BNG BANK INTERIM REPORT

2022

Driven by
social impact

BNG BANK

INTERIM REPORT 2022

2022

DRIVEN BY SOCIAL
IMPACT

FOREWORD

The first half of 2022 was turbulent. The aftermath of the COVID-19 pandemic and the Russian invasion of Ukraine had significant economic consequences, which also affected our clients. They faced supply chain bottlenecks, higher energy prices, high inflation and increased uncertainty about the economic outlook. They also had to contend with a tight labour market and rising personnel costs.

BNG Bank is driven by social impact. To ensure that our clients can make a social impact, it is essential that BNG Bank, as a public bank, is always present and continues to properly perform its core tasks. Essentially these are: providing credit on attractive terms and effectively performing payment transactions. Especially also in uncertain times. Because BNG Bank is valued at the highest rating level, we are able to attract funding on the international capital markets at favourable rates. This is reinforced by the fact that, particularly in times of crisis, investors want to invest as safely as possible. We pass on these favourable rates to our clients, enabling them to achieve their social goals.

During the past six months we have also succeeded in doing so. In the first half of 2022, we extended EUR 6.6 billion in long-term loans to our clients. The long-term loan portfolio grew to EUR 87.8 billion. We are satisfied with the financial results: interest income was healthy at EUR 220 million, and net profit was good at EUR 206 million. BNG Bank's capital position remains good: the Common Equity Tier 1 ratio and Tier 1 ratio amount to 37% and 40% respectively. Like the leverage ratio (8.2%), they are well above the minimum levels set by the regulator.

As a public bank, we have the same interests as our clients. The question we therefore always ask ourselves is where we can work together so that our clients can make a social impact. We can do this primarily by means of our lending, but also by acting as a link between the players in the public domain, based on our expertise as a bank. A good example of this is the prepaid debit card for Ukrainian refugees that we launched this spring. This enabled municipalities to efficiently and safely provide financial support for refugees. Another example of how BNG Bank tries to make a difference is the financing of heating networks, where we proactively listen to our clients. Based on experience with the financing of heating networks in municipalities, we have concluded that the scenario of a public ownership structure is realistic. The social costs then remain as low as possible and the government retains control, which offers increased certainty. We produced a white paper on the subject and approached the relevant ministries in order to consider this possibility.

In the first half of 2022, we raised EUR 8.7 billion in long-term funding, partly by means of the issue of four SDG (Sustainable Development Goal) Bonds. The issue of these sustainable bonds is in line with BNG Bank's social purpose. In addition, international investors are no longer looking only at the return, but also at what happens with their money, partly under pressure from European legislation and regulations. Everyone needs to show their colours. Sustainable bonds help with this.

It is BNG Bank's ambition that clients regard us as a natural partner for solving social issues, that the bank is successful in this and can demonstrate this. The bank's employees are essential in this respect. I would like to take this opportunity to express my appreciation for the employees and the way in which they contribute to social impact every day. What BNG Bank does really matters.

Gita Salden
CEO BNG Bank

FIRST HALF YEAR 2022 SELECTED FINANCIAL DATA

Balance sheet total	Net profit	Interest result	Long-term loan portfolio
€ 138.2 billion	€ 206 million	€ 220 million	€ 87.8 billion

Funding

New long-term capital market funding raised in the first half of 2022

€ 8.7 billion

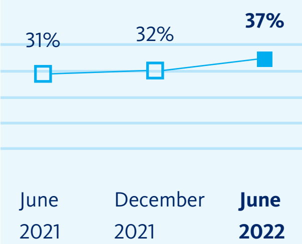
Lending

New long-term loans in the first half of 2022

€ 6.6 billion

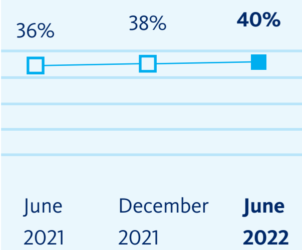
Common Equity Tier 1 ratio

37%



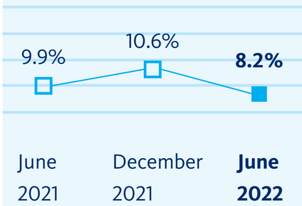
Tier 1 ratio

40%



Leverage ratio

8.2%



1. DEVELOPMENTS FIRST HALF OF 2022

The first half of 2022 was marked by the aftermath of the COVID-19 pandemic and the Russian invasion of Ukraine. The sharp rise in the prices of oil, gas and other commodities pushed inflation in the Eurozone to record levels in the first half of 2022. This also had an impact on clients of BNG Bank. Thanks to its excellent capital and liquidity position, BNG Bank was able to continue providing its public domain clients with funding at competitive rates. BNG Bank also continued to strengthen its internal organisation to more effectively implement its strategy in order to achieve maximum social impact together with its clients.

Clients hit by higher interest rates and inflation

BNG Bank clients certainly notice inflation. Particularly the increase in energy prices in the first half of 2022 has significant negative consequences for clients of BNG Bank. The increases in energy prices can usually be passed on to a limited extent. In the housing association sector, the rise in energy prices primarily affects the tenants; housing associations notice that their tenants have more payment problems, so the risk of rent arrears increases. At the same time, clients are also experiencing operating difficulties due to the tight labour market and increasing staff costs. Staff shortages are a major problem for healthcare and education institutions in particular.

To curb inflation, the European Central Bank (ECB) announced in June it would end its debt-buying programme and raise interest rates for the first time in 11 years. As a consequence, interest rates rose. The (expected) increase in interest rates led to a higher than expected demand for loans at the beginning of the year. Municipalities, in particular, anticipated the expected rise in interest rates and brought forward their financing requirements, which often involved taking out loans for long periods of time. In other sectors, such as the housing association sector, the funding system means there is less scope to bring forward the demand for credit. In the long term, a further rise in interest rates may affect investment decisions in all sectors.

We are already seeing business plans for new real estate investments come under pressure, due to the combination of rising construction costs and rising interest rates. It is also becoming increasingly difficult to reach fixed price agreements with construction companies, which further increases uncertainty. On the other hand, the social and political pressure to invest in real estate is only increasing: there is a major challenge to build homes and rising energy prices and climate change are increasing the demand for sustainability measures. In the healthcare sector, we are seeing the resumption of substantially more projects, which had been postponed because of the COVID-19 pandemic. As a result, BNG Bank has not yet seen a decrease in real estate investments. However, inflation and high construction costs are expected to have a negative impact on these investments at a later stage.

Impact of war in Ukraine on BNG Bank

The Russian invasion of Ukraine and the resulting economic developments had no consequences on the bank's continuity and business model. A brief period of uncertainty in the financial markets - shortly after the invasion - temporarily reduced liquidity in the bond markets. However, BNG Bank has always had sufficient liquidity. Due to high inflation (and inflation expectations), market interest rates are rising quickly and are highly volatile.

Following the invasion, BNG Bank, in consultation with (external) cyber experts, took various measures to mitigate the increased cyber security risk. In addition, the bank closely monitors compliance with sanctions that are imposed. Next to this, the bank monitors whether clients are experiencing financial difficulties due to higher energy prices, construction costs, personnel costs and rising interest rates. There are currently no indications of this. The creditworthiness of BNG Bank's portfolio is high.

