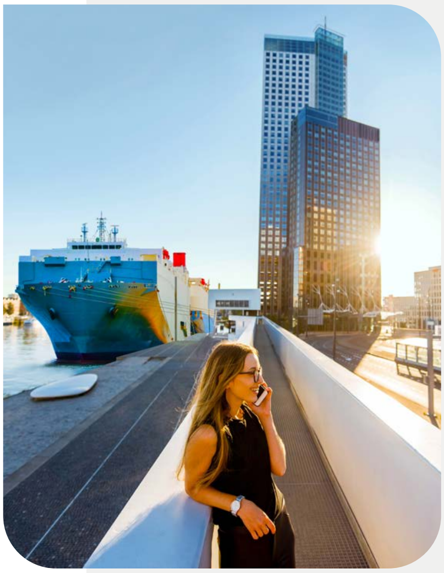
Capital Adequacy and Risk Management Report 2023

Pillar 3



Enabling Ambitions

the entrepreneurial bank

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Introduction

Goal and overview

NIBC's Capital Adequacy and Risk Management (Pillar 3) Report contains information that enables an assessment of the risk profile and capital adequacy of NIBC Holding N.V. This publication meets the disclosure requirements of the Basel III framework, as stipulated in the Capital Requirements Regulation and Directive IV **(CRR/CRD)**, as amended. The CRR/CRD is legally enforced by Dutch law by the Financial Supervision Act **(Wet op het financieel toezicht, Wft)**.

The Basel Framework contains three pillars:

- Pillar 1 defines the regulatory minimum capital requirements by providing rules and regulations for the measurement of credit risk, market risk, operational risk and credit value adjustment. These capital requirements need to be covered by regulatory own funds. NIBC received approval from the Dutch central bank **(DNB)** to use the Advanced Internal Ratings-Based **(AIRB)** approach for calculating solvency requirements regarding credit risk for corporate loans and Dutch residential mortgage loans, and the Internal Model Approach **(IMA)** regarding market risk in the Trading book. Furthermore, NIBC uses the ratings-based approach for the securitisation exposure class and the simple risk-weight approach for the equity exposure class. Solvency requirements for the remaining portfolios and for operational risk are calculated using the Standardised Approach **(SA)**;
- Pillar 2 covers the Supervisory Review and Evaluation Process **(SREP)**. This consists of the Internal Capital Adequacy Assessment Process **(ICAAP)**, the bank's own assessment of its capital adequacy in relation to all its risks, and the SREP**,** the response of the Supervisor to the institution's ICAAP. Since 2011, DNB also analyses the Internal Liquidity Adequacy Assessment Process (**ILAAP**); and
- Pillar 3 focuses on disclosure requirements, covering all relevant pieces of information for a market participant to assess the risk profile and capital adequacy of a credit institution. The risk disclosures are connected to Pillar 1 of the CRR/CRD framework, as information is provided regarding the underlying exposures, risk weighted assets and regulatory capital.

NIBC's Capital Adequacy and Risk Management Report is prepared to meet the requirements of Pillar 3, as well as the increased need for transparency in the financial market. The Capital Adequacy and Risk Management Report follows the structure below:

- Internal Capital Adequacy Assessment Process
- Risk Management Strategy & Process
- Own Funds
- Leverage Ratio
- Liquidity Risk
- Credit Risk
- Equity exposures under the simple risk-weighted approach
- Securitisation Exposures
- Market Risk including Interest Rate Risk in the Banking book
- Operational Risk
- Remuneration Policy
- ESG Disclosures

The scope of application in this report refers to NIBC Holding N.V., henceforth referred to as NIBC. The main subsidiary of NIBC is NIBC Bank. Where necessary, an explicit distinction between NIBC and NIBC Bank is made. The starting point of the CRR/CRD prudential scope of application is the consolidation scope of NIBC, according to the International Financial Reporting Standards **(IFRS)**. In line with the requirements of the CRR/CRD, a prudential filter is applied for non-financial subsidiaries. These entities are excluded from the consolidation scope and are, instead, treated as investments in associates.

The credit exposures in this report may not always be directly comparable to the numbers in NIBC's 2023 Annual Report. The numbers in the Annual Report refer to book values and classifications in line with IFRS requirements. The numbers in this report refer to exposure at default **(EAD)** which is either mentioned as EAD or Exposure in this Pillar 3 Report, which is a risk measure of the potential amount outstanding in the event of default. EAD is a different measure than drawn and undrawn amounts, and the method employed for its calculation differs per exposure class and among credit institutions. A more detailed explanation on EAD can be found in the Credit Risk chapter. In the Annual Report, balance sheet figures are based on drawn amounts and risk "exposure" is the sum of drawn plus undrawn amounts and not EAD as reported in this Pillar 3 Report.

NIBC's Risk Management and Capital Adequacy (Pillar 3) report is published annually on NIBC's website. The report may also be published more frequently if special market circumstances require so. Information regarding risk management and key data on capital adequacy is presented in NIBC's Annual Report as well. This Pillar 3 Report should be read in conjunction with NIBC's Annual Report. All figures presented in this Pillar 3 Report are as per the year end (31 December) of the indicated year.

Management statement

NIBC operates a risk management framework to support the appropriateness of the Pillar 3 disclosures. In line with the Implementing Technical Standards (**ITS)** and the mapping tool as provided by EBA, the templates in this report have been aligned to other supervisory reports and reconciliations were executed against regulatory reports filed with DNB such as Corep and Finrep. The Managing Board **(MB)** has discussed the Pillar 3 Report, to satisfy itself, that the process to prepare the Pillar 3 report include sufficient internal verification and review procedures. The Pillar 3 report adequately conveys the risk profile of NIBC and the risk management systems are adequate with regards to the profile and strategy of the bank.

Scope of application

The basis of NIBC's financial consolidation scope is described in the accounting policies section of NIBC's financial statement 2023. The scope is based on IFRS, which is determined in accordance with IAS 10 Consolidated Financial Statements , IAS 28 Investments in Associates, IAS 31 Interest in Joint Ventures and SIC 12 Consolidation Special Purpose Entities.

The regulatory consolidation scope differs from the financial consolidation scope. The regulatory consolidation does not include Special Purpose Entities where significant risk has been transferred to investors. Subsidiaries engaged in non-financial activities are excluded from the regulatory consolidation. Exposures to the Special Purpose Entities and non-financial subsidiaries are risk weighted as securitisation exposures and investments in associates (equity method). NIBC's financial accounting and regulatory scope of consolidation balance sheets are identical.

The following table presents the entities that form part of the capital base of NIBC.

	Principal place of business	Country	Nature of activity	Percentage of voting rights held
SUBSIDIARIES OF NIBC HOLDING N.V.				
NIBC Bank N.V.	The Hague	Netherlands	Banking	100%
NIBC Investment Management N.V.	The Hague	Netherlands	Financing	100%
NIBC Investments N.V.	The Hague	Netherlands	Financing	100%
Subsidiary of NIBC Investments N.V.				
Beequip B.V.	Rotterdam	Netherlands	Financing	100%
SUBSIDIARIES OF NIBC BANK N.V.				
Parnib Holding N.V.	The Hague	Netherlands	Financing	100%
Counting House B.V.	The Hague	Netherlands	Financing	100%
B.V. NIBC Mortgage Backed Assets	The Hague	Netherlands	Financing	100%
NIBC Principal Investments B.V.	The Hague	Netherlands	Financing	100%
NIBC Financing N.V.	The Hague	Netherlands	Financing	100%
Fin Quest B.V.	Eindhoven	Netherlands	Financing	100%

Tables that are out of scope for NIBC

The following tables have been identified as not applicable to NIBC and therefore not included in this report:

Template	Description	Reason of exclusion
EU INS1	Insurance participations	NIBC does not hold any own funds in insurance or re-insurance undertakings or insurance holding company not deducted from own funds
EU INS2	Financial conglomerates information on own funds and capital adequacy ratio	NIBC is not (part of) a financial conglomerate
EU LI1	Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories	NIBC does not have any differences between the accounting scope and the scope of prudential consolidation where the accounting and regulatory balance sheet are the same
EU LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	NIBC does not have any differences between the accounting scope and the scope of prudential consolidation where the accounting and regulatory balance sheet are the same
EU LIA	Explanations of differences between accounting and regulatory exposure amounts	NIBC does not have any differences between the accounting scope and the scope of prudential consolidation where the accounting and regulatory balance sheet are the same
EU PV1	Prudent valuation adjustments (PVA)	NIBC has not made any prudent valuation adjustments
EU CCR4	IRB approach – CCR exposures by exposure class and PD scale	NIBC does not use the Internal Ratings Based approach for counterparty credit risk exposures
EU CCR6	Credit derivatives exposures	NIBC does not use credit derivatives as a form of security or as an instrument to hedge credit risk
EU CCR7	RWEA flow statements of CCR exposures under the IMM	NIBC is not a Globally Systemically Important Institution (G-SII), listed institution or other large institution
EU CR6	IRB approach – Credit risk exposures by exposure class and PD range	Based on NIBC's size and complexity, the underlying data is not required in the regulatory reporting templates
EU CR6A	Scope of the use of IRB and SA approaches	Based on NIBC's size and complexity, the underlying data is not required in the regulatory reporting templates
EU CR7	IRB approach - Effect on the RWEAs of credit derivatives used as CRM techniques	NIBC does not use credit derivatives as CRM technique
EU CR8	RWEA flow statements of credit risk exposures under the IRB approach	Based on NIBC's size and complexity, the underlying data is not required in the regulatory reporting templates
EU CR9	IRB approach – Back-testing of PD per exposure class (fixed PD scale)	Based on NIBC's size and complexity, the underlying data is not required in the regulatory reporting templates
EU CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	NIBC does not map its internal grades to the scale used by an ECAI or similar organization
EU CR10.1	Specialised lending : Project finance (Slotting approach)	NIBC does not use the Slotting approach for Specialised lending
EU CR10.2	Specialised lending : Income-producing real estate and high volatility commercial real estate (Slotting approach)	NIBC does not use the Slotting approach for Specialised lending
EU CR10.3	Specialised lending : Object finance (Slotting approach)	NIBC does not use the Slotting approach for Specialised lending
EU CR10.4	Specialised lending : Commodities finance (Slotting approach)	NIBC does not use the Slotting approach for Specialised lending
EU SEC2	Securitisation exposures in the trading book	NIBC does not have any exposure to securitisation positions in its trading book

Template	Description	Reason of exclusion
Prudential disclosures on ESG risks: Template 1	Banking book- Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	NIBC is not a large institution which has issued securities that are admitted to trading on a regulated market of any EU Member State
Prudential disclosures on ESG risks: Template 2	Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral	NIBC is not a large institution which has issued securities that are admitted to trading on a regulated market of any EU Member State
Prudential disclosures on ESG risks: Template 3	Banking book - Indicators of potential climate change transition risk: Alignment metrics	NIBC is not a large institution which has issued securities that are admitted to trading on a regulated market of any EU Member State
Prudential disclosures on ESG risks: Template 4	Banking book - Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms	NIBC is not a large institution which has issued securities that are admitted to trading on a regulated market of any EU Member State
Prudential disclosures on ESG risks: Template 5	Banking book - Indicators of potential climate change physical risk: Exposures subject to physical risk	NIBC is not a large institution which has issued securities that are admitted to trading on a regulated market of any EU Member State
Prudential disclosures on ESG risks: Template 6	Summary of key performance indicators (KPIs) on the Taxonomy-aligned exposures	NIBC is not a large institution which has issued securities that are admitted to trading on a regulated market of any EU Member State
Prudential disclosures on ESG risks: Template 7	Mitigating actions: Assets for the calculation of Green Asset Ratio (GAR)	NIBC is not a large institution which has issued securities that are admitted to trading on a regulated market of any EU Member State
Prudential disclosures on ESG risks: Template 8	GAR (%)	NIBC is not a large institution which has issued securities that are admitted to trading on a regulated market of any EU Member State
Prudential disclosures on ESG risks: Template 9	Mitigating actions: banking book taxonomy alignment ratio (BTAR)	NIBC is not a large institution which has issued securities that are admitted to trading on a regulated market of any EU Member State
Prudential disclosures on ESG risks: Template 10	Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852	NIBC is not a large institution which has issued securities that are admitted to trading on a regulated market of any EU Member State

NIBC does not have a NPE ratio equal to or higher than 5%. The reporting threshold of Article 8(3) of Regulation (EU) 2021/637 is thus not met and therefore the following tables are not included in this report.

Template	Description
EU CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries
EU CQ2	Quality of forbearance
EU CQ6	Collateral valuation - loans and advances
EU CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown

Key Metrics & Overview of Risk-Weighted Exposure Amounts

Key metrics

EU KM1 – Key Metrics

in EUR millions		2023	2022
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	1,756	1,696
2	Tier 1 capital	1,877	1,811
3	Total capital	2,002	1,945
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	9,319	9,541
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	18.8%	17.8%
6	Tier 1 ratio (%)	20.1%	19.0%
7	Total capital ratio (%)	21.5%	20.4%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.7%	3.9%
EU 7b	of which: to be made up of CET1 capital (percentage points)	2.1%	2.2%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.8%	2.9%
EU 7d	Total SREP own funds requirements (%)	11.7%	11.9%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0%	0.0%
9	Institution specific countercyclical capital buffer (%)	1.1%	0.1%
EU 9a	Systemic risk buffer (%)	0.0%	0.0%
10	Global Systemically Important Institution buffer (%)	0.0%	0.0%
EU 10a	Other Systemically Important Institution buffer	0.0%	0.0%
11	Combined buffer requirement (%)	3.6%	2.6%
EU 11a	Overall capital requirements (%)	15.3%	14.5%
12	CET1 available after meeting the total SREP own funds requirements (%)	9.8%	9.5%
	Leverage ratio		
13	Total exposure measure	23,794	23,402
14	Leverage ratio (%)	7.9%	7.7%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.0%	0.0%
EU 14c	Total SREP leverage ratio requirements (%)	3.0%	3.0%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU 14d	Leverage ratio buffer requirement (%)	0.0%	0.0%
EU 14e	Overall leverage ratio requirements (%)	3.0%	3.0%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	2,684	2,710
EU 16a	Cash outflows - Total weighted value	1,208	1,397
EU 16b	Cash inflows - Total weighted value	103	87
16	Total net cash outflows (adjusted value)	1,105	1,310
17	Liquidity coverage ratio (%)	243%	207%
	Net Stable Funding Ratio		
18	Total available stable funding	20,873	20,050
19	Total required stable funding	15,920	15,422
20	NSFR ratio (%)	131%	130%

Overview of Risk Weighted exposure amount

EU OV1 - Overview of total risk exposure amounts

in EUR millions		Risk weighted exposure amounts (RWEAs)		Total own funds requirements	
		2023	2022	2023	2022
1	Credit risk (excluding CCR)	8,123	8,319	650	666
2	Of which the standardised approach	3,198	3,303	256	264
3	Of which the Foundation IRB (F-IRB) approach	-	-	-	-
4	Of which slotting approach	-	-	-	-
EU 4a	Of which equities under the simple risk weighted approach	487	1,011	39	81
5	Of which the Advanced IRB (A-IRB) approach	4,269	3,086	342	247
	Of which other non credit-obligation assets	168	164	13	13
	Other Risk Exposure Amounts of which: Additional stricter prudential requirements based on Art 458 of which: due to modified risk weights for targeting asset bubbles in the residential and commercial property	-	755	-	60
6	Counterparty credit risk - CCR	143	167	11	13
7	Of which the standardised approach	132	131	11	10
8	Of which internal model method (IMM)	-	-	-	-
EU 8a	Of which exposures to a CCP	2	1	0	0
EU 8b	Of which credit valuation adjustment - CVA	9	35	1	3
9	Of which other CCR	-	0	-	0
15	Settlement risk	-	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	114	176	9	14
17	Of which SEC-IRBA approach	-	27	-	2
18	Of which SEC-ERBA (including IAA)	112	145	9	12
19	Of which SEC-SA approach	2	4	0	0
EU 19a	Of which 1250%	-	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	31	30	3	2
21	Of which the standardised approach	6	4	1	0
22	Of which IMA	25	25	2	2
EU 22a	Large exposures	-	-	-	-
23	Operational risk	908	849	73	68
EU 23a	Of which basic indicator approach	-	-	-	-
EU 23b	Of which standardised approach	908	849	73	68
EU 23c	Of which advanced measurement approach	-	-	-	-
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**-**	**-**	**-**	**-**
29	**Total**	**9,319**	**9,541**	**746**	**763**

The amount of Risk Weighted Exposure Amount **(RWEA)** decreased in 2023, largely related to credit risk RWEA. This is mainly due to a combination of the introduction of the Small and Medium Enterprise Supporting Factors (**SME SF**) for a number of asset classes as well as the partial divestment of the equity portfolio.

