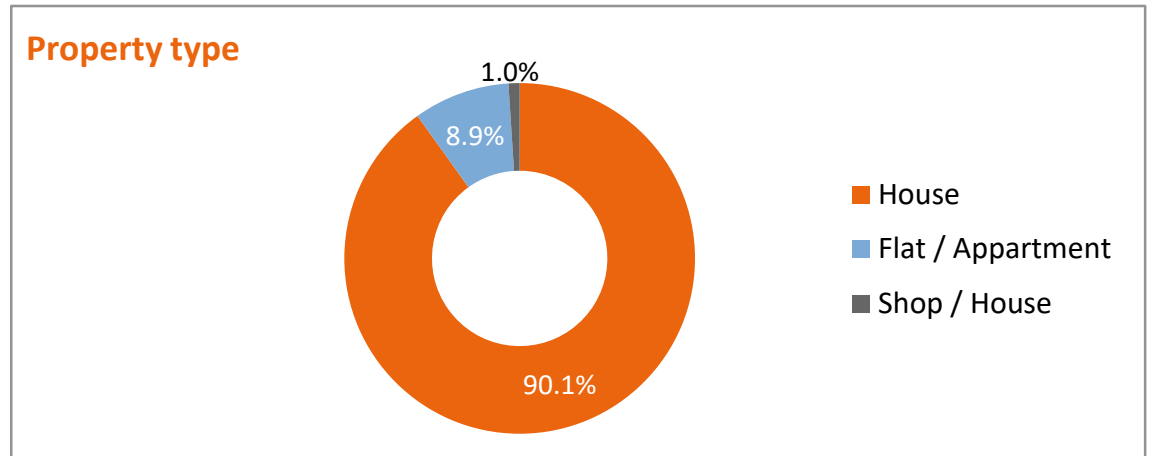
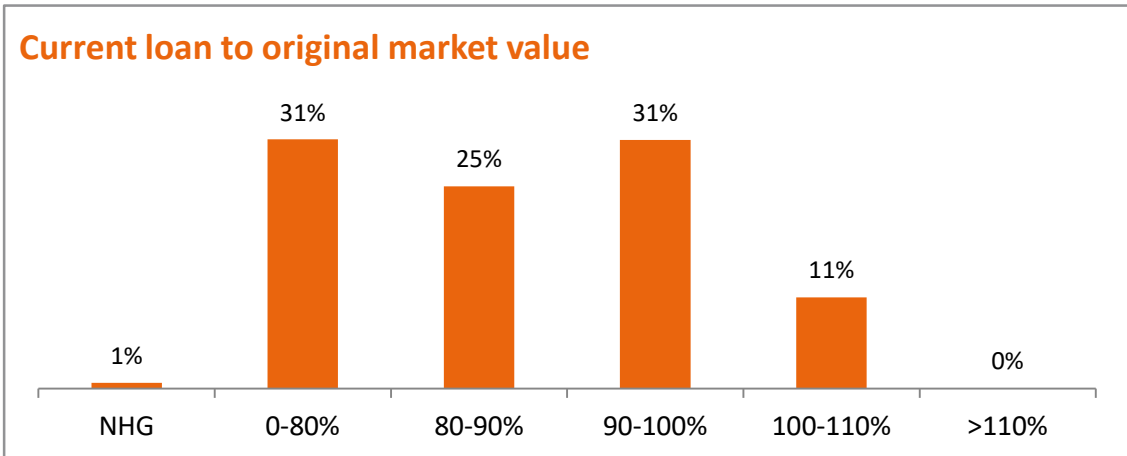
A Key characteristics cover pool¹