BNG Bank rapidly evolving internally

In the first half year, BNG Bank continued to implement the 'Our Road to Impact' strategy. In order to increase the bank's strategic partnership with clients, it was decided to adjust BNG Bank's commercial organisation. The transition contributes to BNG Bank's strategy of helping clients achieve maximum social impact. Earlier this year, the design and governance of the IT organisation were already changed to contribute more effectively to the realisation of the BNG Bank's strategy and to increase its innovative capacity.

In addition to implementing improvements in the internal organisation, various administrative processes were carefully analysed and tightened up where necessary. This was in response to a process error in 2021, as a result of which BNG Bank did not comply with a reporting requirement to qualify for the additional 0.5% interest-rate discount on the first period of the Targeted Longer-Term Refinancing Operation (TLTRO). BNG Bank's subsequent discussions with De Nederlandsche Bank (DNB) to reach a proportionate outcome that did justice to the purpose of the TLTRO and the fact that BNG Bank materially complied with the award conditions did not lead to the desired result. At the beginning of 2022, DNB finally decided not to grant the interest rate discount and the Executive Committee (ExCo) then decided to initiate legal proceedings. The interest-rate discount for the second period of the TLTRO was granted, however.

In addition, BNG Bank started to profile itself more actively in the labour market to attract talented employees, for example with social media campaigns and the werkenbij.bngbank.nl website. Working at BNG Bank is aligned with the current time frame, in which starters and switchers are looking for a job with social impact.

2. HIGHLIGHTS FIRST HALF OF 2022

Prepaid cards for Ukrainian refugees

On the initiative of BNG Bank, refugees from Ukraine were this spring offered a prepaid debit card on which municipalities can credit the daily or living allowance made available to refugees. The card was developed in cooperation with the company Worldline and the Association of Netherlands Municipalities (VNG). Such a card has long been used by municipalities to provide money to the homeless. The existing card had to be made suitable for the refugees, production had to be scaled up to 20,000 copies and new municipalities had to be connected to the payment system. This was all successfully realised within a few weeks.

Gita Salden reappointed as CEO


Gita Salden

As of 1 January 2022, the Supervisory Board of BNG Bank has reappointed Gita Salden as CEO and chair of the Executive Committee for a period of four years. Salden joined BNG Bank on 1 January 2018, then as chair of the Executive Board. In her role as CEO, she has refined the strategy, with a clear choice for social impact and clients in the public domain. She will follow up on this in her second term.

Plea for public investments in local heating networks

In February, BNG Bank explained in a white paper that accelerating the heat transition is possible by making it public. The heat transition in the Netherlands is currently proving difficult to achieve. Investments in heating networks are limited. BNG Bank believes that municipalities, through public companies, should be given a prominent role in the realisation of the heat infrastructure in combination with a set of financing instruments based on subsidies for the capitalisation of public networks and guarantees to cover the main risks as much as possible. The market share of heating networks in the Netherlands is currently six percent. According to the government, this should be at least 25% by 2050. In the further development of the plans for heating networks, BNG Bank is working closely with its shareholders at both central and local level. As a financier of various vital infrastructures (drinking water, electricity networks, ports) we can draw on a great deal of experience. Through the network of European public banks, we also have access to experience in financing heating networks in other countries.

BNG Bank working on a climate action plan

In the first half of 2022, BNG Bank took important steps to give substance to the financial sector's Climate Commitment. The most important actions are the preparation of a climate action plan and the shaping of the engagement efforts for the second half of 2022. The climate action plan will be published in the second half of 2022. In it, BNG Bank describes how it, together with its clients, will ensure that the CO2 emissions linked to its loan portfolio are reduced to zero by 2050 at the latest. This brings the bank's efforts into line with the 1.5-degree scenario of the global Paris Climate Agreement.

New SDG Bonds issued

In the first half year, BNG Bank raised EUR 8.7 billion of long-term funding by issuing bonds, including four new SDG Bonds. SDG Bonds are bonds that finance sustainable social and environmental activities. It concerns two bonds in EUR Benchmark format, a 10-year bond in Australian Dollars and a 3-year bond in Canadian Dollars. These transactions were issued under the recent Sustainable Finance Framework, which links SDGs to loans that the bank provides to municipalities and housing associations. The ambition is to gradually increase the number of bond issues under this framework.

Marlies van Elst

Kees Beuving

Supervisory Board member Van Elst reappointed, Supervisory Board member Beuving stepped down

Marlies van Elst was reappointed as a member of the Supervisory Board at the General Meeting of Shareholders on 21 April 2022 for a second term of four years. Van Elst has more than thirty years of experience in the banking sector, including in the field of organisational transformation and IT innovation projects. During the same meeting, Kees Beuving stepped down as a member of the Supervisory Board after eight years.

Client Council feedback on 'impact measurement'

In mid-February, more than 20 business partners discussed the content of and gave feedback on the 'Our Road to Impact' strategy at a meeting of the Client Council. Key points in this are: increasing client partnership and focus on the public domain. An important topic of discussion was the measurement of impact, based on indicators such as the number of new owner-occupied and rented homes in municipal portfolios, the electricity and gas consumption of housing associations and emission values for, nitrogen and CO_2, for example. The feedback on this new process of 'impact measurement' was incorporated into BNG Bank's strategy.

The Client Council is an important consultative body in which representatives of provinces, municipalities, hospitals and housing associations are represented.

3. NOTES TO THE FINANCIAL RESULTS

BNG Bank is satisfied with the financial results achieved in the first half year. The bank is closely monitoring developments surrounding Ukraine, higher energy prices and disruption in the global supply chain. Due to the high inflation the ECB tightened its monetary policy and interest rates increased substantially. Despite the turbulent first half of the year, this did not manifest itself in material financial consequences for the bank.

For the first half year of 2022, BNG Bank realised a net profit of EUR 206 million. This is EUR 19 million higher than the net profit for the first half of 2021. The return on equity of 9.5% is also higher than in the comparable period last year (8.8%). The main reasons for the higher net profit are a reduction in loan provisions and higher realised results on financial transactions from the liquidity portfolio.

In the first six months of 2022, EUR 6.6 billion in long-term loans were granted (first half of 2021: EUR 5.6 billion). The long-term loan portfolio of EUR 87.8 billion increased by EUR 0.7 billion. This increase is mainly due to higher than expected demand from, in particular, municipalities.

Earnings development first half of 2022

BNG Bank's interest result amounts to EUR 220 million and is EUR 8 million lower than last year. Last year's result was EUR 20 million higher than expected due to realised results on the restructuring of client portfolios and early repayments. In 2022, the bank is still making use of the TLTRO facility. The ECB's favourable rates had a positive impact on the interest result. These favourable rates have been passed on to customers in the form of a discount on long-term loans. The bank will accept a lower return in the future - after the TLTRO facility expires.

In the second quarter, BNG Bank sold its stake in Data B. Mailservice B.V. This produced a positive result from participating interests of EUR 6 million. Compared to the first half of 2021, the commission result remained virtually unchanged at EUR 9 million. Commission income consists mainly of revenues from the fees on payment transactions and the commitment fees.

