Interim Report

BNG Bank **2019**

BANK

Contents

Profile

Our mission

Mission
BNG Bank is a committed partner for a more sustainable society. We enable the Dutch public sector to achieve socially relevant objectives.

Core values
BNG Bank's core values are: sustainable, reliable and professional.

Sustainable is interpreted by us as simultaneously serving the interests of people, planet and profit. This notion is inextricably linked to our mission. To implement it, we encourage our clients to take initiatives aimed at creating a more sustainable society. We also organise our own operations to guarantee low environmental impact and good employment practices.

Reliable means in the light of our public role that BNG Bank is a safe bank visible to and distinctive for stakeholders. Most of our lending is guaranteed by the Dutch central government or local public authorities.

Professional means that we continuously develop our services, our employees and information provision further. This value is translated into our operations and human resource policy.

A **committed partner**
for a more
sustainable society

Strategy

- We offer financial services for all maturities at the lowest possible prices.
- We offer financial solutions, payment services and expertise so that our clients can achieve their socially relevant objectives.
- We build long term relations with our stakeholders and meet their demands proactively.
- We offer our service always, regardless the circumstances on financial markets.

Strategic objectives

Relevant player
BNG Bank seeks to be a relevant financier of local authorities and institutions for housing, healthcare, education, energy and infrastructure sectors in the Netherlands. As far as long-term lending is concerned, we aim to meet more than half of the long-term credit demand from those client groups and to do so in a viable manner. We do so by providing financing at the lowest possible rates, often with extended maturities. Market share is an indicator of our level of success.

Reasonable return
BNG Bank aims to achieve a reasonable return rather than maximise its profit. Through dividends, this return accrues to the shareholders (solely public authorities) and by extension to society.

Conditions
The combination of the lowest possible lending rates and a reasonable return for shareholders is feasible because two conditions are met:

An excellent risk profile
BNG Bank pursues a strict capitalisation policy in order to safeguard its excellent profile. The leverage ratio must have a certain margin over and above the minimum requirement. The internal lower limit (23.5%) for the Tier 1 ratio, which represents the ratio between equity and risk-weighted outstanding credit, well exceeds the required value.

Goal-oriented and efficient organisation
Having a goal-oriented and efficient organisation is the second important condition. Sound risk management, operational excellence, outstanding data quality and integrity in our operations are part of this condition. An important foundation for this is our employees.

Services

BNG Bank offers a wide range of products and services: short-term and long-term loans, payment services and current accounts. Core customers of the bank are local authorities, housing associations and healthcare institutions. In addition, we finance educational institutions and energy and infrastructure projects. Most of the loan portfolio (more than 91%) is not subject to solvency requirements and consists of loans guaranteed by government bodies with a risk weighting of 0%. None of the products and services that BNG Bank provides are the subject of questions raised by stakeholders or public debate.

We help our clients in achieving their objectives for a future-proof society. For instance, we help clients to realise the ambitions set out in the Energy Agreement by financing the generation of sustainable energy and provide them with a tool that they can use to determine the possibilities for making real estate more sustainable.

Funding

BNG Bank is one of the largest issuers in the Netherlands. We have a very strong funding position thanks to the shareholding of Dutch municipal and provincial authorities, largely risk-free lending as well as very high external credit ratings (Moody's: Aaa, Standard & Poor's: AAA, and Fitch: AAA).

We raise short-term and long-term funding in various currencies, mainly through the international money and capital markets.

Value creation and materiality

BNG Bank creates value for its primary stakeholders: clients, investors, shareholders and employees. The value creation model shows how BNG Bank uses the available resources to create value, the results achieved, their impact on stakeholders and society as a whole, and the Sustainable Development Goals to which a contribution has been made. By means of the materiality analysis, input from stakeholders determined which subjects are of sufficient importance to report on in the annual report. This is further explained in the section 'Explanation of materiality analysis and material subjects' of the 2018 Annual Report.

Report of the Executive Board

"We are successful if our customers can achieve their socially relevant objectives. That is our mission", says Gita Salden, chairman of BNG Bank. "We look back on a good six months in which we were able to meet the growing demand for credit at competitive rates. With this financing we support our customers to achieve their sustainability objectives. Reporting on the climate impact of our financing and formulating action plans that contribute to reducing CO_2 emissions is a strategic spearhead, as well as proactively responding to customer needs and optimal customer service through further digitisation of processes. For example, in the second quarter of 2019 we started with the first users with the implementation of the digital customer portal 'My BNG Bank'."

The demand for credit from BNG Bank customers is increasing. The volume of new long-term lending in the first half of 2019 amounted to EUR 6.2 billion, an increase of 7% compared with the first half of 2018. The above-average demand for long-term loans with a maturity of up to 50 years is striking. Relative to year-end 2018, the long-term loan portfolio increased by EUR 1.1 billion to EUR 82.7 billion.

Demand for credit from local authorities was higher than expected, partly due to higher costs in the social domain. In addition, local authorities have been investing in sustainability, climate adaptation and renewal and the maintenance of public real estate. Among other things, BNG Bank is working in consultation with local authorities on forms of building-related financing with the aim of making private-sector housing stock more sustainable. The municipality of Utrecht has chosen BNG Bank as its principal banker, meaning that BNG Bank will conduct the city's payment transactions for the next 10 years.

Lending to housing associations is developing in line with expectations. While lending, at EUR 2.6 billion, was slightly lower than in the first half of 2018 (EUR 2.9 billion), the loan portfolio increased due to a decrease in the total of regular repayments. This increase, which commenced in the second half of 2018, continued in line with expectations, driven by an increasing level of investment in the sector. Lending to the health care sector for both new buildings and refinancing increased sharply. In the past six months, the bank issued significant loans to hospitals in Groningen, Noord Holland and Zeeland, among others.

In the reporting period, the bank invested in various forms of renewable energy, including bio fermentation and wind energy. As one of the largest financiers of the energy transition, BNG Bank signed the commitment of the financial sector to contribute to the implementation of the national climate agreement. Together with 50 other banks, insurers, pension funds and asset managers, BNG Bank has undertaken to report on the climate impact of its lending and investment activities from 2020. Moreover, the bank is committed to having action plans in place that contribute to reducing CO_2 emissions by 2022 at the latest.

In March, Fitch Ratings raised BNG Bank's rating from 'AA+' to 'AAA' with a stable outlook, thereby aligning the bank's three external ratings with those of the Dutch State.

In the reporting period, BNG Bank raised EUR 10.2 billion in long-term funding (first half of 2018: EUR 9.3 billion), partly by issuing five benchmark loans in euros and US dollars. In line with the demand for long-term loans, the average maturity of the raised funding increased. Partly as a result of the global high demand for long-term funding, the liquidity spreads of the bank and similar parties increased in the first month of 2019. Soon after, these spreads fell back to the attractive levels of the second half of 2018. In the first half of 2019, BNG Bank has already provided for approximately 60% of the long-term funding requirement in 2019.

BNG Bank's net profit for the first half of 2019 amounts to EUR 128 million. The most important factors for the decrease of EUR 79 million compared to the first half of 2018 are a lower result on financial transactions and a lower interest result – both as a result of the lower interest rates – as well as higher provisions.

The interest result for the first half of the year decreased by EUR 20 million to EUR 200 million compared with the same period in 2018. The larger than expected pressure on the interest result was amongst others attributable to an ongoing decrease in the already very low interest rates. As a consequence, the bank's equity generates increasingly lower returns.

