BNG BANK INTERIM REPORT

2021

BNG BANK

INTERIM REPORT 2021

PROFILE

Our 'Road to Impact' charts the course for BNG Bank. It establishes a clear purpose and strategic priorities.

Our Road to Impact

Purpose: driven by social impact

BNG Bank focuses on creating social impact. The bank discusses this objective with its clients and makes choices on that basis. BNG Bank is committed to serving the public sector and enhancing its partnerships with clients. The aim is to ensure that clients see BNG Bank as the go-to partner for addressing social issues, and that the bank succeeds in achieving social impact and demonstrating it.

Core values: sustainability, reliability and professionalism

BNG Bank's three core values are sustainability, reliability and professionalism:

- **Sustainability** indicates that BNG Bank's actions aim to make a positive impact, both now and in the long term. The bank is aware of developments in society and consequently focuses on finding solutions and building strong relationships with its clients
- **Reliability** is reflected in the transparency of the bank's actions and communication. BNG Bank is clear and honest about what it can do and honours its agreements.
- **Professionalism** defines how BNG Bank works, how the bank develops, and how it conducts itself when it engages with other parties in a professional context. BNG Bank runs an effective operation and is continuously evolving. The bank shows respect for others, listens carefully, speaks out on issues and learns from mistakes.

Serving the public sector

In recent years, BNG Bank has served a range of clients with a variety of products and services, which has caused its activities to fragment. Our Road to Impact has redirected the focus by defining more clearly:

- the bank's purpose: maximum social impact;
- who the bank serves: of and for the public sector;
- what the bank is: sustainable, reliable and professional.

BNG Bank chooses to be true to its origins and serve the public sector in the Netherlands. The public sector includes:

- central government, provinces, municipalities and water authorities;
- organisations that fulfil a public service task, such as housing associations, healthcare and educational institutions;
- organisations that have half or more of their share capital provided by the government and/or activities that are fully guaranteed by the government.

Building strong partnerships with clients

BNG Bank is committed to building strong relationships with its clients. BNG Bank strives to be more to its clients than a provider of loans. Given the bank's strong presence in the public sector, it is well positioned to play a more meaningful role. BNG Bank wants to be a natural partner known for its expertise and genuine commitment, a partner that helps to solve social issues.

BNG Bank wants to serve customers with the right product, through the right channel and at the right time. That is why the bank engages clients in discussing their current and future needs, so it can adapt its services accordingly.

Demonstrable social impact

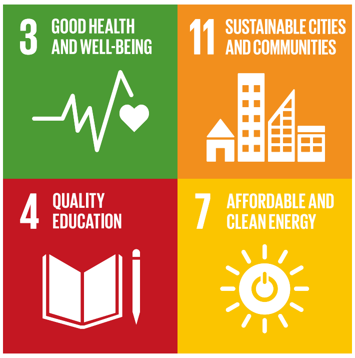
In the coming years, BNG Bank will increasingly focus on strengthening its client relationships and

GOOD HEALTH AND WELL-BEING:

- BNG Bank contributes to affordable health care for everyone.
- BNG Bank is a partner in improving sustainability of hospitals and other health care facilities.

SUSTAINABLE CITIES AND COMMUNITIES:

- As a partner of social housing associations, BNG Bank contributes to better and liveable communities.
- As a partner of municipalities, BNG Bank contributes to affordable and better social provisions.



QUALITY EDUCATION:

- BNG Bank contributes to affordable and high quality school buildings.
- BNG Bank is a partner in improving sustainability of schools and other educational buildings.

AFFORDABLE AND CLEAN ENERGY:

- BNG Bank contributes to a larger share of renewable energy in our energy mix.
- BNG Bank contributes to energy savings and more energy efficiency.

partnerships, as well as optimising its internal organisation. BNG Bank believes it can achieve these objectives by consciously profiling itself as a public bank that has a clear social impact and which is viewed by its clients and stakeholders as a natural partner for addressing social issues. To actively enhance its social impact, BNG Bank will measure and report on this impact.

The bank will use the Sustainable Development Goals (SDGs) as a framework. It has selected four SDGs in areas where the bank can make a difference with its clients. The 2021 Annual Report will explain how the bank intends to measure this impact.

Corporate structure

BNG Bank acts as an intermediary between the international money and capital markets and the Dutch public sector. Since 1914, BNG Bank has provided financing to the public sector at competitive terms for all maturities, regardless of the situation in the financial markets. Most of the loans (over 90%) are given to, or guaranteed by, public authorities. These loans are not subject to solvency requirements and have a risk weighting of 0%. BNG Bank also handles payment transactions for its clients.

BNG Bank is one of the largest issuers of bonds in the Netherlands. The bank is seen as a safe bank thanks to the shareholding of Dutch public authorities and largely solvency-free lending. It has the highest possible external credit ratings (Moody's: Aaa, FitchRatings: AAA, S&P Global: AAA). BNG Bank consequently has a strong funding position on the international money and capital markets. It can raise short- and long-term funding in various currencies at low cost. This enables BNG Bank to offer clients low rates.

BNG Bank's shareholders are exclusively public authorities. Half of the shares are held by municipalities, provinces and a district water authority. The Dutch State holds the other half. BNG Bank is a national systemically important bank under the direct supervision of the ECB and the fourth-largest bank in the Netherlands in terms of its balance sheet total.

BNG Bank has a two-tier board structure consisting of a Supervisory Board (SB) and a board, consisting of three statutory directors. As of March 1, 2021, an Executive Committee has been established, consisting of five board members, including the three statutory directors. The day-to-day management of BNG Bank is entrusted to the Executive Committee, which replaces the statutory board. The task of the Supervisory Board is to supervise the policy of the statutory board and the Executive Committee and the general course of affairs in the company and its affiliated enterprise.

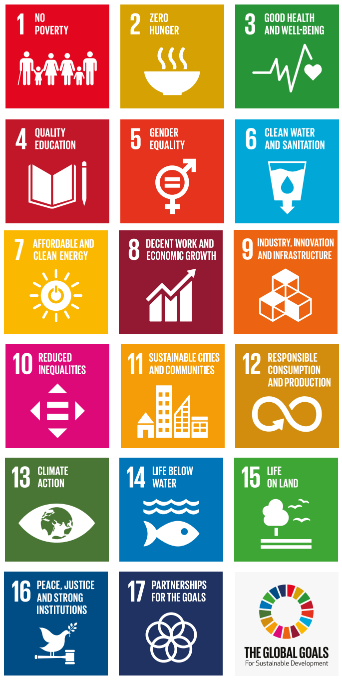
Significant events in the first six months of 2021

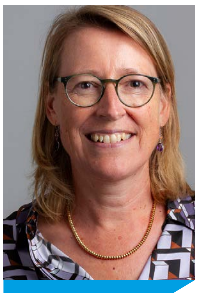
January

2 Billion Sustainability Bond for Municipalities

The transaction is BNG Bank's inaugural issue under their renewed sustainability framework for Dutch Municipalities. This framework links the 17 SDG's to municipal budgets. Municipal budgets are drawn up using Classification of Functions of Government ('COFOG') tasks to display the municipal expense categories. All COFOG tasks that are SDG-linked, have been categorized using the Green Bond Principles and Social bond Principles.

The proceeds of the EUR denominated bond will be utilised for lending to all SDG-linked expenditures of Dutch municipalities, as defined in BNG Bank's 'SDG Bond Framework Dutch Municipalities'.





Karin Bergstein
Chair Audit Committee

Leonard Geluk
HR Committee &
Remuneration Committee

Femke de Vries
Risk Committee

March

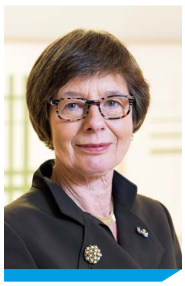
Nomination of three new BNG Bank Supervisory Board members

The Supervisory Board nominated **Karin Bergstein, Leonard Geluk** and **Femke de Vries** as Supervisory Board members with effect from 22 April 2021. The regulator had already approved the nomination of the three new members of the Supervisory Board.

April

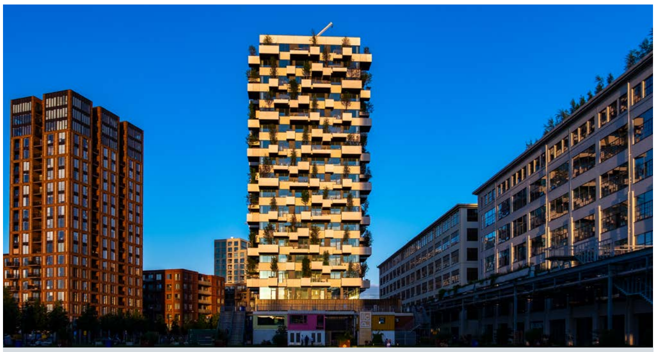
Departure of Supervisory Board members Marjanne Sint and Jantine Kriens

On the occasion of the general meeting of shareholders on 22 April 2021 **Marjanne Sint** resigned as chair and **Jantine Kriens** as member of the Supervisory Board. The Executive Committee greatly appreciates the constructive contribution that both have made to BNG Bank's development over many years.



Marjanne Sint
Chair Supervisory Board
2012-2021

Jantine Kriens
Member Supervisory Board
2014-2021



March & June

Customer Advisory Board

The Customer Advisory Board met twice in the first half of the year. The session in March focused on public sector funding. Customers and shareholders alike certainly wish to remain financially independent from central government, on which they are currently heavily dependent. Within this area of tension, the sector banks play a key role, which goes beyond funding. Payment transactions, risk assessment and connecting parties in order to realise social impact are likewise part of that role. In this context, public issues should be addressed more frequently.
We are therefore actively asking after specific challenges from our customers, so that we can tackle them together.

The session in June focused on the problems in the housing market. In addition to addressing the housing shortage, significant investments in sustainability are required. The quality of life in neighbourhoods is under pressure due to concentration of social problems. We discussed solutions and suggestions in relation to our role in this regard. A comprehensive approach to the quality of life in neighbourhoods may lead to significant improvement.
Decompartmentalisation is needed to enable early detection and action – ultimately leading to cost reduction. BNG Bank is able to facilitate this discussion due to its position in the various sectors concerned and relationships with the relevant ministries.

