



# Nationale-Nederlanden Bank

Investor Presentation - Covered bond programme

September 2019

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# Executive summary

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

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

## NN Bank strategy

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

## NN Bank numbers as at 30 June 2019

- Total assets of EUR 23.3bn; residential mortgage loan book of EUR 18.8bn<sup>2</sup>
- Originated EUR 3.7bn of mortgage loans in 1H19 and services over EUR 49bn of mortgage loans
- Balanced composition of income, with net fee income representing 25% of total income
- Net profit of EUR 50.5m for 1H19
- Solid capital position: CET1 ratio of 16.0% (Standardised Approach), Total Capital Ratio of 17.5%

## Funding diversification

- Funding for two-thirds retail savings (EUR 14.9bn), the remainder predominantly secured wholesale funding
- NN Bank aims to further diversify its funding base by attracting both secured and unsecured wholesale funding
- Strong A- credit rating from S&P (stable outlook) reflects the Bank's "highly strategic importance" for NN Group

Source: NN Bank

All financial information included in this Investor Presentation is based on 30 June 2019 (unless stated otherwise)

1. Full name is Nationale-Nederlanden Bank
2. Includes mortgage-related Transfer of Parts (TOPA) and construction depots



# Contents

<b>Strategy and business highlights</b>	<b>5</b>
<b>Mortgage business</b>	<b>13</b>
<b>Covered bond programme</b>	<b>18</b>
<b>Balance sheet and capital position</b>	<b>23</b>
<b>Appendices</b>	
A Cover pool	29
B Mortgage origination and underwriting	31
C Dutch economy and housing market	35
D Corporate history	38
E Glossary	41
F Contact information	42

# Strategy & business highlights

# NN Bank profile

- Fifth Dutch banking franchise (based on balance sheet size)
- Significant player in Dutch residential mortgage loan and retail savings markets
- Established in 2011
- Built around long-standing Nationale-Nederlanden mortgage business (since 1963)
- Distribution both direct (savings products) and via intermediaries (mortgages)
- Income generation from net interest margin, origination fees and service management fees
- 100% subsidiary of NN Group N.V.

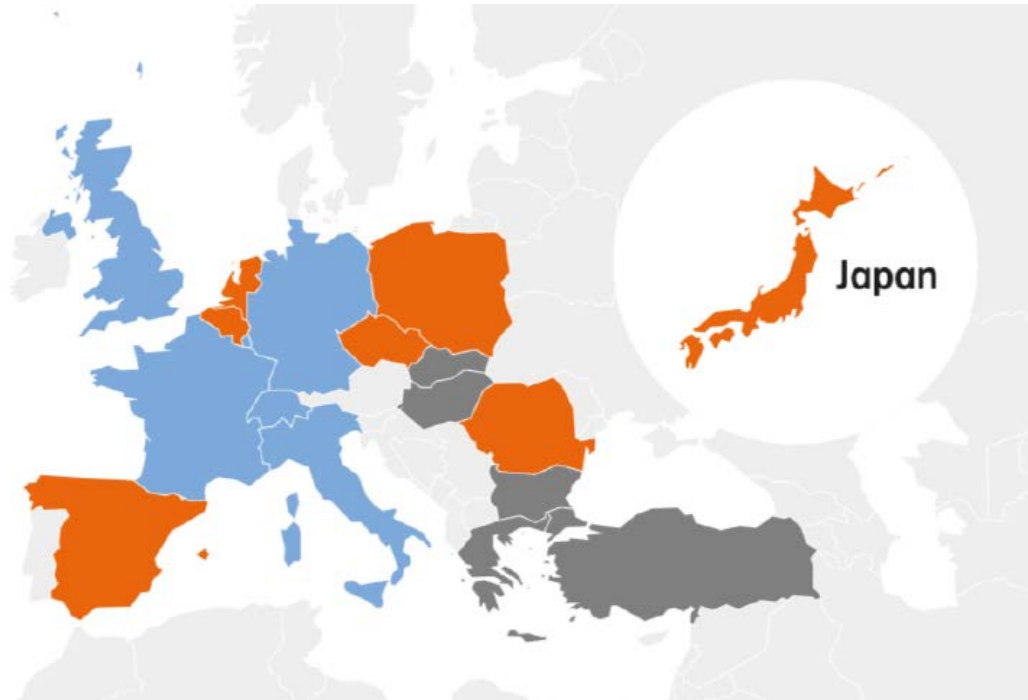


Source: NN Bank



# Parent company: NN Group

## International footprint



■ Insurance and Asset Management ■ Asset Management<sup>1</sup> ■ 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)
- Listed at Euronext Amsterdam since 2 July 2014
- Acquisition of Delta Lloyd completed in April 2017
- On 7 June 2019 NN Group announced its intention to acquire the non-life business of Vivat from Athora
- Shareholders' equity of EUR 30.4bn at 30 June 2019

## NN Group has leading market positions

- #1 life insurer in the Netherlands: 41% market share<sup>2</sup> in group pensions and 22% market share<sup>2</sup> in individual life
- #2 Non-life insurer in the Netherlands: 28% market share<sup>2</sup> in Disability & Accident; 21% market share<sup>2</sup> in Property & Casualty
- Top 3 player in CEE<sup>3</sup> focused on life and voluntary pensions
- Top 3 player in corporate-owned life insurance (COLI) products in Japan
- International asset manager with AuM of EUR 268bn at 2Q19

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; source: DNB and CVS

3. Central and Eastern Europe

# Position of the bank within NN Group

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

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

Source: NN Bank





# Retail-focused business model

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

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



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

- Nationale-Nederlanden's track record in in-house mortgage loan origination, servicing and arrears management goes back to 1963
- Originated EUR 3.7bn of mortgage loans in 1H19 and services over EUR 49bn of mortgage loans for various entities
- Mortgage loans distributed via intermediaries



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

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



Source: NN Bank

# Marketing campaigns

## New construction mortgage loan



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

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

[Maak een afspraak >](#)

## On demand savings and fixed-term deposits



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

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

[Open een rekening >](#)

\* Effectieve rente op jaarbasis met ingang van 21 september 2019, wijzigingen voorbehouden.

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

## Een hypotheek die past bij senioren die willen verhuizen

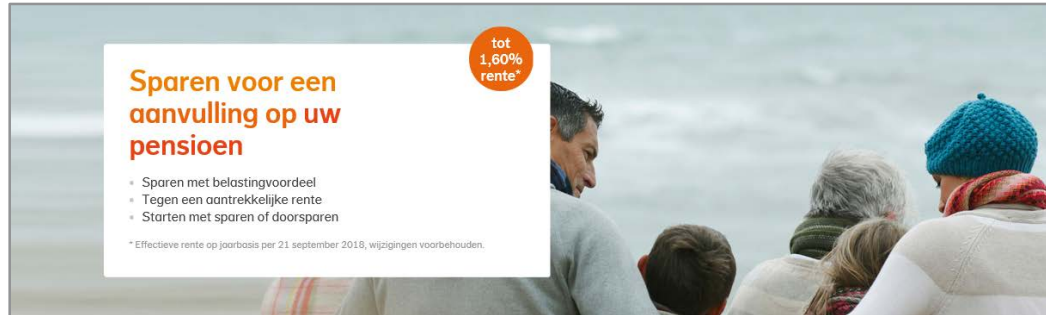


Zijn de kinderen het huis uit en is het tijd om wat kleiner te gaan wonen, of wat goedkoper? Het kan lastig zijn om met een (naderend) pensioeninkomen een hypotheek te krijgen. Ontdek de mogelijkheden van de Senioren Verhuisregeling.

[Maak een afspraak >](#)

## Senior citizens mortgage loan

## Sparen voor een aanvulling op uw pensioen



**Sparen voor een aanvulling op uw pensioen** tot  
1,60%\*  
rente

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

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

## Pension savings (bank annuities)

Source: NN Bank (www.nn.nl)

# Providing excellent service

## NN Bank's strategic priorities for creating long-term value



State-of-the-art savings and mortgage back-office systems: improvements in IT infrastructure

- All NN-labelled mortgage loans migrated to new back-office system
- All savings products migrated to new NN Bank target system
- Migration of Stater (Amstelhuys-originated) mortgage portfolio to NN back-office system to follow



Digital customer experience: enhancement of customer's interaction with NN Bank

- Automatic document assessment within the mortgage chain ensuring a faster customer process
- Redesign of web access and rebranding of former Delta Lloyd label to NN
- Development of blockchain technology-based system allowing a customer to deliver verified information directly to the bank



Continuous product innovations: development of products and services that meet customers' needs

- Implementation of an interest rate pricing system for mortgage loans based on risk-based pricing with multiple risk premium categories, whereby the interest rate for a mortgage loan is set depending on the loan-to-value ratio
- Introduction of customised mortgage propositions, servicing specific target groups

Source: NN Bank

# Retail savings: two strong pillars

The savings market grew stronger in 2018 (+3.86%) than in 2017 (+0.87%), despite the fact that the interest rates for savings have been low for many years and consumer savings are under pressure of taxes and rising inflation (CPI). The growth is mainly related to bank annuity savings<sup>1</sup>

## Savings on demand

- Consumers save mainly in order to build a buffer against unforeseen expenses<sup>2</sup>
- Low-cost online savings platform
- Offering on demand savings accounts (*'Internetsparen'*) and fixed-term deposit accounts to retail customers
- Diversification of funding with a similar savings account in Spain (in co-operation with NN Spain)