On balance, the result on financial transactions was EUR 21 million positive. The decrease of EUR 64 million compared with the same period in 2018 was caused mainly by the negative effects of the decreased long-term interest rates. On balance, the unrealised market value changes totalled EUR 11 million positive (first half of 2018: EUR 66 million positive) due to the positive result on the revaluation of the interest-bearing securities in the Financial assets at fair value through the income statement balance sheet item and on the transactions involved in hedge accounting. At the same time, positive results totalling EUR 10 million were achieved on the sale of interest-bearing securities from the bank's liquidity portfolio (first half of 2018: EUR 19 million positive). The decision to further reduce the bank's Italy exposure was one of the reasons for this decrease in the realised results.

The regular consolidated operating expenses increased by around EUR 1 million to EUR 38 million compared with the same period in 2018, mainly due to the increasing internal and external staff costs. The bank's workforce is growing due to the requirements for banks in the area of compliance and due to project-related activities in the areas of digitisation and information provision.

The bank's contribution to the European resolution fund in 2019 was set at almost EUR 8 million. The decrease of EUR 4 million relative to the contribution in 2018 was caused by the strong decrease in the balance sheet total in 2017 compared with the balance sheet total at year-end 2016.

Impairments totalling EUR 21 million were recognised in the income statement in the first half of 2019. The bank recognised a significant individual provision.

The bank's total expected credit losses increased by EUR 15 million to EUR 72 million in the first half of 2019. Compared with the underlying exposure of around EUR 140 billion, the total expected credit losses are low, reflecting the high creditworthiness of the bank's exposures.

Relative to year-end 2018, the balance sheet total increased by EUR 21.0 billion to EUR 158.6 billion. The Loans and advances balance sheet item increased by approximately EUR 1.0 billion to EUR 86.0 billion in the reporting period. The increase in the balance sheet total was mainly due to the ample liquidity position of the bank with the ECB and the decrease in long-term interest rates. The effects of this decrease are mainly reflected by the increase in the balance sheet items Derivatives, Cash collateral posted and Value adjustments on loans involved in portfolio hedge accounting.

BNG Bank's equity decreased by more than EUR 0.1 billion to EUR 4.8 billion in the reporting period, partly due to the distribution of a dividend. The risk-weighted solvency remained stable, as the increase in the Common Equity Tier 1 capital was offset by an increase in the total risk-weighted assets. The Common Equity Tier 1 ratio and the bank's Tier 1 ratio remained virtually unchanged at 32% and 38%, respectively. Due to the increase in the balance sheet total, the bank's leverage ratio decreased to 3.4% compared with year-end 2018.

The month of May saw the publication of amendments to the European regulations concerning capital requirements. Most of the amendments apply with effect from 28 June 2021. The most important change for BNG Bank relates to Article 429, which provides that promotional loans of public development credit institutions can be excluded from the calculation of the leverage ratio. As BNG Bank already complies with the applicable conditions, its leverage ratio is expected to at least double from mid-2021. Because not all specific provisions of the regulations have been finalised, no full insight can be provided yet on the effects of the new regulations.

Further to the outcome of the UK European Union membership referendum in 2016, BNG Bank carried out a detailed impact analysis. This analysis has shown that the operational risks of a hard Brexit for the bank are relatively limited. The bank has taken measures on the identified action points to safeguard the continuity of operations even in the event of a hard Brexit.

The consequences of the European regulations on benchmark interest rates (BMR) and similar initiatives in other Western countries are coming into clearer focus. The key provision is that benchmarks must be based on actual transactions that are representative for the relevant market. The ECB benchmark working group has introduced Euro Short Term Rate (ESTER) as the alternative to EONIA, the interest rate that is currently the market standard for the valuation of derivatives. ESTER will be implemented as of 2 October 2019 and will gradually but fully replace EONIA in the years ahead. BNG Bank has made the necessary preparations for this transition. The implications for the bank's balance sheet and income statement are expected to be limited.

Due to the substantial demand from local authorities, BNG Bank expects to exceed the full-year target for new long-term lending of EUR 10.9 billion. The total long-term funding requirement of the bank in 2019 is expected to total more than EUR 17 billion. Two new Socially Responsible Investment bonds are expected to be issued in the second half of 2019.

The increase in the bank's consolidated operating expenses is lower than expected. There were more vacancies in the first half of 2019 than anticipated. Due to this relatively large flow rate the bank's regular total operating expenses are increasing less rapidly than expected as filling vacancies takes some time. The contribution to the statutory bank levy to be paid in October 2019, which is determined on the basis of the balance sheet at year-end 2018, amounts to EUR 30 million.

The interest result for 2019 is expected to range between EUR 400 million and EUR 440 million. This range was adjusted downwards compared with year-end 2018 by EUR 10 million due to the pressure on the interest result owing to the decreased interest rates. Volatility on the financial markets makes it impossible to provide a reliable statement on the unrealised results within the result on financial transactions. As a consequence, the bank does not consider it wise to make a statement on the expected net profit for 2019.

Declaration of responsibility

In the opinion of the Executive Board, the Interim Report provides a true and fair view of the assets, liabilities, the financial position and the results of BNG Bank and the subsidiaries included in the consolidation. The Interim Report provides a true and fair view of the position on the balance sheet date, performance during the first half-year and the expected developments of BNG Bank and its consolidated subsidiaries, whose figures have been included in the consolidated Interim Report. The Interim Report does not contain all the information required for full financial statements and should therefore be read in combination with the 2018 Annual Report.

The Hague, 6 September 2019

Executive board
G.J. Salden, Chair
O.J. Labe
J.C. Reichardt

Consolidated interim **financial statements**

An unqualified audit opinion has been issued for the figures as at 31 December 2018 and for the 2018 financial year as a whole. An unqualified review report has been issued for the figures as at 30 June 2019, as well as for the first half of 2019 and 2018 respectively.

Consolidated balance sheet

Amounts in millions of euros

	NOTE	30/06/2019	31/12/2018
Assets			
Cash and balances with central banks		11,670	1,587
Amounts due from banks		76	82
Cash collateral posted		15,273	12,043
Financial assets at fair value through the income statement		1,737	1,606
Derivatives		10,158	8,390
Financial assets at fair value through other comprehensive income		9,320	9,648
Interest-bearing securities at amortised cost		7,271	7,406
Loans and advances		85,969	85,034
Value adjustments on loans in portfolio hedge accounting		16,820	11,566
Associates and joint ventures		42	44
Property & equipment		18	17
Current tax assets		98	7
Other assets		129	79
Total assets		**158,581**	**137,509**
Liabilities			
Amounts due to banks		2,914	2,383
Cash collateral received		656	419
Financial liabilities at fair value through the income statement		737	762
Derivatives		23,616	19,223
Debt securities	1	117,542	103,722
Funds entrusted		7,971	5,800
Subordinated debts		32	32
Deferred tax liabilities		69	99
Other liabilities		201	78
Total liabilities		**153,738**	**132,518**
Equity			
Share capital		139	139
Share premium reserve		6	6
Other reserves		3,566	3,410
Revaluation reserve		124	125
Cash flow hedge reserve		13	10
Own credit adjustment		9	9
Cost of hedging reserve		125	222
Net profit		128	337
Equity attributable to shareholders		**4,110**	**4,258**
Hybrid capital		733	733
Total equity		**4,843**	**4,991**
Total liabilities and equity		**158,581**	**137,509**