Internal capital adequacy assessment process

The Internal Capital Adequacy Assessment Process **(ICAAP)** of each institution refers to the process in which risks and related capital are internally measured, allocated and managed, and by which the adequacy of available capital is assessed.

The internal capital requirements of NIBC under the ICAAP are based upon an internal Economic Capital framework. In addition to this, NIBC has set up a framework of historical and hypothetical stress scenarios in order to analyse the impact of severe shocks in the credit risk and market risk environment. The outcomes of these stress scenarios are compared to the available capital on a semi-annual basis.

ECONOMIC CAPITAL

Economic Capital **(EC)** is the amount of capital that NIBC allocates as a buffer against potential losses from business activities, based upon its internal assessment of risks. EC is based on the CRR/CRD regulatory capital, with the addition of EC for risks not captured by the regulatory method. Business profitability is measured relative to the risk taken using the Risk-Adjusted Return on Capital **(RAROC)**, a risk-weighted measure of return. EC and RAROC are key tools used in supporting the capital allocation process according to which shareholders' equity is allocated as efficiently as possible based on expectations of both risk and return. The usage of EC is steered in the Asset & Liability Committee **(ALCO)**. The ALCO can adjust the maximum EC level allocated to and within each business, taking into account business expectations and the desired risk profile.

EC methodology

The EC calculation is based on a one-year risk horizon, using a 99.9% confidence level. This confidence level means that there is a probability of 0.1% that losses in a period of one year will be larger than the allocated EC, based on a constant portfolio and no management intervention.

NIBC uses a bank-wide EC framework and fully attributes all EC charges to portfolios.

NIBC uses regulatory capital for all Pillar 1 risks, whereas internal models are used for Pillar 2 risks.

Pillar 1 risks

Pillar 1 risks include Credit Risk, Market Risk, Operational Risk and Credit Value Adjustment. As stated above the EC for Pillar 1 risks follows the regulatory capital treatment:

- The Credit Risk EC is mostly based upon the AIRB formula, using internal estimates of PD, LGD, EAD and maturity **(M)**, whereas for a number of exposures the Standardised Approach is used. This risk category includes Counterparty Credit Risk for derivatives;
- The Market Risk EC includes regulatory capital for the Trading Book, FX Risk and CVA;
- The Operational Risk EC is based upon the Standardised Approach for Regulatory Capital.

Pillar 2 risks

As part of the risk identification process, NIBC has assessed all risks to which it is exposed in addition to the Pillar 1 risks. These include both financial and non-financial risks. For the financial risks, NIBC uses internally developed models. Examples of Pillar 2 financial risks are Interest Rate Risk in the Banking Book **(IRRBB)**, Concentration Risk both single name and sector concentration and Market Risk for Fair Value positions.

Diversification

NIBC does not recognise any diversification between risk types. Within certain risk types diversification is inherently included. This is the case for Market Risk, IRRBB and Concentration Risk.

STRESS SCENARIOS

On a periodic basis, stress scenario outcomes estimated by NIBC's Stress Testing Framework are presented to the RMC and RPCC, providing senior management and the Supervisory Board members with information that can be taken into account for strategic decision making. Moreover, outcomes influence to NIBC's Risk Appetite Framework, based on which management steers the bank's aggregated risks. The Stress Testing Framework accounts for the impact of a set of historical and hypothetical stress scenarios on the profit and loss and capital adequacy of NIBC.

Risk Management Strategy & Process

Risk management is at the core of our business and sustainable growth strategy. NIBC's approach to risk management results in fast decision-making through experienced, client-focused origination teams with detailed knowledge of its client portfolio, allowing for risk exposure to be managed through carefully structured facilities and client-centered restructuring on the corporate side. In the retail offering, risk is managed through simple and transparent products and an experienced arrears management team aimed at preventing foreclosures.

In line with our business strategy, NIBC is predominantly exposed to credit risk, while NIBC manages its interest rate, currency, liquidity and operational risk to within an acceptable, limited range. The non-core activities still contain some investment risk which we will continue to reduce. The risks NIBC takes are measured and monitored against our risk appetite, ensuring that NIBC is capable of executing its business activities in line with its strategy. NIBC remains committed to having sufficient liquidity and being well capitalised while at the same time helping our clients while finding the appropriate balance between risk and reward.

The origination philosophy is centred around the availability of collateral, client relationship, and the understanding the client's cash flow. In our retail client offering we apply a conservative approach to new products and use programme lending for regular residential mortgage loans. In addition, tools are used to model credit risk, such as internally developed methodologies under the AIRB approach for certain portfolios. In our corporate client offering we apply an integrated approach to managing credit risk by focusing on risk-adjusted returns. We assess whether a new opportunity fits our risk appetite and evaluate commercial and compliance matters prior to engaging with any particular client. In this process we consider credit risk and financial market risk as part of the decision process and conduct risk assessments prior to making the final offering. The ultimate decision is dependent on our comfort with the specific client. The Restructuring & Distressed Assets **(RDA)** department that covers the corporate client offering is highly experienced, and typically engaged at an early stage of client financial distress to maximise the probability of a successful work-out and to limit potential losses. In our platform (Beequip and yesqar) businesses the availability of collateral, client relationship and cash flow remain important where the overall portfolios and opportunities are also measured against the platform level and NIBC wide risk appetite.

NIBC has the advantage of its medium scale and the close proximity and collaboration there is between colleagues and with its client base. This provides a setting in which a quick and efficient multidisciplinary approach can be taken in areas of risk management. We therefore have the capacity to keep moving forward as a business while we continue to comply with evolving regulatory requirements.

Risk appetite

NIBC’s risk appetite framework is based on five pillars, which are rolled out throughout the organisation and incorporated in our policies, procedures , limits and action plans. These pillars are:

1. **Solvency**: be a creditworthy partner for our clients and other stakeholders.
2. **Profitability**: aligned with business model and risk profile.

3. **Liquidity & Funding**: to have sufficient and appropriate liquidity and stable and diverse funding base at all times.
4. **Asset quality**: aligned with business objectives
5. **Non-Financial**: to maintain a solid license to operate.

NIBC measures its performance across these pillars by means of the quantitative and qualitative elements of its risk appetite framework. This framework helps NIBC to implement and execute its strategy for sustainable growth.

NIBC's risk appetite framework has been established and rolled out across the organisation. NIBC has adopted certain key risk and performance indicators and other early warning signals that are used by NIBC's business units to monitor and control developments in key risk areas.

NIBC continuously monitors and evaluates the effectiveness of this framework and periodically update this based on market developments and our environment. Going forward, the Risk Appetite framework will also include climate risk as a driver of traditional financial risks.

Risk strategy

NIBC has a clearly defined business model. We deliver smart asset financing solutions for corporates businesses and individuals, including via our Originate-to-Manage **(OTM)** capabilities. For individuals we offer mortgages loans and online savings that are accessible, easy to understand and fairly priced. We support corporates in building their businesses by offering financing solutions across selected asset classes in which we have strong expertise and market positions, which also includes our platform businesses. Indispensable to the entire business of NIBC are ALM, Treasury, Risk Management and Corporate Center departments. Due to its focus and in-depth understanding of the business and its clients, NIBC has good understanding of the risks in this select number of markets.

The risk strategy of NIBC is aligned with this business model, resulting in the following markets and portfolios, where the risks are concentrated:
- Credit risk in the residential mortgage loan portfolio (consisting of mainly Dutch owner occupied mortgage loans, the Buy-to-Let portfolio as well as a small portfolio of German residential mortgage loans) and in the corporate loan portfolio which is segmented across NIBC's chosen asset classes with respect to corporate clients. Platform businesses including corporate loans (yesqar) and leases (Beequip) are also in this category. Furthermore, credit risk exists also in the non-core investment loan portfolio which we will continue to reduce. Investment loans may reflect subordination or contain equity characteristics such as attached warrants or conversion features. Finally, credit risk exists in our derivative, cash management and debt investments portfolios;
- Investment risk in non-core equity investments portfolio, which we will continue to reduce;
- Interest rate risk in residential mortgage loan portfolio; and
- Market risk in the Banking Book/Treasury portfolios mainly consisting of interest rate risk in the Money Markets & Trading book, interst rate book and the debt investments portfolio. The latter consists of the securitisations investment portfolio and the portfolio of debt investments in institutions and corporate entities.

Risk appetite helps to achieve NIBC's targets in a sustainable and controlled manner. One additional element being a key for enabling the business activities is to ensure the bank's capital adequacy.

The business model described above is also reflected in the Economic Capital framework, which is further described in the section Internal Capital Adequacy Assessment Process **(ICAAP).** NIBC uses Economic Capital as a risk measure throughout the organisation. For each business activity, Economic Capital is allocated and reported quarterly to the Asset & Liability Committee **(ALCO)**.

Risk governance and risk culture

Our operations are structured along the three lines of defence risk management model. This implies that the first line of defence is within the commercial business units. They are accountable and responsible for day-to-day risk management activities such as managing each individual exposure on the balance sheet, with the exception of distressed assets at the corporate bank. Our second line of defence lies within the Risk, Legal, and Compliance. These departments monitor and evaluate risks versus the risk appetite framework. The second line of defence has an active advisory role in particular towards transactions and proposals. The third line of defence is the Internal Audit (IA) department. This department provides objective and independent assurance on the operations within the first and second lines of defence.

To support effective decision-making, the Managing Board has delegated decision-making authority regarding key risk management focus areas to a number of committees, amongst others:

- **Engagement Committee (EC):** Responsible for decision-making with regard to client engagement and conflicts of interest including an assessment of the potential integrity risks when engaging with a client.
- **Transaction Committee (TC):** The transaction committee has decision-making power with regards to credit transactions, assessment of credit proposals and the monitoring of credit related risks. The TC approves and monitors transaction proposals which cause NIBC to assume

credit risk. Further, the TC decides on impairments and write-offs and reviews all larger exposures at least annually.

- **Risk Management Committee (RMC):** The RMC decides on policies, measurement methods, monitoring, and controlling of all risk types. The role of the RMC is to safeguard our risk appetite by monitoring all risks NIBC is exposed to, thereby looking backwards as well as forwards.
- **Asset & Liability Committee (ALCO):** The ALCO monitors and controls capital ratios, liquidity, earnings, interest rate risk and market risk. As ALCO is responsible for liquidity, as they also decide on funding plans and large funding transactions.
- **Regulatory Change Committee (RCC):** The RCC keeps central oversight of the implementation of new regulatory laws and regulations.
- **Architecture and Data Management Committee (ADMC):** The ADMC is responsible for decision making in respect of management of data assets including data (e.g. governance, security, development, quality) and enterprise architecture.

The Supervisory Board supervises, monitors and advises the Managing Board on the risks inherent in NIBC's business activities, including the structure and operation of the internal risk management and control systems and compliance with legislation, regulations and NIBC's code of conduct. The Supervisory Board has set up two committees for this purpose: the Risk Policy and Compliance Committee **(RPCC)** and the Audit Committee **(AC)**. The Risk Policy & Compliance Committee assists the Supervisory Board in overseeing NIBC's risk appetite, risk profile and risk policy. It covers amongst others credit, market, investment, liquidity, operational and compliance/regulatory risks, and any other material (non) financial risks to which NIBC is exposed. The Audit Committee assists the Supervisory Board in monitoring NIBC's systems of financial risk management and internal control, the integrity of its financial reporting process and the content of its annual and semi-annual financial statements and reports. The Audit Committee also advises on corporate governance and internal governance.

One of the elements of NIBC's risk framework is the application of thorough anti-money laundering, client due diligence and know-your-client procedures and policies. NIBC places particular emphasis on active client monitoring on an ongoing basis. Individual client officers are primarily responsible for the execution of client due diligence onboarding in accordance with NIBC's procedures; however, the day-to-day activities relating to onboarding have been assigned to the Client Onboarding department, which is a separate department within the corporate client offering segment. The Compliance Department (as defined below), is responsible for policies, monitoring of regulations and treatment of high risk cases.

Risk management organisation

NIBC's risk management committees are supported by a robust risk management organisation, which focuses on the daily monitoring and management of the risks NIBC is exposed to and includes the following departments and teams:

- Credit Risk Management **(CRM)** is responsible for assessing, managing and advising on credit risk related to corporate counterparties (for the corporate client offering and platform businesses above a certain threshold) and high net worth individuals and this includes the non-core portfolios including the investment loan portfolio as well as investment risk management for private equity positions. CRM implements policies and procedures regarding credit risk, advises on credit proposals, reviews, waivers and amendments. Furthermore, CRM assigns NIBC's internal counterparty credit ratings **(CCR)** and loss given default **(LGD)** ratings.

- Retail Risk & Risk Portfolio Management **(RR&RPM)** is responsible for maintaining an overview of the total risk of the retail client offering and its portfolios, to review strategic projects, and monitor the development and impact from changes in NIBC's risk appetite with respect to the retail client offering. In addition, it monitors risk of different NIBC wide portfolios level and is also responsible for the reporting of total credit portfolio information to various users and stakeholders within and outside NIBC, including the reporting of NIBC's risk appetite framework. The team develops and maintains the (sub-) portfolio, sector & product limits as well as being responsible for monitoring, assessing and advising on the credit and counterparty risk of NIBC's Treasury activities, including monitoring and advice on counterparty credit limits and issuer limits.

- Restructuring and Distressed Assets Management **(RDA)** actively manages and restructures loans of financially distressed clients transferred from the various NIBC business units of the corporate client offering.

- Risk Policy & Risk Appetite **(RP&RA)** is responsible for assessing and advising on country risk as well as being responsible for a number of regulatory as well as credit and investment policies. The development of the risk appetite framework is also the responsibility of RP&RA.

- The Market Risk Management department **(MRM)** is responsible for monitoring the market risk of NIBC's Treasury activities, both inside and outside the trading book. MRM also monitors NIBC's currency positions, interest rate and liquidity risks.

- The Risk Analytics and Model Validation department **(RA&MV)** is mainly responsible for economic capital modelling and reporting, model validation and quantitative research projects.

- Modelling & Data Analytics **(MDA)** is central to NIBC's Basel III process with respect to the development of policies and methods for measuring risk, notably the credit rating system used to evaluate probability of default and loss given default in NIBC's corporate credit portfolio as well as similar models for the residential mortgage loan portfolio. MDA also conducts certain quantitative risk modelling including that needed for IFRS 9 and bank-wide stress testing.

- Operational Risk Management **(ORM)** is responsible for monitoring and managing operational risk stemming from NIBC's business and operational practices including IT risk and information security. ORM co-ordinates the new product approval and review process and the group-wide significant change approval process of new activities ensuring pre-implementation of risk assessments by relevant functions within NIBC.

- The Compliance Department **(CD)** is responsible for assisting and challenging the business in updating the overall compliance risk analysis for NIBC and all international offices on an annual basis. The Compliance team's role is to translate and implement relevant external regulations into sound and clear internal policies and procedures, document as well as update relevant compliance policies, inform and train staff members in order to broaden their compliance awareness, maintain proper information barriers and restricted lists and act as the co-ordinator for correspondence with the AFM and, via its local compliance officers, for the relevant international supervisory bodies. Client due diligence is an important topic as banks fulfil an important role in the prevention of intentional and unintentional wrongdoing. Know-your-customer and Anti-Money Laundering regulations are updated to meet today's challenges, and their processes and procedures are continually adjusted to effectively address the risks and remain compliant with these regulations. NIBC actively reviews and adjusts the client onboarding processes to keep these in line with continuously evolving requirements.

- The Regulatory Affairs **(RA)** team assists NIBC in minimizing regulatory risk by proactively assisting various parts of the bank by acting as regulatory advisor as well as carrying out a signaling and monitoring function in relation to new and existing laws and regulations. RA coordinates the Regulatory Expert Networks for conduct and prudential regulation aimed at keeping track of new regulatory laws and regulations and the implementation thereof within NIBC. The team furthermore manages the Policy Framework of NIBC.

- Legal Department **(LD)** including General Counsel, Corporate Secretary and Data Protection Office ensures that the legal risks which NIBC accepts remains within the parameters of NIBC's risk appetite framework. LD proactively assists various parts of the bank and advises on both external and internal transactions, as well as carrying out a control function. In addition, LD assists with various other matters, ranging from corporate affairs, strategic projects and fulfilling the Data Protection Officer role.