On balance, the result on financial transactions was EUR 92 million positive (first half of 2021: EUR 63 million positive). This result consists of unrealised market value adjustments (EUR 53 million), mainly as a consequence of the increase in long-term interest rates, and of realised results (EUR 40 million). The realised results are attributable in particular to sales of interest-bearing securities from the bank's liquidity portfolio.

Consolidated operating expenses of EUR 54 million are EUR 6 million higher than in the same period in 2021. Staff costs rose due to a further increase in the number of employees and the need to temporarily fill a number of vacancies with external staff.

In the reporting period, EUR 14 million was released from the impairment item (first half of 2021: EUR 7 million release), mainly due to redemptions. The bank's total expected credit loss decreased by

EUR 14 million to EUR 226 million in the first half of 2022.

On 30 June 2022, the corporate income tax charge amounts to EUR 66 million. This is EUR 5 million lower than last year, partly because of the lower impact of the minimum capital requirement ('thin cap') and because the sale of the equity stake in Data B. Mailholding B.V. is exempt from taxation. As a result, the effective tax rate for the first half of 2022 is 24.2%, which is lower than the comparable period for 2021 (27.6%). The resolution levy this year amounted to EUR 20 million. The fact that this is EUR 18 million higher than last year is primarily due to the fact that the levy is calculated on the basis of high (balance sheet) values from 2020 and due to an (incidentally) higher levy rate.

Balance sheet development

Compared to year-end 2021, the balance sheet total decreased by EUR 10.9 billion to EUR 138.2 billion. The increase in long-term interest rates leads to a lower balance sheet total. Because of the higher interest rates, the value of the derivatives and the corresponding cash collaterial are lower - the net derivatives position is EUR 3.8 billion on 30 June 2022 (year end 2021: EUR 11.2 billion).

In the first half of 2022, BNG Bank raised EUR 8.7 billion in long-term funding through bond issues, including four new SDG Bonds totalling over EUR 3.5 billion. Due to its excellent creditworthiness, the bank could continue raising funding at attractive rates in the first half of 2022.

In the reporting period, BNG Bank's equity decreased on balance by EUR 0.5 billion to approximately EUR 4.5 billion. Based on forecasts, BNG Bank has opted to partially redeem the hybrid capital. Following ECB approval, EUR 424 million of this capital was repaid in May 2022. This repayment, together with the regular dividend payment, explains most of the decrease in equity. Because of the lower balance sheet total, however, the bank's Common Equity Tier 1 ratio and Tier 1 ratio have increased to 37% and 40% respectively, as of the end of June 2022.

Finally, BNG Bank's leverage ratio decreased from 10.6% to 8.2%. The decline compared to year-end 2021 is due to the aforementioned redemption of hybrid capital and the discontinuation of the option to exclude from the leverage ratio all or part of the cash position held with the ECB. All of the bank's capital ratios remain well above the minimum levels set by the regulator.

Outlook

BNG Bank expects to meet its annual target of providing EUR 9.8 billion new long-term solvency-free loans. In total, the bank aims to achieve a turnover of EUR 10.7 billion in long-term loans this year.

In line with the previous year, the funding policy will continue to focus on ensuring permanent access to money and capital markets for the terms and volumes required at the lowest possible rates. The target of raising long-term funding by issuing bonds in the full year 2022 has been revised downwards to EUR 16 billion, because BNG Bank can attract short-term funding at favourable conditions and because the low collateral position permits this. BNG Bank intends to issue around EUR 5 billion in new SDG Bonds during the full course of 2022.

In the first half-year, the costs were in line with expectations. Due to the tight labour market, we anticipate higher than expected costs in the second half of 2022 because of the need to rely more heavily on external resources. The bank tax is estimated at EUR 35 million. This is lower than last year (EUR 53 million) because in 2021 the rate was increased by 50% on a one-off basis.

As a consequence of the higher interest rates BNG Bank expects a higher interest result. Future market value adjustments and the develop-ment of impairments are by definition uncertain. As a consequence, the bank does not consider it wise to make a statement on the expected net profit for 2022.

Declaration of responsibility

In the opinion of the statutory 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, the 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 Hague, 2 September 2022

Statutory board

Gita Salden (CEO)
Olivier Labe (CFO)
Cindy van Atteveldt-Machielsen (CRO)

4. PROFILE

BNG Bank is driven by the creation of social impact. The bank helps its clients in the public domain in the Netherlands to solve social issues. In addition to providing loans to its clients and arranging payment transactions for them, BNG Bank is an expert, sincere and reliable partner that actively reflects with its clients in order to find the best solutions for their social challenges. In doing so, BNG Bank opts to focus on five SDGs:

- SDG 3: Good health and well-being
- SDG 4: Quality education
- SDG 7: Affordable and clean energy
- SDG 11: Sustainable cities and communities
- SDG 13: Climate action

The public domain includes:
- the Dutch central government, provinces, municipalities and water boards;
- organisations that fulfil a public task, such as housing associations and healthcare and educational institutions;
- organisations that have half or more of their share capital supplied by the government and/or activities that are fully guaranteed by the government.

In order to actively manage the increase of social impact, BNG Bank measures and reports annually on the impact it makes together with its clients.

Sustainable Development Goals (SDG's)

SDG 11 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 public provisions.

SDG 3 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.

SDG 4 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.

SDG 7 Affordable and clean energy:
- BNG Bank contributes to a larger share of renewable energy in the energy mix.
- BNG Bank contributes to energy savings and more energy efficiency.

SDG 13 Climate action:
- BNG Bank contributes to the reduction of greenhouse gases.

Corporate structure

BNG Bank is a public bank that acts as an intermediary between the international money and capital markets and the Dutch public domain. BNG Bank has been providing financing to the public domain since 1914 at competitive terms and conditions and for all maturities, irrespective of the situation on the financial markets. The majority of the portfolio (more than 90 percent) consists of loans that are issued to or guaranteed by government bodies. These solvency-free loans have a risk weighting of 0 percent. The bank also takes care of payment transactions for clients.

BNG Bank is one of the largest issuers of bonds in the Netherlands. The bank is a very safe bank thanks to the shareholding of Dutch public authorities and largely solvency-free lending. BNG Bank has the highest external credit ratings (Moody's: Aaa, FitchRatings: AAA, S&P Global: AAA). This provides the bank with a strong funding position on the international money and capital markets. Short- and long-term funding in various currencies can be raised at low prices, enabling BNG Bank to offer low rates to clients.

BNG Bank is a statutory two-tier public limited company under Dutch law. The bank's shareholders are Dutch public authorities exclusively. Half of the shares are held by municipalities, provinces and a district water board. The Dutch State holds the other half of the shares. BNG Bank is a bank of national systemic importance under the direct supervision of the ECB and its balance sheet total makes it the fourth-largest bank in the Netherlands. BNG Bank has a two-tier governance structure consisting of a Supervisory Board and an Executive Committee (ExCo). The ExCo consists of five directors, three of whom are directors under the articles of association who jointly constitute the board under the articles of association. The ExCo is responsible for the day-to-day management, the general course of affairs and the continuity of BNG Bank. The Supervisory Board's task is to monitor the policy of the ExCo and the general course of affairs in the company and its affiliated enterprise.