June

New senior management structure

In early June, BNG Bank's Executive Committee reached its intended size of five members following the arrival of three new members.
Cindy van Atteveldt has been BNG Bank's new Chief Risk Officer (CRO) since 15 February 2021.
Jaco van Goudswaard is appointed as Chief Operating Officer (COO) and **Thomas Eterman** as Chief Commercial Officer (CCO).

NOTES TO THE FINANCIAL RESULTS

BNG Bank looks back with satisfaction at the financial results achieved in the first half of the year. Although the COVID-19 pandemic is not over yet, the bank's results have been positively influenced by improved economic conditions.

The first half of 2021

BNG Bank's net profit in the first half of 2021 amounted to EUR 187 million. The increase of EUR 87 million compared to the first half of 2020 can be attributed to the diminishing impact of the COVID-19 pandemic on Western economies. In particular, the better economic outlook is effecting positively the bank's results on financial transactions and models for loan impairments.

The volume of new long-term loans in the reporting period amounted to EUR 5.6 billion. The increase of EUR 0.2 billion compared to the same period in 2020 was caused by higher demand in the housing association sector. With an increase of EUR 0.1 billion to EUR 86.1 billion, the long-term loan portfolio remained virtually unchanged compared to year-end 2020.

In the first half of 2021, BNG Bank raised EUR 6.4 billion in long-term funding by issuing bonds, including a new EUR 2 billion SRI bond. Pricing in the first half of the year, as measured by the credit spread, is comparable to the last quarters before the COVID-19 pandemic. Due to its excellent credit rating, the bank could also raise short-term funding at attractive rates in the first half of 2021.

BNG Bank's net interest income for the first half of 2021 amounted to EUR 228 million and was higher than forecast and higher than the net interest income for the same period in 2020. In particular, the restructuring of client portfolios and early repayments facilitated by the bank meant that results were at EUR 20 million higher than expected. Furthermore, the net interest income benefited from the favourable rates of the ECB's (additional) TLTRO funding. These favourable rates have been passed on to clients in the form of a discount on long-term loans, with which the bank will accept a lower return on these loans in the future.

The commission income fell by EUR 4 million to EUR 8 million compared to the same period last year as a result of the decline in commission earnings for transactions with banking counterparties.

On balance, the result on financial transactions amounted to EUR 63 million positive (2020: EUR 14 million negative). The increase compared to the same period in 2020 was mainly caused by unrealised market value fluctuations. In 2020, this result was negatively influenced by the outbreak of the COVID-19 pandemic. In 2021, the increase in long-term interest rates in particular contributed to the EUR 44 million balance of unrealised market value fluctuations. The realised results of EUR 19 million were mainly due to the sale of interest-bearing securities from the bank's liquidity portfolio.

Compared to the same period in 2020, the regular consolidated operating expenses went up by EUR 4 million to EUR 48 million. As anticipated, staff costs and the hiring of external support increased in particular to meet customer integrity and gatekeeper responsibilities.

On balance, impairments in the reporting period amounted to a total of EUR 7 million positive (first half of 2020: EUR 28 million negative), mainly as a result of the improved economic outlook, which led to lower model-based impairments in the first half of 2021. The bank's total expected credit losses decreased by EUR 7 million to EUR 213 million in the first half of 2021.

The commercial tax expense on the balance sheet date was EUR 71 million. Since the benefits of deducting hybrid capital are, as of 2021, passed through the tax expense (and no longer through equity, as before), the effective tax rate for the first half of 2021 (27.6%) decreased compared to the same period in 2020 (32.2%).

Compared to year-end 2020, the balance sheet total decreased by EUR 0.5 billion to EUR 159.8 billion. The increase in long-term interest rates had a dampening effect on the balance sheet total. As a result, outstanding collateral, among others, decreased by EUR 5.9 billion. As a result of TLTRO funding and short-term funding, the ECB balance increased by EUR 13.4 billion to EUR 15.7 billion compared to year-end 2020.

In the period under review, BNG Bank's equity remained stable at approximately EUR 5.1 billion. The risk-weighted solvency ratios decreased slightly due to the amended capital requirements (CRR 2). In particular, the capital reserved for credit risk on derivative exposures increased. As a result, the bank's Common Equity Tier 1 ratio and Tier 1 ratio decreased to 31% and 36% respectively by the end of June 2021. BNG Bank's leverage ratio at the reporting date was 9.9%. The increase compared to year-end 2020 (3.5%) was caused by the possibility of excluding the bank's promotional loans under the new capital requirements. The bank also uses the option to exclude the ECB balance from the calculation of the ratio. The ECB has extended this option until the end of March 2022. Without the possibility of exercising these options, the leverage ratio would have dropped by 0.2 percentage points to 3.3%. All of the bank's capital ratios remain well above the minimums set by the regulator.

Outlook

BNG Bank is on course to meet its annual target of providing EUR 10.5 billion of long-term loans not subject to solvency requirements. It is still uncertain whether the target of (maximum) EUR 1 billion of turnover subject to solvency requirements will be attained. This is the result of the stricter definition of the public sector that the bank uses in accordance with the new strategy.

This year's funding policy remains focused on ensuring permanent access to money and capital markets for the desired maturities and volumes at the lowest possible cost. Partly as a result of additional TLTRO funding of EUR 6 billion, the target of raising long-term funding in the entire year of 2021 by issuing bonds has been adjusted downwards to EUR 12.5 billion.
BNG Bank intends to issue two more SRI bonds during 2021.

BNG Bank decided not to use the option of repaying a first part (EUR 424 million) of the hybrid capital in May 2021, as the uncertain market circumstances justify maintaining an additional capital buffer. Starting next year, the bank has the option to redeem the entire hybrid capital (EUR 733 million) on an annual basis.

In recent months, it has become apparent that the bank needs additional capacity to meet customer integrity and gatekeeper responsibilities, over and above the planned expansion in the annual plan. The additional activities for scaling up customer due diligence and transaction monitoring, among others, will require more hiring. Consolidated operating expenses of approximately EUR 106 million are expected in 2021. BNG Bank's statutory bank levy for 2021 was increased by 50% (on a one-off basis). BNG Bank's contribution to the statutory bank levy in 2021, which will be paid and accounted for in the fourth quarter, is therefore EUR 53 million.

BNG Bank's net interest income in 2021 is expected to be in the range of EUR 440 million to EUR 470 million. This expectation was adjusted upwards due to the additional participation in TLTRO, and the strong realised results on sales on granted loans. Future market value fluctuations and the development of impairments are by definition uncertain. Therefore, the bank does not consider it wise to communicate on the expected net profit in 2021.

Dividend proposal

For the financial year 2019 a dividend of EUR 71 million was proposed to the General Meeting of Shareholders, while for the financial year 2020 a dividend was proposed to the General Meeting of Shareholders of EUR 101 million. In advance of the 2019 General Meeting of Shareholders the ECB has recommended European banks to refrain from, or postpone dividend payments to, with multiple extensions, at least 1 October 2021. In the General Meeting of Shareholders BNG Bank has announced that the bank will follow the ECB recommendations. In March 2021, BNG Bank did receive an agreement from the ECB to pay out a dividend of EUR 24 million, which was paid in the first half of 2021. At the end of July 2021, the ECB announced that it would cancel these general dividend restrictions from 1 October 2021. BNG Bank will pay out the remaining dividend amount of EUR 148 million in October 2021.

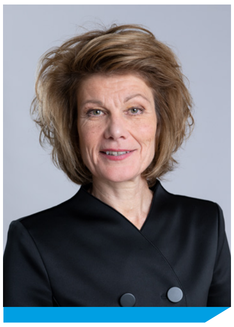
Statement of responsibility

It is the opinion of the Executive Committee that the Interim Report provides a true and fair view of the assets, liabilities, financial position and results of BNG Bank and the subsidiaries included in the consolidation. The Interim Report provides a true and fair view of the position as at the balance sheet date, the performance during the year under review, as well as the expected developments of BNG Bank and its consolidated subsidiaries whose figures have been included in the consolidated Interim Report.

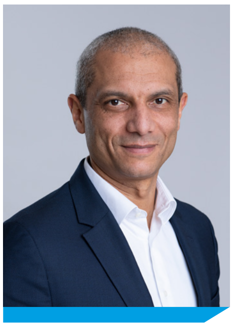
The Hague, 3 September 2021

Executive Committee

Gita Salden (CEO), statutory director
Olivier Labe, (CFO), statutory director
Cindy van Atteveldt-Machielsen (CRO), statutory director
Jaco van Goudswaard (COO)
Thomas Eterman (CCO)



Gita Salden
Chief Executive Officer
(CEO)



Olivier Labe
Chief Financial Officer
(CFO)

Cindy van Atteveldt
Chief Risk Officer
(CRO)

Jaco van Goudswaard
Chief Operating Officer
(COO)

Thomas Eterman
Chief Commercial Officer
(CCO)

FIRST HALF YEAR 2021 SELECTED FINANCIAL DATA

Balance sheet total

€ 159.8 billion

Net profit

€ 187 million

Total loan portfolio

€ 86.1 billion

Funding

New long-term Capital Markets Bonds issued in the first half of 2021

€ 6.4 billion (excl. TLTRO)

Lending

New long-term loans in the first half of 2021

€ 5.6 billion

Common Equity Tier 1-ratio

31%

June 2020	December 2020	**June 2021**
31%	33%	**31%**

Tier 1-ratio

36%

June 2020	December 2020	**June 2021**
36%	39%	**36%**

Leverage ratio

9.9%

June 2020	December 2020	**June 2021**
3.2%	3.5%	**9.9%** *

* The increase in the Leverage ratio from 3.3% in December 2020 to 9.9% in June 2021 is the result of a different calculation method.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

An unqualified audit opinion has been issued for the figures as at 31 December 2020 and for the 2020 financial year as a whole. Attached to this report an unqualified review report has been issued for the figures as at 30 June 2021 and for the first half of 2021. An unqualified review report has also been issued for the figures as at 30 June 2020 and for the first half of 2020.