Own Funds

Capital management and control

CAPITAL BASE COMPONENTS

The capital base, also referred to as regulatory capital, is calculated in accordance with the CRR/CRD. The available regulatory capital is based on capital contributed by subsidiaries covered by prudential consolidation accounts, which should be available, without restrictions or time constraints, to cover risks and absorb potential losses. All amounts are included net of tax charges.

The available regulatory capital/regulatory own funds at NIBC are classified under three main categories, being Common Equity Tier 1 capital, Tier 1 capital and Tier 2 capital. The two main components in the regulatory own funds are core equity and subordinated debt. The key terms and conditions of each of these categories are summarised below

The capital ratio is calculated by dividing the regulatory capital by the risk weighted assets **(RWA)** also know as Risk Weighted Exposure Amount **(RWEA)**.

Common Equity Tier I capital

Common Equity Tier 1 **(CET1)** capital comprises NIBC's core capital and includes common shares, stock surplus (premium) resulting from the issue of shares, retained earnings and accumulated other comprehensive after deduction of eligible items.

Tier I capital

Tier 1 **(T1)** capital is composed of CET1 capital and additional Tier 1 capital instruments after deduction of eligible items.

Total Capital

Total capital is calculated as T1 capital plus Tier 2 **(T2)** capital. NIBC's T2 capital includes subordinated term debt and hybrid capital instruments which qualify as T2 instruments. The amount possible to include in the T2 capital is reduced if the remaining maturity is less than five years. The outstanding nominal amount is calculated based on the number of the remaining calendar days of the contractual maturity of the instrument divided by the five years period in front of contractual maturity.

CAPITAL ADEQUACY

The capital adequacy of NIBC is principally managed at NIBC Holding level.

The principal ratios for reviewing the capital adequacy of NIBC are the Common Equity Tier 1 ratio and the Total Capital Ratio. These ratios, which were implemented by the Bank for International Settlements **(BIS)**, are intended to promote comparability between financial institutions. They are based on the CRR/CRD legislation.

NIBC monitors balance sheet developments on a continuous basis and evaluates the effects on capital ratios, including comparison between the expected ratios and the actual ratios. These ratios indicate capital adequacy to mitigate on-balance credit risks, including off-balance sheet commitments, market risks, operational risks and other risk positions expressed as risk-weighted items in order to reflect their relative risk.

Capital ratios of NIBC Holding

The Common Equity Tier 1 ratio is defined as Common Equity Tier 1 capital divided by the total RWA.

The Tier 1 ratio is defined as Tier 1 capital divided by the total RWA.

The Total Capital ratio is defined as Total Capital (which is the sum of Tier 1 capital and Tier 2 capital) divided by RWA.

NIBC's fully loaded Common Equity Tier 1 capital ratio was 18.8% at end-2023. This is a solid position that also implies that NIBC can fulfil the CRR/CRD requirements when fully implemented as of December 31, 2023.

BASEL IV

The Basel Committee on Banking Supervision (BCBS) reached an agreement on the finalisation of the Basel III reforms (Basel IV) in December 2017. In October 2021, the European Commission (EC) published its proposal to amend the Capital Requirements Regulation and Directive (CRR III/CRD VI) to implement Basel IV in the EU and in June 2023 the European Council and the European Parliament reached a provisional agreement on amendments to CRR and CRD with aim to start implementation of the new rules per January 2025, and to have the Basel IV standards fully implemented by January 2030.

Impact of implementing both the new model landscape and Basel IV is estimated at an increase of RWA of 10-15% and a corresponding decrease of the CET 1 ratio between 1.7 and 2.4%-point, compared to 31 December 2023, which will be realised in two sequential steps.

- Implementation of the updated internal models for corporate exposures will lead to an increase of total RWA in the range of 25-30% compared to the RWA as determined at 31 December 2023.
- NIBC estimates the impact of the implementation of (fully loaded) Basel IV at a decrease of RWA in the range of 15-20% compared to the RWA as determined per 31 December 2023. The estimated impact is in addition to the anticipated impact of the model landscape improvements. This estimate is based on our current assessment and interpretation of the expected EU implementation of the Basel IV Standards.

These estimations do not take into account possible management actions, further reduction of non-core portfolios nor potential changes to Pillar I and Pillar II requirements. They also assume a future portfolio composition that is equal to the current portfolio, as well as risk weights that reflect the current economic environment. An uncertainty for banks is that the incorporation of the Basel IV Standards into EU legislation via CRR III and CRD VI is not completed yet. During this process of transposition in EU and national law, further adjustments may be implemented. Additional regulation, e.g. in the form of EBA technical standards and Guidelines, may also affect the impact on NIBC's RWAs. NIBC aims to meet the final requirements early in the phase-in period while continuing to execute its client-focused strategy.

Own funds

The recognition in consolidated own funds refers to the treatment of capital issued of subsidiaries to third parties. Capital instruments issued by consolidated subsidiaries and held by third parties may no longer be fully recognised towards capital at group level under the CRR/CRD but only to the extent used by the subsidiary to cover the minimum capital requirements including capital buffers.

The partial de-recognition of capital issued to third parties by subsidiaries applies to all fully consolidated subsidiaries, including wholly-owned and partly owned. The partial de-recognition will affect the Additional Tier-1 and Tier-2 provided to third parties by all subsidiaries.

The tables in this chapter contain information on:

- Capital instruments main features (EU CCA)
- Composition of regulatory own funds (EU CC1)
- Reconciliation from IFRS to regulatory balance sheet (EU CC2)

EU CCA - Main features of regulatory own funds instruments and eligible liabilities instruments

General

	Tier 1 Instrument	Tier 2 instrument	Tier 2 Instrument	Tier 2 Instrument
Issuer	NIBC Bank N.V.	NIBC Bank N.V.	NIBC Bank N.V.	NIBC Bank N.V.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1691468026	NIB 6.95 09APR27	XS0161702914	NIB VAR 01JUL99
Governing law(s) of the instrument	The securities are governed by, and construed in accordance with the laws of the Netherlands	The loan is governed by the laws of the Netherlands	The securities are governed by, and construed in accordance with the English law save for the subordination clause which is governed by, and construed in accordance with, the laws of the Netherlands	The loan is governed by the laws of the Netherlands

	Tier 2 Instrument	**Tier 2 Instrument**
Issuer	NIBC Bank N.V.	NIBC Bank N.V.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0210781828	XS1183596151
Governing law(s) of the instrument	The securities are governed by, and construed in accordance with the English law save for the subordination clause which is governed by, and construed in accordance with, the laws of the Netherlands	The securities are governed by, and construed in accordance with the laws of the Netherlands

Regulatory treatment	Tier 1 Instrument	Tier 2 instrument	Tier 2 Instrument	Tier 2 Instrument
Transitional CRR rules	Additional Tier 1	Tier 2	Tier 2	Tier 2
Post-transitional CRR rules	Additional Tier 1	Tier 2	-	Tier 2
Eligible at solo/ (sub-)consolidated/ solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 (grandfathered) as published in Regulation (EU) No 575/2013 article 494b	Tier 2 as published in Regulation (EU) No 575/2013 article 63
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 200 mln	EUR 7 mln	EUR 36 mln	EUR 43 mln
Nominal amount of instrument	EUR 200 mln	EUR 11 mln	EUR 36 mln	USD 47 mln
Issue price	100%	100%	100%	100%
Redemption price	Redemption at par	Redemption at par	Redemption at par	Redemption at par
Accounting classification	Equity	Liability - amortised cost	Liability - fair value	Liability - amortised cost
Original date of issuance	29-9-2017	9-4-1997	10-2-2003	30-6-1999
Perpetual or dated	Perpetual	Dated	Dated	Perpetual
Original maturity date	Perpetual	9-4-2027	10-2-2043	Perpetual
Issuer call subject to prior supervisory approval	Yes	N/A	Yes	Yes
Optional call date, contingent call dates, and redemption amount	First call date 15/10/2024; tax, reg call; all calls at the outstanding amounts	N/A	First call date 10/02/2013; tax call; all calls at par	First call date 01/07/2009; tax call, reg call; all calls at par
Subsequent call dates, if applicable	semi-annual calls on 15/10 and 15/04	N/A	callable every 5 years starting in Feb 2013	callable every 10 years starting in July 2009

Regulatory treatment		
	Tier 2 Instrument	Tier 2 Instrument
Transitional CRR rules	Tier 2	Tier 2
Post-transitional CRR rules	-	Tier 2
Eligible at solo/ (sub-)consolidated/ solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated
Instrument type (types to be specified by each jurisdiction)	Tier 2 (grandfathered) as published in Regulation (EU) No 575/2013 article 494b	Tier 2 as published in Regulation (EU) No 575/2013 article 63
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 55 mln	EUR 12 mln
Nominal amount of instrument	EUR 55 mln	EUR 50 mln
Issue price	100%	100%
Redemption price	Redemption at par	Redemption at par
Accounting classification	Liability - fair value	Liability - amortised cost
Original date of issuance	21-2-2005	24-3-2015
Perpetual or dated	Dated	Dated
Original maturity date	21-2-2040	24-3-2025
Issuer call subject to prior supervisory approval	Yes	N/A
Optional call date, contingent call dates, and redemption amount	Callable on 21/02/2035; tax call; all calls at par	N/A
Subsequent call dates, if applicable	one time call	N/A

Coupons / dividends	Tier 1 Instrument	Tier 2 instrument	Tier 2 Instrument	Tier 2 Instrument
Fixed or floating dividend/coupon	Fixed to floating	Fixed	Fixed	Floating to Floating
Coupon rate and any related index	6% till October 2024; 5 year EUR swap rate + 5.5564% afterwards	6.95% p.a.	0% (6.35% yield)	6m USD Libor + 0.55% till 1 july 2009; 6m USD Libor + 1.55% afterwards
Existence of a dividend stopper	No	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory	N/A	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	N/A	Mandatory
Existence of step up or other incentive to redeem	No	No	No	Yes
Noncumulative or cumulative	Noncumulative	N/A	N/A	N/A
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down features	Yes	No	No	No
If write-down, write-down trigger (s)	CET1 ratio of the Bank or Holding below 5.125%	N/A	N/A	N/A
If write-down, full or partial	Partial	N/A	N/A	N/A
If write-down, permanent or temporary	Temporary	N/A	N/A	N/A
If temporary write-down, description of write-up mechanism	Discretionary write-up provided the CET1 ratio is in excess of the regulatory minimum	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior only to common equity tier 1 instruments	Subordinated to claims of unsubordinated creditors	Subordinated to claims of unsubordinated creditors	Subordinated to claims of unsubordinated creditors
Non-compliant transitioned features	No	No	Yes	No
If yes, specify non-compliant features	N/A	N/A	No contractual provisions for loss-absorption	N/A

Coupons / dividends		
	Tier 2 Instrument	Tier 2 Instrument
Fixed or floating dividend/coupon	Fixed to Floating	Fixed
Coupon rate and any related index	7% p.a till Feb 2007; afterwards min(8.5; max(10 year EUR swap rate-2 year EUR swap rate)*4, 2.85)	4.00% p.a.
Existence of a dividend stopper	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No
Noncumulative or cumulative	N/A	N/A
Convertible or non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger (s)	N/A	N/A
If convertible, fully or partially	N/A	N/A
If convertible, conversion rate	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A
Write-down features	No	No
If write-down, write-down trigger (s)	N/A	N/A
If write-down, full or partial	N/A	N/A
If write-down, permanent or temporary	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to claims of unsubordinated creditors	Subordinated to claims of unsubordinated creditors
Non-compliant transitioned features	Yes	No
If yes, specify non-compliant features	No contractual provisions for loss-absorption	N/A

EU CC1 – Composition of regulatory own funds as of 31 December 2023

in EUR millions		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	1,290	CC2 - 26, 27
	of which: Instrument type 1	1,290	
	of which: Instrument type 2	-	
	of which: Instrument type 3	-	
2	Retained earnings	473	CC2 - 29
3	Accumulated other comprehensive income (and other reserves)	35	CC2 - 28
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1,799**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-2	
8	Intangible assets (net of related tax liability) (negative amount)	-2	CC2 - 9
9	Not applicable		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-1	CC2 - 11, 19
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-1	
12	Negative amounts resulting from the calculation of expected loss amounts	-9	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-25	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
20	Not applicable		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
EU-20c	of which: securitisation positions (negative amount)	-	
EU-20d	of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
24	Not applicable		
25	of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
26	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments	-4	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-43	
29	Common Equity Tier 1 (CET1) capital	1,756	

in EUR millions		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	122	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**122**	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
41	Not applicable		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	
44	**Additional Tier 1 (AT1) capital**	**122**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,877**	
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	-	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	124	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	0	
51	**Tier 2 (T2) capital before regulatory adjustments**	**124**	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
54a	Not applicable		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
56	Not applicable		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
56b	Other regulatory adjustments to T2 capital	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	
58	**Tier 2 (T2) capital**	**124**	
59	**Total capital (TC = T1 + T2)**	**2,002**	
60	**Total risk exposure amount**	**9,319**	

in EUR millions		(a)	(b)
		Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
	Capital ratios and requirements including buffers		
61	Common Equity Tier 1	18.8%	
62	Tier 1	20.1%	
63	Total capital	21.5%	
64	Institution CET1 overall capital requirements	10.1%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: countercyclical capital buffer requirement	1.1%	
67	of which: systemic risk buffer requirement	0.0%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.0%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	2.1%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	9.8%	
69	Not applicable		
70	Not applicable		
71	Not applicable		
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
74	Not applicable		
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	40	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	26	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

EU CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements as of 31 December 2023

in EUR millions		Balance sheet as in published financial statements	Reference
		As at period end	
	ASSETS – BREAKDOWN BY ASSET CLASSES ACCORDING TO THE BALANCE SHEET IN THE PUBLISHED FINANCIAL STATEMENTS		
1	Cash and balances with central banks	1,994	
2	Due from other banks	551	
3	Financial assets at fair value through profit or loss	320	
4	Financial assets at fair value through other comprehensive income	897	
5	Financial assets at amortised cost	19,081	
6	Investment property	24	
7	Investments in associates and joint ventures	124	
8	Property and equipment	145	
9	Intangible assets	3	CC1 - 8
10	Current tax assets	-	
11	Deferred tax assets	8	CC1 - 10
12	Other assets	30	
13	Assets held for sale	-	
14	**Total assets**	**23,177**	
	LIABILITIES – BREAKDOWN BY LIABILITY CLASSES ACCORDING TO THE BALANCE SHEET IN THE PUBLISHED FINANCIAL STATEMENTS		
15	Due to other banks	372	
16	Deposits from customers	11,769	
17	Financial liabilities at fair value through profit or loss	129	
18	Current tax liabilities	-	
19	Deferred tax liabilities	22	CC1 - 10
20	Provisions	10	
21	Accruals, deferred income and other liabilities	90	
22	Liabilities held for sale	-	
23	Debt securities in issue	8,408	
24	Subordinated liabilities	224	
25	**Total liabilities**	**21,024**	
	SHAREHOLDERS' EQUITY		
26	Share capital	3	CC1 - 1
27	Share premium	1,287	CC1 - 1
28	Revaluation reserves	10	CC1 - 3
29	Own credit risk reserve	25	CC1 - 3
30	Retained profit	626	CC1 - 2
31	Capital securities	200	
32	**Total shareholders' equity**	**2,151**	

Countercyclical buffer

EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer as of 31 December 2023

	in EUR millions	General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
010	Breakdown by country:													
	Netherlands	3,866	14,132	-	25	270	18,293	482	2	4	488	6,098	73.6%	1.00%
	Germany	20	861	-	-	19	900	63	-	0	63	789	9.5%	0.75%
	United Kingdom	51	1,208	-	-	11	1,269	58	-	1	59	743	9.0%	2.00%
	Rest of Europe	142	992	-	-	304	1,438	42	-	3	45	563	6.8%	0.92%[1]
	Asia / Pacific	0	16	-	-	0	16	0	-	0	0	4	0.0%	0.00%
	North America	64	57	-	-	0	121	7	-	0	7	83	1.0%	0.00%
	Other countries	0	44	-	-	-	44	0	-	-	0	4	0.1%	0.00%
020	Total	4,143	17,310	-	25	603	22,080	652	2	9	663	8,285	100%	