## Pension savings (bank annuities)

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

Source: NN Bank

1. Source: DNB

2. Source: Trendmonitor Vermogen VODW

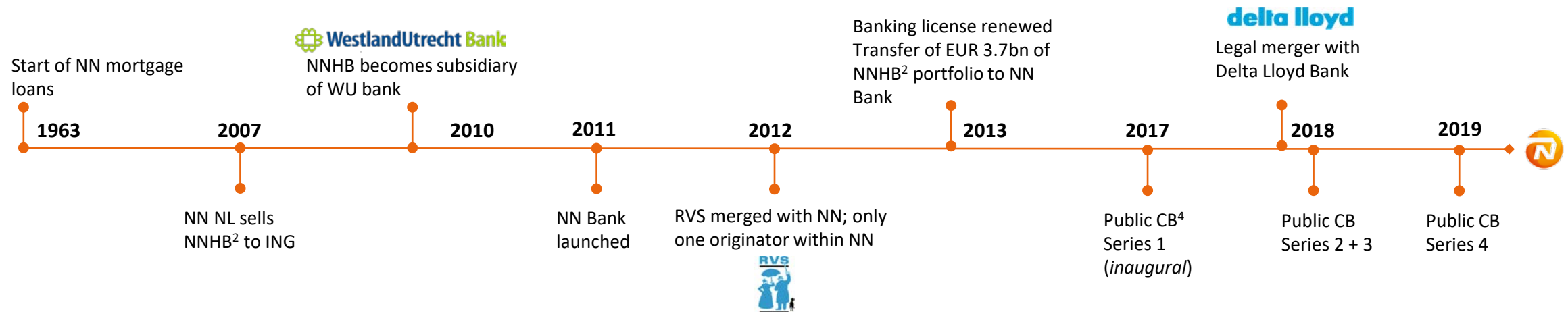


# Mortgage business

# Long-standing history in mortgage business

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

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



Source: NN Bank

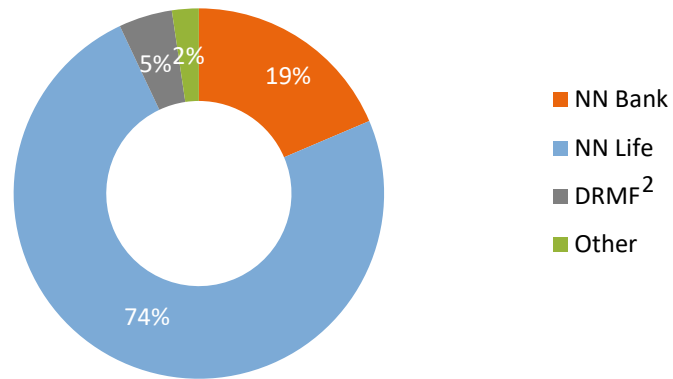
1. NN-labelled mortgage loans prior to 1 July 2013 were originated by NN Life and RVS Life; since 1 July 2013 NN-labelled mortgage loans have been originated by NN Bank
2. NNHB (NN Hypotheek Bedrijf) is a mortgage book held by ING Bank
3. Quion (HQ50) and Delta Lloyd originated mortgage loans are not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



# Mortgage loans: distribution and servicing

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

Economic ownership of new mortgage production in 1H19 (EUR 3.7bn)

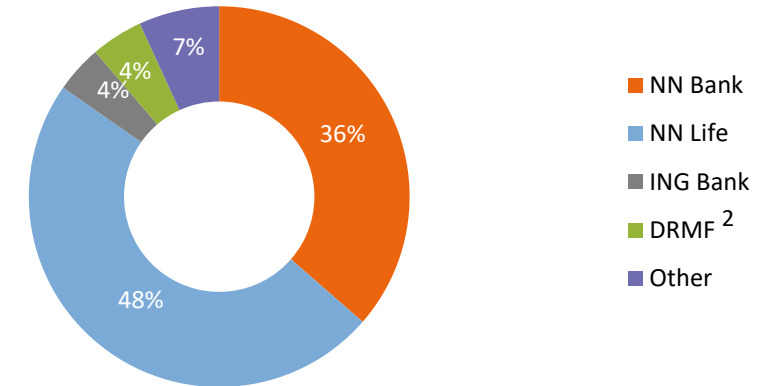


## ... offering attractive investment opportunities within NN Group

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

## Mortgage loans serviced for multiple entities ...

Mortgage portfolio at 1H19 (EUR 49.7bn)



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

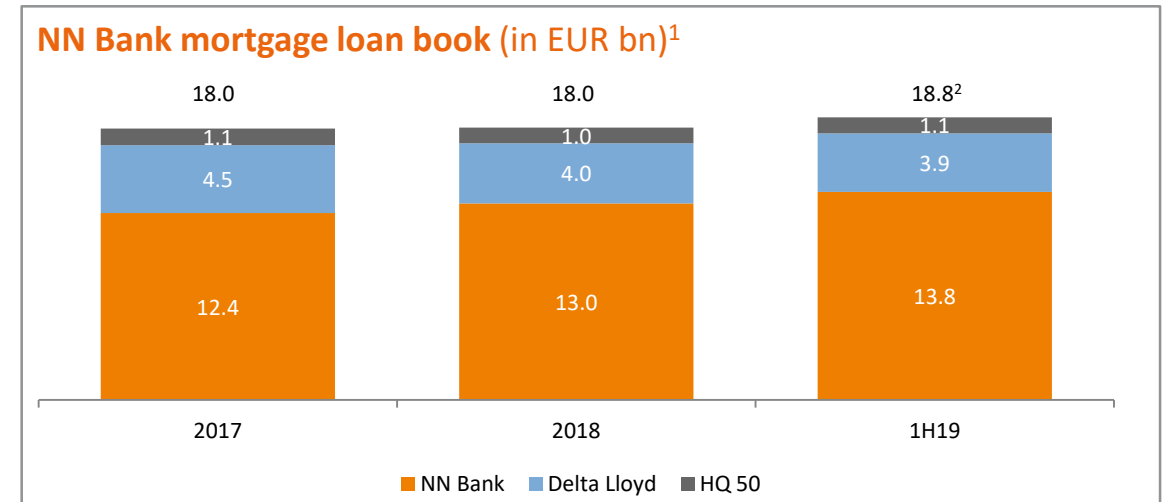
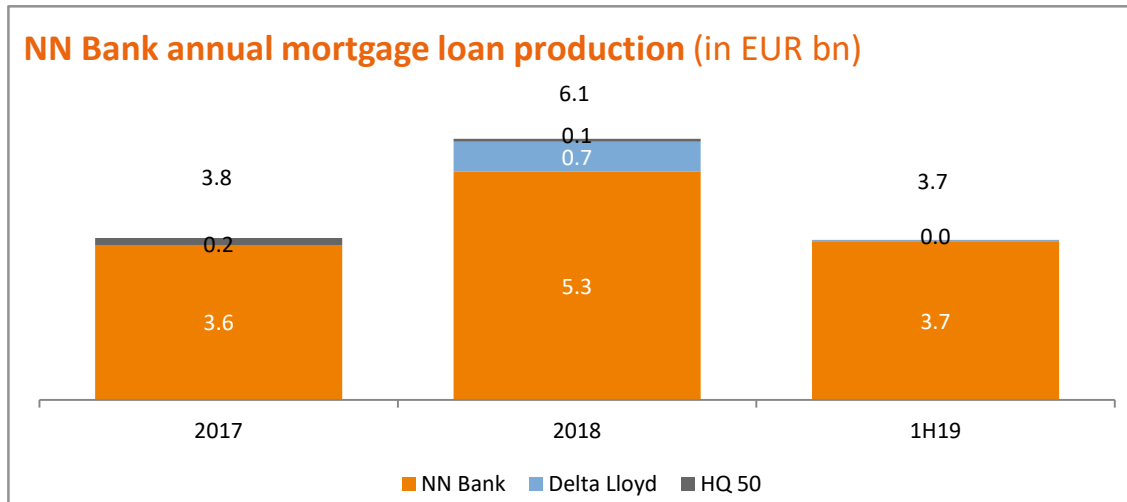
- NN Bank services EUR 31.6bn of mortgage loans for other NN Group companies, NN Dutch Residential Mortgage Fund and ING Bank
- Monthly transfer of mortgage loans from ING Bank to NN Bank<sup>3</sup>

Source: NN Bank

1. New mortgage loan production includes origination of NN Bank, Quion (HQ50) and Delta Lloyd mortgage loans; 'Other' includes NN Non-life and NN Belgium
2. NN Dutch Residential Mortgage Fund
3. In line with transfer agreement, NN Bank purchases NN-labelled mortgage loans held by ING Bank (NNHB) at reset date



# Mortgage loans: growth and trends



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

- Total mortgages originated by NN Bank amounted to EUR 3.7bn in 1H19 (compared with EUR 2.7bn in 1H18)
- 81% 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 averaging<sup>3</sup>
- Risk-based pricing policy fully implemented in 2019 for NN-labelled mortgage loans

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. Total includes EUR 18.1bn gross outstanding mortgage loans plus Transfers of Parts (TOPA) and construction depots

3. "Rentemiddeling"