Consolidated balance sheet

Amounts in millions of euros	NOTE	30-6-2021	31-12-2020
Assets			
Cash and balances held with central banks		15,713	2,312
Amounts due from banks		127	120
Cash collateral posted		14,544	20,361
Financial assets at fair value through the income statement		1,376	1,452
Derivatives		6,167	8,540
Financial assets at fair value through other comprehensive income		9,474	9,738
Interest-bearing securities at amortised cost		7,704	7,880
Loans and advances at amortised costs		89,230	88,942
Value adjustments on loans in portfolio hedge accounting		15,100	20,816
Associates and joint ventures		31	31
Property & equipment		16	17
Current tax assets		11	1
Other assets		347	149
Total assets		**159,840**	**160,359**
Liabilities			
Amounts due to banks		18,729	12,221
Cash collateral received		1,191	858
Financial liabilities at fair value through the income statement		625	656
Derivatives		18,733	26,965
Debt securities	1	109,026	108,615
Funds entrusted		6,068	5,599
Subordinated debts		35	35
Deferred tax liabilities		85	98
Other liabilities		287	215
Total liabilities		**154,779**	**155,262**
Equity			
Share capital		139	139
Share premium reserve		6	6
Retained earnings		3,740	3,712
Revaluation reserve		60	86
Cash flow hedge reserve		9	11
Own credit adjustment		4	5
Cost of hedging reserve		183	184
Net profit		187	221
Equity attributable to shareholders		**4,328**	**4,364**
Hybrid capital		733	733
Total equity		**5,061**	**5,097**
Total liabilities and equity		**159,840**	**160,359**

Consolidated income statement

Amounts in millions of euros	NOTE		first half of 2021		first half of 2020
- Interest revenue calculated using the effective interest method		2,127		2,302	
- Other interest revenue		117		232	
Total interest revenue		2,244		2,534	
- Interest expenses calculated using the effective interest method		1,975		2,263	
- Other interest expenses		41		46	
Total interest expenses		2,016		2,309	
Interest result	2		228		225
- Commission income		10		14	
- Commission expenses		2		2	
Commission result			8		12
Result on financial transactions	3		63		-14
Results from associates and joint ventures			1		3
Other results			1		1
Total income			**301**		**227**
Staff costs			25		21
Other administrative expenses			22		21
Depreciation			1		2
Other operating expenses			0		0
Total operating expenses			**48**		**44**
Net impairment losses on financial assets	4		(7)		27
Net impairment losses on associates and joint ventures			0		0
Contribution to resolution fund			2		8
Total other expenses			**(5)**		**35**
Profit before tax			**258**		**148**
Income tax expense			71		48
Net profit			**187**		**100**
- of which attributable to the holders of hybrid capital			21		25
- of which attributable to shareholders			166		75

Consolidated statement of comprehensive income

Amounts in millions of euros. All figures in the statement are after taxation.		first half of 2021		first half of 2020
Net profit		**187**		**100**
Recyclable results recognised directly in equity				
Changes in cash flow hedge reserve:				
- Unrealised value changes	-2		2	
- Realised value changes transferred to the income statement	-		-	
		-2		2
Changes in cost of hedging reserve:				
- Unrealised value changes	-2		- 86	
- Realised value changes transferred to the income statement	1		-	
		-1		- 86
Changes in the revaluation reserve for financial assets at fair value through other comprehensive income:				
- Unrealised value changes	-13		- 19	
- Realised value changes transferred to the income statement	-13		- 5	
		-26		- 24
Total recyclable results		**-29**		**- 108**
Non-recyclable results recognised directly in equity:				
- Unrealised value changes in OCA	-1		2	
Total non-recyclable results		**-1**		**2**
Results recognised directly in equity		**-30**		**-106**
Total		**157**		**-6**
- of which attributable to the holders of hybrid capital		21		0
- of which attributable to shareholders		136		-6

Consolidated cash flow statement

Consolidated cash flow statement

Amounts in millions of euros	first half of 2021	first half of 2020
Cash flow from operating activities		
Profit before tax	258	148
Adjusted for:		
- Depreciation	1	2
- Impairments	-7	28
- Unrealised results through the income statement	-44	24
Changes in operating assets and liabilities:		
- Changes in Amounts due from and due to banks (not due on demand)	544	-44
- Changes in Cash collateral posted and received	5,257	-4,078
- Changes in repos and reverse repos	1	-
- Changes in Loans and advances	752	-301
- Changes in Funds entrusted	433	301
- Changes in Derivatives	136	-85
- Corporate income tax paid	-81	-77
- Other changes from operating activities	-259	-118
Net cash flow from operating activities	**6,991**	**-4,200**
Cash flow from investing activities		
Investments and acquisitions pertaining to:		
- Financial assets at fair value through the income statement	-2	-1
- Financial assets at fair value through other comprehensive income	-4,928	-2,723
- Interest-bearing securities at amortised cost	-598	-1,668
- Investments in associates and joint ventures	-	-
- Property and equipment	-1	-1
Disposals and redemptions pertaining to:		
- Financial assets at fair value through the income statement	58	285
- Financial assets at fair value through other comprehensive income	4,698	1,755
- Interest-bearing securities at amortised cost	771	1,459
- Investments in associates and joint ventures	-	-
Net cash flow from investing activities	**-2**	**-894**
Cash flow from financing activities		
Amounts received on account of:		
- Central bank financing (TLTRO)	6,000	8,000
- Financial liabilities at fair value through the income statement	-	6
- Debt securities	163,738	97,302

Consolidated cash flow statement

Amounts paid on account of:		
- Financial liabilities at fair value through the income statement	-30	-16
- Debt securities	-163,247	-93,748
- Subordinated debt	-1	0
- Compensation on hybrid capital	-25	-25
- Dividend distribution to shareholders	-24	-
Net cash flow from financing activities	**6,411**	**11,519**
Net change in cash and cash equivalents	**13,400**	**6,425**
Cash and cash equivalents as at 1 January	2,315	1,276
Cash and cash equivalents as at 31 december	**15,715**	**7,701**
Cash and cash equivalents as at 31 December:		
- Cash and balances held with central banks	15,713	7,695
- Cash equivalents in the Amount due from banks item	3	7
- Cash equivalents in the Amount due to banks item	-1	-1
	15,715	**7,701**
Notes to cash flow from operating activities		
Interest income received	2,183	2,957
Interest expenses paid	-2,009	-2,813
	174	**144**

Consolidated statement of changes in equity

Consolidated statement of changes in equity

first half of 2021

Amounts in millions of euros. All figures in the statement are after taxation.	Share capital	Share premium reserve	Revaluation reserve	Cashflow hedge reserve	Own credit adjustment	Cost of hedging reserve	Retained earnings	Unappropriated profit	Equity attributable to shareholders	Hybrid capital	Total
Balance as at 01/01/2021	**139**	**6**	**86**	**11**	**5**	**184**	**3,712**	**221**	**4,364**	**733**	**5,097**
Net profit	-	-	-	-	-	-	-	187	**187**	**-**	**187**
Movement in OCA	-	-	-	-	-1	-	-	-	**-1**	**-**	**-1**
Movement in Cost of Hedging	-	-	-	-	-	-1	-	-	**-1**	**-**	**-1**
Unrealised results	-	-	-26	-2	-	-	-	-	**-28**	-	**-28**
Total comprehensive income	**-**	**-**	**-26**	**-2**	**-1**	**-1**	**-**	**187**	**157**	**-**	**157**
Dividend distribution to the bank's shareholders	-	-	-	-	-	-	-24	-	**-24**	-	**-24**
Unpaid dividend (stated as Other Liabilities)	-	-	-	-	-	-	-148	-	**-148**	-	**-148**
Compensation to holders of hybrid capital	-	-	-	-	-	-	-21	-	**-21**	-	**-21**
Appropriation from previous year's profit	-	-	-	-	-	-	221	-221	**-**	-	**-**
Balance as at 30/06/2021	**139**	**6**	**60**	**9**	**4**	**183**	**3,740**	**187**	**4,328**	**733**	**5,061**

Consolidated statement of changes in equity

first half of 2020

Amounts in millions of euros. All figures in the statement are after taxation.	Share capital	Share premium reserve	Revaluation reserve	Cashflow hedge reserve	Own credit adjustment	Cost of hedging reserve	Retained earnings	Unappropriated profit	Equity attributable to shareholders	Hybrid capital	Total
Balance as at 01/01/2020	**139**	**6**	**84**	**13**	**8**	**174**	**3,567**	**163**	**4,154**	**733**	**4,887**
Net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100**	**100**	**-**	**100**
Movement in OCA	**-**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**2**	**-**	**2**
Movement in Cost of Hedging	-	-	-	-	-	-86	-	-	-86	-	**-86**
Unrealised results	-	-	-24	2	-	-	-	-	-22	-	**-22**
Total comprehensive income	**-**	**-**	**-24**	**2**	**2**	**-86**	**-**	**100**	**-6**	**-**	**-6**
Dividend distribution to the bank's shareholders	-	-	-	-	-	-	-	-	-	-	**-**
Compensation to holders of hybrid capital	-	-	-	-	-	-	-25	-	-25	-	**-25**
Appropriation from previous year's profit	-	-	-	-	-	-	163	-163	-	-	**-**
Balance as at 30/06/2020	**139**	**6**	**60**	**15**	**10**	**88**	**3,705**	**100**	**4,123**	**733**	**4,856**

Accounting principles for the consolidated interim financial statements

General company information

The consolidated Interim Report is prepared and issued for publication by the Executive Committee on 3 September 2021. BNG Bank N.V. (hereafter 'BNG Bank') is a statutory two-tier company under Dutch law. Half of the bank's share capital is held by the Dutch State and the other half by municipal authorities, provincial authorities and a district water board. BNG Bank has its registered office at Koninginnegracht 2 in The Hague (listed under Chamber of Commerce number 27008387) in the Netherlands and has no branch offices.