1 Weighted Average Countercyclical buffer rate

EU CCyB2 - Amount of institution-specific countercyclical capital buffer

	in EUR millions	
1	Total risk exposure amount	9,319
2	Institution specific countercyclical capital buffer rate	1.05%
3	Institution specific countercyclical capital buffer requirement	98

Leverage Ratio

EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures 2023

in EUR millions		Applicable amount
1	Total assets as per published financial statements	23,177
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	0
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	737
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	-120
13	Total exposure measure	23,794

EU LR2 - LRCom: Leverage ratio common disclosure

in EUR millions		CRR leverage ratio exposures	
		2023	2022
	ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES AND SFTS)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	22,913	22,373
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-12	-29
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	22,901	22,345
	DERIVATIVE EXPOSURES		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	99	90
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	53	96
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	4	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivatives exposures	156	186
	SECURITIES FINANCING TRANSACTION (SFT) EXPOSURES		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	Total securities financing transaction exposures	-	-
	OTHER OFF-BALANCE SHEET EXPOSURES		
19	Off-balance sheet exposures at gross notional amount	1,515	1,772
20	(Adjustments for conversion to credit equivalent amounts)	-778	-901
21	(General provisions deducted in determining Tier 1 capital and specific provisions)	-	-
22	Off-balance sheet exposures	737	870

in EUR millions		CRR leverage ratio exposures	
		2023	2022
	EXCLUDED EXPOSURES		
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
	(Exposures to the central bank exempted in accordance with point (n) of Article 429a(1) CRR)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	(Total exempted exposures)	-	-
	CAPITAL AND TOTAL EXPOSURE MEASURE		
23	Tier 1 capital	1,877	1,811
24	Total exposure measure	23,794	23,402
	LEVERAGE RATIO		
25	Leverage ratio	7.9%	7.7%
EU-25	Leverage ratio excluding the impact of the exemption of public sector investments and promotional loans) (%)	7.9%	7.7%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	7.9%	7.7%
26	Regulatory minimum leverage ratio requirement (%)	3.0%	3.0%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%
EU-26b	of which: to be made up of CET1 capital (percentage points)	0.0%	0.0%
27	Leverage ratio buffer requirement (%)	0.0%	0.0%
EU-27a	Overall leverage ratio requirement (%)	3.0%	3.0%
	CHOICE ON TRANSITIONAL ARRANGEMENTS AND RELEVANT EXPOSURES		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	NA	NA

in EUR millions		CRR leverage ratio exposures	
		2023	2022
	DISCLOSURE OF MEAN VALUES		
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	23,794	23,402
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	23,794	23,402
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7.9%	7.7%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7.9%	7.7%

EU LR3 – LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) 2023

in EUR millions		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**22,913**
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	22,913
EU-4	Covered bonds	223
EU-5	Exposures treated as sovereigns	2,003
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
EU-7	Institutions	537
EU-8	Secured by mortgages of immovable properties	1,541
EU-9	Retail exposures	11,260
EU-10	Corporates	6,059
EU-11	Exposures in default	362
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	928

Liquidity Risk

NIBC defines liquidity risk as the inability of the company to fund its assets and meet its obligations as they become due at an acceptable cost.

Maintaining a sound liquidity and funding profile is one of NIBC's most important risk management objectives. NIBC analyses its funding profile by mapping all assets and liabilities into time buckets that correspond to their maturities.

The composition of NIBC's funding mix is actively managed and benefits from a relatively long average tenor of the wholesale funding portfolio.

Liquidity framework

Key Liquidity Indicators, 31 December 2023

In %	
LCR	243%
NSFR	131%
Loan-to-Deposit	163%
Asset Encumbrance	27%

Based on the maturity profiles of existing assets and liabilities as well as on projections prepared by our business units and reviewed by the Asset and Liability Management **(ALM)** department, several liquidity forecasts and stress tests are prepared and presented to the ALCO every two weeks. These reports form the basis of NIBC's Liquidity Risk Management. The Base Case Liquidity forecast has a 5 year horizon and takes into consideration the expected cash flows (such as maturing loans and funding, production of new assets, liquidity actions, and cash flows due to the mark-to-market of derivatives) of NIBC's assets and liabilities.

Furthermore, NIBC monitors the development of its ECB eligible assets, which consist of treasury assets and internal securitisations. Additionally, the Basel III Liquidity Ratios, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), are both monitored within NIBC's Liquidity Management Framework and are subject to regulatory minimum levels.

Also part of the Liquidity Management Framework are periodical analyses of liquidity gaps, the funding mix, the asset encumbrance ratio, and the loan-to-deposit ratio.

Stress scenarios

Our liquidity needs are carefully considered in the following stress scenarios:
- A 12-month market-wide liquidity crisis, characterised by an economic downturn with impact on both financial institutions (their willingness to lend and to purchase assets from each other) and non-financial institutions (leading to lower loan prepayments and larger/faster drawdowns of committed credit facilities). Such a market situation is assumed to result in no access to wholesale funding and worsening market variables (rating migration, additional haircuts on market value of collateral, MtM of derivatives cash outflow, slowing prepayments, etc.);
- A 12-month institution-specific stress test, caused by a material event that calls into question the reputation and/or credit quality of the institution, leading to a subsequent run on the bank.

Furthermore, a significant credit rating downgrade applies. This is assumed to result in a significant outflow of retail savings and no access to ECB-financing in the first three months in addition to having no access to wholesale funding;

- A 12-month combined stress test that combines elements from the aforementioned market-wide and institution-specific liquidity stress tests. Essentially it captures a prolonged market stress with a relatively short period of a severe NIBC specific stress. Due to the severe character of the stress, the minimum survival period of this combined stress test equals eight months, assuming earlier management intervention. Under this scenario ECB lending is assumed to be available whereas asset market liquidity is worsened due to fire sales of assets and increased credit spreads.

The liquidity stress tests assume that all of the NIBC's contractual obligations are met and take into consideration varying levels of access to funding markets. The outcomes of the liquidity stress tests were consistently at comfortable levels with survival periods longer than 12 months over the past year. The survival period and the sufficiency of the liquidity buffers are monitored on a bi-weekly basis.

In addition to the 12-month liquidity stress analysis described above, NIBC also conducts liquidity analyses over longer periods once every two weeks according to a base scenario. These analyses assume the expected development of our loan portfolio in combination with new funding initiatives. The outcome of our five year liquidity analysis shows again a positive buffer throughout the period.

Funding

NIBC continues to optimise its funding mix and its funding diversification. An overview of NIBC's total liabilities can be seen in NIBC's Annual Report in the section Financial Review. NIBC's main sources of funding consist of retail funding (savings), secured (wholesale) funding, unsecured (wholesale) funding in addition to institutional/corporate deposits and shareholder's equity.

Encumbered and Unencumbered Assets

EU AE1 – Encumbered and unencumbered assets as of 31 December 2023

in EUR millions		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
010	**Assets of the reporting institution**	**6,163**	**134**			**17,014**	**2,707**		
030	Equity instruments	-	-	-	-	80	-	80	-
040	Debt securities	134	134	-	-	774	713	774	713
050	of which: covered bonds	-	-	-	-	218	218	218	218
060	of which: securitisations	-	-	-	-	584	536	584	536
070	of which: issued by general governments	-	-	-	-	80	80	80	80
080	of which: issued by financial corporations	134	134	-	-	607	607	607	607
090	of which: issued by non-financial corporations	-	-	-	-	87	-	87	-
120	Other assets	6,029	-			16,160	1,994		

EU AE2 – Collateral received and own debt securities issued 2023

in EUR millions		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
130	**Collateral received by the disclosing institution**	**-**	**-**	**-**	**-**
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	-	-
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or securitisations**	**-**	**-**	**-**	**-**
241	**Own covered bonds and securitisation issued and not yet pledged**			**-**	**-**
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**6,163**	**134**		

EU AE3 – Sources of encumbrance as of 31 December 2023

in EUR millions		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
010	Carrying amount of selected financial liabilities	5,123	6,163

Liquidity Coverage ratio

EU LIQ1 – Quantitative information of LCR

in EUR millions		Total unweighted value (average)		Total weighted value (average)	
EU 1a	Year ending	2023	2022	2023	2022
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61			2,684	2,710
CASH - OUTFLOWS					
2	retail deposits and deposits from small business customers, of which:	11,321	10,575	390	471
3	Stable deposits	5,385	6,497	269	325
4	Less stable deposits	1,050	1,267	121	146
5	Unsecured wholesale funding	225	311	200	308
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-
7	Non-operational deposits (all counterparties)	225	296	200	293
8	Unsecured debt	0	15	0	15
9	Secured wholesale funding			-	-
10	Additional requirements	1,274	1,519	367	391
11	Outflows related to derivative exposures and other collateral requirements	266	266	266	266
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	1,008	1,253	101	125
14	Other contractual funding obligations	206	202	201	195
15	Other contingent funding obligations	99	82	50	32
16	TOTAL CASH OUTFLOWS			1,208	1,397
CASH - INFLOWS					
17	Secured lending (e.g. reverse repos)	-	-	-	-
18	Inflows from fully performing exposures	116	99	103	87
19	Other cash inflows	-	-	-	-
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)			-	-
EU-19b	(Excess inflows from a related specialised credit institution)			-	-
20	TOTAL CASH INFLOWS	116	99	103	87
EU-20a	Fully exempt inflows	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-
EU-20c	Inflows subject to 75% cap	116	99	103	87
TOTAL ADJUSTED VALUE					
21	LIQUIDITY BUFFER			2,684	2,710
22	TOTAL NET CASH OUTFLOWS			1,105	1,310
23	LIQUIDITY COVERAGE RATIO			243%	207%

Net Stable funding ratio

EU LIQ2: Net Stable Funding Ratio as of 31 December 2023

in EUR millions		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	-	-	-	2,036	2,036
2	Own funds	-	-	-	2,036	2,036
3	Other capital instruments		-	-	-	-
4	Retail deposits		8,501	2,137	689	10,511
5	Stable deposits		4,979	-	-	4,730
6	Less stable deposits		3,522	2,137	689	5,782
7	Wholesale funding:		893	512	8,038	8,326
8	Operational deposits		-	-	-	-
9	Other wholesale funding		893	512	8,038	8,326
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	373	-	-	-
12	NSFR derivative liabilities	-				
13	All other liabilities and capital instruments not included in the above categories		373	-	-	-
14	**Total available stable funding (ASF)**					**20,873**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					157
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		6	6	5,536	4,716
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		876	436	12,798	10,391
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		589	0	181	240
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		279	426	6,471	9,976
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-		3,426
22	Performing residential mortgages, of which:		8	8	5,963	0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		7	7	5,188	0
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		0	2	183	175
25	Interdependent assets		-	-	-	-
26	Other assets:		210	-	484	605
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		43	-	-	37
29	NSFR derivative assets		81			81
30	NSFR derivative liabilities before deduction of variation margin posted		86			4
31	All other assets not included in the above categories		-	-	484	484
32	Off-balance sheet items		-	-	1,009	51
33	**Total RSF**					**15,920**
34	**Net Stable Funding Ratio (%)**					**131%**

Credit Risk

NIBC defines credit risk as the current or potential threat to the company's earnings and capital as a result of counterparties' failure to make financial payments on time or to otherwise comply with its financial obligations to NIBC.

Many activities at NIBC are related to credit risk: credit risk is present in the corporate loan portfolio, the investment loan portfolio, the residential mortgage loan portfolio (including Buy-to-Let), the lease receivables portfolio, the debt investments portfolio (in corporate entities, institutions and securitisations), cash management and derivatives. It is the largest source of risk to which NIBC is exposed, representing approximately 90% of total Risk Weighted Assets **(RWA)** and of the company's capital requirements. Specifically for the debt investments portfolio, NIBC defines the credit risk as issuer risk, which is the credit risk of losing the principal amount on products such as bonds. We also highlight the corporate exposures classified under AIRB. In 2019, NIBC received an increase for RWAs on corporate exposures from the DNB pending approval of eventual additional measures to address the model observations raised by DNB in its Internal Model Investigation report. This add-on was updated in 2023 and is still in place with respect to the current models as we are still in a dialogue with DNB regarding the regulatory capital set-up for corporate loan assets to address their observations. The Pillar 3 disclosure requirements prescribe that a credit institution classifies its assets into a number of standard exposure classes. For a credit institution using the AIRB approach, these exposures are defined in the CRR/CRD. The following table presents the relationship between the classification in this report and the portfolios in NIBC Annual Report:

Comparison between Pillar 3 exposure classes and portfolios in NIBC's Annual report

Pillar 3 exposure classes	Portfolios in Annual report
Sovereign	Debt investments in sovereign entities and cash at central banks
Institutions	Debt investments in institutions, deposits and derivative transactions with institutions
Corporate	Corporate loan portfolio, including guarantees, derivatives and debt investments in corporate entities, lease receivables (Beequip) and Investment Loan portfolio
Retail	Dutch and German residential mortgage loan portfolios, Buy-to-Let portfolio, lease receivables, securitised RMBS portfolio and car loans to corporate clients of sufficient small size to be classified as "regulatory retail"
Equities	Equity investments and uncalled capital commitments
Securitisations	Securitisation portfolio, derivatives and retained notes of own securitisations
Other	Non-credit related exposures

Apart from the above mentioned differences in classification, differences can also be found between the numbers presented in this report and the numbers in the risk management paragraph (and notes) in NIBC's Annual Report. The main reasons that these numbers are not directly comparable are the following:

- For exposures treated under the AIRB approach, Pillar 3 numbers refer to EAD, a risk measure of the potential outstanding amount in the event of default. Counterparties typically tend to utilise their credit lines more intensively when approaching default, which implies that the amount outstanding at default is expected to be higher than the current outstanding amount. For undrawn parts of credit facilities, a credit conversion factor is applied to the numbers in the

Pillar 3 report, which cannot be recognised on the balance sheet. This credit conversion factor is incorporated in the calculation of EAD; and
- The treatment of some securitised exposures may differ due to differences in de-recognition requirements in IFRS and CRR/CRD.

Credit risk quality

CREDIT RISK EXPOSURES

This section presents NIBC's credit risk exposures based on the definitions and approaches that are used in the calculation of capital requirements. NIBC received approval by the DNB to use the AIRB approach for calculating the capital requirements of the corporate and Dutch retail mortgage loan exposure classes. Furthermore, NIBC uses the ratings-based approach for the securitisation exposure class and the simplified risk-weight approach for the equity exposure class.

The AIRB approach for the calculation of capital requirements is based on NIBC's internal estimation of various risk parameters. The section Calculation of Risk Weighted Assets in this report provides more information on the methods NIBC uses for the estimation of these parameters.

The Standardised Approach applies to all other NIBC exposure classes containing credit risk.

The table below shows a breakdown of exposure, EAD, RWA and capital requirement per exposure class and calculation approach. Small differences are possible in the table due to rounding

Breakdown of EAD, RWA and capital requirement for credit risk (excluding CVA)

	2023			2022		
in EUR millions	EAD	RWA	Capital requirement	EAD	RWA	Capital requirement
AIRB APPROACH						
- of which corporate	5,216	2,515	201	5,744	2,445	196
- of which retail	11,963	1,875	150	11,373	1,508	121
- of which securitisations	591	112	9	665	168	13
- of which equities	132	487	39	273	1,011	81
SUBTOTAL	**17,901**	**4,990**	**399**	**18,055**	**5,132**	**410**
STANDARDISED APPROACH						
- of which sovereign	2,083	-	-	2,187	-	-
- of which corporate	1,728	1,610	129	1,620	1,574	126
- of which retail[1]	2,023	1,463	117	1,854	1,576	126
- of which institutions	793	139	11	878	173	14
- of which securitisations	12	2	0	20	4	-
- of which other	168	168	13	164	164	13
SUBTOTAL	**6,808**	**3,382**	**271**	**6,722**	**3,491**	**279**
TOTAL	**24,709**	**8,371**	**670**	**24,777**	**8,623**	**689**

1 Contains residential real estate including construction thereof, leases and car loans to corporate clients of sufficient small size to be classified as "regulatory retail"

The total credit risk RWA of NIBC decreased in 2023 largely due to a combination of the implementation of the SME SF for certain asset classes as well as the partial divestment of the equity portfolio.