5. CONSOLIDATED INTERIM FINANCIAL STATEMENTS

An unqualified independent auditor's report has been issued for the figures as at 31 December 2021 and for the 2021 financial year as a whole. Attached to this report an unqualified review report has been issued for the figures as at 30 June 2022 and for the first half of 2022. An unqualified review report has also been issued for the figures as at 30 June 2021 and for the first half of 2021.

Consolidated balance sheet

Amounts in millions of euros	NOTE	30-6-2022	31-12-2021
Assets			
Cash and balances held with central banks		25,350	9,264
Amounts due from banks		155	163
Cash collateral posted		4,964	12,993
Financial assets at fair value through the income statement		1,136	1,383
Derivatives		4,318	5,685
Financial assets at fair value through other comprehensive income		7,255	8,572
Interest-bearing securities at amortised cost		7,354	7,632
Loans and advances at amortised costs		90,440	89,738
Value adjustments on loans in portfolio hedge accounting		-3,013	13,555
Associates and joint ventures		24	28
Property & equipment		14	15
Current tax assets		-	-
Other assets		195	21
Assets held for sale		-	8
Total assets		**138,192**	**149,057**
Liabilities			
Amounts due to banks		19,518	19,525
Cash collateral received		1,093	984
Financial liabilities at fair value through the income statement		221	310
Derivatives		8,128	16,935
Debt securities	1	97,591	101,355
Funds entrusted		6,597	4,525
Subordinated debts		37	36
Current tax liabilities		25	32
Deferred tax liabilities		20	77
Other liabilities		417	216
Total liabilities		**133,647**	**143,995**
Equity			
Share capital		139	139
Share premium reserve		6	6
Retained earnings		3,827	3,736
Revaluation reserve		60	83
Cash flow hedge reserve		6	1
Own credit adjustment		1	3
Cost of hedging reserve		-9	125
Net profit		206	236
Equity attributable to shareholders		**4,236**	**4,329**
Hybrid capital		309	733
Total equity		**4,545**	**5,062**
Total liabilities and equity		**138,192**	**149,057**

Consolidated income statement

Amounts in millions of euros	NOTE		first half of 2022		first half of 2021
- Interest revenue calculated using the effective interest method		2,041		2,127	
- Other interest revenue		134		117	
Total interest revenue		2,175		2,244	
- Interest expenses calculated using the effective interest method		1,915		1,975	
- Other interest expenses		40		41	
Total interest expenses		1,955		2,016	
Interest result	2		220		228
- Commission income		11		10	
- Commission expenses		2		2	
Commission result			9		8
Result on financial transactions	3		92		63
Results from associates and joint ventures			10		1
Other results			0		1
Total income			**331**		**301**
Staff costs			35		25
Other administrative expenses			18		22
Depreciation			1		1
Other operating expenses			0		0
Total operating expenses			**54**		**48**
Net impairment losses on financial assets	4		-14		-7
Net impairment losses on associates and joint ventures			-1		0
Contribution to resolution fund			20		2
Total other expenses			**5**		**-5**
Profit before tax			**272**		**258**
Income tax expense			66		71
Net profit			**206**		**187**
- of which attributable to the holders of hybrid capital			23		21
- of which attributable to shareholders			183		166

Consolidated statement of comprehensive income

Amounts in millions of euros. All figures in the statement are after taxation.			first half of 2022			first half of 2021
Net profit			**206**			**187**
Recyclable results recognised directly in equity						
Changes in cash flow hedge reserve:						
- Unrealised value changes	5			-2		
- Realised value changes transferred to the income statement	0			-		
		5			-2	
Changes in cost of hedging reserve:						
- Unrealised value changes	-133			-2		
- Realised value changes transferred to the income statement	-1			1		
		-134			-1	
Changes in the revaluation reserve for financial assets at fair value through other comprehensive income:						
- Unrealised value changes	16			-13		
- Realised value changes transferred to the income statement	-39			-13		
		-23			-26	
Total recyclable results		**-152**			**-29**	
Non-recyclable results recognised directly in equity:						
- Unrealised value changes in OCA	-2			-1		
Total non-recyclable results		**-2**			**-1**	
Results recognised directly in equity			**-154**			**-30**
Total			**52**			**157**
- of which attributable to the holders of hybrid capital			23			21
- of which attributable to shareholders			29			136

Consolidated cash flow statement

Consolidated cash flow statement

Amounts in millions of euros	first half of 2022	first half of 2021
Cash flow from operating activities		
Profit before tax	272	258
Adjusted for:		
- Depreciation	1	1
- Impairments	-15	-7
- Unrealised results through the income statement	-56	-44
Changes in operating assets and liabilities:		
- Changes in Amounts due from and due to banks (not due on demand)	57	544
- Changes in Cash collateral posted and received	11,048	5,257
- Changes in repos and reverse repos	-	1
- Changes in Loans and advances	141	752
- Changes in Funds entrusted	2,111	433
- Changes in Derivatives	1,282	136
- Corporate income tax paid	-73	-81
- Other changes from operating activities	-405	-259
Net cash flow from operating activities	**14,363**	**6,991**
Cash flow from investing activities		
Investments and acquisitions pertaining to:		
- Financial assets at fair value through the income statement	-10	-2
- Financial assets at fair value through other comprehensive income	-2,778	-4,928
- Interest-bearing securities at amortised cost	-667	-598
- Investments in associates and joint ventures	-	-
- Property & equipment	-	-1
Disposals and redemptions pertaining to:		
- Financial assets at fair value through the income statement	65	58
- Financial assets at fair value through other comprehensive income	3,202	4,698
- Interest-bearing securities at amortised cost	565	771
- Investments in associates and joint ventures	3	-
Net cash flow from investing activities	**380**	**-2**
Cash flow from financing activities		
Amounts received on account of:		
- Central bank financing (TLTRO)	-	6,000
- Financial liabilities at fair value through the income statement	-	-
- Debt securities	189,038	163,738

Consolidated cash flow statement

Amounts paid on account of:		
- Financial liabilities at fair value through the income statement	-80	-30
- Debt securities	-187,067	-163,247
- Subordinated debt	-1	-1
- Compensation on hybrid capital	-23	-25
- Dividend distribution to shareholders	-127	-24
- Repayments on hybrid capital	-424	-
Net cash flow from financing activities	**1,316**	**6,411**
Net change in cash and cash equivalents	**16,059**	**13,400**
Cash and cash equivalents as at 1 January	9,286	2,315
Cash and cash equivalents as at 30 June	**25,345**	**15,715**
Cash and cash equivalents as at 30 June:		
- Cash and balances held with central banks	25,350	15,713
- Cash equivalents in the Amount due from banks item	4	3
- Cash equivalents in the Amount due to banks item	-9	-1
	25,345	**15,715**
Notes to cash flow from operating activities		
Interest income received	2,093	2,183
Interest expenses paid	-1,911	-2,009
	182	**174**