1 The number refers to the selected notes to the consolidated 2019 Interim Report.

Consolidated income statement

Amounts in millions of euros

	NOTE	FIRST HALF OF 2019		FIRST HALF OF 2018	
– Interest revenue calculated using the effective interest method		2,440		2,596	
– Other interest revenue		331		282	
Total interest revenue			2,771		2,878
– Interest expenses calculated using the effective interest method		2,524		2,604	
– Other interest expenses		47		54	
Total interest expenses			2,571		2,658
Interest result	2		200		220
– Commission income		16		14	
– Commission expenses		1		1	
Commission result			15		13
Result on financial transactions	3		21		85
Results from associates and joint ventures			0		2
Other results			1		1
Total income			**237**		**321**
Staff costs			20		20
Other administrative expenses			16		16
Depreciation			2		1
Total operating expenses			**38**		**37**
Net impairment losses on financial assets	4		20		-4
Net impairment losses on associates and joint ventures			1		1
Contribution to resolution fund			8		12
Total other expenses			**29**		**9**
Profit before tax			**170**		**275**
Income tax expense			42		68
Net profit			**128**		**207**
– of which attributable to the holders of hybrid capital			22		19
– of which attributable to shareholders			106		188

2,3,4 The numbers refer to the selected notes to the consolidated 2019 Interim Report.

Consolidated statement of comprehensive income

Amounts in millions of euros. All figures in the statement are after taxation.

	FIRST HALF OF 2019			FIRST HALF OF 2018		
Net profit			**128**			**207**
Recyclable results recognised directly in equity:						
– Changes in cash flow hedge reserve:						
– Unrealised value changes	3			–7		
– Realised value changes transferred to the income statement	–			–		
		3			–7	
– Changes in cost of hedging reserve:						
– Unrealised value changes	–97			165		
– Realised value changes transferred to the income statement	–			4		
		–97			169	
– Changes in the revaluation reserve for financial assets at fair value through other comprehensive income:						
– Unrealised value changes	8			–		
– Realised value changes transferred to the income statement	–9			–19		
– Impairments through the income statement	–			–		
		–1			–19	
Total recyclable results		**-95**			**143**	
Non-recyclable results recognised directly in equity:						
– Movement in the Own Credit Adjustment (OCA) revaluation reserve for financial liabilities at fair value through the income statement:						
– Unrealised value changes in OCA	0			–1		
		0			–1	
– Movement in actuarial results		–			–	
Total non-recyclable results		**0**			**-1**	
Results recognised directly in equity			**-95**			**142**
Total			**33**			**349**
– of which attributable to the holders of hybrid capital			22			19
– of which attributable to shareholders			11			330

Consolidated cash flow statement

Amounts in millions of euros

	FIRST HALF OF 2019	FIRST HALF OF 2018
Cash flow from operating activities		
Profit before tax	170	275
Adjusted for:		
- Depreciation	2	1
- Impairments	22	-4
- Unrealised results through the income statement	-11	4
Changes in operating assets and liabilities:		
- Changes in Amounts due from and due to banks (not due on demand)	382	1,123
- Changes in Cash collateral posted and received	-2,992	1,823
- Changes in Loans and advances	-749	254
- Changes in Funds entrusted	2,136	836
- Changes in Derivatives	151	207
- Corporate income tax paid	-133	-140
- Other changes from operating activities	-153	-52
Net cash flow from operating activities	**-1,175**	**4,327**
Cash flow from investing activities		
Investments and acquisitions pertaining to:		
- Financial assets at fair value through the income statement	-1	-
- Financial assets at fair value through other comprehensive income	-897	395
- Interest-bearing securities at amortised cost	-896	-1,345
- Investments in associates and joint ventures	0	-
- Property and equipment	-1	-2
Disposals and redemptions pertaining to:		
- Financial assets at fair value through the income statement	16	9
- Financial assets at fair value through other comprehensive income	1,339	72
- Interest-bearing securities at amortised cost	1,066	323
- Assets held for sale	-	29
- Investments in associates and joint ventures	1	0
- Property and equipment	-	0
Net cash flow from investing activities	**627**	**-519**

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Consolidated cash flow statement

Amounts in millions of euros

	FIRST HALF OF 2019	FIRST HALF OF 2018
Cash flow from financing activities		
Amounts received on account of:		
– Financial liabilities at fair value through the income statement	6	–
– Debt securities	224,464	145,805
Amounts paid on account of:		
– Financial liabilities at fair value through the income statement	–67	–120
– Debt securities	–213,591	–143,797
– Subordinated debts	–	0
– Dividend distribution on Hybrid capital	–25	–25
– Dividend distribution to shareholders	–159	–141
Net cash flow from financing activities	**10,628**	**1,722**
Net change in cash and cash equivalents	**10,080**	**5,530**
Cash and cash equivalents as at 1 January	1,591	2,999
Cash and cash equivalents as at 30 June	**11,671**	**8,529**
The total cash and cash equivalents as at 30 June comprises of:		
– Cash and balances with the central bank	11,670	8,525
– Cash equivalents in the Amount due from banks item	3	4
– Cash equivalents in the Amount due to banks item	–2	0
	11,671	**8,529**
Notes to cash flow from operating activities		
Interest income received	2,902	2,816
Interest expenses paid	–2,773	–2,619
	129	**197**

BNG Bank has not recognised any results from minority interests in the consolidated equity which is attributable to third parties. Apart from the hybrid capital, the entire equity is attributable to the shareholders.

Consolidated statement of changes in equity

Amounts in millions of euros

									FIRST HALF OF 2019		
	SHARE CAPITAL	SHARE PREMIUM RESERVE	REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	OWN CREDIT ADJUSTMENT	COST OF HEDGING RESERVE	OTHER RESERVES	UNAPPROPRIATED PROFIT	EQUITY ATTRIBUTABLE TO SHAREHOLDERS	HYBRID CAPITAL	TOTAL
Balance as at 01/01/2019	**139**	**6**	**125**	**10**	**9**	**222**	**3,410**	**337**	**4,258**	**733**	**4,991**
Net profit								128	**128**		**128**
Movement in OCA					0				**0**		**0**
Movement in Cost of hedging						–97			**-97**		**-97**
Unrealised results			–1	3					**2**		**2**
Total comprehensive income			**-1**	**3**	**0**	**-97**	**-**	**128**	**33**	**-**	**33**
Dividend distribution to the bank's shareholders							–159		**-159**		**-159**
Dividend distribution to holders of hybrid capital							–22		**-22**		**-22**
Appropriation from previous year's profit							337	–337	**-**		**-**
Balance as at 30/06/2019	**139**	**6**	**124**	**13**	**9**	**125**	**3,566**	**128**	**4,110**	**733**	**4,843**

Consolidated statement of changes in equity

Amounts in millions of euros

FIRST HALF OF 2018

	SHARE CAPITAL	SHARE PREMIUM RESERVE	REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	OWN CREDIT ADJUSTMENT	COST OF HEDGING RESERVE	OTHER RESERVES	UNAPPROPRIATED PROFIT	EQUITY ATTRIBUTABLE TO SHAREHOLDERS	HYBRID CAPITAL	TOTAL
Balance as at 01/01/2018	**139**	**6**	**189**	**19**	**9**	**22**	**3,177**	**393**	**3,954**	**733**	**4,687**
Net profit								207	**207**		**207**
Movement in OCA					–1				**-1**		**-1**
Movement in Cost of hedging						169			**169**		**169**
Unrealised results			–19	–7					**-26**		**-26**
Total comprehensive income			**-19**	**-7**	**-1**	**169**		**207**	**349**	**-**	**349**
Dividend distribution to the bank's shareholders							–141		–141		–141
Dividend distribution to holders of hybrid capital							–19		–19		–19
Appropriation from previous year's profit							393	–393	–		–
Balance as at 30/06/2018	**139**	**6**	**170**	**12**	**8**	**191**	**3,410**	**207**	**4,143**	**733**	**4,876**

Selected notes to the **consolidated** Interim Report

General company information

The consolidated Interim Report was prepared by and issued for publication by the Executive Board on 6 September 2019. 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.