Applicable laws and regulations

The Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

These Interim Financial Statements do not include all the information and disclosures required in the Consolidated Financial Statements and should be read in conjunction with the 2020 Consolidated Financial Statements of BNG Bank, which were prepared in accordance with the IFRS as adopted by the European Union and the applicable articles of Part 9 of Book 2 of the Dutch Civil Code. The accounting policies used in this report are consistent with those set out in the notes to the 2020 Consolidated Financial Statements of BNG Bank, except for the changes in accounting policies as described in the sections Changes in accounting policy and Applied accounting standards adopted by the EU effective on or after 1 January 2021.

In general, BNG Bank does not apply new or amended standards and interpretations issued by the IASB if they have not been adopted by the EU. BNG Bank has, in principle, also decided against the early application of the amended standards and interpretations adopted by the EU, whose application is mandatory for the financial years after 1 January 2021. An exemption has been made for the amendments related to the Interest Benchmark Reform concerning phase 1. A further description is stated in the Financial Statements of 2020.

Application of the following new or amended standards, interpretations and improvements have not led to significant adjustments in this 2021 consolidated Interim Report in respect of valuation, the determination of the result and the disclosures of the bank.

Applied accounting standards adopted by the EU effective on or after 1 January 2021

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 19 concerning the Interest Rate Benchmark Reform - Phase 2: amendments issued by IASB in August 2020 and the EU endorsed the amendment on 13 January 2021. This amendment adress the accounting issues which arise upon the replacement of an IBOR with a Risk free rate. The implementation of this amendment did not impact the interim financial statements becasuse replacement of an IBOR has not taken place yet. BNG Bank expects to start replace the IBOR with an Risk free rate in the third quarter of this year. However, the impact on the financial statements as a result of this IBOR reform is expected to be limited.
- Amendments to IFRS 4 'Insurance Contracts: amendments issued by the IASB on 25 June 2020 and is endorced by the EU on 15 December 2020. The bank does not have any insurance contracts with cliënts, therefore no impact on the financial statements.

- Amendments to IFRS 16 'Leases: Covid-19-Related Rent Concessions beyond 30 june 2021 issued by the IASB on 31 March 21 and endorced by the EU on 2 April 2021. This amendment is effective as per 1 April 2021. However, the bank does not have any leases on which this amendment applies.

Accounting standards not adopted by the EU which are not yet applied
There are no other standards that are not yet effective that would be expected to have material impact on the bank in the current or future reporting periods and on foreseeable transactions.

Critical accounting principles applied for valuation and the determination of the result
The consolidated Interim Report is prepared on the basis of the going-concern principle. Most balance sheet items are valued at amortised cost. The balance sheet items Financial assets at fair value through the income statement (FVTPL), Financial assets at fair value through other comprehensive income (FVOCI), Derivatives and Financial liabilities at fair value through the income statement (FVTPL) are measured at fair value. The balance sheet item Associates and joint ventures is stated according to the equity method. The balance sheet item Property and equipment is stated at cost less accumulated depreciation. Income is recognised if it is likely that the economic benefits will accrue to BNG Bank and the income can be reliably determined. Expenses are allocated where possible to the period in which the services were provided or to the related income counterbalancing these expenses. For a detailed description, please refer to the accounting principles for the individual balance sheet items.

The euro is the functional and reporting currency used by BNG Bank. All amounts in the consolidated financial statements are stated in millions of euros, unless stated otherwise.

Accounting principles for consolidation
The Interim Report of the parent company and its subsidiaries, which is used to prepare the consolidated Interim Report, is drawn up on the same reporting date and based on the same uniform principles. All intra-group transactions and balances, including income, expenses and dividends, have been fully eliminated in the consolidated Interim Report. The reporting periods of subsidiaries included in the consolidation coincide with those of BNG Bank.

This consolidated Interim Report comprises the interim figures of the parent company and all the subsidiaries over which BNG Bank has control. Control exists if BNG Bank is exposed as an investor to variable returns due to its involvement and can influence these returns by exercising power over the relevant activities of the investment. Group companies are consolidated in full from the date control has been acquired until such time as control ceases to exist. In determining whether BNG Bank has control over investment funds in which it holds units or shares, the financial interests held by BNG Bank as a participant are taken into consideration.

Changes in accounting policy
Triggered by the ECB announcement that it would cancel general dividend restrictions from 1 October 2021 coupled with the IFRIC interpretation on IAS 12.57A the tax related to the compensation on hybrid capital is now directly taken into account in the income statement as part of the tax expense. Until the end of 2020, these amounts were stated as deferred tax. If this was already applied in 2020 net profit would be EUR 6 million higher. The effect on equity would be nil, because retained earnings would be EUR 6 million lower.

Impact of COVID-19 on Interim Report
In the first months of 2021, the COVID-19 infections increased and the lockdown continued. The impact on our results remained limited. In the second quarter of 2021 the the vaccination programme picked up speed and

confidence in a good ending and a steep economic growth increased strongly. We refer to the report of the executive committee for the impact of COVID-19 pandemic on the bank's operations during the first half of 2021.

Further details of the impact of COVID-19 pandemic on financial results and significant estimates and methods used is provided in the relevant notes.

Segmented information

When deciding on the deployment of resources and performance measurement, BNG Bank distinguishes between lending activities and area development activities. In the management and set-up of its lending operations, BNG Bank does not distinguish between different segments or business units. The bank's area development activities are not material compared with its lending activities. Therefore, no segmented information is included in this Interim Report.

Dividend

For the financial year 2019 a dividend of EUR 71 million was proposed to the General Meeting of Shareholders, while for the financial year 2020 a dividend was proposed to the General Meeting of Shareholders of EUR 101 million. In advance of the 2019 shareholder meeting the ECB has recommended European Banks to refrain from, or postpone dividend payments to, with multiple extensions, at least 1 October 2021. In the General Meetings we have announced that we will follow ECB recommendations. In March 2021, BNG Bank did receive an agreement from the ECB to pay out a dividend of EUR 24 million, which was paid in the first half of 2021.

At the end of July 2021, the ECB announced that it would cancel these general dividend restrictions from 1 October 2021. BNG Bank will pay out the remaining dividend amount of EUR 148 million in October 2021.

The compensation of EUR 25 million to the holders of the hybrid capital is distributed in the first half of 2021. This distribution is deductible from corporate income tax. BNG Bank has no plans to pay out an interim dividend on the result for the first half of 2021.

Notes to the consolidated interim financial statements

1 Debt securities

In the first half of 2021 debt securities rose by EUR 0.4 billion to EUR 109.0 billion. Due to a EUR 4.9 billion decrease in bond loans and a EUR 5.3 billion increase in short-term funding (in the form of Commercial Paper).

With regard to its long-term funding activities, BNG Bank issued EUR 6.4 billion of long-term debt securities in the first half of 2021 (first half of 2020: EUR 9.8 billion). The total redemption value of long-term debt securities amounted to EUR 6.4 billion in the reporting period (first half of 2020: EUR 8.1 billion).

2 Interest result

	first half of 2021		first half of 2020	
Interest revenue				
Interest revenue calculated by using the effective interest method:				
- Financial assets at amortised cost	935		1,034	
- Financial assets at fair value through other comprehensive income	36		61	
- Derivatives involved in hedge accounting	1,058		1,175	
- Negative interest expenses on financial liabilities	98		32	
		2,127		2,302
Other interest revenue:				
- Financial assets designated at fair value through the income statement	24		18	
- Financial assets mandatory at fair value through the income statement	1		1	
- Derivatives not involved in hedge accounting	92		213	
- Other	-			
		117		232
Total interest revenue		**2,244**		**2,534**
Interest expenses				
Interest expenses calculated by using the effective interest method:				
- Financial liabilities at amortised cost	635		1,038	
- Derivatives involved in hedge accounting	1,180		1,166	
- Negative interest expenses on financial assets	160		59	
		1,975		2,263
Other interest expenses				
- Financial liabilities designated at fair value through the income statement	12		15	
- Derivatives not involved in hedge accounting	28		25	
- Other	1		6	
		41		46
Total interest expenses		**2,016**		**2,309**
Total interest result		**228**		**225**

The interest revenue on the TLTRO-III deposits amounts to EUR 67 million in the first half-year of 2021. The interest rate including the expected bonus is used to calculate the interest result of the TLTRO transactions. If the conditions are not met, this will be reflected in a reversal of interest result.

3 Result on financial transactions

The table below presents a breakdown of the result on financial transactions into realised and unrealised market value changes.

		first half of 2021		first half of 2020
Market value changes in financial assets at fair value through the income statement resulting from changes in credit and liquidity spreads, consisting of:				
- Interest-bearing securities	-5		-23	
- Structured loans	3		-13	
		-2		-36
Result on hedge accounting				
- Portfolio fair value hedge accounting	20		7	
- Micro fair value hedge accounting	4		16	
- Micro cash flow hedge accounting	1		3	
		25		26
Change in counterparty credit risk of derivatives (CVA/DVA)		17		-7
Realised sales and buy-out results		19		10
Other market value changes		4		-7
Total		**63**		**-14**

The results on financial transactions was EUR 63 million positive (2020: EUR 14 negative). The increase compared to the same period in 2020 is mainly caused by the development of unrealised market value changes. In 2020, this result was negatively impacted by the outbreak of the COVID-19 pandemic. In 2021, the increase in long-term interest rates in particular contributed to the EUR 44 million balance of unrealised fair value adjustments. The realised results of EUR 19 million are mainly the result of the sale of interest-bearing securities from the bank's liquid portfolio.

4 Impairments on financial assets and off-balance sheet commitments

Breakdown of financial assets and off-balance sheet commitments into impairment stages

The following tables provide a breakdown of the financial assets subject to impairment and off-balance sheet commitments into the 3 impairment stages:
Stage 1: performing exposures without significant increase in credit risk (SICR) since initial recognition.
Stage 2: performing exposures with significant increase in credit risk since initial recognition.
Stage 3: non-performing exposures.