Source: NN Bank

1. NN Bank cover pool with cut-off date 31 December 2018

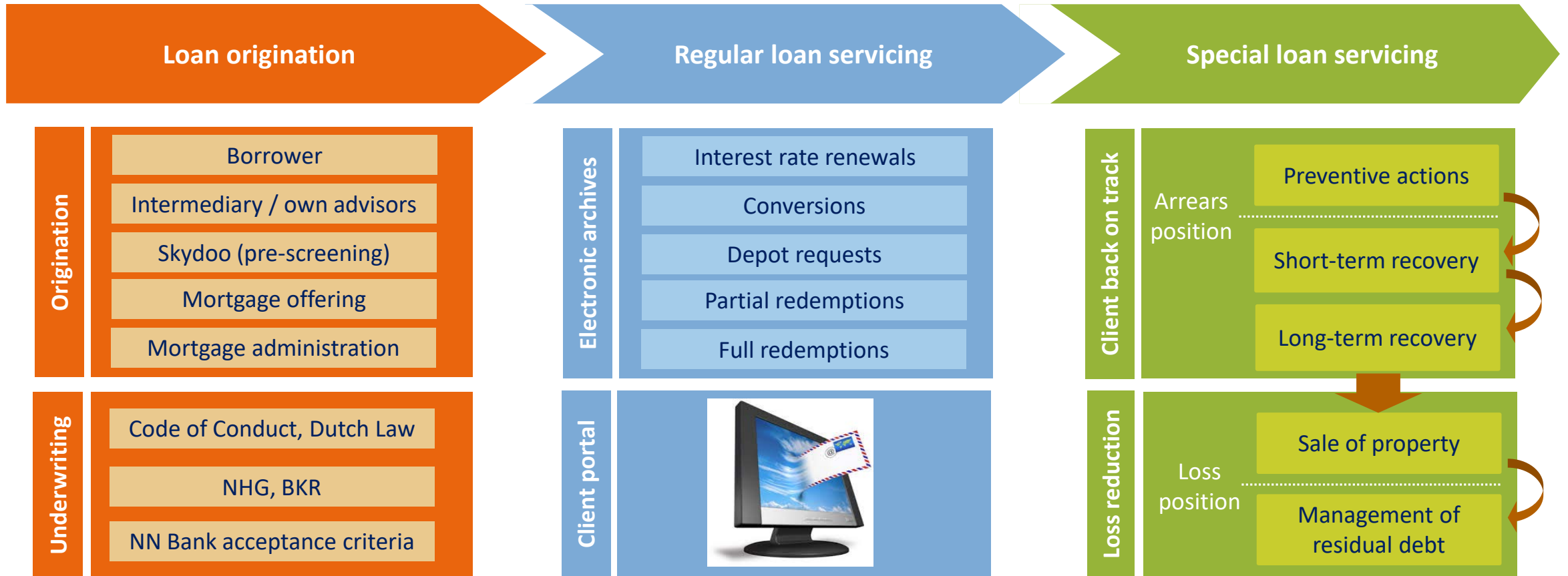
A Key characteristics cover pool¹



Source: NN Bank

1. NN Bank cover pool with cut-off date 31 December 2018

B Inhouse mortgage loan operations¹



Source: NN Bank

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

B Distribution and underwriting criteria¹

All mortgage production is originated via intermediary channels

- NN Bank's mortgage origination network comprises over 1,700 active intermediaries
- Every intermediary working with NN Bank needs a license in accordance with the Dutch Financial Services Act; intermediaries are regulated by the AFM
- Ongoing screening of intermediaries is performed
- Since 2012, intermediaries do not receive commission on new mortgage loan origination
- In 2014, NN Bank introduced Skydoo, an automatic pre-screening application:
 - 100% of intermediaries connected
 - handling time per application reduced by up to 70%
 - all pre-approved mortgage applications still subject to complete underwriting process