# Strong mortgage loan performance

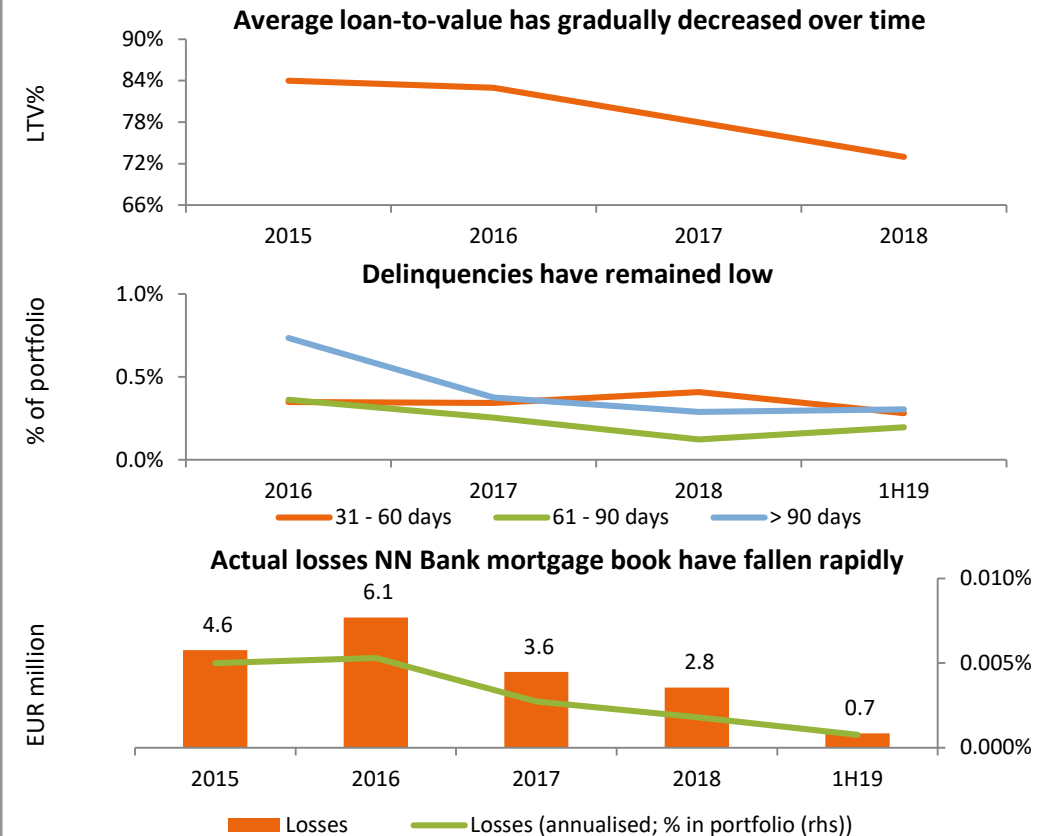
## Trend to lower LTV and higher (p)repayments ...

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

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

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

## ... to 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, 2017)

# Covered bond programme

# 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 CBC<sup>1</sup>
- 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)<sup>2</sup>
- Covered Bond Label from ECBC



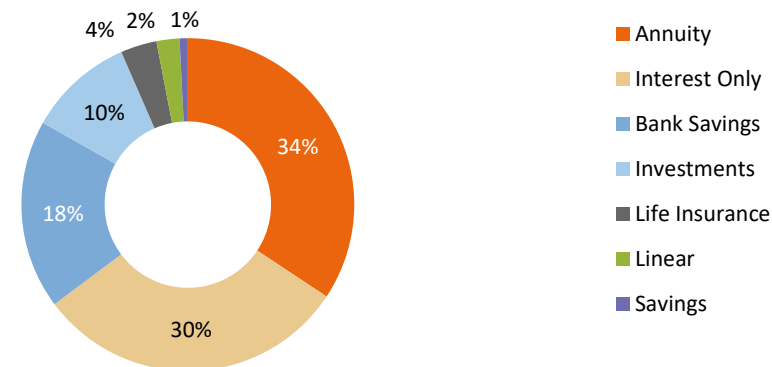
Source: NN Bank

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](http://www.dacb.nl)

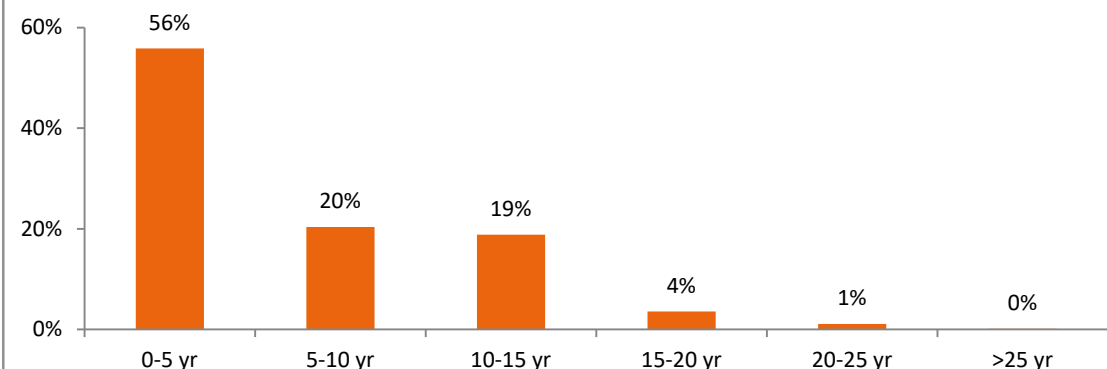
# Key characteristics preliminary cover pool 1,2

<b>Cut-off date</b>	<b>31-07-2019</b>
Principal balance (EUR)	3,282,540,287
Value of saving deposits (EUR)	176,789,708
Net principal balance (EUR)	3,105,750,579
Number of loans	12,550
Number of loan parts	27,684
Average principal balance (borrower) (EUR)	247,470
Weighted average current interest rate	3.0%
Weighted average remaining fixed rate period (yrs)	11.3
Weighted average seasoning (yrs)	6.3
Weighted average LTMV (CLTOMV)	83.5%
Weighted average LTMV (indexed)	69.2%
NHG(%)	15.9%
Nominal over-collateral	48.9%