30-6-2021

	Gross carrying amount				Allowance for credit loss		
	Carrying amount	Performing		Non-performing	Performing		Non-performing
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets subject to impairment							
Cash and balances held with central banks	15,713	15,713	-	-	-	-	-
Amounts due from banks	127	127	-	-	0	-	-
Cash collateral posted	14,544	14,544	-	-	-	-	-
Financial assets at fair value through OCI[1]	9,474	9,412	62	-	-	-	-
Interest-bearing securities at amortised cost	7,704	7,638	70	-	-1	-3	-
Loans and advances	89,230	88,064	966	409	-7	-13	-189
Total	**136,792**	**135,498**	**1,098**	**409**	**-8**	**-16**	**-189**

30-6-2021

	Nominal amount			Provision		
	Performing		Non-performing	Performing		Non-performing
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Off-balance sheet commitments						
Contingent liabilities	1,560	1	-	0	0	-
Revocable facilities	6,465	143	13	0	-	-
Irrevocable facilities	3,958	2	-	0	-	-
Total	**11,983**	**146**	**13**	**0**	**-**	**-**

30-6-2020

	Carrying amount	Gross carrying amount: Performing Stage 1	Gross carrying amount: Performing Stage 2	Gross carrying amount: Non-performing Stage 3	Allowance for credit loss: Performing Stage 1	Allowance for credit loss: Performing Stage 2	Allowance for credit loss: Non-performing Stage 3
Financial assets subject to impairment							
Cash and balances held with central banks	7,695	7,695	-	-	-	-	-
Amounts due from banks	59	59	-	-	0	-	-
Cash collateral posted	18,861	18,861	-	-	-	-	-
Financial assets at fair value through OCI[1]	10,213	10,153	60	-	0	-1	-
Interest-bearing securities at amortised cost	8,064	7,841	230	-	-1	-6	-
Loans and advances	88,681	85,567	2,926	407	-9	-29	-181
Total	**133,573**	**130,176**	**3,216**	**407**	**-10**	**-36**	**-181**

1 The allowance for credit loss for financial assets at FVOCI is included in OCI and not in the (net) carrying amount.

30-6-2020

	Nominal amount: Performing Stage 1	Nominal amount: Performing Stage 2	Nominal amount: Non-performing Stage 3	Provision: Performing Stage 1	Provision: Performing Stage 2	Provision: Non-performing Stage 3
Off-balance sheet commitments						
Contingent liabilities	1,646	1	-	-	-	-
Revocable facilities	3,896	214	1	-	-	-
Irrevocable facilities	5,430	151	25	-2	-3	-
Total	**10,972**	**366**	**26**	**-2**	**-3**	**-**

Non-performing exposures totalled EUR 422 million as at 30 June 2021 (year-end 2020: EUR 397 million). The share of non-performing exposures in the total portfolio is 0.3% (year-end 2020: 0.3%) and concerns 11 debtors (year-end 2020: 12 debtors). The increase in non-performing exposure is partly caused by a shift of two debtors from performing to non-performing. The decrease in the number of debtors is mainly caused by settlement of non-performing exposures. BNG Bank has received government guarantees totalling EUR 34 million (year-end 2020: EUR 38 million) with respect to non-performing exposures. The following table shows the development of non-performing exposures.

	First half of 2021	2020
Total non-performing exposure as at 1 January	**397**	**321**
Increase in existing non-performing exposures	5	0
Shift from performing to non-performing exposure	43	125
Shift from non-performing to performing exposure	-	-
Repayments on and settlement of non-performing exposure	-23	-49
Total non-performing exposure as at end of period	**422**	**397**

Movements in allowances and provisions for expected credit losses

The following table shows the movemens in allowances for expected credit losses for financial assets and the provision for expected credit losses for off-balance sheet commitments.

first half of 2021

	Opening balance	Increases due to origination and acquisition	Decrease due to derecognition due to repayments and disposals	Changes due to change in credit risk (net)	Decrease in allowance account due to wirte-offs	Closing balance
Allowances						
Cash and balances held with central banks	-	-	-	-	-	-
Amounts due from banks	0	0	0	0	-	0
Financial assets at fair value through OCI	1	0	0	-1	-	0
Interest-bearing securities at amortised cost	6	0	0	-2	-	4
Loans and advances	210	2	-4	1	-	209
	217	**2**	**-4**	**-2**	**-**	**213**
Provision						
Off-balance sheet commitments	4	0	-1	-3	-	0

first half of 2020

	Opening balance	Increases due to origination and acquisition	Decrease due to derecognition due to repayments and disposals	Changes due to change in credit risk (net)	Decrease in allowance account due to wirte-offs	Closing balance
Allowances						
Cash and balances held with central banks	-	-	-	-	-	-
Amounts due from banks	0	0	0	0	-	0
Financial assets at fair value through OCI	1	0	0	0	-	1
Interest-bearing securities at amortised cost	6	1	0	0	-	7
Loans and advances	193	3	-3	26	-	219
	200	**4**	**-3**	**26**	**-**	**227**
Provision						
Off-balance sheet commitments	5	1	-4	3	-	5

Modifications of contractual cash flows

During the first half-year of 2021, no contractual cash flows of financial assets with a loss allowance based on lifetime expected credit loss (i.e. stage 2 or 3) have been modified. No financial assets which were modified in previous reporting periods while they had a loss allowance measured at an amount equal to lifetime expected credit loss (stage 2 or 3) have been moved back to stage 1 during the first half-year of 2021.

Key inputs and assumptions

The Expected Credit Loss (ECL) of a financial asset is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk (SICR) has occurred. The total ECL is a discounted product of the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

Probability of default

PDs are used as a key component in the determination of ECLs and SICR. BNG Bank has developed PD-models, largely based on expert judgements, for exposures for which no external rating is available. To ensure IFRS 9 compliance and so-called ‘point-in-time’ PDs, the bank developed overlay models that include forward-looking information (FLI). For staging purposes, credit ratings are used which are adjusted for forward-looking information. BNG Bank applies three internally developed scenarios based on economic forecasts which are consistent with inputs to other relevant estimates within the financial statements. The proposed macroeconomic forecasts are benchmarked with an external macroeconomic forecast to ensure the external validity of the scenarios. The scenarios are approved in the Asset and Liability Committee (ALCO). In doing so, BNG Bank ensures that the PDs are reasonable and supportable.

Loss given default

Because of its low default credit portfolio and the lack of historical internal LGD data, BNG Bank is not able to create LGD models. Therefore, BNG Bank applies a basic flat LGD approach, with four different LGD percentages for its entire exposure:

- 0% for exposures granted to or guaranteed by (Dutch) central or regional governments;
- 10% for government bonds issued by central or regional governments in the EU;
- 35% for exposure without a guarantee of a central or regional government and senior unsecured bonds; and
- 75% for subordinated loans.

Exposure at default

The EAD for loans and for interest-bearing securities (excluding securitisations) is based on contractual repayments owed by the obligor over a 12-month or lifetime period. Voluntary repayments or early redemptions are not taken into account, as these are historically infrequent. For securitisations, the future contractual repayments are based on estimated Constant Prepayment Rates which are derived from external sources. In case of committed (off-balance sheet) facilities, the maximum exposure is adjusted in order to reflect the expected drawdown behaviour for either a 12-month or lifetime period (in accordance with the impairment stage).

Significant increase in credit risk

BNG Bank applies the Point-in-Time PD, which is adjusted for forward-looking information, as an input parameter for the assessment of significant changes in credit risk since recognition. In addition, the bank uses forbearance measures as well as a 30-day past-due period as backstop criteria to determine a significant increase in credit risk. On the other hand, the bank also applies a low credit risk exemption for monitoring significant changes in credit risk since recognition. In this case, an impairment is measured using the 12-month ECL, without determining if a significant increase in credit risk has occurred. BNG Bank will consider financial assets with an investment grade rating to be of ‘low credit risk’. For bonds, BNG Bank considers a BBB– or higher to be an investment grade. With regards to loans, the bank uses its internal counterparty credit rating to determine whether it is investment grade. Internal counterparty credit ratings are derived from a number of market sector specific internal rating models, which have been externally validated.

BNG Bank applies an expert judgement approach when determining the stage 3 impairment figures. The approach is performed on an instrument level by the Special Management department.

Forward-looking macroeconomic information

Historic analysis is performed to identify the key macroeconomic variables, which are provided on a quarterly basis. Expert judgement is applied and approved by the Asset and Liability Committee (ALCO). The macroeconomic factors applied in determining the probability of default for non-securitisations are the nominal Gross Domestic Product (GDP), the unemployment rate and the employment rate. For securitisations the applied macroeconomic factors are the house price index, the long-term interest rate and debt. Based on the 1.5 years experience that we gained during the COVID-19 pandemic, the weightings of the scenarios have been adjusted compared to the 2020 weightings.

In 2020 BNG Bank implemented an additional component, the so-called Exponentially Weighted Moving Average (EWMA), which prevents shocks, observed during the COVID-19 pandemic, as a result of relevant data falling out of the forward looking window. For the evaluation of first half of 2021 BNG Bank decided to decrease the EWMA to 0% (2020: 48%) which means that the EWMA has no impact. This only has an impact on the non-securitisations model because the applied EWMA was 0% in 2020 in the securitisations model. As part of the sensitivity analysis of credit loss allowances, 48% EWMA is applied in Scenario F.

Securitisations

Macro economic variable	Horizon as at 30/06/2021	Horizon as at 31/12/2020
House price indices in the Euro area (17 countries)	3 years	3 years
Long-term interest rates in the Euro area (19 countries)	3 years	3 years
Debt (Credit to households and NPISHs) in the Euro area[1]	3 years	3 years
Scenario	**Weighting as at 30/06/2021**	**Weighting as at 31/12/2020**
Base scenario	70%	65%
Upward scenario	10%	5%
Downward scenario	20%	30%

1 Non-profit institutions serving households

Non-securitisations

Macro economic variable	Horizon as at 30/06/2021	Horizon as at 31/12/2020
Gross Domestic Product (GDP) for The Netherlands	3 years	3 years
Unemployment rate for The Netherlands	3 years	3 years
Employment rate	3 years	3 years
Scenario	**Weighting as at 30/06/2021**	**Weighting as at 31/12/2020**
Base scenario	70%	65%
Upward scenario	20%	5%
Downward scenario	10%	30%

Non-performing exposures

BNG Bank defines a financial instrument as in default, which is fully aligned with its definition of non-performing, when it meets one of the following criteria:

- BNG Bank considers that the obligor is unlikely to pay its credit obligations to the bank; and
- The obligor is past due 90 days or more on any material credit obligation to the bank.