All intermediaries are licensed

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

Screening of intermediaries

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

Source: NN Bank

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

B Distribution and underwriting criteria¹

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

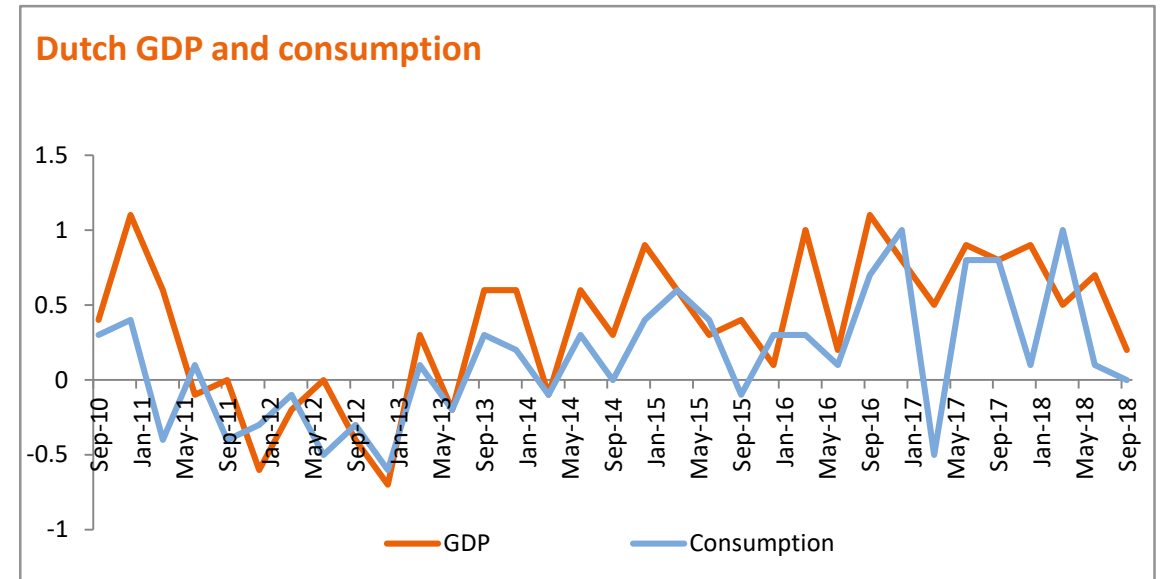
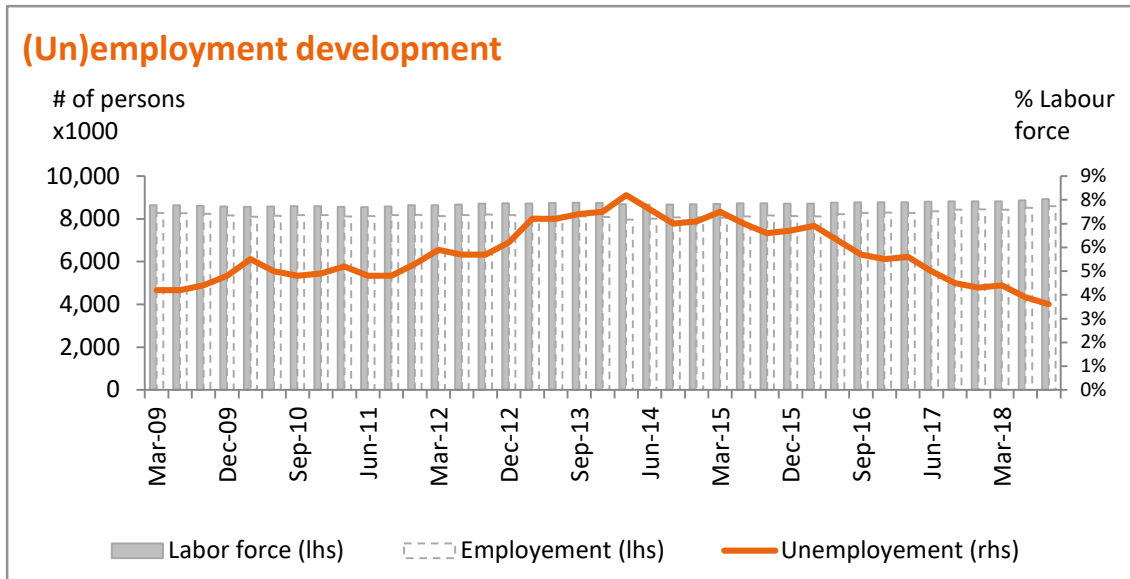
- All properties must be located in the Netherlands
- Properties with a market value above EUR 1,000,000 in most cases have a maximum loan amount of 80% of the market value
- For collateral with market value below EUR 1,000,000, maximum LTMV is 100% (2018)
- Full valuation is commonly used; WOZ reports only utilised for further advances