Main accounting principles used for the reporting

The consolidated Interim Report is prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union. The Interim Report does not contain all the information required for full financial statements and should therefore be read in combination with the 2018 Annual Report. In preparing this consolidated Interim Report, the same system was applied to significant estimates and methods as that for the 2018 consolidated Financial Statements except for the adoption of new amended standards.

The consolidated Interim Report was prepared based on the going-concern principle. Most balance sheet items are measured at amortised cost. The balance sheet items Financial assets at fair value through the income statement, Financial assets at fair value through other comprehensive income, Derivatives and Financial liabilities at fair value through the income statement are measured at fair value. The balance sheet item Investments in associates and joint ventures is stated according to the equity method. The balance sheet item Property and equipment is stated at cost less accumulated depreciation. The actuarial valuation is applied for the provision associated with the mortgage interest rate discount.

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. All amounts stated in the Interim Report are presented in millions of euros, unless stated otherwise. The euro is used as the functional and reporting currency of BNG Bank. Income is recognised if it is likely that the economic benefits will accrue to BNG Bank and the income can be reliably determined. Expenses are allocated where possible to the period in which the services were provided or to the related income counterbalancing these expenses.

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 presentation of comparative figures

The comparative figures in this consolidated Interim Report do not differ from the figures disclosed in the 2018 Financial Statements.

Applicable laws and regulations

The consolidated Interim Report was prepared in accordance with the IFRS, as issued by the International Accounting Standards Board (IASB) and adopted throughout the European Union. The consolidated interim figures of BNG Bank were prepared in accordance with the principles and calculation methods applied for the 2018 Financial Statements.

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 2019. Application of the following new or amended standards, interpretations and improvements have not led to significant adjustments in this 2019 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 2019

- IFRS 16 Leases: This standard replaces the IAS 17 'Leases' standard, IFRIC 4, SIC-15 and SIC-27 and will take effect prospectively on 1 January 2019. The EU endorsed this standard on 31 October 2017. The standard introduces a new lease framework; both lessee and lessor are required to recognise all assets and liabilities under the lease contract. BNG Bank concludes several operational lease contracts every year for its own use. For further details, please refer to 'Explanation of the consequences of IFRS 16' below.
- Amendments to IFRS 9 Prepayment Features with Negative Compensation: Clarifies that a financial asset passes the SPPI criterion regardless of the event or circumstance that cause the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendment is effective for annual reporting periods beginning on or after 1 January 2019, but earlier application is permitted. The EU endorsed this amendment on 22 March 2018. The amendments have no impact on BNG Bank's results and equity.
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments: IFRIC 23 is applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates in the case of uncertainty over income tax treatments under IAS 12. This interpretation should be applied retrospectively as at 1 January 2019, without

adjustment of comparative figures. The EU endorsed this interpretation on 24 October 2018. The Bank has no uncertain tax treatments at this moment and therefore IFRIC Interpretation 23 has no impact.

- Amendments to IAS 28 Long-term Interests in Associates and Joint ventures: Clarification that companies account for long-term interests in an associate or joint venture – to which the equity method is not applied – using IFRS 9. The amendment is effective for annual reporting periods beginning on or after 1 January 2019. The EU endorsed this amendment on 8 February 2019. BNG Bank already applies the equity method. The amendments have no impact.
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017): This improvement cycle result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments to IFRS 3 'business combinations', IAS 12 Income Taxes and IAS 23 Borrowing costs. The amendments will be effective on or after 1 January 2019. The EU endorsed the annual improvements on 14 March 2019. The amendments have no impact.
- Amendments to IAS 19, Employee Benefits: In February 2018, the IASB issued amendments to IAS 19, which address the accounting when a plan amendment, curtailment or settlement occurs during the reporting period. The amendments require entities to use the updated actuarial assumption to determine current service cost and net interest for the remainder of the annual reporting period after such an event. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The amendments are effective prospectively for plan amendments, curtailments or settlements that occur on or after 1 January 2019. The EU endorsed the amendment on 14 March 2019. The impact on the bank's equity and result is not material.

Unapplied accounting standards not yet adopted by the EU

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.

Explanation of the consequences of IFRS 16 'leases'

IFRS 16 'Leases' has replaced IAS 17 entirely. The new standard was adopted by the EU in October 2017 and is compulsory for financial years commencing on or after 1 January 2019. Below, the new IFRS 16 accounting principles are disclosed and subsequent the IFRS 16 consequences for BNG Bank's equity, the classification of the leases on the balance sheet, the result and the disclosures in the financial statements will be elaborated.
BNG Bank adopted IFRS 16 retrospective but does not restate as permitted the 2018 comparative reporting period.

BNG Bank has only one lease activity, i.e. the leasing of cars for own use (lessee). Previously the motor vehicles were classified and reported as operational leases. The yearly payments were approximately EUR 1 million and therefore considered as not material to disclose in detail.

Adjustments recognised on adoption of IFRS 16

To assess whether a contract is, or contains, a lease, the bank shall determine whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The bank as lessee

At the commencement date, a right-of-use asset and a lease liability are recognised. The right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and reported as Property and equipment. The lease liability is measured as the present value of the outstanding lease payments and reported as Other liabilities. The interest on the lease liability is recognised as Interest expense in the income statement.

	CLOSING BALANCE 31/12/2018	IMPACT OF IFRS 16	OPENING BALANCE 01/01/2019
Property and equipment	17	2	19
Other liabilities	78	2	80

The average discount rate is set at zero percent, which is approximately equal to the market rate. As a result, no interest has to be paid. The impact on equity in the opening balance is zero.

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

The proposed dividend of EUR 159 million for the 2018 financial year was paid out to the shareholders following the General Meeting of Shareholders held in the first half of 2019. In addition, EUR 25 million in dividend was distributed to the holders of the hybrid capital. This distribution is partially deductible from corporate income tax. The net impact on equity is EUR 22 million negative. BNG Bank has no plans to pay out an interim dividend on the result for the first half of 2019.

1 Debt securities

The debt securities item rose by EUR 13.8 billion in the first half of 2019. This is largely due to a EUR 11.3 billion increase in short-term funding (in the form of Commercial Paper). In addition, the total value adjustment for long-term debt securities involved in micro hedge accounting showed an increase of approximately EUR 2.4 billion. With regard to its long-term funding activities, BNG Bank issued EUR 10.2 billion of long-term debt securities in the first half of 2019 (first half of 2018: EUR 9.3 billion). The total redemption value of long-term debt securities amounted to EUR 9.7 billion in the reporting period (first half of 2018: EUR 9.5 billion).