The bank employs the following indicators for 'Unlikeliness to pay':

- The obligor's source of income is considered insufficient to meet its payment obligations;
- There are indications that future cash flows are under pressure;
- The obligor's debt ratio has increased significantly;
- One or more covenants have been breached;
- BNG Bank has called upon a guarantee or seized collateral;
- Significant delayed payments to other creditors (recorded in a register);
- There is a crisis in the obligor's market sector, in which the obligor is considered to be a weak party;
- The obligor can no longer be active in its market sector because of its financial difficulties;
- Another creditor has filed for the obligor's bankruptcy.

Sensitivity analysis of credit loss allowances

In order to measure the sensitivity of the credit loss allowances to identify changes in the input factors different scenarios are used to (re)calculate the size of the credit loss allowances as at 30 June 2021.

Scenario A:

In scenario A, the credit rating of all individual exposures subject to impairment are downgraded by 1 notch (e.g. from AAA to AA+). These (lower) credit ratings, as well as the accompanying PDs, are then applied in the staging assessment and the calculation of the credit loss allowances. As a result, a portion of the exposures migrated from stage 1 to stage 2. The EADs and LGDs are unchanged compared with the base line calculation.

Scenario B:

In scenario B, the exposures which normally have an LGD of 0% are assigned a 10% LGD. The LGD of exposures that are normally assigned a 10%, 35% or 75% LGD remain unchanged. The EADs, credit ratings and PDs are also unchanged compared with the base line calculation.

Scenario C:

In scenario C, the calculation of the credit loss allowances is performed using 'Through-the-Cycle' PDs rather than Point-in-Time PDs. In other words, PDs without incorporation of forward-looking macroeconomic information are used in the calculation. The EADs, credit ratings, stage levels and LGDs are unchanged compared with the base line calculation.

Scenario D:

In scenario D, the calculation of the credit loss allowances is based on an EWMA of 70%. The PDs changed compared to the base line calculation. This scenario is not calculated for Interim period 2021.

Scenario E:

In scenario E, the probability of default is calculated based on an EWMA of 0%. Because the base scenario as per 30 June 2021 is EWMA of 0% , this scenario no longer applies.

Scenario F:
In scenario F, the probability of default is calculated based on an EWMA of 48%. This results in changed PDs and stage levels for non-securitisations.

The following table shows the sensitivity of the total credit loss allowances of four scenarios:

30-6-2021

	Actual Balance	Scenario A (1 notch down)	Scenario B (LGD from 0% to 10%)	Scenario C (through-the-cycle PDs)	Scenario F (EWMA of 48%)
Allowances					
Cash and balances held with central banks	-	-	-	-	-
Amounts due from banks	0	0	0	0	0
Financial assets at fair value through OCI	0	0	1	0	0
Interest-bearing securities at amortised cost	4	5	4	4	4
Loans and advances	209	222	227	215	215
	213	**227**	**232**	**219**	**219**
Provision					
Off-balance sheet commitments	0	0	2	0	0

31-12-2020

	Actual Balance	Scenario A (1 notch down)	Scenario B (LGD from 0% to 10%)	Scenario C (through-the-cycle PDs)	Scenario D (EWMA of 70%)	Scenario E (EWMA of 0%)
Allowances						
Cash and balances held with central banks	-	-	-	-	-	-
Amounts due from banks	0	0	0	0	0	0
Financial assets at fair value through OCI	1	1	1	1	1	1
Interest-bearing securities at amortised cost	5	8	6	4	6	6
Loans and advances	210	233	243	206	209	220
	216	**242**	**250**	**211**	**216**	**227**
Provision						
Off-balance sheet commitments	4	6	5	4	4	5

5 Breakdown of financial instruments by category

30-6-2021

	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Cash and balances held with central banks	15,713			15,713
Amounts due from banks	127			127
Cash collateral posted	14,544			14,544
Financial assets at fair value through the income statement		1,376		1,376
Derivatives		6,167		6,167
Financial assets at fair value through other comprehensive income			9,474	9,474
Interest-bearing securities at amortised cost	7,704			7,704
Loans and advances	89,230			89,230
Value adjustments on loans in portfolio hedge accounting	15,100			15,100
Total assets	**142,418**	**7,543**	**9,474**	**159,435**
Amounts due to banks	18,730			18,730
Cash collateral received	1,191			1,191
Financial liabilities at fair value through the income statement		625		625
Derivatives		18,733		18,733
Debt securities	109,026			109,026
Funds entrusted	6,068			6,068
Subordinated debt	35			35
Total liabilities	**135,050**	**19,358**	**-**	**154,408**

31-12-2020

	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Cash and balances held with central banks	2,312	-	-	2,312
Amounts due from banks	120	-	-	120
Cash collateral posted	20,361	-	-	20,361
Financial assets at fair value through the income statement	-	1,452	-	1,452
Derivatives	-	8,540	-	8,540
Financial assets at fair value through other comprehensive income	-	-	9,738	9,738
Interest-bearing securities at amortised cost	7,880	-	-	7,880
Loans and advances at amortised cost	88,942	-	-	88,942
Value adjustments on loans in portfolio hedge accounting	20,816	-	-	20,816
Total assets	**140,431**	**9,992**	**9,738**	**160,161**
Amounts due to banks	12,221	-	-	12,221
Cash collateral received	858	-	-	858
Financial liabilities at fair value through the income statement	-	656	-	656
Derivatives	-	26,965	-	26,965
Debt securities	108,615	-	-	108,615
Funds entrusted	5,599	-	-	5,599
Subordinated debt	35	-	-	35
Total liabilities	**127,328**	**27,621**	**-**	**154,949**

6 Fair value of financial instruments

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

Fair value hierarchy

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

Where possible, BNG Bank uses quoted market prices (Level 1) for determing pricing- and funding curves. BNG Bank uses mid-market prices for valuation purposes. Using mid-market prices is permitted if the market risk of the financial assets and liabilities is offset.

In many cases, the bank is reliant on theoretical valuations (Level 2) in respect of its debtors. In such cases, the fair value is determined based on valuation models and techniques that are customarily used in the financial sector. These are mostly models based on net present value calculations and option pricing models. The input for these models is based on direct or indirect objectively observable input data, such as market prices, forward pricing, market-based yield curves for discounting, correlations, volatilities, cross-currency basis spreads, counterparty creditworthiness and other factors, estimates and assumptions which market parties would use to determine the price. The bank uses so-called spread curves to determine the fair value of financial instruments that involve credit and liquidity risk and for which a theoretical valuation is required. These spread curves are constructed based on the relevant interest rate curve and a spread for credit and liquidity risk. The credit risk spread is dependent on the creditworthiness of the debtor, taking into account the collateral received, guarantees and maturities. The liquidity risk spread depends on the degree of marketability of the instrument. The risk profiles of individual clients and financial instruments are assessed at least once per quarter. If necessary, the credit-risk spread will be adjusted.

In a limited number of cases, the valuation of the bank's financial instruments is based to a significant extent on input data and management estimates which are not publicly observable in the market (Level 3). As per year-end 2020 all instruments classified as Level 3-items are stated as Financial assets at fair value through the income statement.

In determining the fair value of derivative transactions, a credit value adjustment (CVA) and a debit valuation adjustment (DVA) are applied to all derivative transactions with all clients and financial counterparties with which the bank does not have an agreement for the daily exchange of collateral. CVA and DVA are also applied to all derivative transactions with clients or counterparties with which the bank has an agreement for the daily exchange of collateral but where significant thresholds are applicable in determining the collateral amount.

The bank applies a spread over the relevant swap curve to determine its own credit risk: the 'own credit adjustment (OCA)'. The OCA only relates to instruments included under Financial liabilities at fair value through the income statement.

Insofar as financial instruments have the character of a forward contract, official forward prices are used, including forward yield curves and forward exchange rates. In the case of complex instruments, the constituent parts of the instrument are measured separately on the basis of the above techniques and models. The fair value of the entire instrument is determined as the sum of the fair values of its constituent parts. BNG Bank applies only recurring fair values, which are measured on an ongoing basis for processing in the financial position at the end of each reporting period.

	30-6-2021		31-12-2020	
	Balance sheet-value	**Fair value**	**Balance sheet-value**	**Fair value**
Cash and balances held with central banks	15,713	15,713	2,312	2,312
Amounts due from banks	127	129	120	129
Cash collateral posted	14,544	14,544	20,361	20,361
Financial assets at fair value through the income statement	1,376	1,376	1,452	1,452
Derivatives	6,167	6,167	8,540	8,540
Financial assets at fair value through other comprehensive income	9,474	9,474	9,738	9,738
Interest-bearing securities at amortised cost	7,704	7,908	7,880	8,012
Loans and advances	89,230	105,238	88,942	110,373
Total financial assets	**144,335**	**160,549**	**139,345**	**160,917**
Amounts due to banks	18,730	18,639	12,221	12,147
Cash collateral received	1,191	1,191	858	858
Financial liabilities at fair value through the income statement	625	625	656	656
Derivatives	18,733	18,733	26,965	26,965
Debt securities	109,026	109,874	108,615	109,356
Funds entrusted	6,068	6,219	5,599	5,775
Subordinated debt	35	44	35	45
Total financial liabilities	**154,408**	**155,324**	**154,949**	**155,802**

When effecting a transaction, the hierarchical classification of fair value is determined based on the relevant characteristics of the valuation, with the nature of the input factors and their significance for the total valuation being decisive for the classification. The classification takes place based on the lowest input level that is significant for the fair value in the transaction as a whole. Significance is assessed by determining the influence of non-observable input factors on the outcome of the total valuation, with due regard for the range of possible alternative assumptions concerning those non-observable input factors. Each quarter, the hierarchical classification of each transaction is assessed and adjusted where necessary.