## Redemption type<sup>3</sup>



## Seasoning

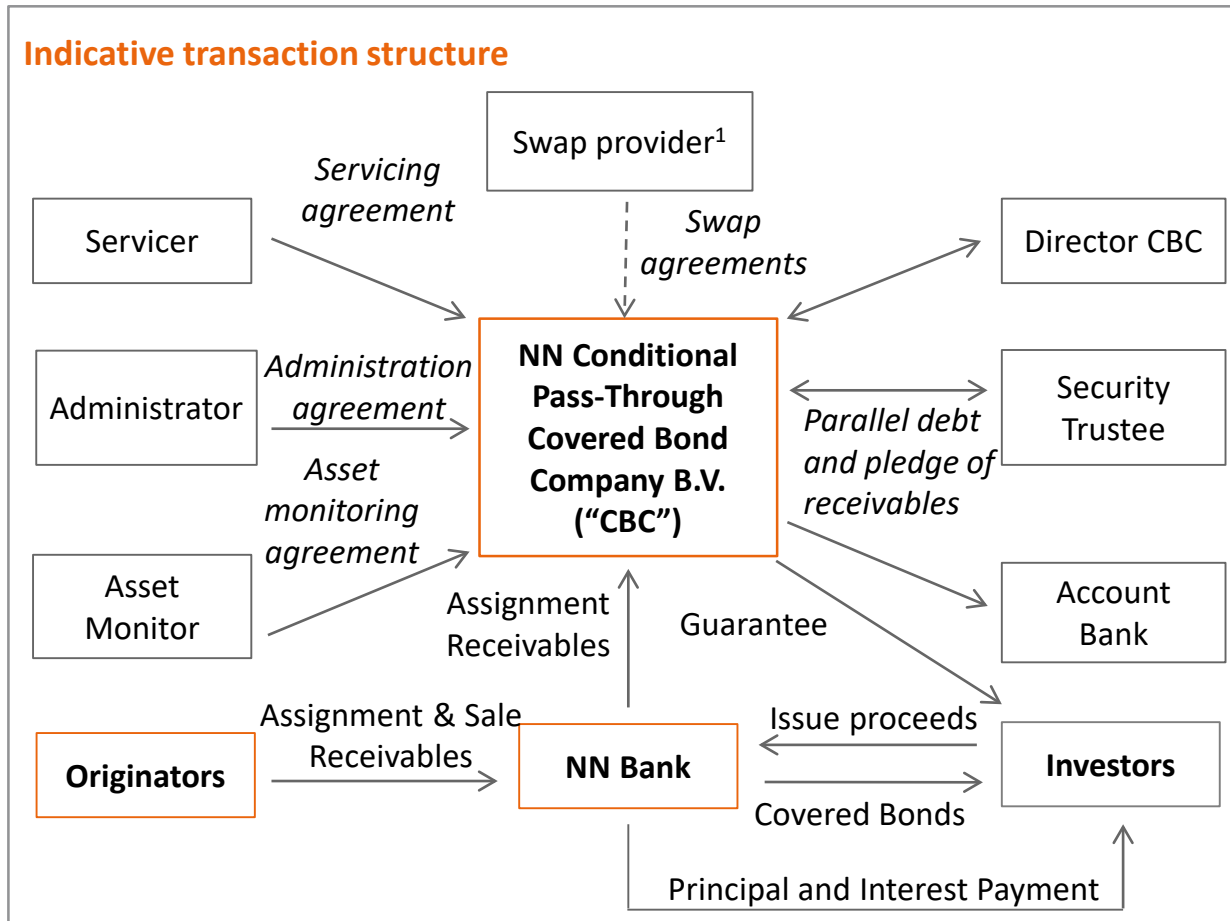


Source: NN Bank

1. NN Bank preliminary cover pool with cut-off date 31 July 2019
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

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

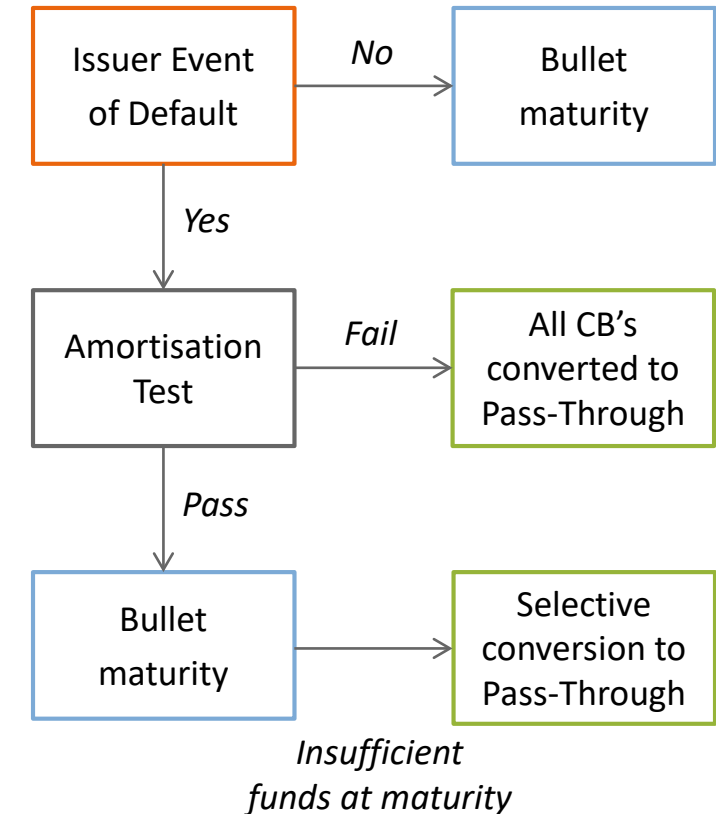
## Going concern

- 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

# Balance sheet and capital position

# Balance sheet composition

## Assets

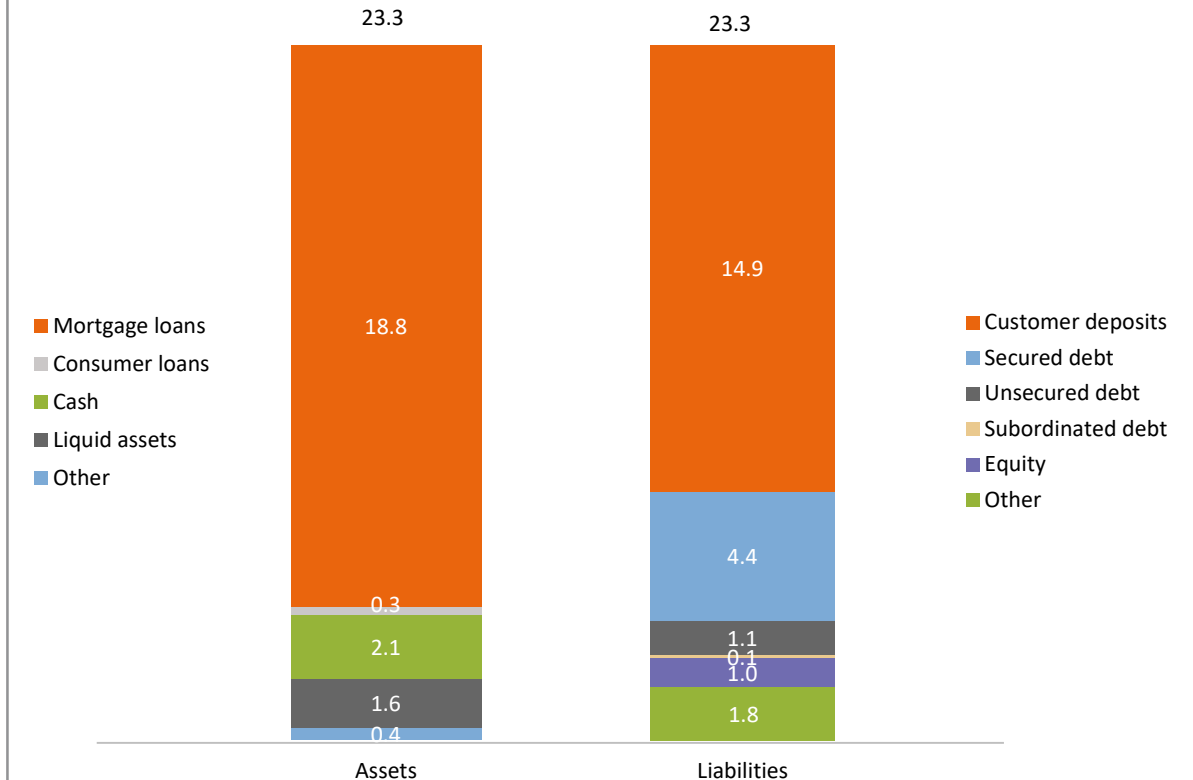
- Mainly mortgage loans, small consumer loan portfolio and liquid assets (HQLA)
- Gross mortgage portfolio consists of EUR 13.0bn NN-labelled mortgages, EUR 4.0bn Delta Lloyd mortgages and EUR 1.1bn Quion (HQ 50) mortgages<sup>1</sup>
- 29% of outstanding mortgage amounts are guaranteed through NHG

## Liabilities

- Well-diversified funding mix, with customer savings portfolio two-thirds of the balance sheet
- Total secured funding portfolio of EUR 4.4bn, consisting of EUR 2.3bn in securitisations and EUR 2.1bn in covered bonds at 30 June 2019
- In February 2019 NN Bank issued its fourth benchmark covered bond of EUR 500m
- In April and May 2019 NN Bank redeemed the Arena 2014-I and Hypenn RMBS II securitisation transactions on their respective FORD<sup>2</sup>

## Balance sheet at 30 June 2019

EUR bn

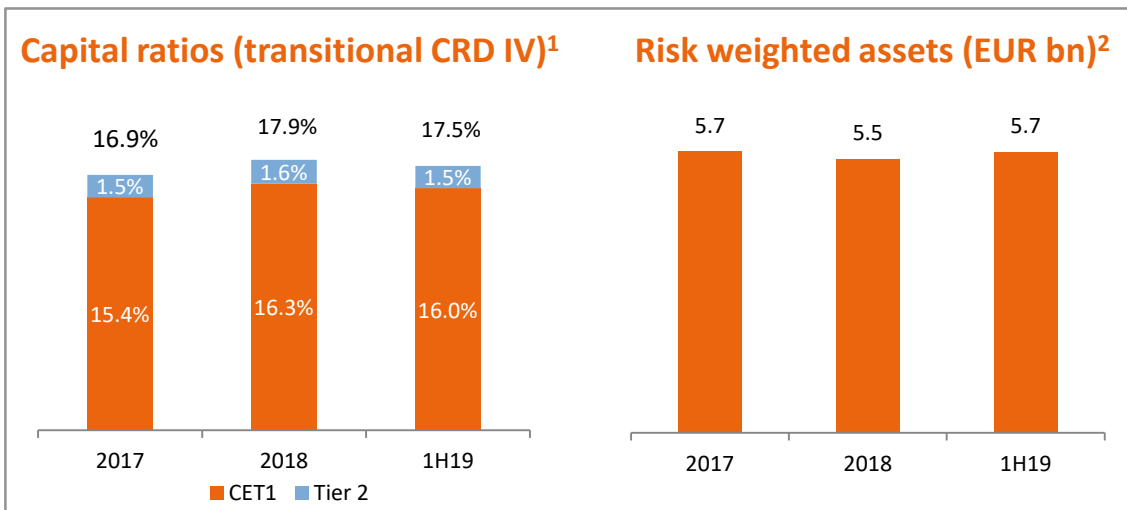


Source: NN Bank

1. This is excluding all Transfer of Parts and construction depots
2. First Optional Redemption Date



# Capital and liquidity position



**Solid capital position**

- Capital position exceeds regulatory requirements. For both credit risk and operational risk, the Standardised Approach is used
- Growth in capital driven by internal capital generation in the form of retained profits (self-funded growth)
- In June 2019, dividend of EUR 55.9m paid to parent NN Group for 2018; proposal to pay interim dividend of EUR 26.2m for 1H19

Liquidity metrics	30 June 2019
Liquidity Coverage Ratio (LCR)	156%
Net Stable Funding Ratio (NSFR) <sup>3</sup>	126%
Loan-to-deposit ratio <sup>4</sup>	129%

**Wide range of liquidity sources**

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

Source: NN Bank

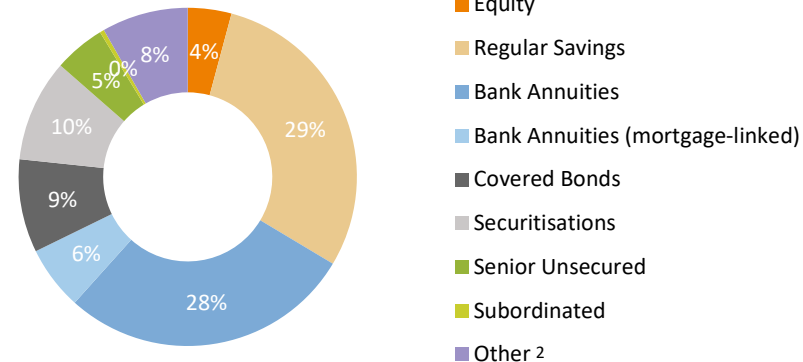
1. Pro-forma combined bank figures at 31 December 2017
2. RWA growth is in line with projected asset growth
3. NSFR is defined as the amount of available stable funding relative to the amount of required stable funding
4. Loan-to-deposit ratio is calculated by dividing the bank's total volume of commercial loans by its retail deposits