DEFAULTED, NON-PERFORMING, IMPAIRED AND FORBORNE EXPOSURE

EU CR1 - Performing and non-performing exposures and related provisions as of 31 December 2023

in EUR millions		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
005	Cash balances at central banks and other demand deposits	2,437	2,437	-	-	-	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	19,654	19,097	386	360	-	248	-45	-31	-14	-111	-	-60	-	16,976	147
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	92	92	-	-	-	-	0	0	-	-	-	-	-	41	-
040	Credit institutions	108	108	-	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	251	183	43	52	-	52	-1	-1	0	-32	-	-32	-	69	0
060	Non-financial corporations	5,859	5,529	208	194	-	105	-31	-24	-7	-77	-	-26	-	3,550	37
070	Of which: SMEs	970	952	19	-	-	-	-2	-2	0	-	-	-	-	962	-
080	Households	13,344	13,185	135	114	-	91	-13	-6	-7	-2	-	-2	-	13,316	110
090	Debt Securities	908	895	2	-	-	-	0	0	0	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	80	80	-	-	-	-	0	0	-	-	-	-	-	-	-
120	Credit institutions	232	231	-	-	-	-	0	0	-	-	-	-	-	-	-
130	Other financial corporations	510	496	2	-	-	-	0	0	0	-	-	-	-	-	-
140	Non-financial corporations	88	88	-	-	-	-	0	0	-	-	-	-	-	-	-
150	Off-balance sheet exposures	1,394	1,305	58	1	-	1	3	2	1	-	-	-		-	-
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	General governments	14	14	-	-	-	-	0	0	-	-	-	-		-	-
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-		-	-
190	Other financial corporations	13	13	0	0	-	0	0	0	0	-	-	-		-	-
200	Non-financial corporations	1,009	920	58	1	-	0	3	2	1	-	-	-		-	-
210	Households	358	358	-	-	-	-	0	0	-	-	-	-		-	-
220	**Total**	**24,393**	**23,733**	**447**	**361**	**-**	**248**	**-42**	**-29**	**-13**	**-111**	**-**	**-60**	**-**	**16,976**	**147**

EU CR2 - Changes in the stock of non-performing loans and advances as of 31 December 2023

in EUR millions		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**380**
020	Inflows to non-performing portfolios	122
030	Outflows from non-performing portfolios	-142
040	Outflows due to write-offs	-70
050	Outflow due to other situations	-72
060	**Final stock of non-performing loans and advances**	**360**

EU CQ1: Credit quality of forborne exposures as of 31 December 2023

in EUR millions		Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	120	250	250	250	-1	-101	183	74
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	29	29	29	-	-27	-	-
060	Non-financial corporations	31	181	181	181	-1	-74	55	35
070	Households	89	39	39	39	0	0	128	39
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	3	0	0	0	0	-	-	-
100	**Total**	**123**	**250**	**250**	**250**	**-1**	**-101**	**183**	**74**

EU CQ3: Credit quality of performing and non-performing exposures by past due days as of 31 December 2023

	in EUR millions	Gross carrying amount / Nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or Past due < 30 days	Past due > 30 days < 90 days		Unlikely to pay that are not past-due or past-due < = 90 days	Past due > 90 days <= 180 days	Past due > 180 days < =1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	2,437	2,437	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	19,654	19,644	9	360	303	4	5	0	1	29	19	360
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	92	92	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	108	108	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	251	251	-	52	23	-	-	-	0	29	0	52
060	Non-financial corporations	5,859	5,859	-	194	175	-	0	-	0	0	19	194
070	Of which SMEs	970	970	-	-	-	-	-	-	-	-	-	-
080	Households	13,344	13,335	9	114	105	4	5	0	1	-	0	114
090	Debt Securities	908	908	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	80	80	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	232	232	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	510	510	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	88	88	-	-	-	-	-	-	-	-	-	-
150	Off-balance sheet exposures	1,394			1								1
160	Central banks	-			-								-
170	General governments	14			-								-
180	Credit institutions	-			-								-
190	Other financial corporations	13			0								0
200	Non-financial corporations	1,009			1								1
210	Households	358			-								-
220	**Total**	**24,393**	**22,989**	**9**	**361**	**303**	**4**	**5**	**0**	**1**	**29**	**19**	**361**

EU CQ4: Quality of non-performing exposures by geography as of 31 December 2023

in EUR millions		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing					
				of which: defaulted	of which: subject to impairment			
010	**On balance sheet exposures**	**20,923**		**360**		**-157**		**-**
020	Netherlands	17,757		279		-89		-
030	Germany	466		32		-20		-
040	United Kingdom	920		3		-6		-
050	Rest of Europe	1,454		47		-39		-
	Asia / Pacific	136		0		0		-
060	North America	74		0		0		-
070	Other countries	116		0		-2		-
080	Off balance sheet exposures	1,395		1			3	
090	Netherlands	809		0			1	
100	Germany	191		0			0	
110	United Kingdom	130		-			1	
120	Rest of Europe	264		-			1	
	Asia / Pacific	-		-			-	
130	North America	1		-			-	
140	Other countries	0		-			-	
150	**Total**	**22,317**		**361**		**-157**	**3**	**-**

Columns "of which non-performing" and "of which subject to impairment" are kept empty in line with the requirements for institutions with an NPE ratio lower than 5%.

EU CQ5 - Credit quality of loans and advances to non-financial corporations by industry as of 31 December 2023

in EUR millions		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
				of which: defaulted			
010	Agriculture, forestry and fishing	10		-		0	-
020	Mining and quarrying	0		0		0	-
030	Manufacturing	172		71		-46	-
040	Electricity, gas, steam and air conditioning supply	36		7		-5	-
050	Water supply	34		0		0	-
060	Construction	469		-		-1	-
070	Wholesale and retail trade	198		12		-6	-
080	Transport and storage	793		-		-6	-
090	Accommodation and food service activities	56		-		0	-
100	Information and communication	1,212		13		-6	-
110	Real estate activities	1,160		63		-23	-
120	Financial and insurance activities	-		-		-	-
130	Professional, scientific and technical activities	54		-		0	-
140	Administrative and support service activities	1,545		24		-8	-
150	Public administration and defense, compulsory social security	-		-		-	-
160	Education	163		-		0	-
170	Human health services and social work activities	149		3		-4	-
180	Arts, entertainment and recreation	3		-		0	-
190	Other services	-		-		-	-
200	**Total**	**6,054**		**194**		**-108**	**-**

Columns "of which non-performing" and "of which loans and advances subject to impairment" are kept empty in line with the requirements for institutions with an NPE ratio lower than 5%.

Retail

Both the Dutch and German residential mortgage loan portfolios are classified as amortised cost. Under IFRS9, impairment amounts or Expected Credit Losses **(ECL)** are calculated on each individual mortgage loan. Last year again showed limited losses. The performance of NIBC's securitised mortgage loan portfolio is also solid as evidenced by arrears levels and realised loss levels.

NIBC has an in-house arrears management department, actively managing arrears, foreclosures, client retention and residual debts of the Dutch residential mortgage loan portfolio.

Retail Portfolio Management as well as Retail Risk & Risk Portfolio Management monitor the quality of the residential mortgage loan portfolio on a regular basis. On a quarterly basis, the mortgage loan portfolio is assessed for impairments and existing impairments are reviewed.

Corporate

Portfolio managers within the commercial teams and risk managers at the CRM, GRM and RR&RPM departments monitor the quality of (corporate) counterparties on a regular basis. On a quarterly basis, all corporate exposures are assessed for impairment and all existing impairments are reviewed.

NIBC calculates an impairment amount by taking certain factors into account, particularly the available collateral securing the loan. The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. If collateral is present, then the present value of the future cash flows includes the foreclosure value of collateral.

When a default occurs (in line with the CRR/CRD definition[1]), the entire EAD of the borrower is classified as defaulted. However, if an impairment amount is taken against a facility, only the EAD of that particular facility is classified as impaired.

Sovereign and Institutions

In 2023, NIBC did not take any IFRS 9 Stage 3 impairments on these exposure classes.

[1] According to the CRR/CRD definition, a default is determined on borrower level. A default is indicated by using a 9 or 10 rating in NIBC's internal rating scale. A default is considered to have occurred with respect to a particular obligor if either of the two following events have taken place: i) the bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the bank to actions such as realising security (if held). ii) the obligor is past due more than 90 days on any material credit obligation to the banking group.

Credit risk mitigation

EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

in EUR millions		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
1	Loans and advances	5,172	17,123	17,122	1	-
2	Debt securities	908	-	-	-	
3	Total	6,080	17,123	17,122	1	-
4	Of which non-performing exposures	102	147	147	-	-
EU-5	Of which defaulted	102	147	147	-	-

EU CQ7: Collateral obtained by taking possession and execution processes

in EUR millions		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property Plant and Equipment (PP&E)	-	-
020	Other than PP&E	-	-
030	Residential immovable property	-	-
040	Commercial Immovable property	-	-
050	Movable property (auto, shipping, etc.)	-	-
060	Equity and debt instruments	-	-
070	Other collateral	-	-
080	Total	-	-

RETAIL

Dutch residential mortgage loan portfolio

Credit losses are mitigated in a number of different ways:

- The underlying property is pledged as collateral;
- Under Dutch law, NIBC has full recourse to the borrower; and
- 13.8% of the Dutch Own Book portfolio is covered by the NHG programme.

For the portfolio not covered by the NHG programme, the underlying property is the primary collateral for any mortgage loan granted, though savings and investment deposits may also serve as additional collateral. A measurement for potential losses, taking into account indexation of house prices and seasoning, is achieved by calculating the loan-to-indexed-market-value **(LtIMV)**. The indexation is made by using the index of the Dutch Land Registry Office **(Kadaster)**, which is based on market observables. For the total portfolio 1.8% has an LtIMV above 100%. For the remainder of the portfolio, there is either coverage by the NHG programme or the indexed collateral value is sufficient to cover the entire loan balance outstanding.

German residential mortgage loan portfolio

As is the case in the Netherlands, the underlying property is the primary collateral for any mortgage loan granted. Most of the mortgage loans contain an annuity repayment, leading to a lower outstanding loan balance during the lifetime of the loan.

CORPORATE

An important element in NIBC's credit approval process is the assessment of collateral. Almost all exposures in the corporate exposure class have some form of collateralisation, where we note that many of the non-core investment loans also benefit from collateral as well as having a government guarantee covering a portion of the exposure. These non-core investment loans may contain equity characteristics such as attached warrants or conversion features; examples of this exposure include mezzanine loans, convertible loans and shareholder loans.

In general, NIBC requests collateral to protect its interests. NIBC ascribes value to the collateral it accepts provided that the collateral is sufficiently liquid, that documentation is effective and that enforcing NIBC's legal rights to the collateral will be successful. The type and quantity of the collateral depends on the type of transaction, the counterparty and the risks involved. The most significant types of collateral securing the corporate exposure class are assets, such as real estate, vessels, equipment and pools of (lease) receivables.

NIBC initially values collateral based on fair market value when structuring a transaction and typically also seeks confirmation from independent third-party experts that its interests are legally enforceable. Furthermore, NIBC evaluates internally the collateral and its value (semi-) annually during the lifetime of the exposure. Exposures in the Shipping portfolio are secured by vessels. The commercial real estate portfolio is primarily collateralised by mortgages on financed properties. Collateral value is estimated using third-party appraisers, whenever possible, or valuation techniques based on common market practice. Other corporate exposures (predominantly in the non-core portfolio) are, to a large extent, collateralised by assets such as inventory, debtors, and third-party credit protection (e.g. guarantees). The value of these types of collateral can be more difficult to determine, therefore such collateral is assessed on individual basis.

INSTITUTIONS

The exposures to financial institutions are either related to over-the-counter **(OTC)** derivative transactions, debt investments (in tradable securities) or cash management activities (money-market and repo transactions). Details about credit risk management for OTC derivative transactions can be found in the Counterparty Credit Risk section. NIBC only enters into repo transactions if they are secured by highly-rated bonds. Some debt investments issued by financial institutions are secured by collateral (covered bonds).

Calculation of Risk Weighted Assets

AIRB APPROACH

EU CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques as of 31 December 2023

in EUR millions

	A-IRB	Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
1	Central governments and central banks	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-
2	Institutions	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-
3	Corporates	5,067	0.5%	120.9%	101.6%	2.1%	17.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2,464	2,394
3.1	Of which Corporates – SMEs	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-
3.2	Of which Corporates – Specialised lending	4,399	0.6%	135.1%	116.0%	0.9%	18.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1,955	1,886
3.3	Of which Corporates – Other	668	0.0%	27.6%	6.5%	9.7%	11.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	510	508
4	Retail	11,963	0.0%	83.2%	83.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.4%	0.0%	1,875	1,875
4.1	Of which Retail – Immovable property SMEs	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-
4.2	Of which Retail – Immovable property non-SMEs	11,963	0.0%	83.2%	83.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.4%	0.0%	1,875	1,875
4.3	Of which Retail – Qualifying revolving	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-
4.4	Of which Retail – Other SMEs	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-
4.5	Of which Retail – Other non-SMEs	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-
5	Total	17,030	0.2%	94.4%	88.6%	0.6%	5.1%	0.0%	0.0%	0.0%	0.0%	10.8%	0.0%	4,339	4,269

Ratings and rating process in the AIRB approach

The AIRB approach for the corporate and retail exposure classes has been implemented by NIBC after the approval by DNB. The ratings framework consists of the calculation of three main parameters: probability of default **(PD)**, loss given default **(LGD)** and exposure at default (**EAD)**.

The PD, LGD and EAD that are calculated through NIBC's internal models are used for the calculation of expected loss **(EL)** and Pillar 1 regulatory capital **(RC)**. Internal ratings enable an objective comparison of the credit risk of different types of assets, making them an essential tool for the commercial and risk management departments to determine whether a transaction fits NIBC's strategy and portfolio, as well as to determine the appropriate pricing. Economic capital **(EC)** and risk-adjusted return on capital **(RAROC)** are areas within Pillar 2, which make use of the above-mentioned parameters, although the methodologies for EC may differ from those employed in Pillar 1.

In addition to the determination of our EC, NIBC performs on a semi-annual basis a bankwide stress test to assess the impact of the scenarios on its RWA levels and (Common Equity)Tier-1 ratio. Next to the bankwide approach NIBC performs, when relevant, stress test scenarios at (sub)portfolio level. For more information on the differences between NIBC's calculations under Pillar 1 and Pillar 2, we refer to the ICAAP chapter.

NIBC enforces strict separation of responsibilities with respect to its internal rating methodologies and rating process, model development, model validation and internal audit. The roles and responsibilities of each involved unit are explicitly set out in internal policies and standards, also in conformity with the stipulations of CRR/CRD with respect to model governance.

In addition to these three internally calculated parameters, a fourth parameter which influences the calculation of the Pillar 1 RC is the maturity **(M)**.

Model governance within NIBC is addressed via, amongst others, the Model Risk Management Framework as included in the relevant internal policies.

This section explains how the PD, LGD and EAD are applied within the AIRB corporate and retail framework of NIBC.

Retail

The AIRB approach applies to NIBC's Dutch residential mortgage loan portfolio excluding Buy-To-Let for which the Standardised Approach applies. The calculation of PD, LGD and EAD is performed by an internally developed AIRB model, which has been in use since 2007 and since updated in 2023. The PD estimates are dependent on a variety of factors, of which the key factors are the delinquency status, debt-to-income and loan-to-value ratios. Minor factors that play a role in the PD estimates are several other mortgage loan characteristics and borrower characteristics. The PD scale is based on a continuous scale ranging from 0 - 100%.

The LGD estimates are based on a downturn scenario. In this case, the indexed collateral value is stressed in order to simulate the proceeds of a (forced) sale of the collateral. The stress is dependent on the location of the collateral and its value. Together with assumptions about costs and time to foreclosure, an LGD is derived. The LGD estimate also takes into account whether a mortgage loan has a Dutch government guarantee **(NHG guarantee)** for which the LGD estimate is lower in comparison to a mortgage loan without the NHG guarantee. The LGD estimate is also based on a continuous scale.

The EAD is set equal to the net exposure (outstanding balance minus built-up savings value) for all mortgage loans, except for non-amortising (in this case, interest-only loans). For the non-amortising loans, 3 months of accrued interest is added to the EAD.

The validation of these estimates is performed on historical data and is carried out on a yearly basis. For the PD and LGD, the estimates are back tested against realised defaults and realised losses. In this way, it is ensured that the model still functions correctly in a changing economic environment.