The table below provides an overview of the fair value hierarchy for transactions recognised at fair value.

30-6-2021

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through the income statement	102	1,089	185	1,376
Derivatives	-	6,167	-	6,167
Financial assets at fair value through other comprehensive income	9,380	94	-	9,474
Total financial assets	**9,482**	**7,350**	**185**	**17,017**
Financial liabilities at fair value through the income statement	120	505	-	625
Derivatives	-	18,733	-	18,733
Total financial liabilities	**120**	**19,238**	**-**	**19,358**

31-12-2020

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through the income statement	107	1,150	195	1,452
Derivatives	-	8,540	-	8,540
Financial assets at fair value through other comprehensive income	9,595	143	-	9,738
Total financial assets	**9,702**	**9,833**	**195**	**19,730**
Financial liabilities at fair value through the income statement	117	539	-	656
Derivatives	258	26,707	-	26,965
Total financial liabilities	**375**	**27,246**	**0**	**27,621**

Significant movements in fair value Level 3 items

first half of 2021

		Financial assets at fair value through the income statement
Opening balance		**195**
Results through the income statement:		
- Interest result	5	
- Unrealised result on financial transactions	-10	
- Realised result on financial transactions	-	
		-5
- Unrealised value adjustments via the revaluation reserve		-
- Investments / disposals		-
- Cash flows		-5
Closing balance		**185**

first half of 2020

		Financial assets at fair value through the income statement		Derivatives (states as assets)		Derivatives (states as liabilities)
Opening balance		**441**		**5**		**4**
Results through the income statement:						
- Interest result	3		2		2	
- Unrealised result on financial transactions	-3		-4		-4	
- Realised result on financial transactions	-3		-		-	
		-3		-2		-2
- Unrealised value adjustments via the revaluation reserve		-		-		-
- Investments / Disposals		-239		-		-
- Cash flows		-3		-1		-1
Closing balance		**196**		**2**		**1**

The Level 3 items concern structured interest-bearing securities that are rarely traded. Therefore, the observable market data available for similar securities are not fully representative of the current fair value. The fair value of these transactions is determined based on public market data that are adjusted using significant input variables not publicly observable in the market. There were no reclassifications from and to Level 3 during the reporting period.

Input variables which are not publicly observable in the market

For determining the spreads of inflation-related interest-bearing securities with a monoline guarantee, the following input variables which are not publicly observable in the market are used:

- recovery rates for the relevant debtors (40%) and the relevant monoline insurers (30%);
- a correlation factor between the debtor and the monoline insurer (20%).

These input variables remained unchanged compared to 2020.

Sensitivity of the fair value of Level 3 assets and liabilities to a movement in significant input factors
In the sensitivity analysis, the components interest, inflation, liquidity and credit spreads are presented in both separate and correlated figures. The following table indicates the sensitivity of Level 3 assets in the event of a separate absolute parallel movement in these significant input factors. Even though there are no direct dependencies between these input factors, the total sensitivity of the instruments in the event of a simultaneous shift in these three input factors is also presented.

	30-6-2021	31-12-2020
	Financial assets at fair value through the income statement	
Balance sheet value	185	195
Interest rate		
+ 10 basis points	-2	-2
- 10 basis points	2	2
+ 100 basis points	-18	-19
- 100 basis points	21	23
Inflation rate		
+ 10 basis points	2	2
- 10 basis points	-2	-2
+ 100 basis points	18	21
- 100 basis points	-16	-18
Credit and liquidity risk spreads		
+ 10 basis points	-2	-2
- 10 basis points	2	2
+ 100 basis points	-18	-20
- 100 basis points	21	24
Total significant input factors		
+ 10 basis points	-2	-2
- 10 basis points	2	3
+ 100 basis points	-20	-21
- 100 basis points	23	26

BNG Bank hedges nearly all its interest rate risks through swaps. The fair value changes of interest-bearing securities arising from a change in the interest curve alone therefore have a limited impact on the bank's result and equity. By the end of the maturity of the assets and the associated swaps, these changes in market value will approach zero, provided that all parties have met their payment obligations. On the other hand, interest rate shifts caused by a change in credit and liquidity risk spreads do have a direct impact on the result and the equity when a financial instrument is measured at fair value.

The major part of the level 3 instruments in the Financial assets at fair value through the income statement balance sheet item (EUR 176 million) consists of two so-called inflation-linked bonds, where the interest rate risk and inflation risk have been hedged using swaps. The default risk of the transactions is insured upon purchase through a guarantee issued by a so-called monoline insurer. If the value of such guarantees were set at zero, this would have had an unrealised negative effect on the result on financial transactions of EUR 11 million at mid-year 2021 (year-end 2020: EUR 39 million negative). One of these bonds was downgraded in the first half of 2021. This caused a material decrease in the value of the bond and also a decrease in the value of the monoline guarantee.

Fair value hierarchy of amortised cost transactions

The table below provides an overview of the way in which the fair value is determined for transactions recognised at amortised cost in the balance sheet.

30-6-2021

	Level 1	Level 2	Level 3	Total
Cash and balances held with central banks	15,713	-	-	15,713
Amounts due from banks	4	120	5	129
Cash collateral posted	-	14,544	-	14,544
Interest-bearing securities at amortised cost	128	7,299	481	7,908
Loans and advances	716	96,310	8,212	105,238
Total financial assets	**16,561**	**118,273**	**8,698**	**143,532**
Amounts due to banks	1	18,638	-	18,639
Cash collateral received	-	1,191	-	1,191
Debt securities	84,538	25,336	-	109,874
Funds entrusted	3,274	2,072	873	6,219
Subordinated debt	-	44	-	44
Total financial liabilities	**87,813**	**47,281**	**873**	**135,967**

31-12-2020

	Level 1	Level 2	Level 3	Total
Cash and balances held with central banks	2,312	-	-	2,312
Amounts due from banks	4	119	6	129
Cash collateral posted	-	20,361	-	20,361
Interest-bearing securities at amortised cost	293	7,244	475	8,012
Loans and advances	951	100,980	8,442	110,373
Total financial assets	**3,560**	**128,704**	**8,923**	**141,187**
Amounts due to banks	1	12,146	-	12,147
Cash collateral received	-	858	-	858
Debt securities	88,092	21,264	-	109,356
Funds entrusted	2,800	2,049	926	5,775
Subordinated debt	-	45	-	45
Total financial liabilities	**90,893**	**36,362**	**926**	**128,181**

The financial assets at amortised cost under Level 3 mainly relate to loans and advances subject to capital requirements to BNG Bank's statutory clients. Loans and advances to statutory counterparties under government guarantees are included in Level 2, because of the strong correlation with bonds issued by the Dutch State. The financial liabilities at amortised cost under Level 1 relate to negotiable benchmark bonds issued by BNG Bank (Debt securities item). Private loans are classified under Level 3 (Debt securities and Funds entrusted items).

7 Credit risk

Forborne exposures

Forbearance concerns credit agreements for which the credit conditions have been amended in the debtor's favour because of the debtor's precarious financial position, so as to enable it to fulfil its obligations. Exposures for which a payment holiday is given under a moratorium are not marked as forborne.

30-6-2021		Of which: Forborne		
	Total exposure	Gross of impairment	Net of impairment	in % of total
Financial assets (excl. derivatives)				
Cash and balances held with central banks	15,713	-	-	0.0%
Amounts due from banks	127	-	-	0.0%
Cash collateral posted	14,544	-	-	0.0%
Financial assets at fair value through the income statement	1,376	-	-	0.0%
Financial assets at fair value through other comprehensive income	9,474	-	-	0.0%
Interest-bearing securities at AC	7,704	-	-	0.0%
Loans and advances	89,230	305	278	0.3%
	138,168	**305**	**278**	**0.2%**
Off-balance sheet commitments				
Contingent liabilities	1,561	-	-	0.0%
Revocable facilities	6,621	8	8	0.1%
Irrevocable facilities	3,960	-	-	0.0%
	12,142	**8**	**8**	**0.1%**

31-12-2020		Of which: Forborne		
	Total exposure	Gross of impairment	Net of impairment	in % of total
Financial assets (excl. derivatives)				
Cash and balances held with central banks	2,312	-	-	0.0%
Amounts due from banks	120	-	-	0.0%
Cash collateral posted	20,361	-	-	0.0%
Financial assets at fair value through the income statement	1,452	-	-	0.0%
Financial assets at fair value through other comprehensive income	9,738	-	-	0.0%
Interest-bearing securities at AC	7,880	-	-	0.0%
Loans and advances	88,942	392	351	0.4%
	130,805	**392**	**351**	**0.3%**
Off-balance sheet commitments				
Contingent liabilities	1,517	-	-	0.0%
Revocable facilities	3,676	8	8	0.2%
Irrevocable facilities	5,694	5	5	0.1%
	10,887	**13**	**13**	**0.1%**

The credit agreements for which the contractual terms have changed as a result of the debtor's unfavourable financial position amounted to EUR 313 million (gross of impairment) at 30 June 2021 (31 December 2020: EUR 405 million). The total forborne exposure concerns 11 debtors (year-end 2020: 16 debtors). No new forbearance measures were taken by the bank in the first half of 2021.

Non-performing

Please refer to Note 4 (Impairment on financial assets and off-balance sheet commitments) for disclosure of BNG Bank's definition of non-performing exposures. An exposure classified as non-performing can once again be regarded as performing if all of the following conditions are met:

- The debtor once again complies with all contractual terms (no default);
- The debtor's situation has improved to the extent that the debtor is able to meet payment obligations according to an existing or adjusted payment profile ('likely to pay');
- The debtor has no payment arrears exceeding 90 days.

Maturity analysis of performing past due exposures

The figures comprise of past due exposures that are not included in impairment stage 3 under IFRS 9. Exposures for which a payment holiday is given under a moratorium are not marked as past due.