Source: NN Bank

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

C Dutch economy

- Decreasing unemployment rate (3Q18: 3.6%) due to improved economic conditions
- Dutch economy grew by 2.4% in the period Q3 2017 - Q3 2018

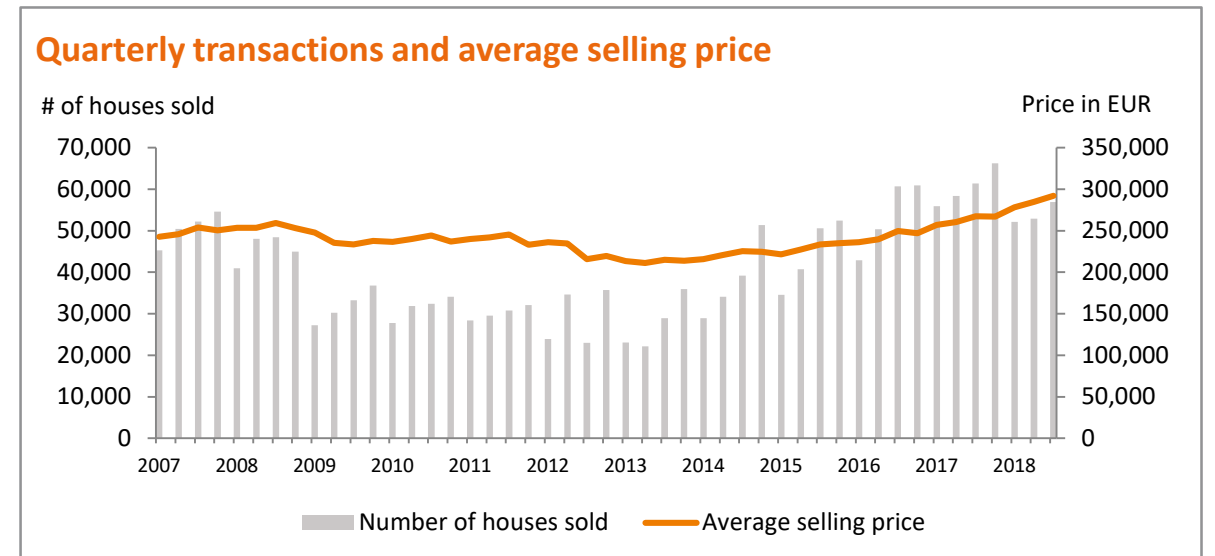
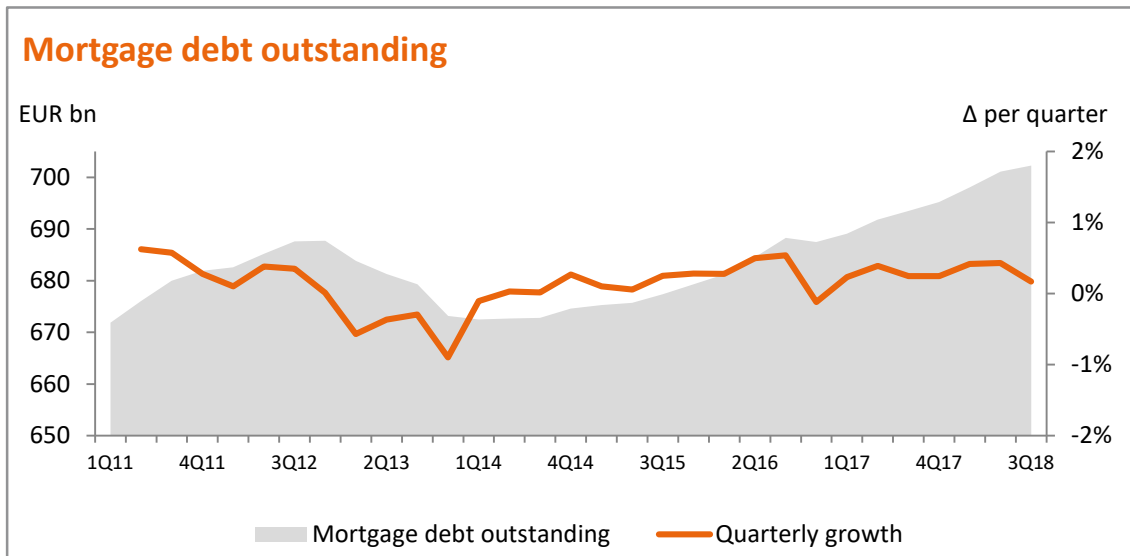