2 Interest result

	FIRST HALF OF 2019		FIRST HALF OF 2018	
Interest revenue				
Interest revenue calculated using the effective interest method:				
– Financial assets at amortised cost	1,080		1,124	
– Financial assets at fair value through other comprehensive income	75		95	
– Derivatives involved in hedge accounting	1,266		1,354	
– Negative interest expenses on financial liabilities	19		23	
– Other	0		–	
		2,440		**2,596**
Other interest revenue:				
– Financial assets designated at fair value through the income statement	21		24	
– Financial assets mandatory at fair value through the income statement	1		2	
– Derivatives not involved in hedge accounting	309		256	
		331		**282**
Total interest revenue		**2,771**		**2,878**
Interest expenses				
Interest expenses calculated using the effective interest method:				
– Financial liabilities at amortised cost	1,258		1,161	
– Derivatives involved in hedge accounting	1,212		1,392	
– Negative interest expenses on financial assets	54		51	
		2,524		**2,604**
Other interest expenses				
– Financial liabilities designated at fair value through the income statement	15		18	
– Derivatives not involved in hedge accounting	29		33	
– Other	3		3	
		47		**54**
Total interest expenses		**2,571**		**2,658**
Total interest result		**200**		**220**

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 2019		FIRST HALF OF 2018	
Market value changes in financial assets at fair value through the income statement resulting from changes in credit and liquidity spreads				
– Interest-bearing securities	31		24	
– Structured loans	2		3	
		33		27
Result from hedge accounting				
– Portfolio fair value hedge accounting	-3		10	
– Micro fair value hedge accounting	16		-1	
– Micro cash flow hedge accounting	0		0	
		13		9
Change in counterparty credit risk of derivatives (CVA/DVA)		-11		5
Realised sales and buy-out results		10		19
Other market value changes		-24		25
Total		**21**		**85**

In the reporting period, the result on financial transactions was positively influenced by unrealised results, mainly arising from incoming credit and liquidity risk spreads of several interest-bearing securities recorded under Financial assets at fair value through the income statement and realised sales. The other market value changes include unrealised market value changes of derivatives not involved in hedge accounting and financial assets and liabilities at fair value through the income statement.

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 (not credit-impaired).

Stage 3: credit-impaired exposure (non-performing).

	30/06/2019						
	CARRYING AMOUNT	GROSS CARRYING AMOUNT			ALLOWANCE FOR CREDIT LOSS		
		PERFORMING		CREDIT-IMPAIRED	PERFORMING		CREDIT-IMPAIRED
		STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Financial assets subject to impairment							
Cash and balances held with central banks	11,670	11,670					
Amounts due from banks	76	76	0		0	0	
Cash collateral posted	15,273	15,273					
Financial assets at fair value through OCI*	9,320	9.262	58		0	–1	
Interest-bearing securities at amortised cost	7,271	7,196	80		0	–5	
Loans and advances	85,969	84,585	1,350	95	–4	–27	–30
Total	**129,579**	**128,062**	**1,488**	**95**	**-4**	**-33**	**-30**

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

	30/06/2019					
	NOMINAL AMOUNT			PROVISION		
	PERFORMING		CREDIT-IMPAIRED	PERFORMING		CREDIT-IMPAIRED
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Off-balance sheet commitments						
Contingent liabilities	57	1		0	0	
Revocable facilities	4,000	36		0	0	
Irrevocable facilities	6,822	93	15	–1	–1	–3
Total	**10,879**	**130**	**15**	**-1**	**-1**	**-3**

							31/12/2018
		GROSS CARRYING AMOUNT			**ALLOWANCE FOR CREDIT LOSS**		
	CARRYING AMOUNT	**PERFORMING**		**CREDIT-IMPAIRED**	**PERFORMING**		**CREDIT-IMPAIRED**
		STAGE 1	**STAGE 2**	**STAGE 3**	**STAGE 1**	**STAGE 2**	**STAGE 3**
Financial assets subject to impairment							
Cash and balances held with central banks	1,587	1,587					
Amounts due from banks	82	82	0		0	0	
Cash collateral posted	12,043	12,043					
Financial assets at fair value through OCI*	9,648	9,595	53		0	-1	
Interest-bearing securities at amortised cost	7,406	7,319	94		-1	-6	
Loans and advances	85,034	83,664	1,360	57	-4	-27	-16
Total	**115,800**	**114,290**	**1,507**	**57**	**-5**	**-34**	**-16**

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

						31/12/2018
	NOMINAL AMOUNT			**PROVISION**		
	PERFORMING		**CREDIT-IMPAIRED**	**PERFORMING**		**CREDIT-IMPAIRED**
	STAGE 1	**STAGE 2**	**STAGE 3**	**STAGE 1**	**STAGE 2**	**STAGE 3**
Off-balance sheet commitments						
Contingent liabilities	31	1		0	0	
Revocable facilities	6,015	35		0	0	
Irrevocable facilities	7,504	120		-1	-1	
Total	**13,550**	**156**	**-**	**-1**	**-1**	**-**

Credit-impaired exposure totalled EUR 110 million as at 30 June 2019 (year-end 2018: EUR 57 million). The share of credit-impaired exposure in the total portfolio is 0.08% (year-end 2018: 0.04%) and concerns 9 debtors (year-end 2018: 9 debtors). BNG Bank has received government guarantees totalling EUR 26 million (year-end 2018: EUR 27 million) with respect to credit-impaired exposures.

The following table shows the development of credit-impaired exposures. The large shift of EUR 67 million from performing to credit-impaired exposure is caused by the deterioration of the creditworthiness of a very limited number of non-guaranteed clients.

	FIRST HALF OF 2019	2018
Opening balance	**57**	**52**
Increase in existing credit-impaired exposure	0	3
Shift from performing to credit-impaired exposure	67	23
Shift from credit-impaired to performing exposure	–	–
Repayments on and settlement of credit-impaired exposure	–14	–21
Closing balance	**110**	**57**

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.

	30/06/2019	31/12/2018
Less than 31 days	0	0
31 through 60 days	–	–
61 through 90 days	–	–
Over 90 days	–	–
Closing balance	**0**	**0**

Movements in allowances and provisions for expected credit losses

The following table shows the movements in allowances for expected credit losses for financial assets and the provision for expected credit losses for off-balance sheet commitments. The write-off of loans to one client with a total gross carrying amount of EUR 5.4 million resulted in a reduction of the Stage 3 loss allowance by the same amount.

	FIRST HALF OF 2019					
	OPENING BALANCE	INCREASES DUE TO ORIGINATION AND ACQUISITION	DECREASE DUE TO DERECOG-NITION REPAYMENTS AND DISPOSALS	CHANGES DUE TO CHANGE IN CREDIT RISK (NET)	DECREASE IN ALLOWANCE ACCOUNT DUE TO WRITE-OFFS	CLOSING BALANCE
Allowances						
Cash and balances held with central banks	–	–	–	–	–	–
Amounts due from banks	0	–	0	0	–	0
Financial assets at fair value through OCI	1	0	0	0	–	1
Interest-bearing securities at amortised cost	7	0	-2	0	–	5
Loans and advances	47	2	-2	19	-5	61
	55	**2**	**-4**	**19**	**-5**	**67**
Provision						
Off-balance sheet commitments	2	1	-1	3	–	5

	FIRST HALF OF 2018					
	OPENING BALANCE	INCREASES DUE TO ORIGINATION AND ACQUISITION	DECREASE DUE TO DERECOG-NITION REPAYMENTS AND DISPOSALS	CHANGES DUE TO CHANGE IN CREDIT RISK (NET)	DECREASE IN ALLOWANCE ACCOUNT DUE TO WRITE-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	13	0	0	0	–	13
Loans and advances	50	3	-4	-2	–	47
	64	**3**	**-4**	**-2**	**-**	**61**
Provision						
Off-balance sheet commitments	2	1	-1	0	–	2

Modifications of contractual cash flows

There have been no financial assets for which the contractual cash flows have been modified during 1st half-year of 2019 while they had a loss allowance measured at an amount equal to lifetime expected credit loss (i.e. stage 2 or 3). 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 1st half-year of 2019.