# Funding diversification

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

30 June 2019

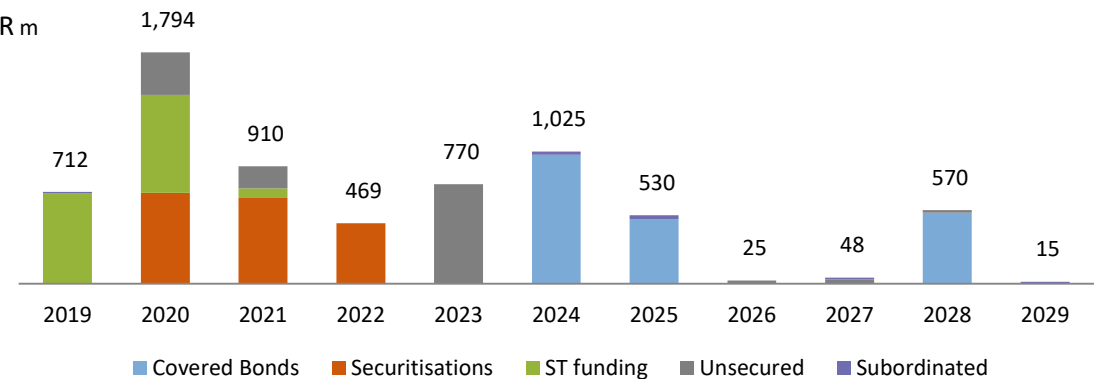


## Further diversification of funding and investor base

- Funding for two-thirds retail savings (EUR 14.9bn), the remainder predominantly secured wholesale funding
- In addition to secured wholesale funding, NN Bank aims to further diversify its investor base by attracting unsecured wholesale funding

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

EUR m



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

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

Source: NN Bank

1. Due to rounding the percentages in this figure don't add up to 100%

2. Including amounts due to banks and non-trading derivatives

3. Redemption profile at 30 June 2019

4. Awarded by Standard & Poor's



# Various funding programmes

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

- EUR 3.0bn programme
- Wholesale funding (senior unsecured)
- Public benchmark deals and private placements
- Base prospectus last updated on 15 May 2019

## CPT Covered Bond Programme

- EUR 5.0bn programme
- Conditional Pass-Through (CPT) structure
- Collateralised by prime Dutch residential mortgage portfolio, originated by NN Life and NN Bank and serviced by NN Bank
- Registered with the Dutch Central Bank
- Public benchmark deals and private placements
- Base Prospectus last updated on 4 July 2019; 1<sup>st</sup> Supplement dated 16 September 2019

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

- Benchmark-size issuances at launch (i.e. at least EUR 500m)
- Collateralised by prime Dutch residential mortgage portfolio
- Hypenn RMBS series, with collateral originated by NN Life and NN Bank
- Arena RMBS series, with collateral originated by Amstelhuys
- All mortgage loans serviced by NN Bank

## Disclosure of programme documentation, investor reports and credit ratings

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

Source: NN Bank

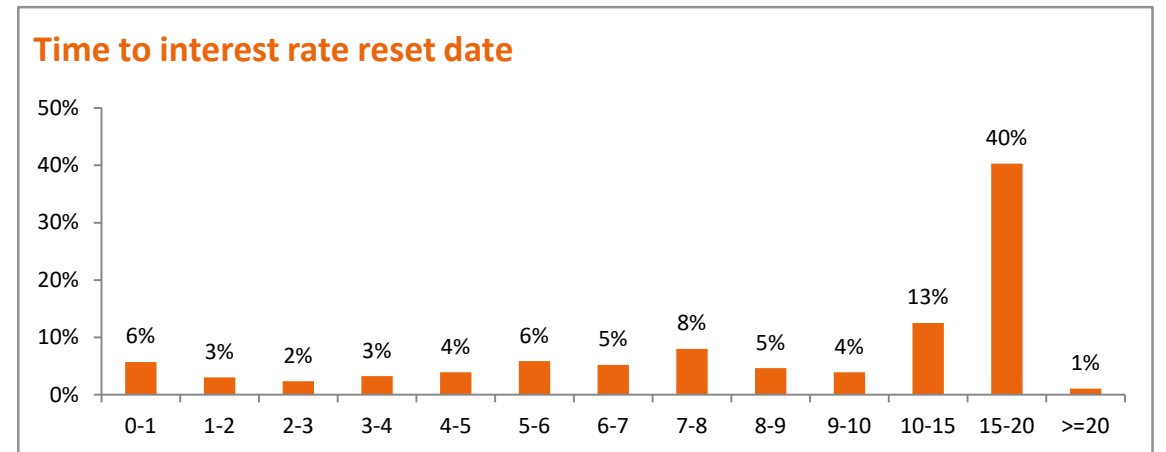
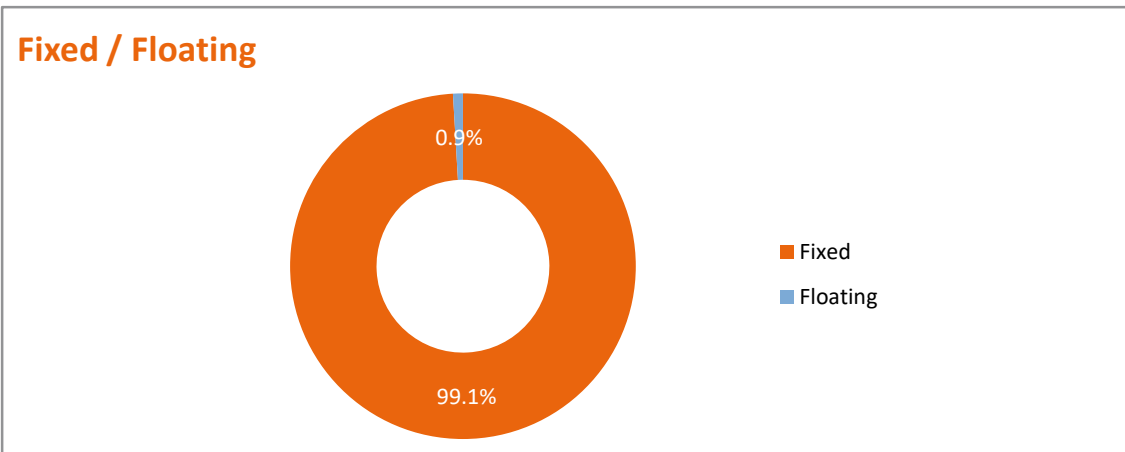
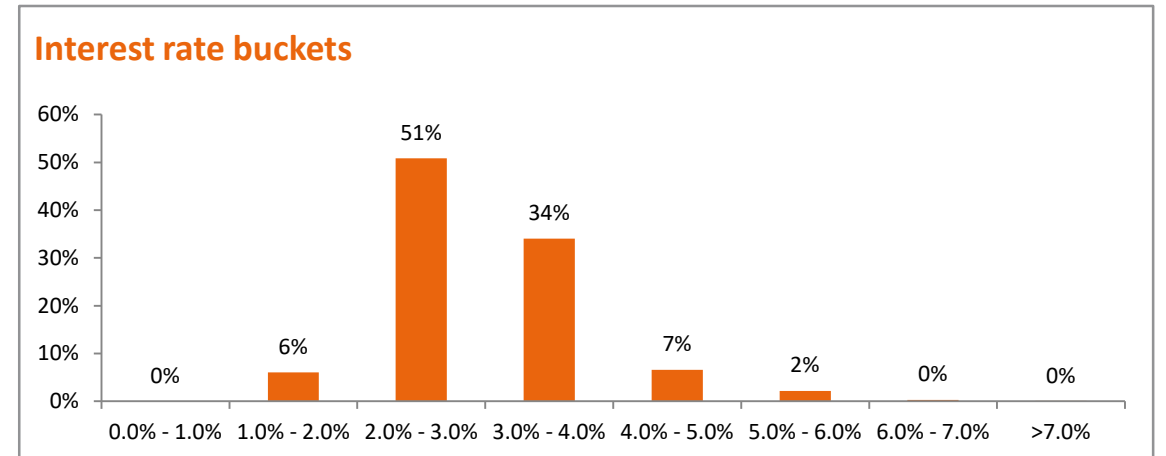
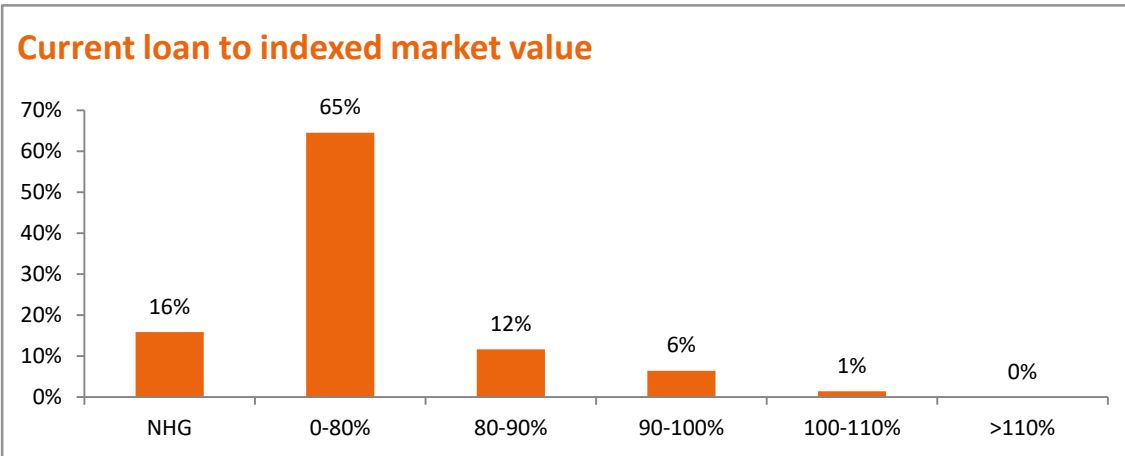
1. Euro Medium Term Notes