Source: CBS, Land Registry, DNB, ABN AMRO Insights: Housing Market Monitor September 2018, unless stated otherwise

C Dutch housing market developments

- Total new mortgage business was EUR 107bn in the period to August 2018, up EUR 12bn on a year ago
- As house prices increased, the average mortgage sum continued to rise (to EUR 302,000)
- Outstanding mortgage amount in 3Q18 was EUR 702bn, up EUR 9bn on a year ago

- Despite high demand, house transaction volume is weakening; in the twelve months to the end of August 2018, 232,000 properties were purchased, 10,000 less than the peak in December 2017
- Reason for the slowdown is limited supply; only 70,000 properties for sale in August 2018, 25,000 less than a year ago
- This is compelling buyers to act fast and bid high; in 2Q18, homes sold by NVM¹ members were on the market for an average of 45 days

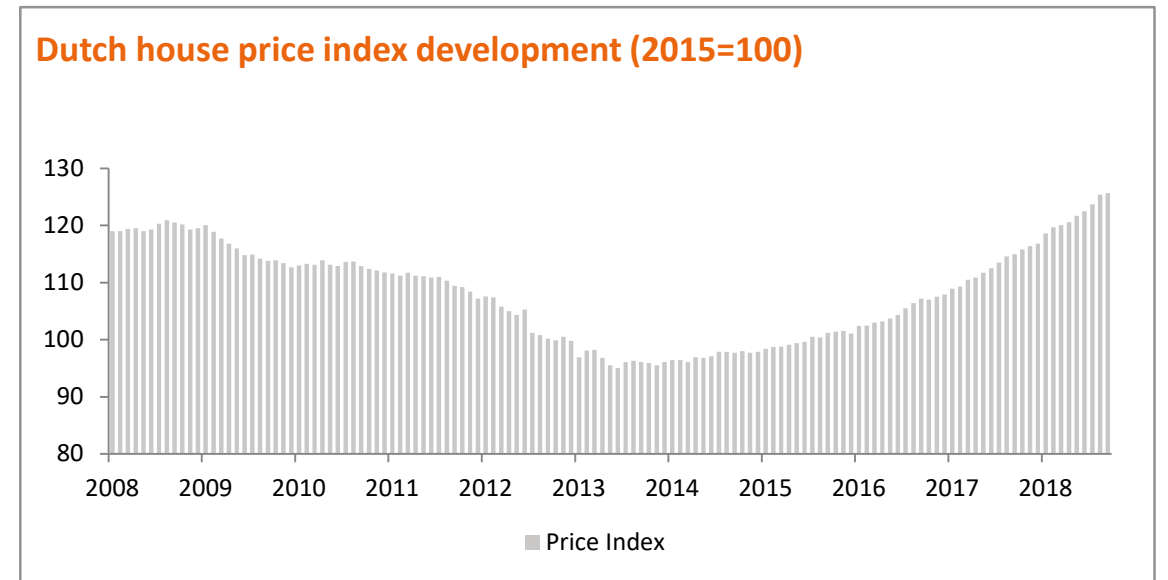
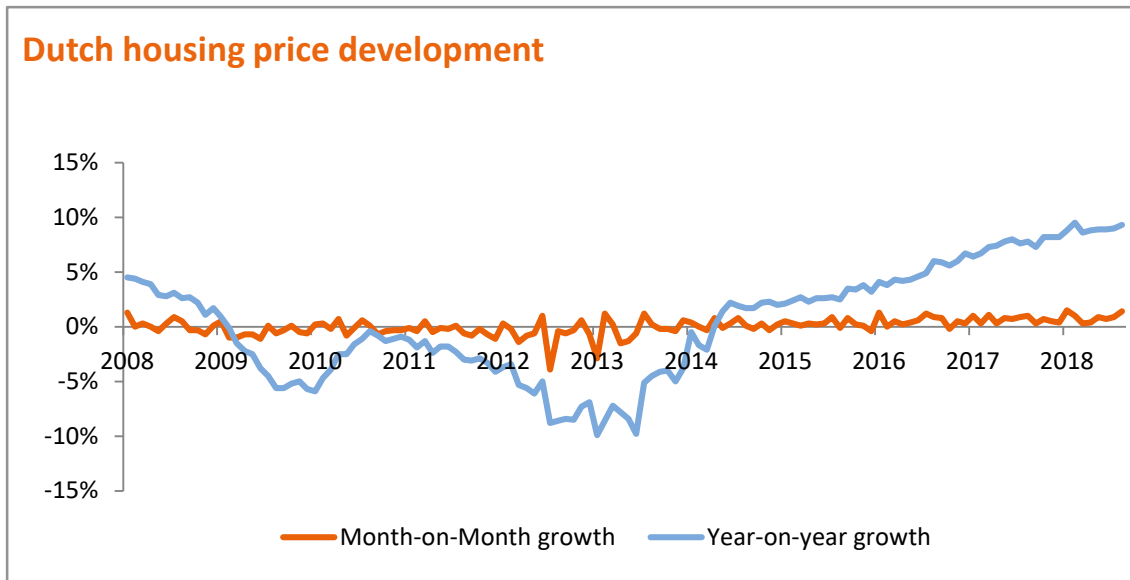


Source: CBS, Land Registry, DNB, ABN AMRO Insights: Housing Market Monitor July 2018, unless stated otherwise