Corporate

The AIRB approach applies to NIBC's corporate loan portfolio. The calculation of CCR/PD, LGD and EAD is performed by an internally developed AIRB models, which have been in use since 2007. In addition to the EAD, the main components of the methodology consists of two elements: (i) a counterparty credit rating that reflects the probability of default of the borrower and (ii) an anticipated loss element that expresses the potential loss on the facility in the event of default of the borrower. All counterparties are reviewed at least once a year.

Counterparty credit ratings (CCR) and probability of default (PD)

The counterparty credit rating **(CCR)** reflects the counterparty's capacity to meet its financial obligations in full and in time. CCRs do not incorporate any recovery prospects, as these are captured by the internal LGD estimates.

NIBC's uses a through-the-cycle CCR rating scale, which consists of 10 grades (1-10). Most of these grades are further divided in notches, by the addition of a plus or minus sign to show the relative standing within the rating grade. NIBC uses a total of 22 notches, each of which is mapped to the rating scale of the main international rating agencies. Each notch carries a PD percentage, which quantifies the likelihood that the counterparty will go into default in the next one year. The CCRs 9 and 10 are assigned to counterparties that have already defaulted and therefore carry a PD of 100%. Furthermore, CCRs are assigned a rating outlook. This assesses the potential direction of the CCR over the medium term. In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions.

The general methodology for determining a CCR is based on several qualitative and quantitative rating indicators, such as the analysis of the business and financial profile of the counterparty, a cash flow analysis, a sovereign risk analysis and a peer-group analysis.

The performance of the CCR methodology is back-tested annually in order to ensure that consistency is kept throughout the portfolio and to measure the discriminatory power and the ranking ability of the CCRs.

Loss given default (LGD)

Whereas CCRs are assigned on a counterparty level, LGD ratings are facility-specific. The LGD ratings reflect the loss that can be expected on a facility in a downturn scenario, given a counterparty defaults. NIBC's internal LGD scale consists of 6 grades (A-F) and 10 notches, each of which represents a different degree of recovery prospects and loss expectations.

NIBC's LGD philosophy is similar to the approach for CCRs. The LGD methodology is also based on a combination of qualitative and quantitative rating indicators that include, among others, the assessment of the available collateral and/or guarantees, the seniority of the loan, the applicable jurisdiction, and the quality of the counterparty's assets. Once the various LGD drivers have been assessed, the final LGD rating is produced.

As is the case for CCRs, the maintenance of NIBC's LGD models involves benchmarking and back-testing.

Exposure at default (EAD) and credit conversion factor

A third element of the AIRB approach is the calculation of the EAD. It is defined as the amount that is expected to be outstanding at the moment a counterparty defaults. Counterparties typically tend to utilise their credit lines more intensively when approaching default, which implies that the amount outstanding at default is expected to be higher than the current outstanding amount.

In order to quantify the additional expected utilisation, NIBC applies a credit conversion factor **(CCF)** on the undrawn portion of every credit facility. The main driver for the value of the CCF is the type of the credit facility (e.g. term loan, working capital facility, guarantee). NIBC produces its own internal estimates of CCF, based on the utilisation of defaulted credit facilities at the time of default and one year prior to default, which are a combination of internal defaulted facilities and defaulted facilities from the Global Credit Data **(GCD)** data pool.

Overview of AIRB corporate exposures

Since 2010, NIBC has been using an internally developed methodology for calculating RWAs for the defaulted counterparties. Whereas RWA and Regulatory Capital (RC) for the non-defaulted corporate exposures are calculated based on the CRR/CRD IV AIRB formula, the RWA and RC for the defaulted corporate exposures are a function of the impairment amount, if present, and the proportion of the impairment amount to the defaulted EAD. This methodology results in additional RWA and RC for the corporate exposure class, in line with NIBC's wish for more prudent capital calculations on its defaulted exposures.

Equities

NIBC uses the simple risk weight approach for equity investments. Under this approach, the RWA is calculated by multiplying the exposure amount by 370%. The total EAD for equity investments amounts to EUR 132 million.

Securitisations

NIBC uses the external ratings based **(SEC- ERBA)** approach for securitisation exposures, both for purchased securitisations as well as for retained notes of own securitisations. For SEC-ERBA the risk weight depends upon the external rating, granularity and seniority of the pool and on whether the transaction is a resecuritisation.

Alternatively, for any retained notes, if applicable, of own securitisations, NIBC uses the IRB capital charge had the underlying exposures not been securitised (KIRB approach). This approach is applicable when the capital requirement under the KIRB approach is lower than the capital requirement under the IRB approach for the securitisation exposure class. More detailed risk information about NIBC's securitisation exposures can be found in the Securitisations section.

STANDARDISED APPROACH

For the calculation of RWA under the Standardised approach, drawn exposure is multiplied by a prescribed risk weight, depending on the exposure type, the external rating (if applicable) and maturity (if applicable). The undrawn exposures are multiplied by both a risk weight and a credit conversion factor. The risk weights are prescribed in the CRR/CRD:

- NIBC's sovereign exposures are exposures with a zero risk weight and vast majority is related to cash placed with DNB and the Dutch State Treasury Agency. NIBC has no sovereign debt exposure to Greece, Italy, Spain and Portugal;
- The risk weight for institutions is either 20% (with a rating equal to or higher than AA-) or 50% (with a rating between A+ and BBB-) for senior unsecured and dependent on the maturity;
- The risk weight for covered bonds (institutions) is either 10% (with a rating equal to or higher than AA-) or 20% (with a rating between A+ and BBB-);
- The risk weight for institutions regarding centrally-cleared derivatives exposures is 2%;
- The corporate exposure class carries a risk weight of 100% or 150%. It mainly contains Beequip portfolio, yesqar and non-rateable/unrated exposures to corporate counterparties; and
- For defaulted retail and corporate exposures 100% and 150% risk weights are applicable.

EU CR4 - Standardised approach – Credit risk exposure and CRM effects as of 31 December 2023

in EUR millions		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	Exposure classes	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWEA	RWEA density (%)
1	Central governments or central banks	2,083	-	2,083	-	-	0.0%
2	Regional government or local authorities	-	-	-	-	-	0.0%
3	Public sector entities	-	-	-	-	-	0.0%
4	Multilateral development banks	-	-	-	-	-	0.0%
5	International organisations	-	-	-	-	-	0.0%
6	Institutions	468	0	468	0	99	21.1%
7	Corporates	1,647	88	1,647	44	1,557	92.1%
8	Retail	422	16	422	8	306	71.2%
9	Secured by mortgages on immovable property	1,423	334	1,423	119	1,084	70.3%
10	Exposures in default	44	0	44	0	60	135.7%
11	Exposures associated with particularly high risk	21	22	21	22	65	150.0%
12	Covered bonds	223	-	223	-	27	12.3%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.0%
14	Collective investment undertakings	-	-	-	-	-	0.0%
15	Equity	-	-	-	-	-	0.0%
16	Other items	-	-	-	-	-	0.0%
17	**TOTAL**	**6,331**	**461**	**6,331**	**193**	**3,198**	**49.0%**

EU CR5 - Standardised approach as of 31 December 2023

in EUR millions		Risk weight															Total	Of which unrated
	Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
1	Central governments or central banks	2,083	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,083	2,002
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	451	-	18	-	-	-	-	-	-	-	-	468	-
7	Corporates	-	-	-	-	-	-	0	-	-	1,691	0	-	-	-	-	1,691	1,691
8	Retail	-	-	-	-	-	-	-	-	430	-	-	-	-	-	-	430	430
9	Secured by mortgages on immovable property	-	-	-	-	-	134	-	-	515	892	-	-	-	-	-	1,541	1,541
10	Exposures in default	-	-	-	-	-	-	-	-	-	13	31	-	-	-	-	44	44
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	43	-	-	-	-	43	43
12	Covered bonds	-	-	-	172	51	-	-	-	-	-	-	-	-	-	-	223	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Other items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	**TOTAL**	**2,083**	**-**	**-**	**172**	**502**	**134**	**18**	**-**	**946**	**2,595**	**75**	**-**	**-**	**-**	**-**	**6,525**	**5,752**

Equity exposures under the simple risk-weighted approach

EU CR10.5 - Equity exposures under the simple risk-weight approach as of 31 December 2023

in EUR millions

CATEGORIES	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Private equity exposures	-	-	190%	-	-	-
Exchange-traded equity exposures	-	-	290%	-	-	-
Other equity exposures	132	-	370%	132	487	3
TOTAL	**132**	**-**		**132**	**487**	**3**

Counterparty Credit Risk

NIBC defines counterparty credit risk as the credit risk resulting from OTC derivative transactions, where there is none or limited initial investment, such as interest rate swaps **(IRS)**, credit default swaps **(CDS)** and foreign exchange **(FX)** transactions.

NIBC is exposed to counterparty credit risk from derivative transactions both with corporate clients as well as with institutions. For both types of counterparties, counterparty credit risk is measured similarly, being the sum of the positive replacement value and the add-on. The add-on reflects the potential future change in the marked-to-market value during the remaining lifetime of the derivative contract. All derivative transactions are legally covered by International Swaps and Derivatives Association **(ISDA)** agreements. Derivative transactions with corporate clients are concluded as part of the relationship with the client. Capital and credit limits for corporate clients are allocated on a one-obligor basis. The credit risk resulting from counterparty credit risk is monitored in combination with other exposures (e.g. loans) to these clients, and in the majority of cases, the security of the loan is also applicable to the derivative exposure.

For nearly all of its financial counterparties, NIBC has mitigated the counterparty credit risk by using a Credit Support Annex **(CSA)**. Under this annex, the credit exposures after netting are mitigated by the posting of (cash) collateral. Limits for financial counterparties cover money-market, repo and derivative exposures and are based upon a combination of external ratings, market developments like CDS spreads, and expert judgement. NIBC is active in clearing eligible OTC derivatives in order to mitigate counterparty credit risk and to comply with EMIR-regulation.

In line with market practice, IFRS credit value adjustments (**CVA**) and debt value adjustments (**DVA**) are incorporated into the derivative valuations to reflect the risk of default of the counterparty as well as the own default risk of NIBC. The adjustments are applied to all OTC derivative contracts, except for those that benefit from a strong collateral agreement where cash collateral is regularly exchanged, mitigating the credit risk.

EU CCR1 – Analysis of CCR exposure by approach as of 31 December 2023

	in EUR millions	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	98	82		1.4	251	251	251	134
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	Of which securities financing transactions netting sets			-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c	Of which from contractual cross-product netting sets			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	Total					251	251	251	134

EU CCR2 – Transactions subject to own funds requirements for CVA risk as of 31 December 2023

	in EUR millions	Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	23	9
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	Total transactions subject to own funds requirements for CVA risk	23	9

EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights as of 21 December 2023

in EUR millions	Exposure classes	Risk weight											
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	79	-	-	1	21	-	-	-	-	-	102
7	Corporates	-	-	-	-	-	1	-	-	0	-	-	1
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	Total exposure value	-	79	-	-	1	22	-	-	0	-	-	102

EU CCR5 – Composition of collateral for CCR exposure as of 31 December 2023

in EUR millions		Collateral used in derivative transactions				Collateral used in SFTs			
	Collateral type	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	-	11	-	25	-	-	-	-
2	Cash – other currencies	-	4	-	39	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	Total	-	15	-	64	-	-	-	-

EU CCR8 – Exposures to CCPs as of 31 December 2023

	in EUR millions	Exposure value	RWEA
1	**Exposures to QCCPs (total)**		**2**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	79	2
3	(i) OTC derivatives	-	-
4	(ii) Exchange-traded derivatives	79	2
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	43	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Securitisation Exposures

Overview and strategy

NIBC classified all its securitisation exposures at amortised cost, with the exception of synthetics and equity tranches. Synthetics and equity tranches are classified at fair value through profit or loss.

NIBC AS ORIGINATOR

NIBC has been active in the securitisation and structuring market for over twenty years. The types of collateral for these securitisations include residential mortgage loans, commercial mortgage loans and leveraged loans. NIBC's Dutch Residential Mortgage Backed Securities **(RMBS)** programme was established in 1997. NIBC's residential mortgage loan programme was later extended with the Sound and Essence issues. In 2003, NIBC started its North Westerly Collateralised Loan Obligations **(CLO)** programme which it has sold over the course of 2023.

At 31 December 2023, there were no synthetic originated securitisations in NIBC's Securitisations portfolio.

EU-SEC1 - Securitisation exposures in the non-trading book as of 31 December 2023

	in EUR millions	Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS												
			of which SRT		of which SRT		of which SRT		STS	Non-STS			STS	Non-STS		
1	**Total exposures**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11**	**-**	**11**	**536**	**56**	**-**	**592**
2	Retail (total)	-	-	-	-	-	-	-	-	-	-	-	460	53	-	513
3	residential mortgage	-	-	-	-	-	-	-	-	-	-	-	355	53	-	408
4	credit card	-	-	-	-	-	-	-	-	-	-	-	0	0	-	0
5	other retail exposures	-	-	-	-	-	-	-	-	-	-	-	105	0	-	105
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	0	0	-	0
7	Wholesale (total)	-	-	-	-	-	-	-	-	11	-	11	76	2	-	78
8	loans to corporates	-	-	-	-	-	-	-	-	-	-	-	0	0	-	0
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	0	2	-	2
10	lease and receivables	-	-	-	-	-	-	-	-	11	-	11	76	0	-	76
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-	0	0	-	0
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	0	0	-	0

EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor as of 31 December 2023

	in EUR millions	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW
1	**Total exposures**	**-**	**-**	**11**	**-**	**-**	**-**	**11**	**-**	**-**	**-**	**11**	**-**	**-**	**-**	**1**	**-**	**-**
2	Traditional transactions	-	-	11	-	-	-	11	-	-	-	11	-	-	-	1	-	-
3	Securitisation	-	-	11	-	-	-	11	-	-	-	11	-	-	-	1	-	-
4	Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Wholesale	-	-	11	-	-	-	11	-	-	-	11	-	-	-	1	-	-
7	Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

OBJECTIVES

NIBC's objectives in relation to securitisation activities are:

- Transfer of credit risk;
- Obtain funding, reduce funding cost and diversify funding sources;
- Earn management fees on the assets under management;
- Offering attractive yields and quality investments for investors;

ROLES AND INVOLVEMENT

NIBC has fulfilled the following roles in the securitisation process:

- Arranger (structuring) of both third-party and proprietary securitisation transactions;
- Underwriter in securitisation transactions involving both third-party and proprietary transactions;
- Collateral manager for a number of managed CLO transactions which have been since exited in the course of 2023;

- Liquidity facility provider for a number of residential and commercial mortgage loan securitisations;
- Calculation agent and paying agent for number of residential mortgage loan securitisations;
- Company administrator for a number of securitisations; and
- Investor in securitisations.

SECURITISATION ACTIVITY IN 2023

There were no new transactions in 2023.

NAMES OF THE EXTERNAL CREDIT ASSESSMENT INSTITUTIONS USED FOR SECURITISATIONS

NIBC uses Moody's and Standard & Poor's to rate its securitisations.

ACCOUNTING POLICY

The group's subsidiaries are those entities (including structured entities) which it directly or indirectly controls. Control over an entity is evidenced by the group's ability to exercise its power in order to affect any variable returns that the group is exposed to through its involvement with the entity. When assessing whether to consolidate an entity, the group evaluates a range of control factors, namely:
- the purpose and design of the entity;
- the relevant activities and how these are determined;
- whether the group's rights result in the ability to direct the relevant activities;
- whether the group has exposure or rights to variable returns;
- whether the group has the ability to use its power to affect the amount of its returns.

Where voting rights are relevant, the group is deemed to have control where it holds, directly or indirectly, more than half of the voting rights over an entity unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities, as indicated by one or more of the following factors:
- another investor has the power over more than half of the voting rights by virtue of an agreement with the group;
- another investor has the power to govern the financial and operating policies of the investee under a statute or an agreement;
- another investor has the power to appoint or remove the majority of the members of the board of directors or equivalent governing body and the investee is controlled by that board or body; or
- another investor has the power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of that entity is by this board or body.

Potential voting rights that are deemed to be substantive are also considered when assessing control. Likewise, the group also assesses the existence of control where it does not control the majority of the voting power but has the practical ability to unilaterally direct the relevant activities. This may arise in circumstances where the size and dispersion of holdings of the shareholders give the group the power to direct the activities of the investee.

Subsidiaries are consolidated from the date on which control is transferred to the group and are deconsolidated from the date that control ceases. The group reassesses the consolidation status at least at each financial reporting date. Therefore, any changes in the structure leading to a change in one or more of the control factors require reassessment when they occur. This includes changes in decision making rights, changes in contractual arrangements, changes in the financing, ownership or capital structure as well as changes following a trigger event which was anticipated in the original documentation.