2. Residential Mortgage Backed Securities



# Appendices

# A Key characteristics cover pool<sup>1</sup>

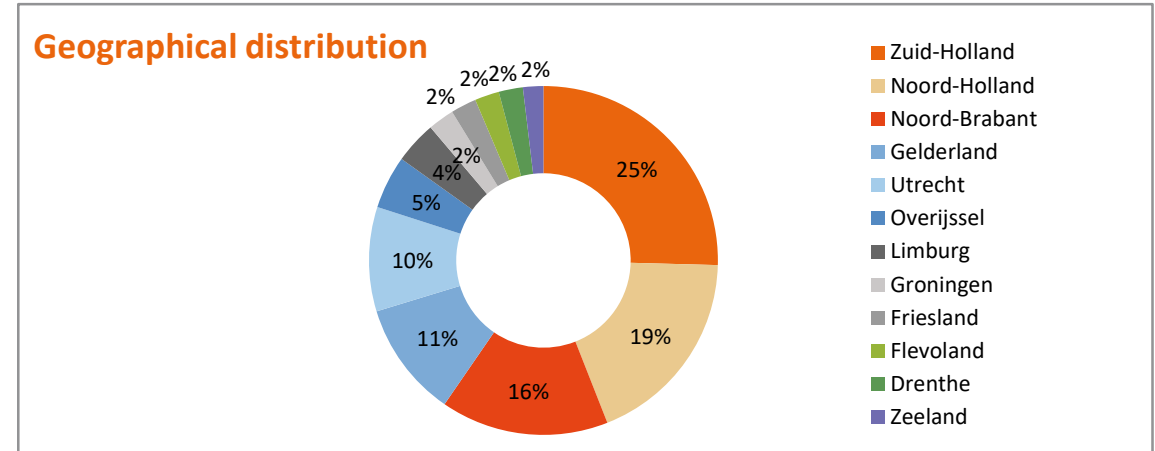
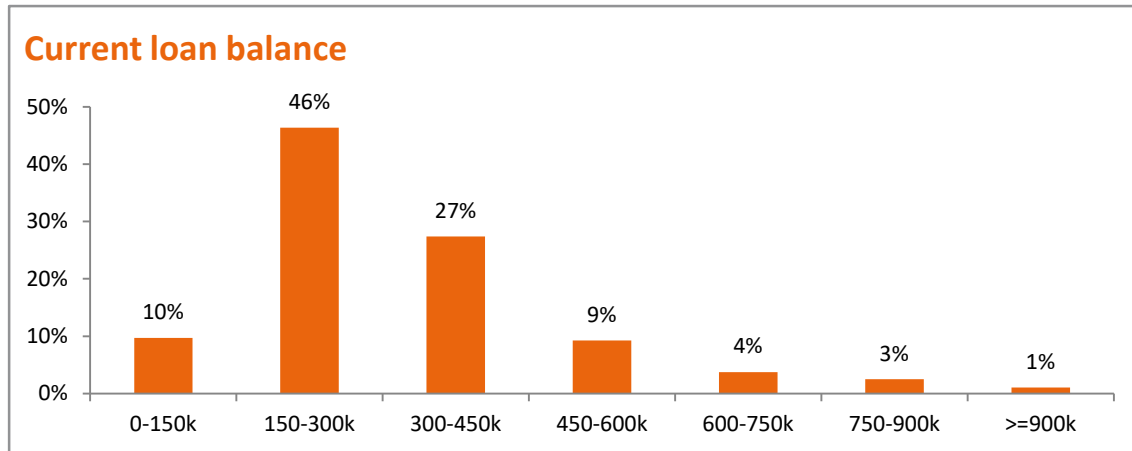
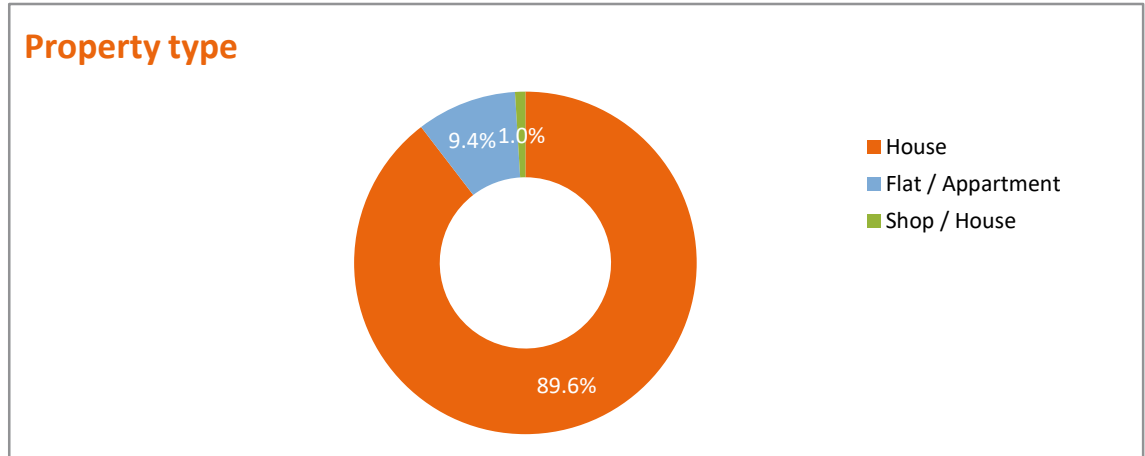
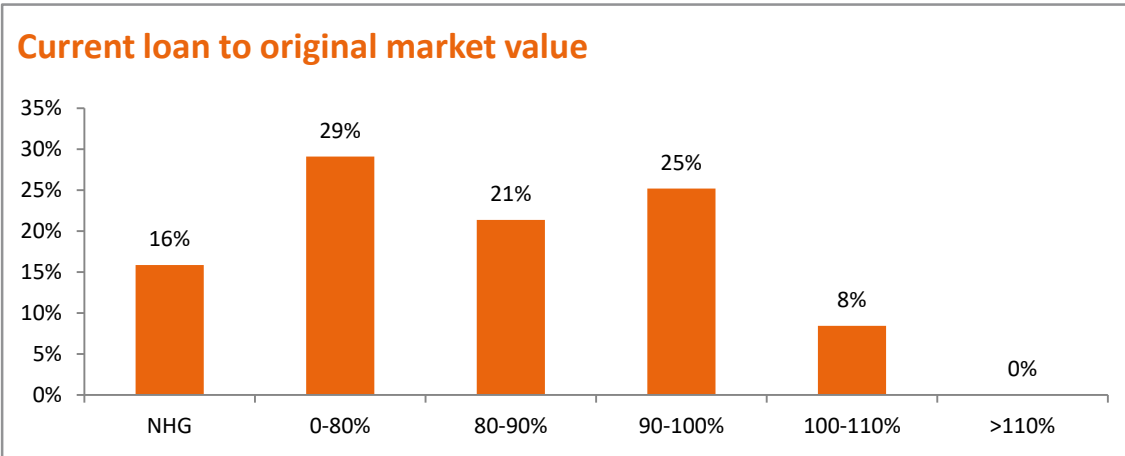