Consolidated statement of changes in equity

Consolidated statement of changes in equity

first half of 2022

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 01/01/2022	**139**	**6**	**83**	**1**	**3**	**125**	**3,736**	**236**	**4,329**	**733**	**5,062**
Net profit	-	-	-	-	-	-	-	206	**206**	**-**	**206**
Movement in OCA	-	-	-	-	-2	-	-	-	**-2**	**-**	**-2**
Movement in Cost of Hedging	-	-	-	-	-	-134	-	-	**-134**	-	**-134**
Unrealised results	-	-	-23	5	-		-	-	**-18**	-	**-18**
Total comprehensive income	**-**	**-**	**-23**	**5**	**-2**	**-134**	**-**	**206**	**52**	**-**	**52**
Repayments on hybrid capital	-	-	-	-	-	-		-	**-**	-424	**-424**
Dividend distribution to the bank's shareholders	-	-	-	-	-	-	-127	-	**-127**	-	**-127**
Compensation to holders of hybrid capital	-	-	-	-	-	-	-18	-	**-18**	-	**-18**
Appropriation from previous year's profit	-	-	-	-	-	-	236	-236	**-**	-	**-**
Balance as at 30/06/2022	**139**	**6**	**60**	**6**	**1**	**-9**	**3,827**	**206**	**4,236**	**309**	**4,545**

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**

Accounting principles for the consolidated interim financial statements

General company information

BNG Bank N.V. is a statutory two-tier company under Dutch law, that is guided by social impact. Our focus is exclusively on the public domain and on increasing our social impact. 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, 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 2021 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 2021 Consolidated Financial Statements of BNG Bank, except for the changes in accounting policies as described in the section Applied accounting standards adopted by the EU effective on or after 1 January 2022.

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 beginning after 1 January 2022.

Application of the following new or amended standards, interpretations and improvements has not led to significant adjustments in this 2022 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 2022

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020: issued by the IASB on 14 May 2020 and is endorsed by the EU on 28 June 2021. The amendments are effective as from 1 January 2022, the implementation of this amendment did not impact the interim financial statements.

Accounting standards not yet adopted by the EU which are not yet applied

There are no other standards that are not yet effective that are 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 Interim Report is prepared on the basis of 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 (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 & 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 Financial Statements of the parent company and its subsidiaries, which is used to prepare the Interim Finanacial Statements, 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 Interim Financial Statements. The reporting periods of subsidiaries included in the consolidation coincide with those of BNG Bank.

These Interim Financial Statements 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 persentation of comparative figures

The comparative figures in this Interim Financial Statements do not differ from the figures disclosed in the 2021 Financial Statements and the 2021 interim financial statements.

Impact of COVID-19 on Interim Report

In the first months of 2022 restrictive measures has been lifted. The impact on financial results due to COVID-19 remained limited. If relevant, further details of the impact on financial results and significant estimates and methods used is provided in the relevant notes.

Impact of Ukrain war on Interim Report

The year 2022 has become marked by war in Ukraine and the economic consequences. We refer to the report of the Executive Committee for the impact on the bank's operations during the first half of 2022. Because of the higher interest rate there was a higher demand for new funding and interest results decreased. The increasing inflation has led to major fluctuations of financial markets and affected the interim results of 2022.

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 to its lending activities. Therefore, no segmented information is included in this Interim Report.

Dividend
For the financial year 2021 a dividend of EUR 127 million was proposed to the General Meeting of Shareholders and was paid on 22 April 2022.

The compensation of EUR 20 million to the holders of the hybrid capital was distributed in the first half of 2022. 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 2022.

Notes to the consolidated interim financial statements

1 Debt securities

In the first half of 2022 debt securities decreased by EUR 3.8 billion to EUR 97.6 billion. This is due to a EUR 6.7 billion decrease in bond loans and a EUR 2.9 billion increase in short-term funding (in the form of Commercial Paper).

With regard to its long-term funding activities, BNG Bank issued EUR 8.7 billion of long-term debt securities in the first half of 2022 (first half of 2021: EUR 6.4 billion). The total redemption value of long-term debt securities amounted to EUR 8.8 billion in the reporting period (first half of 2021: EUR 6.4 billion).

2 Interest result

		first half of 2022		first half of 2021
Interest revenue				
Interest revenue calculated by using the effective interest method:				
- Financial assets at amortised cost	866		935	
- Financial assets at fair value through other comprehensive income	24		36	
- Derivatives involved in hedge accounting	1,015		1,058	
- Interest revenue on financial liabilities	136		98	
		2,041		2,127
Other interest revenue:				
- Financial assets designated at fair value through the income statement	31		24	
- Financial assets mandatory at fair value through the income statement	1		1	
- Derivatives not involved in hedge accounting	95		92	
- Other	7		-	
		134		117
Total interest revenue		**2,175**		**2,244**
Interest expenses				
Interest expenses calculated by using the effective interest method:				
- Financial liabilities at amortised cost	656		635	
- Derivatives involved in hedge accounting	1,120		1,180	
- Interest expenses on financial assets	139		160	
		1,915		1,975
Other interest expenses				
- Financial liabilities designated at fair value through the income statement	4		12	
- Derivatives not involved in hedge accounting	30		28	
- Other	6		1	
		40		41
Total interest expenses		**1,955**		**2,016**
Total interest result		**220**		**228**

The interest revenue on the TLTRO-III deposits amounts to EUR 92 million in the first half-year of 2022 (2021: EUR 67 million). The interest rate including the expected bonus is used to calculate the interest result of the TLTRO transactions. All conditions have been met.

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 2022		first half of 2021	
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	-4		-5	
- Structured loans	-3		3	
		-7		-2
Result on hedge accounting				
- Portfolio fair value hedge accounting	3		20	
- Micro fair value hedge accounting	19		4	
- Micro cash flow hedge accounting	0		1	
		22		25
Change in counterparty credit risk of derivatives (CVA/DVA)		14		17
Realised sales and buy-out results		40		19
Other market value changes		23		4
Total		**92**		**63**

The results on financial transactions was EUR 92 million positive (first half of 2021: EUR 63 million positive). The increase compared to the same period in 2021 is mainly due to the realised results of EUR 40 million of the sale of interest-bearing securities from the bank's liquidity portfolio. In 2022, the increase in long-term interest rates in particular contributed to the EUR 52 million balance of unrealised fair value adjustments.

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.

30-6-2022

		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	25,350	25,350	-	-	-	-	-
Amounts due from banks	155	155	-	-	0	-	-
Cash collateral posted	4,964	4,964	-	-	-	-	-
Financial assets at fair value through OCI[1]	7,255	7,255	-	-	0	-	-
Interest-bearing securities at amortised cost	7,354	7,303	52	-	0	-1	-
Loans and advances	90,440	89,597	475	594	-6	-9	-211
Total	**135,518**	**134,624**	**527**	**594**	**-6**	**-10**	**-211**

30-6-2022

	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	540	3	1	0	0	-
Revocable facilities	5,857	83	64	-	-	-
Irrevocable facilities	4,935	0	8	0	-	-
Total	**11,332**	**86**	**73**	**0**	**-**	**-**

31-12-2021

	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	9,264	9,264	-	-	-	-	-
Amounts due from banks	163	163	-	-	0	-	-
Cash collateral posted	12,993	12,993	-	-	-	-	-
Financial assets at fair value through OCI[1]	8,572	8,572	-	-	0	-	-
Interest-bearing securities at amortised cost	7,632	7,566	68	-	0	-2	-
Loans and advances	89,738	89,014	412	549	-6	-8	-223
Total	**128,362**	**127,572**	**480**	**549**	**-6**	**-10**	**-223**

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

31-12-2021

	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	499	1	1	0	0	-1
Revocable facilities	5,736	69	66	-	-	-
Irrevocable facilities	4,486	1	0	0	0	-
Total	**10,721**	**71**	**67**	**0**	**0**	**-1**

Non-performing exposures totalled EUR 606 million as at 30 June 2022 (year-end 2021: EUR 549 million). The share of non-performing exposures in the total portfolio is 0.4% (year-end 2021: 0.4%) and concerns 18 debtors (year-end 2021: 14 debtors). The increase in the number of debtors is caused by client-specific events. BNG Bank has received government guarantees totalling EUR 133 million (year-end 2021: EUR 160 million) with respect to non-performing exposures. The following table shows the development of non-performing exposures.