Key inputs and assumptions

The Expected Credit Loss (ECL) of the financial asset is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk 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 by the bank's economist on a quarterly basis. Expert judgement is applied. 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 wage rate. For securitisations the applied macroeconomic factors are the house price index, the long-term interest rate, and debt.

Non-securitisations				
Macroeconomic variable	**HORIZON**	**SCENARIO**	**WEIGHTING AS AT 30/06/2019**	**WEIGHTING AS AT 31/12/2018**
GDP for the Netherlands	3 years	Base scenario	70%	70%
Unemployment rate for the Netherlands	3 years	Upward scenario	10%	10%
Wage growth rate for the Netherlands	3 years	Downward scenario	20%	20%

Securitisations				
Macroeconomic variable	**HORIZON**	**SCENARIO**	**WEIGHTING AS AT 30/06/2019**	**WEIGHTING AS AT 31/12/2018**
House price indices in the Euro area	3 years	Base scenario	65%	65%
Long-term interest rates in the Euro area	3 years	Upward scenario	10%	10%
Debt (Credit to households and NPISHs*) in the Euro area	3 years	Downward scenario	25%	25%

* Non-profit institutions serving households.

Exposures in default

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

- BNG Bank considers that the obligor is unlikely to pay its credit obligations to the bank;
- 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.

An exposure classified as defaulted or credit-impaired can once again be regarded as performing (i.e. not credit-impaired) 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.

Breakdown of financial instruments by category

				30/06/2019
	AMORTISED COST	FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE THROUGH OCI	TOTAL
Cash and balances held with central banks	11,670			11,670
Amounts due from banks	76			76
Cash collateral posted	15,273			15,273
Financial assets at fair value through the income statement		1,737		1,737
Derivatives		10,158		10,158
Financial assets at fair value through other comprehensive income			9,320	9,320
Interest-bearing securities at amortised cost	7,271			7,271
Loans and advances	85,969			85,969
Value adjustments on loans involved in portfolio hedge accounting	16,820			16,820
Total assets	**137,079**	**11,895**	**9,320**	**158,294**
Amounts due to banks	2,914			2,914
Cash collateral received	656			656
Financial liabilities at fair value through the income statement		737		737
Derivatives		23,616		23,616
Debt securities	117,542			117,542
Funds entrusted	7,971			7,971
Subordinated debts	32			32
Total liabilities	**129,115**	**24,353**	**-**	**153,468**

				31/12/2018
	AMORTISED COST	FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE THROUGH OCI	TOTAL
Cash and balances held with central banks	1,587			1,587
Amounts due from banks	82			82
Cash collateral posted	12,043			12,043
Financial assets at fair value through the income statement		1,606		1,606
Derivatives		8,390		8,390
Financial assets at fair value through other comprehensive income			9,648	9,648
Interest-bearing securities at amortised cost	7,406			7,406
Loans and advances	85,034			85,034
Value adjustments on loans involved in portfolio hedge accounting	11,566			11,566
Total assets	**117,718**	**9,996**	**9,648**	**137,362**
Amounts due to banks	2,383			2,383
Cash collateral received	419			419
Financial liabilities at fair value through the income statement		762		762
Derivatives		19,223		19,223
Debt securities	103,722			103,722
Funds entrusted	5,800			5,800
Subordinated debts	32			32
Total liabilities	**112,356**	**19,985**	**-**	**132,341**

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.

	30/06/2019						
	AAA	AA	A	BBB	NON-INVESTMENT GRADE	TOTAL NOMINAL VALUE	TOTAL BALANCE SHEET VALUE
Supranational institutions	369	204	–	–	–	573	613
Multilateral development banks	512	–	–	–	–	512	581
Austria	–	494	–	–	–	494	618
Belgium	–	350	–	137	–	487	598
Denmark	–	90	–	–	–	90	91
Finland	–	400	–	–	–	400	483
France	533	576	100	5	–	1,214	1,514
Germany	1,553	30	62	–	–	1,645	1,954
Italy	–	23	19	135	62	239	239
Portugal	–	–	91	50	100	241	250
Spain	68	262	360	–	70	760	871
Switzerland	–	–	94	–	–	94	109
United Kingdom	653	356	283	255	52	1,599	2,276
United States	22	–	–	–	–	22	23
Total	**3,710**	**2,785**	**1,009**	**582**	**284**	**8,370**	**10,219**

							31/12/2018
	AAA	AA	A	BBB	NON-INVESTMENT GRADE	TOTAL NOMINAL VALUE	TOTAL BALANCE SHEET VALUE
Supranational institutions	369	155				524	543
Multilateral development banks	741					741	802
Austria		554				554	628
Belgium		350		140		490	589
Denmark		90				90	91
Finland		500				500	577
France	473	681	100	5		1,259	1,528
Germany	1,342	30	70			1,442	1,760
Italy		27	25	195	67	314	325
Portugal			89	58	100	247	253
Spain	70	238	443		83	834	925
Switzerland			99			99	113
United Kingdom	636	349	281	273	34	1,573	2,146
United States	22					22	22
Total	**3,653**	**2,974**	**1,107**	**671**	**284**	**8,689**	**10,302**

The non-investment grade items (i.e. items with a rating below BBB–) mainly consist of exposures in so-called GIIPS countries. This largely concerns interest-bearing securities, including Covered bonds and RMBS transactions. The non-investment grade exposure in 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 302 million (year-end 2018: EUR 289 million).

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 17,618 million is recognised in the balance sheet items Financial assets at fair value through other comprehensive income (EUR 9,320 million), Interest-bearing securities at amortised cost (EUR 7,271 million) and Financial assets at fair value through the income statement (EUR 1,027 million).

	30/06/2019						
	AAA	AA	A	BBB	NON-INVESTMENT GRADE	TOTAL NOMINAL VALUE	TOTAL BALANCE SHEET VALUE
Liquidity portfolio							
Level I – Government/ Supranational	5,462	2,073	220	135	46	7,936	9,305
Level I B – Covered bonds	1,273	–	–	–	–	1,273	1,344
Level II A – Government/ Supranational	–	56	–	–	–	56	93
Level II B – Corporates	–	–	25	–	–	25	26
Level II B – RMBS	1,085	–	–	–	–	1,085	1,093
	7,820	**2,129**	**245**	**135**	**46**	**10,375**	**11,861**
Alm portfolio							
RMBS	22	285	196	–	24	527	524
ABS	–	61	129	28	56	274	270
NHG	2,546	95	168	–	–	2,809	2,811
Other	336	375	424	256	77	1,468	2,152
	2,904	**816**	**917**	**284**	**157**	**5,078**	**5,757**
Total	**10,724**	**2,945**	**1,162**	**419**	**203**	**15,453**	**17,618**

							31/12/2018
	AAA	AA	A	BBB	NON-INVESTMENT GRADE	TOTAL NOMINAL VALUE	TOTAL BALANCE SHEET VALUE
Liquidity portfolio							
Level I – Government/ Supranational	5,618	2,290	220	195	46	8,369	9,664
Level I B – Covered bonds	1,121					1,121	1,177
Level II A – Government/ Supranational		56			2	58	91
Level II B – Corporates			25			25	25
Level II B – RMBS	1,488					1,488	1,496
	8,227	**2,346**	**245**	**195**	**48**	**11,061**	**12,453**
Alm portfolio							
RMBS	23	245	275	7	37	587	583
ABS		64	140	30	57	291	288
NHG	2,285	103	181			2,569	2,569
Other	376	388	422	256	78	1,520	2,108
	2,684	**800**	**1,018**	**293**	**172**	**4,967**	**5,548**
Total	**10,911**	**3,146**	**1,263**	**488**	**220**	**16,028**	**18,001**

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.