The Annual Report contains more detailed information on the accounting policies used by NIBC.

NIBC AS INVESTOR

Next to its role as originator of securitised products, NIBC has also been active as an investor in securitised products. Since the end of 2009, NIBC has a Liquidity Investments portfolio. This portfolio was set up to invest part of NIBC's excess liquidity in the securitisation market. Investments are limited to predominantly AAA-rated RMBS/ABS transactions backed by Dutch residential mortgage loan collateral or ABS transactions, and are eligible to be pledged as collateral with the European Central Bank **(ECB).**

In addition to this restrictive mandate, each investment is pre-approved by GRM.

EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor as of 31 December 2023

	in EUR millions	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW
1	**Total exposures**	**548**	**14**	**23**	**7**	**-**	**-**	**579**	**12**	**-**	**-**	**101**	**2**	**-**	**-**	**8**	**0**	**-**
2	Traditional) securitisation	548	14	23	7	-	-	579	12	-	-	101	2	-	-	8	0	-
3	securitisation	548	14	23	7	-	-	579	12	-	-	101	2	-	-	8	0	-
4	Retail underlying	472	13	23	5	-	-	501	12	-	-	85	2	-	-	7	0	-
5	Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Wholesale	76		-	2	-	-	78	-	-	-	16	-	-	-	1	-	-
7	Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note that the IFRS rules for consolidating securitisation exposures differ from Pillar 3 classifications under the securitisation framework which makes figures not directly comparable to NIBC's Annual Report.

CREDIT QUALITY OF SECURITISATIONS PORTFOLIO

The credit quality is based on an internal composite, following CRR/CRD guidelines, including external ratings from Moody's and Standard & Poor's. The non-rated portion of the portfolio relates to first-loss positions in both NIBC's own securitisations and third-party securitisations, which have been marked down to between 1% and 10% of their nominal value at 31 December 2023 or are not rated by Moody's or Standard & Poor's.

EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments as of 31 December 2023

in EUR millions		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			Of which exposures in default	
1	**Total exposures**	**33**	**-**	**-**
2	Retail (total)	-	-	-
3	residential mortgage	-	-	-
4	credit card	-	-	-
5	other retail exposures	-	-	-
6	re-securitisation	-	-	-
7	Wholesale (total)	33	-	-
8	loans to corporates	-	-	-
9	commercial mortgage	-	-	-
10	lease and receivables	33	-	-
11	other wholesale	-	-	-
12	re-securitisation	-	-	-

Market Risk

NIBC defines market risk as:
- the risk of losses in the Trading book arising from adverse movements in market rates and;
- the risk of losses in the Banking Book from NIBC's credit spread risk position;
- the risk of losses in both the banking and trading book from adverse movements in currencies with respect to the Euro.

The predominant market risk drivers for NIBC are interest rate risk and credit spread risk.

Market risk qualitative disclosure

RISK APPETITE

The risk appetite for market risk is moderate. For all market risk types limits are set. Interest rate risk limits are monitored on a daily basis, while credit spread risk is monitored on a weekly basis.

RISK MONITORING AND MEASUREMENT

From an economic value perspective the impact of an instantaneous shift in interest rates on a static portfolio is considered. Interest BPV and interest VaR is calculated and monitored on a daily basis by Market Risk Management, while credit spread BPV and credit spread VaR are calculated and monitored on a weekly basis. VaR is calculated using daily historical data and a confidence level of 99%. The VaR calculation is based on all historical data starting in 2008. The market risk analysis is complemented by a set of scenarios, including scenarios intended as stress testing and vulnerability identification, both based on historical events and on possible future events. Limits are set on the above measures. The limits and utilisation are reported to the ALCO once every month. Any major breach of market risk limits is reported to the CRO immediately.

CURRENCY RISK

NIBC manages its overall currency position based on the currency positions in the monthly balance sheets. The main exposures in foreign currencies for NIBC are USD and GBP. NIBC uses matched funding and other measures to apply its policy of not taking any currency positions. Any currency position which does show at month end is caused by movements in the fair value of assets or liabilities or interest income in foreign currencies and is hedged by entering into FX spot transactions. The total open foreign currency position, by nominal amount, was EUR 6.4 million at year-end 2023. This currency position is the position prior to hedging, which is always done shortly after month-end. Regulatory capital for currency risk is equal to 0.5 million EUR per year-end 2023.

GOVERNANCE

The objectives of the market risk function are to measure, report and control the market risk of NIBC subject to the Market Risk Management Policy. The risk management and control function is independent of the trading activities. The market risk position is monitored daily and reported to the ALCO once every month. Any requests for new limits have to be approved by the ALCO. Any major breach of market risk limits is forthwith reported to the CRO and acted upon immediately. Market Risk analyses all overshootings (i.e. occasions, where either the hypothetical or actual P&L

exceeds the VaR) in the Trading book and reports them both to the CRO and regulator (DNB) within 5 working days, in accordance with Article 366 point 5 of the CRR.

The risk appetite is set, among others, by the Value-at-Risk (VaR, 99% confidence level, one-day holding period) limits. The Money Market & Trading book exists of plain vanilla interest rate risk positions only. For this book the interest VaR limit was kept constant at EUR 0.5 million during 2023 and represents a reduction compared to the 2022 limit.

MEASUREMENT METHODS

NIBC uses multiple risk metrics to capture all aspects of market risk. These include interest basis point value **(BPV)**, credit BPV, interest VaR and credit VaR. These metrics are calculated on a daily basis and are reviewed by the Market Risk department:

- Interest and credit BPV measure the sensitivity of the market value for a change of one basis point in each time bucket of the interest rate and credit spread, respectively. In the valuation and risk management framework of fixed income products, NIBC uses multiple forward curves (o/n, 1M, 3M, 6M, 12M) and differentiates between collateralised (discounted on o/n curve) and non-collateralised (discounted on 3M curve) transactions.
- The interest VaR and credit spread VaR measure the threshold value which daily marked-to-market losses will not exceed with a confidence level of 99%. These VaR measures are based upon historical data with (daily or weekly) changes in respectively interest rates and credit spreads. For Money Markets & Trading, additional VaR scenarios based upon daily historical market data are used both for limit-setting as well as for the calculation of the capital requirement.
- As future market price developments may differ from those that are contained by historical data, the risk analysis is complemented by stress scenarios.

Stress testing

In addition to the VaR, NIBC has defined a number of stress tests. These stress tests consist both of historical events as well as potential extreme market conditions. Market risk stress tests are conducted and reported regularly, both on portfolio as well as on a consolidated level.

Below some examples of stress tests are mentioned:

- An instantaneous parallel shift of all interest rates by 200 bps (both upwards and downwards);
- Credit crisis of 2008, where credit and basis risk spreads rose significantly;
- Hypothetical scenario, where interest rates shift by -100 basis points or + 100 basis points;
- Hypothetical scenario, where credit spreads rise significantly.

Market risk in the banking book

INTEREST RATE RISK IN THE BANKING BOOK

NIBC defines interest rate risk in the banking book **(IRRBB)** as the risk of losses from interest rate sensitive positions in non-trading activities due to movements in interest rates. Interest rate risk is measured both from an economic value perspective and an earnings perspective. The first perspective considers the impact on the market value, while the latter considers the impact on net interest income.

NIBC's banking book consists of:

- Corporate treasury;
- Commercial treasury;
- Corporate banking;
- Retail banking.

EU IRRBB1 - Interest rate risks of non-trading book activities

in EUR thousands		Changes of the economic value of equity		Changes of the net interest income	
	Supervisory shock scenarios	Current period	Last period	Current period	Last period
1	Parallel up	-83,546	-139,403	13,111	7,534
2	Parallel down	-7,792	27,711	-13,111	-7,534
3	Steepener	-14,890	-29,921		
4	Flattener	-7,991	-1,199		
5	Short rates up	-21,833	-33,252		
6	Short rates down	10,390	14,870		

RISK APPETITE

The risk appetite for IRRBB from an economic value perspective is measured by the modified duration of equity and equal to 5 (with a tolerance of 7.5), while the risk appetite from an earnings perspective is measured by the impact on 1Y earnings and equal to EUR 35 million (assuming a shift in interest rates of 100 bps).

RISK MONITORING AND MEASUREMENT

From an economic value perspective the impact of an instantaneous shift in interest rates on a static portfolio is considered. Interest BPV and interest VaR measures are calculated on a daily basis and reviewed by the Market Risk department:

- Interest BPV measures the sensitivity of the market value to an instantaneous change of one basis point in each time bucket of the interest rate curve;
- The interest VaR measures the threshold value, which daily marked-to-market losses with a confidence level of 99% will not exceed, based on historical data for daily changes in interest rates. These daily changes are superimposed on the current market rates. The VaR is calculated by means of full valuation to take non-linearity into account. The VaR model was updated in October 2021 to include the historical data starting from 2008 (the previous VaR calculation was based on the most recent four years of historical data).

In measuring BPV and VaR for the Banking book the (credit) spreads have been excluded from cashflows and discounting, in line with EBA guidelines.

From the earnings perspective changes in interest rates occur both instantaneously and gradually over time. Earnings at Risk **(EaR)** is calculated by means of the following measure:

- 12 months earnings impact due to a 200 bps gradual upwards or downwards interest rate shock per currency

EaR as displayed in the tables represents the 200 bps gradual upwards measure. The interest rate risk analysis is complemented by a set of scenarios, including scenarios intended as stress testing and vulnerability identification, both based on historical events and on possible future events.

Limits are set on the above measures, both those from the economic value perspective and from an earnings perspective. The limits and limit utilisation are reported to the ALCO once every month. Any major breach of IRRBB limits is reported to the CRO immediately.

CREDIT SPREAD RISK

NIBC's Banking book has credit spread risk mainly in the Liquidity portfolio, Collateral portfolio and the Structured Credits portfolio. Total credit spread sensitivity remained at minus 0.2 million EUR/bp at 31 December 2023.

FOREIGN EXCHANGE RISK

As stated previously, it is the policy of NIBC to hedge its currency risk as much as possible. NIBC uses the Standardised Approach for the calculation of regulatory capital for currency risk.

Market risk in the trading book

EU MR1 - Market risk under the standardised approach as of 31 December 2023

in EUR millions		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	6
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	Total	6

EU MR2-A - Market risk under the Internal Model Approach (IMA) as of 31 December 2023

in EUR millions		RWEAs	Own funds requirements
1	VaR (higher of values a and b)	9	1
(a)	Previous day's VaR (VaRt-1)		0
(b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		1
2	**SVaR (higher of values a and b)**	**16**	**1**
(a)	Latest available SVaR (SVaRt-1))		0
(b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		1
3	IRC (higher of values a and b)	-	-
(a)	Most recent IRC measure		-
(b)	12 weeks average IRC measure		-
4	Comprehensive risk measure (higher of values a, b and c)	-	-
(a)	Most recent risk measure of comprehensive risk measure		-
(b)	12 weeks average of comprehensive risk measure		-
(c)	Comprehensive risk measure - Floor		-
5	Other	-	-
6	Total	25	2

EU MR2-B - RWA flow statements of market risk exposures under the IMA as of 31 December 2023

in EUR millions		VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWAs	Total own funds requirements
1	**RWEAs at previous period end**	**8**	**17**	**-**	**-**	**-**	**25**	**2**
1a	Regulatory adjustment	5	12	-	-	-	17	1
1b	RWEAs at the previous year-end (end of the day)	3	5	-	-	-	8	1
2	Movement in risk levels	0	0	-	-	-	0	0
3	Model updates/changes	-	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-	-
7	Other	-	-	-	-	-	-	-
8a	RWEAs at the end of the reporting period (end of the day)	2	3	-	-	-	5	0
8b	Regulatory adjustment	7	13	-	-	-	20	2
8	**RWEAs at the end of the reporting period**	**9**	**16**	**-**	**-**	**-**	**25**	**2**

EU MR3 - IMA values for trading portfolios 2023

in EUR millions		
VaR (10 day 99%)		
1	Maximum value	1
2	Average value	0
3	Minimum value	0
4	Period end	0
SVaR (10 day 99%)		
5	Maximum value	1
6	Average value	0
7	Minimum value	0
8	Period end	0
IRC (99.9%)		
9	Maximum value	-
10	Average value	-
11	Minimum value	-
12	Period end	-
Comprehensive risk measure (99.9%)		
13	Maximum value	-
14	Average value	-
15	Minimum value	-
16	Period end	-

REGULATORY CAPITAL FOR MARKET RISK IN THE TRADING BOOK

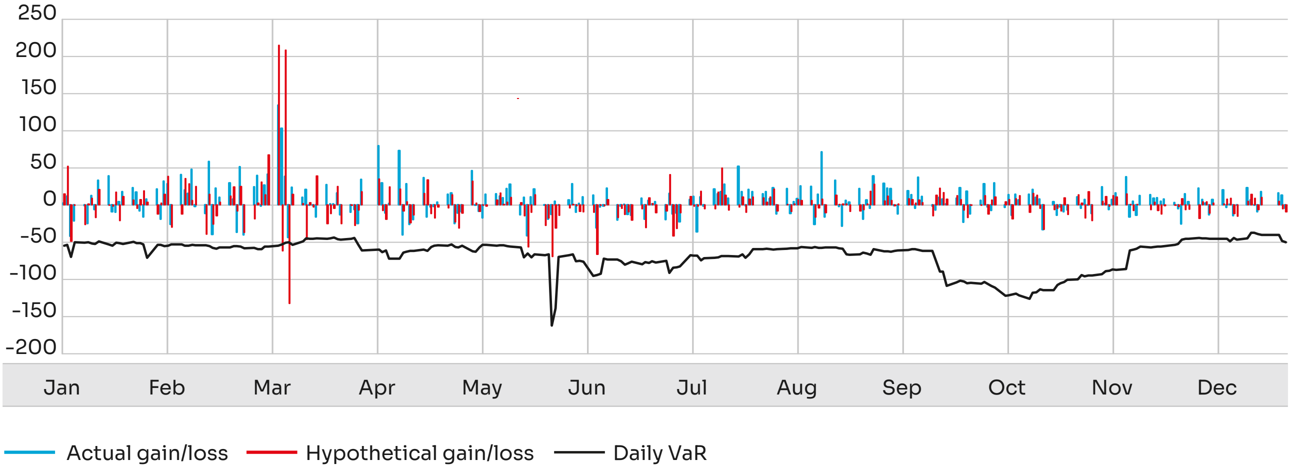
Since 2008 NIBC uses the Internal Model Approach **(IMA)** for general interest rate risk of the Money Market & Trading book, which is the only risk driver in this book. Articles 362 to 369 of the CRR/CRD set all regulatory requirements for the use of Internal Models for the Trading book. NIBC complies in all material aspects with these requirements. The capital requirement for market risk in the Trading book for banks using internal models is based on the combination of the VaR and Stressed VaR **(SVaR)**. The Stressed VaR is calculated based on the same methodology as the VaR, but based upon a different historical period with extreme stress in the markets. Currently, 2008 is used as historical period to determine the Stressed VaR.

Back testing

By nature, trading positions fluctuate during the year. The Money Market & Trading book consisted solely of interest rate-driven exposures. Activities comprise short-term (up to two years) interest position-taking, money-market and bond futures trading and swap spread position taking. Back testing for the Money Market & Trading book is conducted in accordance with the guidelines of the Basel Committee on Banking Supervision, as implemented in Europe by the CRR. The one-day 99% VaR is back tested with both the hypothetical profit and loss **(P&L)** and the actual profit and loss. The hypothetical profit and loss is calculated based upon the end-of-day trading position and the changes in market rates from the trading day to the next business day using full revaluation. The following Graph shows the hypothetical profit and loss and 99% VaR and the actual profit and loss and 99% VaR. On 31 December 2023, in the last 250 business days, there were three outliers for hypothetical P&L and two outliers for actual P&L.

Comparison of VaR estimates with gains/losses over last 250 trading days

in EUR Thousands



Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed processes or systems, from human error, fraud, or external events. Operational risk includes legal risk and compliance risk. NIBC also includes reputational risk, however strategic risks are not included. Reputational risk is defined as the potential risk arising from negative perception on the part of NIBC's stakeholders.