	First half of 2022	2021
Total non-performing exposure as at 1 January	**549**	**397**
Increase in existing non-performing exposures	4	-5
Shift from performing to non-performing exposure	61	213
Shift from non-performing to performing exposure	-	-34
Repayments on and settlement of non-performing exposure	-8	-22
Total non-performing exposure as at end of period	**606**	**549**

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 2022

	Opening balance	Increases due to origination and acquisition	Decrease due to derecognition 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
Financial assets at fair value through OCI	0	0	0	0	-	0
Interest-bearing securities at amortised cost	2	0	0	-1	-	1
Loans and advances	237	2	-1	-13	-	225
	239	**2**	**-1**	**-14**	**-**	**226**
Provision						
Off-balance sheet commitments	1	0	0	-1	-	0

first half of 2021

	Opening balance	Increases due to origination and acquisition	Decrease due to derecognition 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
Financial assets at fair value through OCI	1	-	-	-1	-	0
Interest-bearing securities at amortised cost	6	-	-	-2	-	4
Loans and advances	210	2	-4	1	-	209
	217	**2**	**-4**	**-2**	**-**	**213**
Provision						
Off-balance sheet commitments	4	-	-1	-3	-	-

Modifications of contractual cash flows

During the first half-year of 2022, 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 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 2022.

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. The weightings of the scenarios have been adjusted compared to the 2021 weightings, this mainly due to the unfavorable economic outlook as a result of the geo political tensions including the war between Ukraine and Russia, the trade differences between the United States and China and supply chain disruptions since Covid-19.

Securitisations

Macro economic variable	Horizon as at 30/06/2022	Horizon as at 31/12/2021
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 30/06/2022**	**Weighting as at 31/12/2021**
Base scenario	45%	60%
Upward scenario	10%	15%
Downward scenario	45%	25%

1 Non-profit institutions serving households

Non-securitisations

Macro economic variable	Horizon as at 30/06/2022	Horizon as at 31/12/2021
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 30/06/2022**	**Weighting as at 31/12/2021**
Base scenario	45%	60%
Upward scenario	10%	15%
Downward scenario	45%	25%

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 changes in the input factors, different scenarios are determined to (re)calculate the size of the credit loss allowances.

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 (stated as H in annual report 2021):

In scenario D, a more negative impact of the macro-economic variables is used to calculate the probability of default. This results in changed PDs and stage levels.

The following table shows the sensitivity of the total credit loss allowances of 4 scenarios:

30-6-2022

	Actual Balance	Scenario A (1 notch down)	Scenario B (LGD from 0% to 10%)	Scenario C (through-the-cycle PDs)	Scenario D (100% downward scenario)
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	0	0	0
Interest-bearing securities at amortised cost	1	2	1	0	1
Loans and advances	225	236	235	231	232
	226	**238**	**236**	**231**	**233**
Provision					
Off-balance sheet commitments	0	0	0	0	0

31-12-2021

	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%)	Scenario G (PDs of PY)
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	0	0	0	0	0	0
Interest-bearing securities at amortised cost	2	4	3	2	3	3
Loans and advances	237	248	256	240	238	242
	239	**252**	**259**	**242**	**241**	**245**
Provision						
Off-balance sheet commitments	1	1	2	1	1	1

5 Breakdown of financial instruments by category

30-6-2022

	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Cash and balances held with central banks	25,350	-	-	25,350
Amounts due from banks	155	-	-	155
Cash collateral posted	4,964	-	-	4,964
Financial assets at fair value through the income statement	-	1,136	-	1,136
Derivatives	-	4,318	-	4,318
Financial assets at fair value through other comprehensive income	-	-	7,255	7,255
Interest-bearing securities at amortised cost	7,354	-	-	7,354
Loans and advances	90,440	-	-	90,440
Value adjustments on loans in portfolio hedge accounting	-3,013	-	-	-3,013
Total assets	**125,250**	**5,454**	**7,255**	**137,959**
Amounts due to banks	19,518	-	-	19,518
Cash collateral received	1,093	-	-	1,093
Financial liabilities at fair value through the income statement	-	221	-	221
Derivatives	-	8,128	-	8,128
Debt securities	97,591	-	-	97,591
Funds entrusted	6,597	-	-	6,597
Subordinated debt	37	-	-	37
Total liabilities	**124,836**	**8,349**	**-**	**133,185**

31-12-2021

	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Cash and balances held with central banks	9,264	-	-	9,264
Amounts due from banks	163	-	-	163
Cash collateral posted	12,993	-	-	12,993
Financial assets at fair value through the income statement	-	1,383	-	1,383
Derivatives	-	5,685	-	5,685
Financial assets at fair value through other comprehensive income	-	-	8,572	8,572
Interest-bearing securities at amortised cost	7,632	-	-	7,632
Loans and advances at amortised cost	89,738	-	-	89,738
Value adjustments on loans in portfolio hedge accounting	13,555	-	-	13,555
Total assets	**133,345**	**7,068**	**8,572**	**148,985**
Amounts due to banks	19,525	-	-	19,525
Cash collateral received	984	-	-	984
Financial liabilities at fair value through the income statement	-	310	-	310
Derivatives	-	16,935	-	16,935
Debt securities	101,355	-	-	101,355
Funds entrusted	4,525	-	-	4,525
Subordinated debt	36	-	-	36
Total liabilities	**126,425**	**17,245**	**-**	**143,670**

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 observable in the market (Level 3). As per 30 June 2022 BNG Bank holds only one Level 3 instrument, this is a subordinated loan.

In determining the fair value of derivative transactions, a credit valuation 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.

		30-6-2022		31-12-2021
	Balance sheet-value	Fair value	Balance sheet-value	Fair value
Cash and balances held with central banks	25,350	25,350	9,264	9,264
Amounts due from banks	155	152	163	165
Cash collateral posted	4,964	4,964	12,993	12,993
Financial assets at fair value through the income statement	1,136	1,136	1,383	1,383
Derivatives	4,318	4,318	5,685	5,685
Financial assets at fair value through other comprehensive income	7,255	7,255	8,572	8,572
Interest-bearing securities at amortised cost	7,354	7,244	7,632	7,665
Loans and advances	90,440	88,178	89,738	104,146
Total financial assets	**140,972**	**138,597**	**135,430**	**149,873**
Amounts due to banks	19,518	19,524	19,525	19,488
Cash collateral received	1,093	1,093	984	984
Financial liabilities at fair value through the income statement	221	221	310	310
Derivatives	8,128	8,128	16,935	16,935
Debt securities	97,591	98,265	101,355	102,301
Funds entrusted	6,597	6,676	4,525	4,651
Subordinated debt	37	41	36	44
Total financial liabilities	**133,185**	**133,948**	**143,670**	**144,713**

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.