	30/06/2019			
		OF WHICH: FORBORNE		
	TOTAL EXPOSURE	GROSS OF IMPAIRMENT	NET OF IMPAIRMENT	IN % OF TOTAL
Financial assets (excl. Derivatives)				
Cash and balances with central banks	11,670	–	–	0.0%
Amounts due from banks	76	–	–	0.0%
Cash collateral posted	15,273	–	–	0.0%
Financial assets at fair value through the income statement	1,737	–	–	0.0%
Financial assets at fair value through other comprehensive income	9,320	–	–	0.0%
Interest-bearing securities at amortised cost	7,271	–	–	0.0%
Loans and advances	85,969	300	277	0.3%
	131,316	**300**	**277**	**0.2%**
Off-balance sheet commitments				
Contingent liabilities	58	–	–	0.0%
Revocable facilities	4,036	0	0	0.0%
Irrevocable facilities	6,930	5	5	0.1%
	11,024	**5**	**5**	**0.0%**

				31/12/2018
		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	1,587	–	–	0.0%
Amounts due from banks	82	–	–	0.0%
Cash collateral posted	12,043	–	–	0.0%
Financial assets at fair value through the income statement	1,606	–	–	0.0%
Financial assets at fair value through other comprehensive income	9,648	–	–	0.0%
Interest-bearing securities at AC	7,406	–	–	0.0%
Loans and advances	85,034	348	325	0.4%
	117,406	**348**	**325**	**0.3%**
Off-balance sheet commitments				
Contingent liabilities	32	–	–	0.0%
Revocable facilities	6,050	0	0	0.0%
Irrevocable facilities	7,624	–	–	0.0%
	13,706	**0**	**0**	**0.0%**

The credit agreements for which the contractual terms have changed as a result of the debtor's unfavourable financial position amounted to EUR 305 million (gross of impairment) at 30 June 2019 (31 December 2018: EUR 348 million). The total forborne exposure concerns 6 debtors (year-end 2018: 7 debtors). No new forbearance measures were taken by the bank in the first half of 2019.

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 positions if these agreements were, and were not, to meet the conditions for balance sheet netting and if the collateral agreements were taken into account.

	30/06/2019		
	DERIVATIVES STATED AS ASSETS	DERIVATIVES STATED AS LIABILITIES	NET
Gross value of financial assets and liabilities before balance-sheet netting	11,380	–24,844	**-13,464**
Gross value of the financial assets and liabilities to be netted	–1,222	1,222	**-**
Balance sheet value of financial assets and liabilities (after netting)	**10,158**	**-23,622**	**-13,464**
Value of financial netting instrument that does not comply with IAS 32 (Netting of derivatives with the same counterparty) for netting purposes	–8,261	8,261	**-**
Exposure before collateral	**1,897**	**-15,361**	**-13,464**
Value of financial collateral that does not comply with IAS 32 for netting purposes	–610	15,254	**-14,644**
Net exposure	**1,287**	**-107**	**1,180**

	31/12/2018		
	DERIVATIVES STATED AS ASSETS	DERIVATIVES STATED AS LIABILITIES	NET
Gross value of financial assets and liabilities before balance sheet netting	8,801	–19,634	**-10,833**
Gross value of the financial assets and liabilities to be netted	–411	411	**-**
Balance sheet value of financial assets and liabilities (after netting)	**8,390**	**-19,223**	**-10,833**
Value of financial netting instrument that does not comply with IAS 32 (netting of derivatives with the same counterparty) for netting purposes	–7,022	7,022	**-**
Exposure before collateral	**1,368**	**-12,201**	**-10,833**
Value of financial collateral that does not comply with IAS 32 for netting purposes	–414	12,038	**11,624**
Net exposure	**954**	**-163**	**791**

At 30 June 2019, the collateral posted for derivatives amounted to EUR 15.4 billion (2018: EUR 12.0 billion). A three-notch downgrade of BNG Bank's credit rating would not increase this amount (2018: EUR 10 million). The strength of the bank's liquidity position is sufficient to meet, and to absorb fluctuations in, collateral obligations.

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). Quoted market prices are based on bid prices (for financial assets) and ask prices (for financial liabilities). Using mid-market prices is permitted if the market risk of the financial assets and liabilities is offset. BNG Bank uses mid-market prices for valuation purposes.

In many cases, the bank is reliant on theoretical valuations (Level 2) in respect of its debtors. In such cases, the fair value is determined 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).

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.

	30/06/2019		31/12/2018	
	BALANCE SHEET VALUE	FAIR VALUE	BALANCE SHEET VALUE	FAIR VALUE
Cash and balances held with central banks	11,670	11,670	1,587	1,587
Amounts due from banks	76	77	82	83
Cash collateral posted	15,273	15,273	12,043	12,043
Financial assets at fair value through the income statement	1,737	1,736	1,606	1,606
Derivatives	10,158	10,158	8,390	8,390
Financial assets at fair value through other comprehensive income	9,320	9,320	9,648	9,648
Interest-bearing securities at amortised cost	7,271	7,395	7,406	7,422
Loans and advances	85,969	104,435	85,034	98,036
Total financial assets	**141,474**	**160,064**	**125,796**	**138,815**
Amounts due to banks	2,914	2,909	2,383	2,377
Cash collateral received	656	656	419	419
Financial liabilities at fair value through the income statement	737	737	762	762
Derivatives	23,616	23,616	19,223	19,223
Debt securities	117,542	118,471	103,722	104,560
Funds entrusted	7,971	8,176	5,800	6,002
Subordinated debts	32	45	32	45
Total financial liabilities	**153,468**	**154,610**	**132,341**	**133,388**

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.

				30/06/2019
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value through the income statement	93	1,229	414	1,736
Derivatives	–	10,151	7	10,158
Financial assets at fair value through other comprehensive income	9,180	140	–	9,320
Total financial assets	**9,273**	**11,520**	**421**	**21,214**
Financial liabilities at fair value through the income statement	–	736	–	736
Derivatives	–	23,609	7	23,616
Total financial liabilities	**-**	**24,345**	**7**	**24,352**

				31/12/2018
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value through the income statement	89	1,147	370	1,606
Derivatives	–	8,382	8	8,390
Financial assets at fair value through other comprehensive income	9,566	82	–	9,648
Total financial assets	**9,655**	**9,611**	**378**	**19,644**
Financial liabilities at fair value through the income statement	98	664	–	762
Derivatives	–	19,215	8	19,223
Total financial liabilities	**98**	**19,879**	**8**	**19,985**

Significant movements in fair value Level 3 items

	FIRST HALF OF 2019					
		FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT		DERIVATIVES (STATED AS ASSETS)		DERIVATIVES (STATED LIABILITIES)
Opening balance		**370**		**8**		**8**
Results through the income statement						
– Interest result	5		3		3	
– Unrealised result on financial transactions	44		-2		-2	
– Realised result on financial transactions	0		0		0	
		49		1		1
Unrealised value adjustments via the revaluation reserve		–		–		–
Investments		–		–		–
Cash flows		-5		-2		-2
Transferred to Level 2		–		–		–
Transferred from Level 2		–		–		–
Derivatives transferred from assets to liabilities and vice versa		–		–		–
Closing balance		**414**		**7**		**7**