Source: NN Bank

1. NN Bank cover pool with cut-off date 31 July 2019



# A Key characteristics cover pool<sup>1</sup>

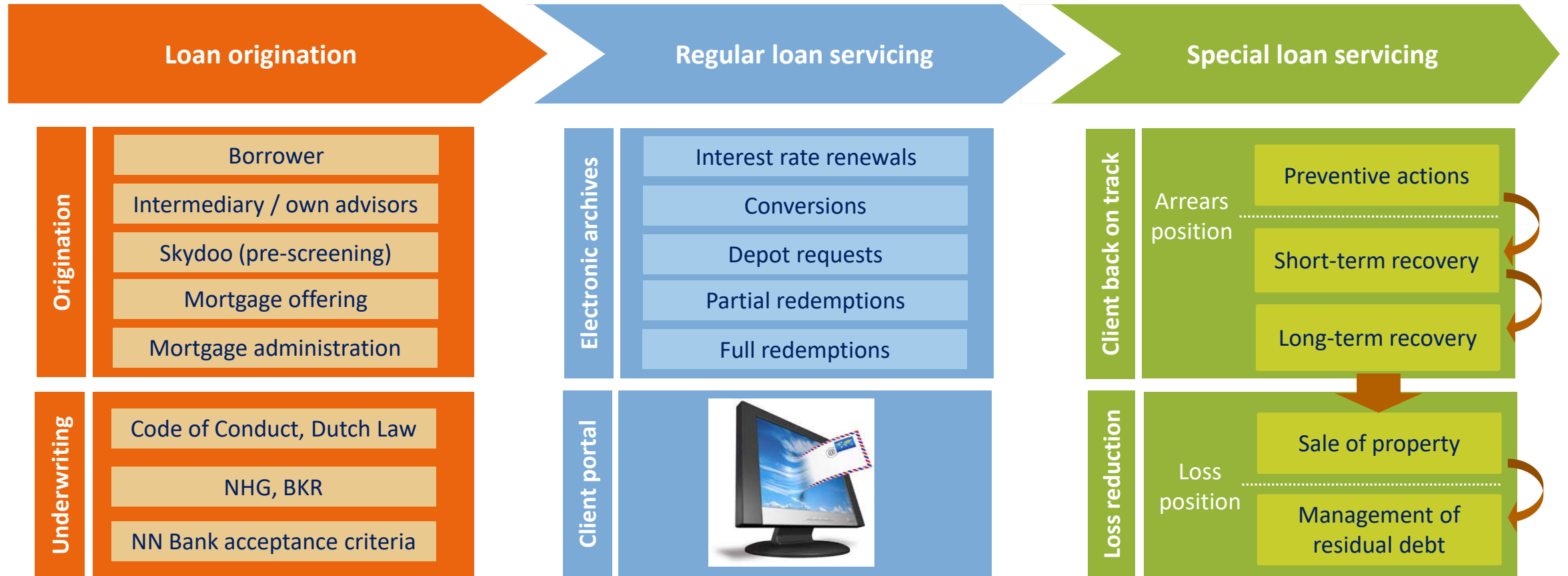


Source: NN Bank

1. NN Bank cover pool with cut-off date 31 July 2019



# B Inhouse mortgage loan operations<sup>1</sup>



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 criteria<sup>1</sup>

## All mortgage production is originated via intermediary channels

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

## All intermediaries are licensed

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

## Screening of intermediaries

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

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 criteria<sup>1</sup>

## Code of conduct

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

## Borrower criteria

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

## Collateral criteria

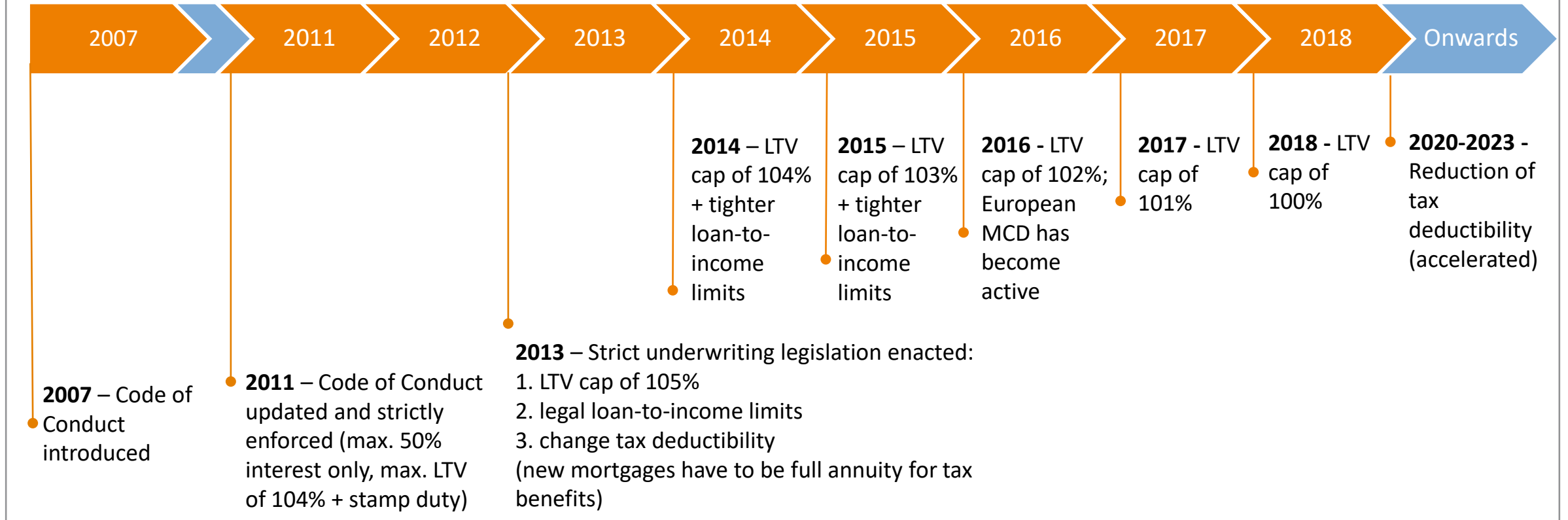
- All properties must be located in the Netherlands
- Properties with a market value above EUR 1m in most cases have a maximum loan amount of 80% of the market value
- For collateral with market value below EUR 1m, maximum LTMV is 100% (2018)
- Full valuation is commonly used; WOZ reports only utilised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

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

# B Strict underwriting legislation

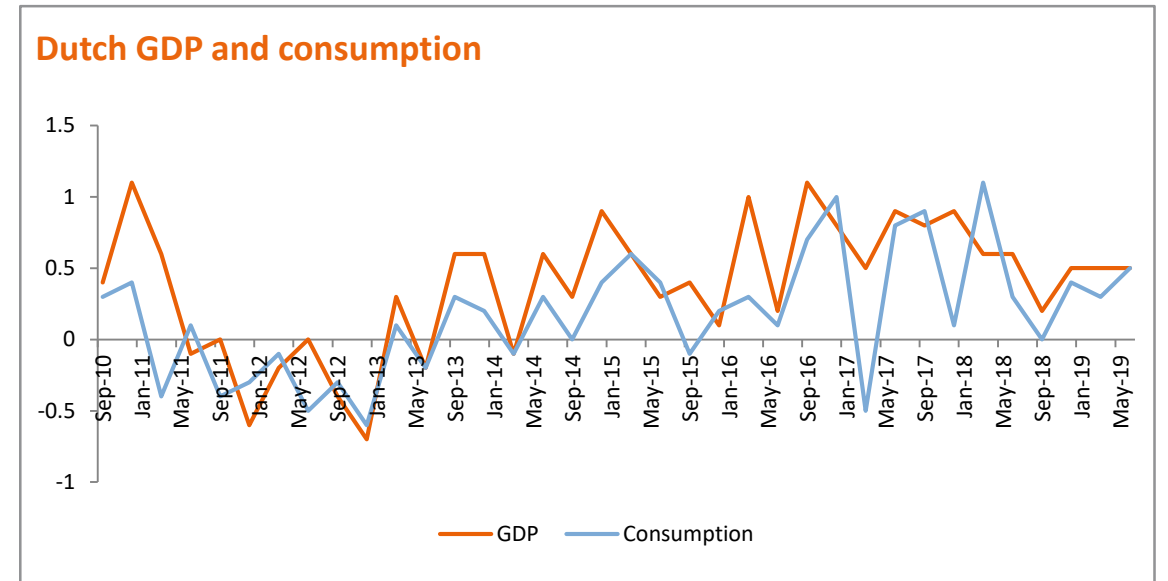
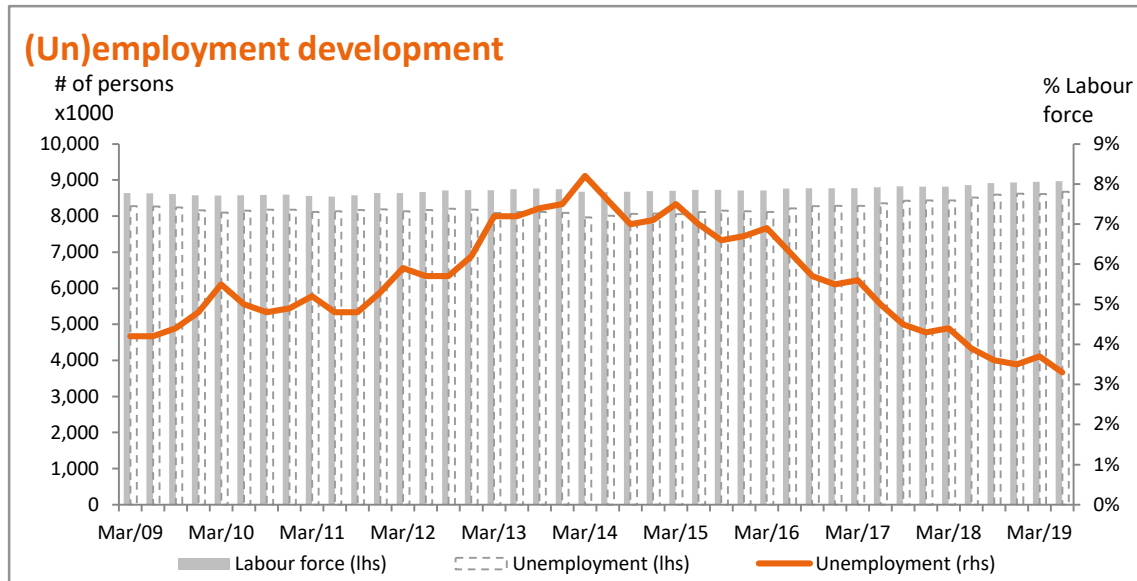
## Recent developments



Source: DSA, NN Bank

# C Dutch economy

- Decreasing unemployment rate (2Q19: 3.4%) due to improved economic conditions
- Dutch economy grew by 1.8% in the period 2Q18 - 2Q19