30-6-2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through the income statement	76	1,051	9	1,136
Derivatives	-	4,318	-	4,318
Financial assets at fair value through other comprehensive income	7,173	82	-	7,255
Total financial assets	**7,249**	**5,451**	**9**	**12,709**
Financial liabilities at fair value through the income statement	-	221	-	221
Derivatives	-	8,128	-	8,128
Total financial liabilities	**-**	**8,349**	**-**	**8,349**

31-12-2021

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through the income statement	106	1,267	10	1,383
Derivatives	-	5,685	-	5,685
Financial assets at fair value through other comprehensive income	8,482	90	-	8,572
Total financial assets	**8,588**	**7,042**	**10**	**15,640**
Financial liabilities at fair value through the income statement	123	187	-	310
Derivatives	-	16,935	-	16,935
Total financial liabilities	**123**	**17,122**	**-**	**17,245**

Significant movements in fair value Level 3 items

first half of 2022

		Financial assets at fair value through the income statement
Opening balance		**10**
Results through the income statement:		
- Interest result	0	
- Unrealised result on financial transactions	0	
- Realised result on financial transactions	-	
		0
- Unrealised value adjustments via the revaluation reserve		
- Investments / disposals		
- Cash flows		-1
Closing balance		**9**

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**

In the second half of 2021 the inflation linked-instruments were transferred from level 3 to level 2. BNG Bank holds only one level 3 instrument, this is a subordinated loan and is not traded in the market. Therefore, the observable market data available for similar instrument is not fully representative of the current fair value. The fair value of this transaction is partly influenced by its credit spread which is estimated by management based on data which is not publicly observable in the market and remained unchanged compared to 2021.

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, 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 instrument in the event of a simultaneous shift in these two input factors is also presented.

	30-6-2022	31-12-2021
	Financial assets at fair value through the income statement	
Balance sheet value	9	10
Interest rate		
+ 10 basis points	0	0
- 10 basis points	0	0
+ 100 basis points	-1	-1
- 100 basis points	1	1
Credit and liquidity risk spreads		
+ 10 basis points	0	0
- 10 basis points	0	0
+ 100 basis points	-1	-1
- 100 basis points	1	1
Total significant input factors		
+ 10 basis points	0	0
- 10 basis points	0	0
+ 100 basis points	0	-1
- 100 basis points	2	2

The impact of the subordinatied loan on the banks result is limited although the instrument is measured at fair value. The balance sheet value is only EUR 9 million.

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.

30-6-2022

	Level 1	Level 2	Level 3	Total
Cash and balances held with central banks	25,350	0	-	25,350
Amounts due from banks	4	145	3	152
Cash collateral posted	-	4,964	-	4,964
Interest-bearing securities at amortised cost	243	6,636	365	7,244
Loans and advances	502	80,486	7,190	88,178
Total financial assets	**26,099**	**92,231**	**7,558**	**125,888**
Amounts due to banks	9	19,515	-	19,524
Cash collateral received	-	1,093	-	1,093
Debt securities	83,126	15,139	-	98,265
Funds entrusted	3,230	2,763	683	6,676
Subordinated debt	-	41	-	41
Total financial liabilities	**86,365**	**38,551**	**683**	**125,599**

31-12-2021

	Level 1	Level 2	Level 3	Total
Cash and balances held with central banks	9,264	-	-	9,264
Amounts due from banks	23	138	4	165
Cash collateral posted	-	12,993	-	12,993
Interest-bearing securities at amortised cost	206	6,994	465	7,665
Loans and advances	861	95,255	8,030	104,146
Total financial assets	**10,354**	**115,380**	**8,499**	**134,233**
Amounts due to banks	1	19,487	-	19,488
Cash collateral received	-	984	-	984
Debt securities	87,599	14,703	-	102,302
Funds entrusted	2,800	1,079	772	4,651
Subordinated debt	-	44	-	44
Total financial liabilities	**90,400**	**36,297**	**772**	**127,469**

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.

30-6-2022		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	25,350	-	-	0.0%
Amounts due from banks	155	-	-	0.0%
Cash collateral posted	4,964	-	-	0.0%
Financial assets at fair value through the income statement	1,136	-	-	0.0%
Financial assets at fair value through other comprehensive income	7,255	-	-	0.0%
Interest-bearing securities at Amortised Cost	7,354	-	-	0.0%
Loans and advances	90,440	382	332	0.4%
	136,654	**382**	**332**	**0.3%**
Off-balance sheet commitments				
Contingent liabilities	544	2	2	0.4%
Revocable facilities	6,004	33	33	0.5%
Irrevocable facilities	4,943	-	-	0.0%
	11,491	**35**	**35**	**0.3%**

31-12-2021		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	9,264	-	-	0.0%
Amounts due from banks	163	-	-	0.0%
Cash collateral posted	12,993	-	-	0.0%
Financial assets at fair value through the income statement	1,383	-	-	0.0%
Financial assets at fair value through other comprehensive income	5,685	-	-	0.0%
Interest-bearing securities at Amortised Cost	8,572	-	-	0.0%
Loans and advances	89,738	365	313	0.4%
	127,798	**365**	**313**	**0.3%**
Off-balance sheet commitments				
Contingent liabilities	501	-	-	0.0%
Revocable facilities	5,871	12	12	0.2%
Irrevocable facilities	4,487	-	-	0.0%
	10,859	**12**	**12**	**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 382 million (gross of impairment) at 30 June 2022 (31 December 2021: EUR 365 million). The total forborne exposure concerns 13 debtors (year-end 2021: 12 debtors). New forbearance measures were taken by the bank for 3 debtors in the first half of 2022.

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.

	30-6-2022	31-12-2021
Less than 31 days	0	1
31 through 60 days	-	-
61 through 90 days	-	-
Over 90 days	-	-
Closing balance	**0**	**1**

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.

30-6-2022

	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	7,764	-11,574	**-3,810**
Gross value of the financial assets and liabilities to be netted	-3,446	3,446	**0**
Balance sheet value of financial assets and liabilities (after netting)	**4,318**	**-8,128**	**-3,810**
Value of financial netting instrument that does not comply with IAS 32 (netting of derivatives with the same counterparty) for netting purposes	-2,818	2,818	0
Exposure before collateral	**1,500**	**-5,310**	**-3,810**
Value of financial collateral that does not comply with IAS 32 for netting purposes	-1,084	4,661	**3,577**
Net exposure	**416**	**-649**	**-233**

31-12-2021

	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	10,685	-21,936	**-11,251**
Gross value of the financial assets and liabilities to be netted	-5,000	5,000	**0**
Balance sheet value of financial assets and liabilities (after netting)	**5,685**	**-16,936**	**-11,251**
Value of financial netting instrument that does not comply with IAS 32 (netting of derivatives with the same counterparty) for netting purposes	-3,799	3,799	**0**
Exposure before collateral	**1,886**	**-13,137**	**-11,251**
Value of financial collateral that does not comply with IAS 32 for netting purposes	-1,054	13,229	**12,175**
Net exposure	**832**	**92**	**924**

At 30 June 2022, the collateral posted for derivatives amounted to EUR 5.2 billion (2021: EUR 14.6 billion). A three-notch downgrade of BNG Bank's credit rating would, as in 2021, not impact this amount. The strength of the bank's liquidity position is sufficient to meet, and to absorb fluctuations in collateral obligations.