	30-6-2021	31-12-2020
Less than 31 days	16	12
31 through 60 days	1	0
61 through 90 days	-	-
Over 90 days	5	-
Closing balance	**22**	**12**

Moratoria

Due to the COVID-19 pandemic banks within The Netherlands joined forces to support customers by issuing payment holidays. So far, BNG Bank joined a moratorium for clients with business lending products with an exposure below EUR 2,5 million. All deferred payments have been received. The maturity date of this moratorium has expired.

The gross carrying amount of loans and advances subject to moratorium amounted to EUR 7 million at 31 December 2020. Moratorium was offered to 11 obligors at 31 December 2020. All deferred payments have been received.

Netting of financial assets and financial liabilities (derivatives)

Financial counterparties with which BNG Bank is prepared to conclude derivatives transactions are offered netting agreements to reduce the credit risk. In addition, bilateral collateral agreements are concluded. These ensure that market value developments are mitigated daily by collateral. The agreements are updated where necessary in response to regulatory changes. These agreements are not eligible for balance sheet netting, unless the cash flows are offset through central clearing parties. The following table shows the gross positions before balance sheet netting and if the collateral agreements were taken into account.

30-6-2021

	Derivatives (states as assets)	Derivatives (states as liabilities)	Net
Netting of financial assets and financial liabilities (derivatives)			
Gross value of financial assets and liabilities before balance sheet netting	10,059	-22,626	**-12,567**
Gross value of the financial assets and liabilities to be netted	-3,893	3,893	**0**
Balance sheet value of financial assets and liabilities (after netting)	**6,166**	**-18,733**	**-12,567**
Value of financial netting instrument that does not comply with IAS 32 (netting of derivatives with the same counterparty) for netting purposes	-3,839	3,839	0
Exposure before collateral	**2,327**	**-14,894**	**-12,567**
Value of financial collateral that does not comply with IAS 32 for netting purposes	-1,191	14,528	**13,337**
Net exposure	**1,136**	**-366**	**770**

31-12-2020

	Derivatives (states as assets)	Derivatives (states as liabilities)	Net
Netting of financial assets and financial liabilities (derivatives)			
Gross value of financial assets and liabilities before balance sheet netting	12,367	-30,792	**-18,425**
Gross value of the financial assets and liabilities to be netted	-3,827	3,827	**0**
Balance sheet value of financial assets and liabilities (after netting)	**8,540**	**-26,965**	**-18,425**
Value of financial netting instrument that does not comply with IAS 32 (netting of derivatives with the same counterparty) for netting purposes	-6,459	6,459	**0**
Exposure before collateral	**2,081**	**-20,506**	**-18,425**
Value of financial collateral that does not comply with IAS 32 for netting purposes	-858	20,383	**19,525**
Net exposure	**1,223**	**-123**	**1,100**

At 30 June 2021, the collateral posted for derivatives amounted to EUR 13.1 billion (2020: EUR 21.2 billion). A three-notch downgrade of BNG Bank's credit rating would, as in 2020, not impact this amount. The strength of the bank's liquidity position is sufficient to meet, and to absorb fluctuations in collateral obligations.

30-6-2021

	Reverse repos (assets)	Repos (liabilities)
Netting of reverse repo and repo agreements subject to enforcable master netting agreements		
Gross balance sheet value before balance sheet netting	998	-998
Balance sheet netting of reverse repo and repo agreements	-998	998
Net balance sheet value of financial assets and liabilities	**0**	**0**

31-12-2020

	Reverse repos (assets)	Repos (liabilities)
Netting of reverse repo and repo agreements subject to enforcable master netting agreements		
Gross balance sheet value before balance sheet netting	370	-370
Balance sheet netting of reverse repo and repo agreements	-370	370
Net balance sheet value of financial assets and liabilities	**0**	**0**

Investments in interest-bearing securities (IBS)

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

The amounts shown below per rating category are remaining principal amounts in millions of euros. The total balance sheet value (gross of impairment) is also shown in the final column. The total value of EUR 17,997 million is recognised in the balance sheet items Financial assets at fair value through other comprehensive income (EUR 9,474 million), Interest-bearing securities at amortised cost (EUR 7,704 million) and Financial assets at fair value through the income statement (EUR 818 million).

30-6-2021	AAA	AA	A	BBB	Non-investment grade	Total nominal value	Total balance sheet value
Liquidity portfolio							
Level I – Government/ Supranational	5,073	1,746	-	-	46	6,865	7,399
Level I B – Covered bonds	938	-	-	-	-	938	967
Level II A – Government/ Supranational	-	58	-	-	-	58	102
Level II A – Covered bonds	330	-	-	-	-	330	340
Level II B – Corporates	-	-	25	-	-	25	26
Level II B – RMBS	805	-	-	-	-	805	815
	7,146	**1,804**	**25**	**-**	**46**	**9,021**	**9,649**
ALM portfolio							
Initial margin	389	1,228	220	-	-	1,837	2,099
RMBS	152	244	60	4	19	479	478
ABS	-	50	74	22	51	197	194
RMBS-NHG	3,436	68	129	-	-	3,633	3,642
Other	99	393	136	432	133	1,193	1,935
	4,076	**1,983**	**619**	**458**	**203**	**7,339**	**8,348**
Total	**11,222**	**3,787**	**644**	**458**	**249**	**16,360**	**17,997**

31-12-2020	AAA	AA	A	BBB	Non-investment grade	Total nominal value	Total balance sheet value
Liquidity portfolio							
Level I – Government/ Supranational	5,784	1,223	170	-	46	7,223	8,057
Level I B – Covered bonds	1,305	-	-	-	-	1,305	1,360
Level II A – Government/ Supranational	-	56	-	-	-	56	108
Level II B – Corporates	-	-	25	-	-	25	25
Level II B – RMBS	642	-	-	-	-	642	647
	7,731	**1,279**	**195**	**-**	**46**	**9,251**	**10,197**
ALM portfolio							
Initial margin	405	1,008	50	-	-	1,463	1,650
RMBS	213	253	92	4	20	582	582
ABS	-	53	87	25	52	217	213
RMBS-NHG	3,297	77	139	-	-	3,513	3,516
Other	272	365	513	253	72	1,475	2,285
	4,187	**1,756**	**881**	**282**	**144**	**7,250**	**8,246**
Total	**11,918**	**3,035**	**1,076**	**282**	**190**	**16,501**	**18,443**

Long-term foreign exposure

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

30-6-2021	AAA	AA	A	BBB	Non-investment grade	Total nominal value	Total balance sheet value
Supranational institutions	1,420	149	-	-	-	1,569	1,572
Multilateral development banks	174	-	-	-	-	174	170
Austria	-	649	-	-	-	649	673
Belgium	-	354	70	128	-	552	710
Denmark	82	-	-	-	-	82	82
Finland	-	260	-	-	-	260	262
France	77	1,565	92	19	-	1,753	2,020
Germany	1,229	55	17	-	-	1,301	1,517
Italy	-	10	17	-	51	78	75
Luxembourg	387	-	-	-	-	387	389
Portugal	-	14	31	50	100	195	197
Spain	15	221	289	4	65	594	686
United Kingdom	330	393	60	428	115	1,326	2,053
United States	21	-	-	-	-	21	22
Total	**3,735**	**3,670**	**576**	**629**	**331**	**8,941**	**10,428**

31-12-2020	AAA	AA	A	BBB	Non-investment grade	Total nominal value	Total balance sheet value
Supranational institutions	1240	149	-	-	-	1,389	1,417
Multilateral development banks	125	-	-	-	-	125	144
Austria	-	501	-	-	-	501	539
Belgium	-	273	78	131	-	482	663
Denmark	40	-	-	-	-	40	40
Finland	-	548	-	-	-	548	567
France	605	801	92	5	-	1,503	1,811
Germany	1,668	30	17	-	-	1,715	1,978
Italy	0	13	17	-	54	84	81
Portugal	215	-	-	-	-	215	218
Spain	-	-	48	50	100	198	199
Switzerland	61	240	272	4	66	643	745
United Kingdom	409	364	283	249	50	1,355	2,154
United States	20	-	-	-	-	20	22
Total	**4,383**	**2,919**	**807**	**439**	**270**	**8,818**	**10,578**

The non-investment grade items (i.e. items with a rating below BBB–) in Italy and Spain concerns interest-bearing securities, including RMBS transactions. The non-investment grade exposure in Portugal and the United Kingdom concerns a limited number of private project financing schemes in the areas of infrastructure, education, energy and healthcare. The total fair value of foreign non-investment grade exposures amounted to EUR 368 million (year-end 2020: EUR 287 million).

Off-balance sheet commitments

Contingent liabilities
This includes all commitments arising from transactions for which the bank has issued guarantees on behalf of a third party. These so called Letters of Credit are covered by deposits or a counter guarantee from public authorities. BNG Bank records contingent liabilities at the underlying principal amount that would need to be paid in the event of the borrower defaulting.

	30-6-2021	31-12-2020
Contingent liabilities	1,561	1,517

Revocable facilities
This includes all commitments attributable to revocable current-account facilities.

	30-6-2021	31-12-2020
Revocable facilities	6,621	3,676

Irrevocable facilities
This includes all irrevocable commitments that can lead to the granting of loans and advances. In the table below, these facilities are divided into credit facilities and future disbursements of contracted loans and advances.

	30-6-2021	31-12-2020
Outline agreements concerning the undrawn part of credit facilities	926	3,405
Contracted loans and advances to be distributed in the future	3,034	2,289
Total	**3,960**	**5,694**

Events after the balance sheet date

There are no events after the balance sheet date to report that require adjustments of the figures or disclosure in the Interim Report.

The Hague, 3 September 2021

Executive Committee
Gita Salden (CEO), statutory director
Olivier Labe (CFO), statutory director
Cindy van Atteveldt-Machielsen (CRO), statutory director
Jaco van Goudswaard (COO)
Thomas Eterman (CCO)

Supervisory Board
Huub Arendse, Chair
Jan van Rutte, Vice-chair
Karin Bergstein
Kees Beuving
Johan Conijn
Marlies van Elst
Leonard Geluk
Femke de Vries

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BNG Bank
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