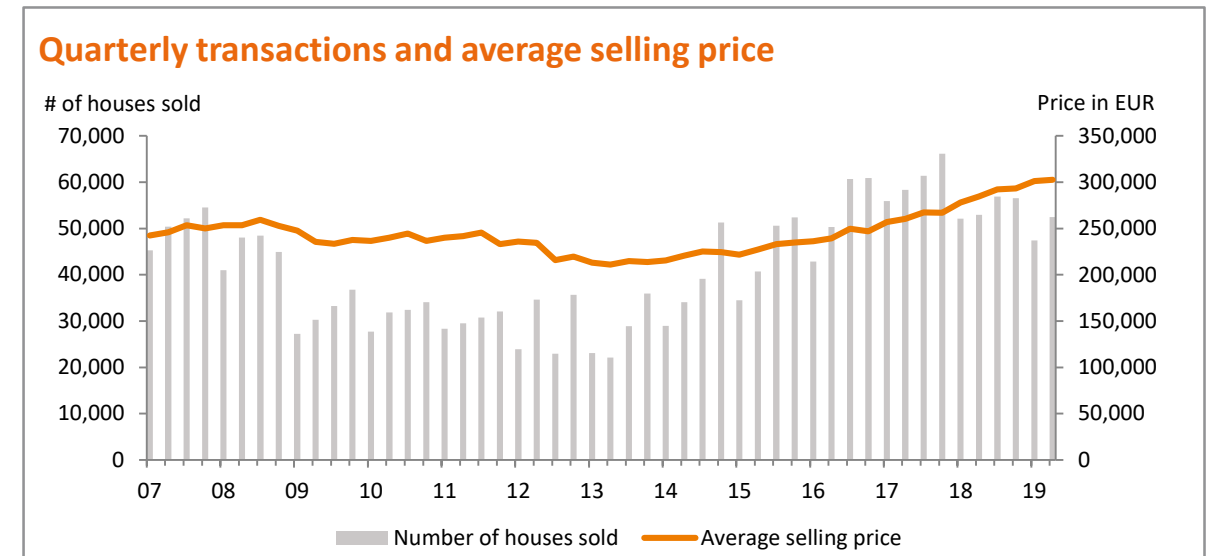
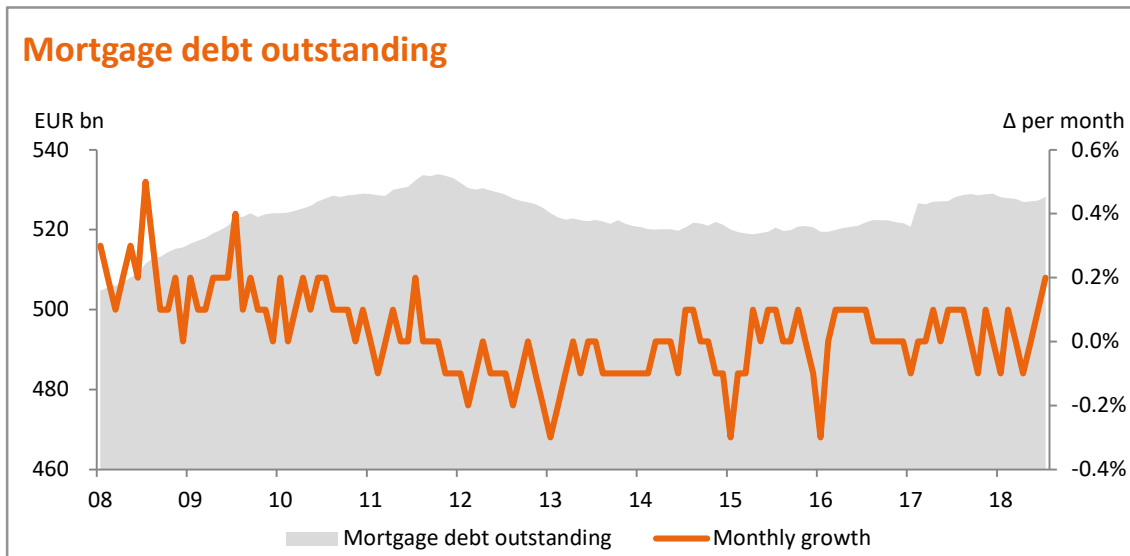


Source: CBS, Land Registry, DNB, ABN AMRO Insights: Housing Market Monitor July 2019, unless stated otherwise

# C Dutch housing market developments

- The total mortgage debt outstanding is estimated at EUR 715bn in March 2019
- Adjust this figure for securitisations, this amount is EUR 527bn in March 2019
- According to the DNB, this amount is expected to grow to EUR 800-875bn by 2025

- Despite high demand, house transaction volume is weakening; in the twelve months to the end of June 2019, 213,000 properties were purchased, 20,000 less than the peak in June 2019
- Reason for the slowdown is limited supply; only 62,000 properties for sale in June 2019, 19% less than in June 2018
- This is compelling buyers to act fast and bid high; in 2Q19, homes sold by NVM<sup>1</sup> members were on the market for an average of 45 days

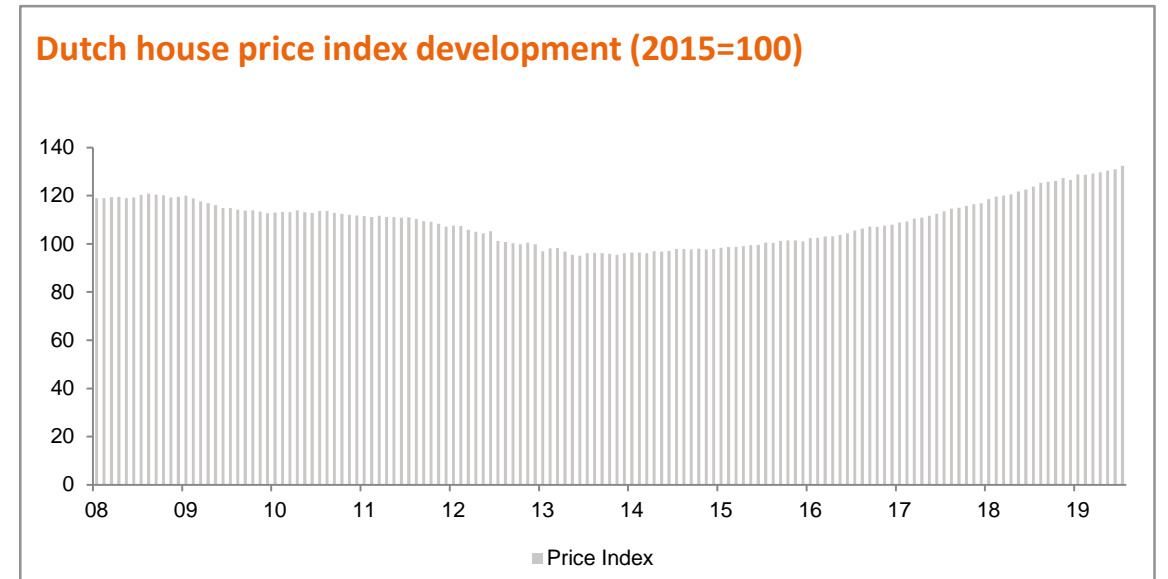
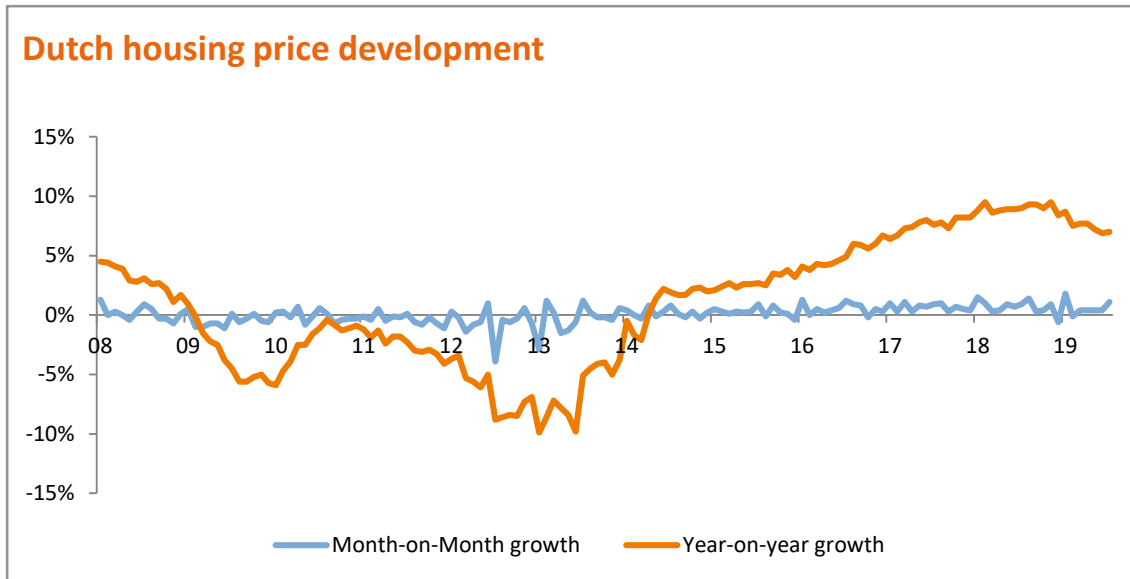


Source: CBS, Land Registry, DNB, ABN AMRO Insights: Housing Market Monitor July 2019, unless stated otherwise

1. Dutch Association of Real Estate Agents

# C Dutch housing market developments


- In 2Q19, house prices rose by 7.2% year-on-year and the average purchase price at EUR 303,000
- House prices rising less rapidly than before, in 2018 the house prices rose on average by 9%
- The relative high 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 2019, unless stated otherwise

# 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 savings<sup>1</sup>
  - 2018** – Legal merger of NN Bank and Delta Lloyd Bank effective on 1 January 2018, following NN Group’s acquisition of Delta Lloyd Group in 2017



Source: NN Group

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

# D NN Bank

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

(Amounts in EUR m)	1H19	1H18
Interest income	309	293
Interest expense	(190)	(192)
Interest result	120	101
Net fee and commission income	55	38
Gains and losses on financial transactions and other income	12	13
Valuation results on non-trading derivatives	(8)	(2)
<b>Total income</b>	<b>178</b>	<b>150</b>
Staff expenses	(56)	(56)
Addition to loan loss provisions	-	4
Regulatory levies	(10)	(10)
Other operating expenses	(45)	(44)
<b>Total operating expenses</b>	<b>(111)</b>	<b>(106)</b>
<b>Result before tax</b>	<b>67</b>	<b>44</b>
Taxation	(17)	(11)
<b>Net result</b>	<b>51</b>	<b>33</b>

1. Source: "30 June 2019 Condensed Consolidated interim financial information Nationale-Nederlanden Bank N.V."

# 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





# E Glossary

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

Source: NN Bank

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

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