30-6-2022

	Reverse repos (assets)	Repos (liabilities)
Netting of reverse repo and repo agreements		
Gross balance sheet value before balance sheet netting	999	-2,082
Balance sheet netting of reverse repo and repo agreements	-999	999
Net balance sheet value of financial assets and liabilities	**0**	**-1,083**

31-12-2021

	Reverse repos (assets)	Repos (liabilities)
Netting of reverse repo and repo 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**

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 15,340 million is recognised in the balance sheet items Financial assets at fair value through other comprehensive income (EUR 7,254 million), Interest-bearing securities at amortised cost (EUR 7,354 million) and Financial assets at fair value through the income statement (EUR 732 million).

30-6-2022	AAA	AA	A	BBB	Non-investment grade	Total nominal value	Total balance sheet value
Liquidity portfolio							
Level I – Government/ Supranational	2,938	1,613	-	46	-	4,597	4,394
Level I B – Covered bonds	538	-	-	-	-	538	516
Level II A – Government/ Supranational	-	58	-	-	-	58	76
Level II A – Covered bonds	340	-	-	-	-	340	337
Level II B – Corporates	-	-	25	-	-	25	26
Level II B – RMBS	1,216	-	-	-	-	1,216	1,232
	5,032	**1,671**	**25**	**46**	**-**	**6,774**	**6,581**
ALM portfolio							
Initial margin	2,250	1,075	220	-	-	3,545	3,341
RMBS	55	200	50	17	-	322	322
ABS	43	-	24	19	49	135	134
RMBS-NHG	3,146	55	110	-	-	3,311	3,316
Other	104	444	379	411	-	1,338	1,646
	5,598	**1,774**	**783**	**447**	**49**	**8,651**	**8,759**
Total	**10,630**	**3,445**	**808**	**493**	**49**	**15,425**	**15,340**

31-12-2021	AAA	AA	A	BBB	Non-investment grade	Total nominal value	Total balance sheet value
Liquidity portfolio							
Level I – Government/ Supranational	4,839	1,370	-	-	46	6,255	6,540
Level I B – Covered bonds	913	-	-	-	-	913	927
Level II A – Government/ Supranational	-	59	-	-	-	59	106
Level II A – Covered bonds	330	-	-	-	-	330	338
Level II B – Corporates	-	-	25	-	-	25	25
Level II B – RMBS	971	-	-	-	-	971	983
	7,053	**1,429**	**25**	**-**	**46**	**8,553**	**8,919**
ALM portfolio							
Initial margin	389	1,227	220	-	-	1,836	2,100
RMBS	93	229	55	-	18	395	396
ABS	47	-	63	22	50	182	180
RMBS-NHG	3,277	62	120	-	-	3,459	3,465
Other	99	422	139	447	65	1,172	1,992
	3,905	**1,940**	**597**	**469**	**133**	**7,044**	**8,133**
Total	**10,958**	**3,369**	**622**	**469**	**179**	**15,597**	**17,052**

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.

30-6-2022	AAA	AA	A	BBB	Non-investment grade	Total nominal value	Total balance sheet value
Supranational institutions	1,477	-	-	-	-	1,477	1,300
Multilateral development banks	161	-	-	-	-	161	139
Austria	-	870	-	-	-	870	790
Belgium	-	388	-	123	-	511	526
Denmark	42	-	-	-	-	42	35
Finland	-	260	-	-	-	260	230
France	262	1,187	50	5	-	1,504	1,531
Germany	453	55	17	-	-	525	475
Italy	-	5	16	-	49	70	70
Luxembourg	401	-	-	-	-	401	359
Portugal	-	15	24	-	30	69	69
Spain	12	180	239	63	-	494	547
Switserland	-	-	63	-	-	63	66
United Kingdom	340	444	127	448	54	1,413	1,713
United States	24	-	-	-	-	24	24
Total	**3,172**	**3,404**	**536**	**639**	**133**	**7,884**	**7,874**

31-12-2021	AAA	AA	A	BBB	Non-investment grade	Total nominal value	Total balance sheet value
Supranational institutions	1,395	-	-	-	-	1,395	1,405
Multilateral development banks	203	-	-	-	-	203	195
Austria	-	700	-	-	-	700	713
Belgium	-	355	68	127	-	550	700
Denmark	42	-	-	-	-	42	41
Finland	-	260	-	-	-	260	260
France	150	1,286	85	19	-	1,540	1,775
Germany	1,028	55	16	-	-	1,099	1,147
Italy	-	8	17	-	50	75	73
Luxembourg	386	-	-	-	-	386	384
Portugal	-	16	26	50	30	122	121
Spain	14	206	244	42	64	570	655
United Kingdom	330	422	63	444	117	1,376	2,186
United States	22	-	-	-	-	22	23
Total	**3,570**	**3,308**	**519**	**682**	**261**	**8,340**	**9,678**

For a large part, the non-investment grade items (i.e. items with a rating below BBB-) consist of exposures in United Kingdom, Italy and Portugal. This largely concerns interest-bearing securities, including Covered bonds and RMBS transactions. The non-investment grade exposure in 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 125 million (year-end 2021: EUR 288 million).

Off-balance sheet commitments

Contingent assets
Due to an internal procedural error, DNB did not grant BNG Bank the TLTRO-III interest rate rebate related to the period from 24 June 2020 up to and including 23 June 2021 for an amount of EUR 57 million before taxes, despite rectifying measures. Having received legal advice BNG Bank has initiated litigation against this DNB decision.

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.

	30-6-2022	31-12-2021
Contingent liabilities	544	501

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

	30-6-2022	31-12-2021
Revocable facilities	6,004	5,871

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.

	30-6-2022	31-12-2021
Outline agreements concerning the undrawn part of credit facilities	1,919	1,990
Contracted loans and advances to be distributed in the future	3,024	2,497
Total	**4,943**	**4,487**

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, 2 September 2022

Statutory Board
Gita Salden (CEO)
Olivier Labe (CFO)
Cindy van Atteveldt-Machielsen (CRO)

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

REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated interim financial information for the six-month period ended 30 June 2022 of BNG Bank N.V., The Hague, which comprises the consolidated balance sheet as at 30 June 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity for the period then ended and the selected explanatory notes. The executive committee of BNG Bank N.V. 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 2022 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 2 September 2022

PricewaterhouseCoopers Accountants N.V.

Original has been signed by

J.M. de Jonge RA

BNG Bank
September 2022

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BNG Bank is a trade name
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BANK

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