		FIRST HALF OF 2018				
		FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT		DERIVATIVES (STATED AS ASSETS)		DERIVATIVES (STATED LIABILITIES)
Opening balance IAS 39		**623**		**13**		**13**
Impact IFRS 9		**-256**		**-**		**-**
Opening balance IFRS 9		**367**		**13**		**13**
Results through the income statement						
– Interest result	6		2		3	
– Unrealised result on financial transactions	–9		–4		–4	
– Realised result on financial transactions	0		0		0	
		–3		–2		–1
Unrealised value adjustments via the revaluation reserve		–		–		–
Investments		–		–		–
Cash flows		–4		–2		–2
Transferred to Level 2		–		–		–
Transferred from Level 2		–		–		–
Derivatives transferred from assets to liabilities and vice versa		–		–		–
Closing balance		**360**		**9**		**10**

The Level 3 items primarily concern structured interest-bearing securities that are rarely traded. Because there is no such trade, 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. (2018: The impact of IFRS 9 on the financial assets at fair value through the income statement of EUR 256 million negative is due to the reclassification of financial assets to amortised cost, following the outcome of the business model test and the SPPI test for these instruments).

Input variables which are not publicly observable in the market

For determining the spreads of three 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 2018.

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.

Impact on balance sheet value of a movement in relevant input factors

	30/06/2019	31/12/2018	30/06/2019	31/12/2018	30/06/2019	31/12/2018	30/06/2019	31/12/2018
		FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT		DERIVATIVES (STATED AS ASSETS)		DERIVATIVES (STATED AS LIABILITIES)		TOTAL
Balance sheet value	414	370	7	8	–7	–8	414	370
Interest rate								
+10 basis points	–9	–8	–2	–2	0	0	–11	–10
–10 basis points	9	8	2	2	0	0	11	10
+100 basis points	–78	–68	–21	–20	3	3	–96	–85
–100 basis points	108	92	22	21	–4	–4	126	109
Inflation rate								
+10 basis points	9	8	0	0	0	0	9	8
–10 basis points	–9	–8	0	0	0	0	–8	–8
+100 basis points	103	89	0	0	0	0	103	89
–100 basis points	–77	–66	0	0	0	0	–77	–66
Credit and liquidity risk spreads								
+10 basis points	–9	–8	1	1	1	1	–7	–6
–10 basis points	9	8	–1	–1	–2	–2	6	5
+100 basis points	–79	–69	17	16	5	4	–57	–49
–100 basis points	93	93	–2	–2	–20	–19	86	72
Total significant input factors								
+10 basis points	–9	–8	–1	–1	1	1	–9	–8
–10 basis points	10	8	2	2	–2	–2	10	8
+100 basis points	–81	–70	–5	–4	5	4	–81	–70
–100 basis points	113	97	20	19	–20	–19	113	97

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 404 million) consists of so-called inflation-linked bonds, where the interest rate risk and inflation risk have been hedged using swaps. The default risk of these transactions is insured upon purchase through a guarantee issued by a so-called monoline insurer. If the value of such guarantees were set at zero, this would have had an unrealised negative effect on the result on financial transactions of EUR 109 million at mid-year 2019 (year-end 2018: EUR 78 million negative).

The sensitivity of these instruments in the Financial assets at fair value through the income statement item increased in 2019. The credit spread of these assets is the main unobservable parameter. A movement of the credit spread by +100 basis points has an impact of EUR 79 million negative.

The Derivatives (stated as liabilities) item features a Level 3 separated option linked to the French government interest rate. This option is hedged with a Level 3 swap including an option recognised under the Derivatives (stated as assets) item. The swap is sensitive to the euro swap rate and the French government interest rate and also to counterparty risk. The credit and liquidity spreads increased during the first half-year 2019.

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.

				30/06/2019
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and balances held with central banks	11,670	–	–	11,670
Amounts due from banks	3	67	7	77
Cash collateral posted	–	15,273	–	15,273
Interest bearing securities at amortised cost	226	6,864	305	7,395
Loans and advances	904	95,032	8,499	104,435
Total financial assets	**12,803**	**117,236**	**8,811**	**138,850**
Amounts due to banks	3	2,906	–	2,909
Cash Collateral received	–	656	–	656
Debt securities	87,170	30,140	1,161	118,471
Funds entrusted	2,353	1,087	4,736	8,176
Subordinated debts	–	–	45	45
Total financial liabilities	**89,526**	**34,789**	**5,942**	**130,257**

				31/12/2018
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and balances held with central banks	1,587	–	–	1,587
Amounts due from banks	4	72	7	83
Cash collateral posted	–	12,043	–	12,043
Interest-bearing securities at amortised cost	246	6,856	320	7,422
Loans and advances	1,270	89,236	7,530	98,036
Total financial assets	**3,107**	**108,207**	**7,857**	**119,171**
Amounts due to banks	–	2,377	–	2,377
Cash collateral received	–	419	–	419
Debt securities	85,520	17,878	1,162	104,560
Funds entrusted	2,193	–	3,809	6,002
Subordinated debt	–	–	45	45
Total financial liabilities	**87,713**	**20,674**	**5,016**	**113,403**

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).

Off-balance sheet commitments

Contingent liabilities

This includes all commitments arising from transactions for which the bank has issued guarantees on behalf of a third party. To a limited extent, these guarantees are covered by a counter guarantee from public authorities. These are mainly Letters of Credit with a remaining contractual maturity of more than five years, which the bank has issued on behalf of clients in the public utilities sector. BNG Bank records liabilities at the underlying principal amount that would need to be paid in the event of the borrower defaulting.

	30/06/2019	31/12/2018
Contingent liabilities	57	32

Revocable facilities

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

	30/06/2019	31/12/2018
Revocable facilities	4,044	6,050

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.

	30/06/2019	31/12/2018
Outline agreements concerning undrawn parts of credit facilities	4,758	5,887
Contracted loans and advances to be distributed in the future	2,172	1,737
Total	**6,930**	**7,624**

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, 6 September 2019

Executive board
G.J. Salden, Chair
O.J. Labe
J.C. Reichardt

Supervisory board
M. Sint, Chair
J.C.M. van Rutte, Vice-chair
H.C. Arendse
C.J. Beuving
J.B.S. Conijn
M.E.R. van Elst
J. Kriens

Review report

To: the supervisory board and the executive board of BNG Bank N.V.

Introduction

We have reviewed the accompanying consolidated interim financial information for the six-month period ended 30 June 2019 of BNG Bank N.V., Den Haag, which comprises the consolidated balance sheet as at 30 June 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the period then ended and the selected explanatory notes. The executive board is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information for the six-month period ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 6 September 2019

PricewaterhouseCoopers Accountants N.V.
Original has been signed by
J.M. de Jonge RA

Colophon

Editorial: BNG Bank
Design & production: Ron Goos, Rotterdam
Photography: Thijs Wolzak

For more information on the subject of sustainability, please contact Jan Klaassens:
jan.klaassens@bngbank.nl

BNG Bank
Koninginnegracht 2
P.O. Box 30305
2500 GH The Hague
The Netherlands
Telephone +31 70 3750 750
mc@bngbank.nl
bngbank.com

BANK