1. Dutch Association of Real Estate Agents

C Dutch housing market developments

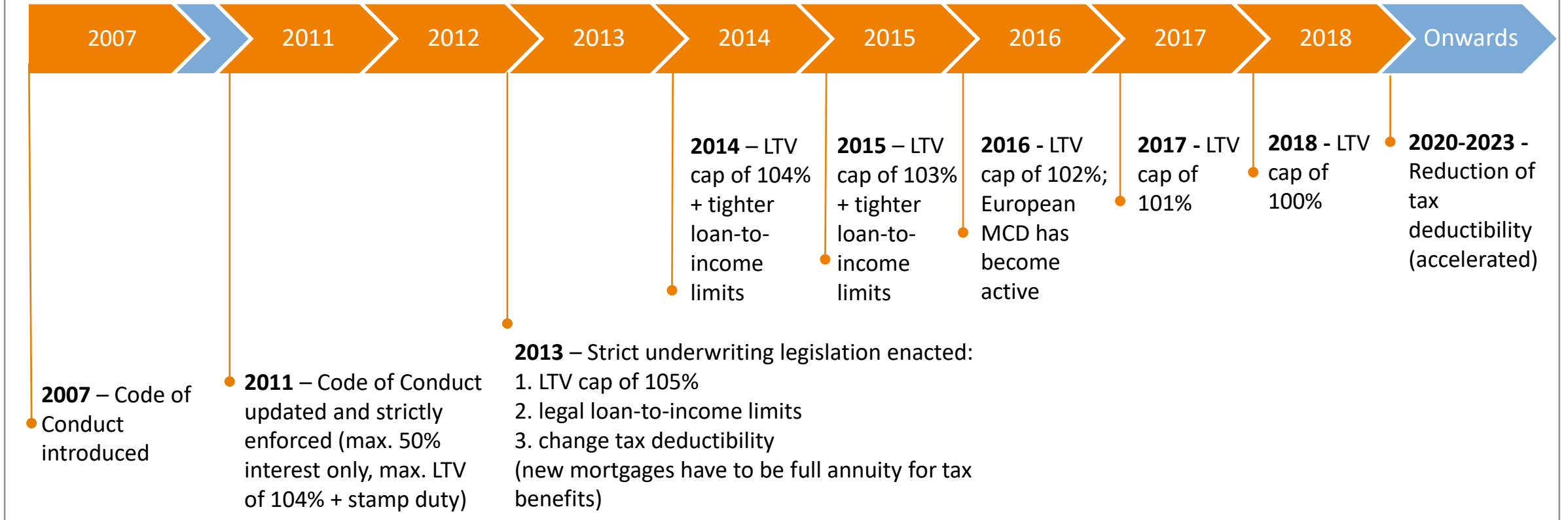
- August house prices rose by 9.3% year-on-year. The price level is now 3.7% above the pre-crisis peak, with the average purchase price at EUR 294,000
- House prices keep climbing higher on the back of current low level of interest rates and tightness in the market
- The elevated price levels and more stringent loan-to-value criteria are keeping first-time buyers out of the market



Source: NVM, CBS, Land Registry, DNB, ABN AMRO Insights: Housing Market Monitor July 2018, unless stated otherwise

C Dutch housing market developments


Recent developments



Source: DSA, NN Bank

D NN Bank

Corporate history

- 
- 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 savings¹
 - 2018** – Legal merger of NN Bank and Delta Lloyd Bank effective on 1 January 2018, following NN Group’s acquisition of Delta Lloyd Group in 2017



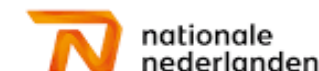
Source: NN Group

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

D NN Group

Corporate history

- 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



Source: NN Group



D NN Group

Highlights 4Q18

Operating result

EUR 343m

(4Q17: EUR 345m)

Net result

EUR -533m

(4Q17: EUR 700m)

Solvency II ratio

230%

(3Q18: 239%)

Holdco cash capital

EUR 2.0bn

(3Q18: EUR 1.9bn)

Full-year dividend

EUR 1.90

(FY17: EUR 1.66)

Share buyback

EUR 500m

- Operating result of the ongoing business broadly stable at EUR 343m
- Cost reductions at business units in scope of the integration of EUR 20m in 4Q18; total cost reductions to date of EUR 289m¹
- 4Q18 new sales (APE) up 8% on 4Q17 at constant currencies;
Full-year VNB of EUR 391m, up 13% on 2017
- Solvency II ratio at 230%; holding company cash capital at EUR 2.0bn
- Proposed 2018 final dividend: EUR 1.24 per share, bringing total 2018 dividend to EUR 1.90 per share, up 14.5% on 2017
- EUR 500m share buyback programme, to be completed in 12 months

Source: NN Group

1. Cost reductions calculated on a last 12-month basis and are compared with the full-year 2016 administrative expense base of EUR 2,024m

E Glossary

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

Source: NN Bank

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