NIBC strives for a 'no surprises' operating environment by, effectively managing operational risk across all its business lines, banking activities and countries in a transparent and consistent way. Operational risk management is embedded in day-to-day processes. Every NIBC business unit and international office has an operational risk management 'Champion'. These employees assess their department's activities for potential operational risks, monitor the control mechanisms to mitigate, avoid, transfer or accept these risks and coordinate ways of resolving undesired events. They promote awareness for operational risks within their departments.

The central Operational Risk Management **(ORM)** function identifies, monitors, controls and reports on operational risk at group level, develops policies and processes and provides the methodology and tools. The tools enable an assessment whether the operational risk profile of the bank fits within the operational risk appetite. They provide an integrated view of the operational risk and control self assessments **(RCSA)** performed bottom-up by all BUs and countries, action planning, and event and loss registration and support the operational risk management process, including planning mitigation measures. Furthermore, the department also coordinates the development of periodic, forward looking scenario analysis (hypothetical external or internal scenarios ensuring that a plan exists in case these events occur) facilitates business continuity management and actively supports information security professionals.

A central element in the New Product Approval and Review Process **(NPARP)** is the client's interest; i.e. determining how the product is suitable for its clients and how NIBC will ensure it can offer the product to its clients in a controlled, responsible and sustainable manner in the markets where NIBC is active. Furthermore, the NPARP assesses the operational capacity of all internal stakeholders that need to cooperate for launching an efficient and effective product. The NPARP includes a mandatory and risk-based product review at a predefined period after launch. In addition to the NPARP, NIBC has implemented a Significant Change Approval and Review Process **(SCARP)**. This process is used to assess the impact of material adjustments in internal processes. These adjustments are reviewed for impact on operational risk.

ORM's information security professionals translate laws, regulations, regulatory guidelines and (international) standards into policies that are applicable to NIBC. Adherence to these policies is monitored by the information security team and results are reported on a quarterly basis. The Information Security team also reviews outsourcing initiatives, in order to ensure material outsourcings meet regulatory requirements. They also raise awareness on a continuous basis in order to ensure staff remains vigilant on the increasing cyber risks. The Information Security function is closely aligned with IT in order to manage NIBC's identity and access management framework and the bank's role model. Business Continuity Management, as well as Crisis Management, is coordinated by operational risk managers in close cooperation with IT and the Managing Board.

Operational risk in all its facets - including compliance and regulation, legal risk, dealing with integrity, change management and technology risk, reputation and conduct risk - is a key part of a bank's overall risk management practice. Doing business always means properly understanding and managing risks. As such, NIBC's risk appetite framework also includes specific risk appetite statements for operational risk, as well as other non-financial risks, such as legal, data privacy, information security/IT and compliance/conduct risks. NIBC acknowledges the existence of fraud risk, which can arise from either internal or external events. The risk can lead to damages like financial loss, regulatory implications and/ or reputation damage. NIBC has a fraud risk assessment in place to identify and monitor these events.

As part of the yearly cycle, NIBC uses the operational risk management process also as a basis for the in control statement of the Managing Board as included in NIBC's annual report. Given its size and relatively limited complexity, NIBC applies the Standardised Approach to calculate and determine the required regulatory capital that applies to operational risk. The capital requirement under the Standardised Approach is the sum of the requirement per individual business line. Within each business line, gross income is the indicator that serves as a proxy for the scale of business operations and as such, the likely scale of operational risk exposure within each of these business lines.

The average gross income is multiplied by a CRR/CRD regulatory factor assigned to that business line. This factor serves as a proxy for the industry-wide relationship between the operational risk loss experience for a given business line and the aggregate level of gross income for that business line. The operational risk calculation includes data from the last three twelve-monthly observations to determine the regulatory capital charge and is restated yearly after the year-end financial closing is complete.

EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts as of 31 December 2023

in EUR millions

	Banking activities	Relevant indicator			Own funds requirements	Risk weighted exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	525	473	545	73	908
3	Subject to TSA:	525	473	545		
4	Subject to ASA:	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

Originate-to-Manage (OTM) mortgage loans

Together with our institutional partners, we have successfully grown the OTM mortgage loan proposition to EUR 13.7 billion as per year-end 2023. For OTM mortgage loans and own book mortgage loans, the processes, services and underwriting criteria are uniform. The loans are originated under the label of NIBC or Lot Hypotheken. NIBC is lender of record and therefore the consumer client has a contractual relationship with NIBC. The institutional investors bear the credit risk of these OTM mortgage loans, while other risks, such as operational risks, remain with NIBC.

Remuneration Policy

The Supervisory Board reviewed NIBC's remuneration policies in 2023. The review took into account all relevant laws, regulations and guidelines: the Dutch Banking Code, the DNB Principles on Sound Remuneration Policies (DNB principles), EBA Guidelines on Sound Remuneration, EBA guidelines on Internal Governance and the Dutch remuneration legislation for financial services companies (Wet Financieel Toezicht (WFT)). Regeling beheerst Beloningsbeleid Van Banken **(RBB)** and Wet (nadere) beloningsbeleid financiële onderneming **(W(N)BFO)**.

NIBC's remuneration policy is sustainable, balanced and in line with our chosen strategy and risk appetite and sustainability ambitions. It revolves around these six key principles: remuneration is (i) aligned with business strategy and sustainability ambitions; (ii) appropriately balanced between short and long term; (iii) differentiated and linked to the achievement of performance objectives and the results of the NIBC; (iv) externally competitive and internally fair; (v) managed in an integrated manner that takes into account total compensation and (vi) is determined in a gender neutral manner.

The Remuneration and Nominating Committee **(RNC)** and the Supervisory Board believe NIBC's remuneration policy responsibly links performance and reward and is compliant with the applicable laws, regulations and guidelines. The Supervisory Board continues to believe in prudent management of remuneration whilst recognising that NIBC operates in a competitive market place where it needs to be able to attract, motivate and retain sufficient talent.

NIBC is determined to make a positive contribution towards fair compensation practices in the banking sector in consultation with its stakeholders. Furthermore, the process initiated earlier to build variable pay into fixed salary as much as possible continued in 2023.

The 2023 Annual Report contains a detailed overview of NIBC's remuneration policy.

EU REM1 – Remuneration awarded for the financial year as of 31 December 2022

	in EUR thousands	MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Fixed remuneration				
1	Number of identified staff	8	4	32	6
2	Total fixed remuneration	1,101	6,198	10,338	1,367
3	Of which: cash-based	1,101	6,198	10,338	1,367
4	(Not applicable in the EU)				
EU-4a	Of which: shares or equivalent ownership interests	-	-	-	-
5	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x	Of which: other instruments	-	-	-	-
6	(Not applicable in the EU)				
7	Of which: other forms	-	-	-	-
8	(Not applicable in the EU)				
	Variable remuneration				
9	Number of identified staff	8	4	32	6
10	Total variable remuneration	-	350	401	6
11	Of which: cash-based	-	105	190	6
12	Of which: deferred	-	70	20	0
EU-13a	Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a	Of which: deferred	-	-	-	-
EU-13b	Of which: share-linked instruments or equivalent non-cash instruments	-	175	191	0
EU-14b	Of which: deferred	-	70	104	0
EU-14x	Of which: other instruments	-	-	-	-
EU-14y	Of which: deferred	-	-	-	-
15	Of which: other forms	-	-	-	-
16	Of which: deferred	-	-	-	-
17	Total remuneration	1,101	6,548	10,739	1,373

EU REM2 – Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) as of 31 December 2023

	in EUR thousands	MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	1	-	-
2	Guaranteed variable remuneration awards -Total amount	-	350	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year – Number of identified staff	-	1	2	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year – Total amount	-	1,078	880	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year – Number of identified staff	-	-	-	-
7	Severance payments awarded during the financial year – Total amount	-	-	-	-
8	Of which paid during the financial year	-	-	-	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	-

EU REM3 – Deferred remuneration as of 31 December 2023

in EUR thousands

	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	3,697	1,472	2,166	-	-	-70	327	59
8	Cash-based	762	264	498	-	-	-	264	-
9	Shares or equivalent ownership interests	1,571	907	663	-	-	-38	-	-
10	Share-linked instruments or equivalent non-cash instruments	1,365	302	1,005	-	-	-33	64	59
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	1,800	782	767	-	-	-34	442	251
14	Cash-based	389	169	219	-	-	-	169	-
15	Shares or equivalent ownership interests	707	409	299	-	-	-17	-	-
16	Share-linked instruments or equivalent non-cash instruments	704	204	249	-	-	-17	273	251
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	100	34	39	-	-	-2	44	27
20	Cash-based	33	15	18	-	-	-	15	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	66	19	21	-	-	-2	29	27
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	5,597	2,288	2,972	-	-	-106	814	336

EU REM4 – Remuneration of 1 million EUR or more per year as of 31 December 2023

	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	2
2	1 500 000 to below 2 000 000	3
3	2 000 000 to below 2 500 000	-
4	2 500 000 to below 3 000 000	-
5	3 000 000 to below 3 500 000	-
6	3 500 000 to below 4 000 000	-
7	4 000 000 to below 4 500 000	-
8	4 500 000 to below 5 000 000	-
9	5 000 000 to below 6 000 000	-
10	6 000 000 to below 7 000 000	-
11	7 000 000 to below 8 000 000	-

EU REM5 – Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) as of 31 December 2023

	in EUR thousands	Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										50
2	Of which: members of the MB	8	4	12							
3	Of which: other senior management				6	7	-	16	5	4	
4	Of which: other identified staff				-	-	-	6	-	-	
5	Total remuneration of identified staff	1,101	6,548	7,649	2,180	2,325	-	4,833	1,359	1,415	
6	Of which: variable remuneration	-	350	350	152	102	-	16	5	132	
7	Of which: fixed remuneration	1,101	6,198	7,299	2,028	2,223	-	4,817	1,354	1,283	

Sustainability Disclosures

NIBC is disclosing comparable qualitative disclosures on climate-change-related transition and physical risks, including qualitative information on environmental risks, social risks and governance risks consistent with the EU taxonomy, the European Green Deal and the Paris agreement goals.

Although the Pillar III ITS is intended for large institutions and is not directly applicable for NIBC, NIBC provides information in the text below in relation to Table 1, Table 2 and Table 3 of the Prudential disclosures on sustainability risks in order to convey comparable information in regard to the sustainability risk profile of NIBC.

NIBC recognises that sustainability risks can materialize as drivers of financial risk. We have a mature risk approach in place to monitor, manage and mitigate sustainability risks, including climate and environmental risk. This is supported by clear oversight, a robust risk management framework and increasing disclosures in support of our commitments, recognised standards, and regulatory requirements. Our efforts are focused on building and continuously improving upon this foundation to address and mitigate potential sustainability risks within our business context.

We recognise that climate risk and impacts are increasing and that we need to remain alert to the financial and non-financial challenges that these may present in our business going forward.

For NIBC, we currently overall assess climate risk to be a driver of potential medium to long term financial risks. In the short term and through the medium term, it primarily represents operational risks such as potential regulatory risks or event-driven reputational risks.

Qualitative information on Environmental risk

Business strategy and processes

The majority of NIBC’s financial activities today are related to secured lending, highly granular and for specific purposes. For example to acquire a home, operate a vessel, develop student housing, build a modern logistics warehouse, to bring high-speed internet and communications to a rural community, or lease modern equipment. This asset basis and granularity reduces risks thereby giving assurance to funders and investors that they are making a meaningful investment in the community and can expect a reasonable return.

NIBC applies an integrated sustainability strategy. We aim to apply and continuously improve our processes to identify , manage and mitigate sustainability risks and identify, evaluate and pursue sustainable opportunities which create financial and non-financial value for our stakeholders. We support our retail and corporate customers to become more sustainable, and to help the communities that we serve to become more resilient. This is embodied in our purpose, enabling ambitions by financing assets.

NIBC has set an overarching ambition to achieve net zero emissions before 2050 and a 55% reduction in emissions by 2030. In addition, a risk limit has been established in regard to climate-related losses as part of NIBC's Risk Appetite Framework and related indicators. These objectives provide a direct link to the Paris Climate Accords, the European Green Deal, the EU Non-Financial Reporting Directive **(NFRD)** and Corporate Sustainability Reporting Directive **(CSRD)**, and the Taskforce for Climate-related Financial Disclosures **(TCFD)** framework and ambitions.

In our 2023 Annual Report, NIBC disclosed that it had further decarbonized its balance sheet and that it is well ahead of its 2030 target from a 2019 baseline. This is primarily related to the divestment and discontinuation of certain activities, actions which have also helped to reduce potential future business model risks related to climate impacts and the transition. Therefore, we intend to consider establishing additional interim emission target(s) and/or to further refine our targets in due course.

NIBC's asset-based financings across several asset classes support environmental objectives and impacts in the direction of alignment with the EU Taxonomy. For example, energy efficient retail mortgage loans, improvements in EPC labels related to both residential and commercial real estate, renewable energy storage and other types of infrastructure which are helping to enable transition and adaptation. NIBC's Green Bond Framework and disclosures provide further insights into our progress.

NIBC's policy approach is organized within NIBC's Sustainability policy framework and sustainability policies, and our thematic environment and climate policy. Changing technologies, evolving stakeholder preferences, changes in the physical environment, necessitate that NIBC regularly reviews its policies and refines these as necessary. At minimum, these are reviewed every two years, in practice this happens more often – usually every year. The latest revision of NIBC's Environment & Climate policy was published in February 2024. Direct and indirect engagement with counterparties on their strategies to mitigate and reduce environmental risks is frequent. For example, NIBC engages on counterparties climate action plans and upcoming EU disclosure requirements to help counterparties prepare for changes and implement adaptive measures.

Governance

NIBC's Managing Board **(MB)** and Executive Committee **(ExCo)** are responsible for all sustainability-related matters. Within these bodies, NIBC's CFO has responsibility for sustainability. The MB and ExCo have delegated responsibility for organising the Sustainability Framework and implementation of sustainability objectives, strategy and policies to a dedicated Senior Sustainability Officer who reports directly to NIBC's CFO. The Sustainability Officer works closely with each NIBC business line in order to ensure these goals are met.

NIBC has further integrated environmental risks and factors across short, medium and long-term timeframes and has reported on these in our Annual Report and other sustainability-related disclosures. Science-based pathways have been analysed where possible within NIBC's activities and asset classes. This is supported by actions and plans within the different business lines within NIBC. These continue to evolve with improvements in data sourcing, data quality, technology developments and the changing regulatory landscape. NIBC operates a three line of defence internal control framework in which commercial business teams comprise the first line, risk management and compliance the second line, and internal audit as the third line of defence.

Internal governance arrangements to manage climate, environment and other sustainability factors are well established at NIBC. NIBC's Managing Board and ExCo have delegated responsibilities to established committees which are responsible for certain tasks. The Risk Management Committee is responsible for approving material changes to NIBC's Sustainability Framework and sustainability policies, including NIBC's environment and climate policy. NIBC's Transaction

Committee is responsible for credit approvals and acts on the advice of NIBC's credit risk, compliance and sustainability departments. NIBC's Investment committee is responsible for investment approvals and acts on the advice of NIBC's risk, compliance and sustainability departments. An update on sustainability including environmental risks is presented separately to RMC on at least a semi-annual basis. These include progress updates, regulatory developments, supervisory updates, and analysis and developments in regard to transmission channels. Less formal updates are provided at all levels of internal governance on a more frequent basis.

Within NIBC's management bodies, NIBC's CFO has responsibility for sustainability. NIBC's Senior Sustainability Officer who reports directly to NIBC's CFO. Updates are typically provided to NIBC's Managing Board and ExCo on a quarterly basis. In practice, updates are more frequent, given regulatory developments and the changes within NIBC's operating environment. Updates on sustainability including environmental risks is presented to NIBC's RMC on at least a semi-annual basis as well as periodically to NIBC's Audit Committee and Risk Policy & Compliance Committee. NIBC's Audit Committee and RPCC (Supervisory Board sub-committees) are provided updates on a semi-annual basis in regard the internal control environment and risk management and reporting respectively.

Risk Management

NIBC has a long-established Sustainability Framework which is integrated into its risk management approach. The Framework and our sustainability policies aim to mitigate adverse impacts of environmental factors and risks on NIBC, its clients, suppliers, workers in the value chain and affected communities.

Our environmental standards consider the Paris Agreement, as well as leading international standards and frameworks such as the EU Taxonomy, Organisation for Economic Co-operation and Development **(OECD)** Guidelines, United Nations **(UN)** Global Compact, United Nations Environment Programme Finance Initiative **(UNEPFI)**, UN Principals for Responsible Investment **(PRI)**, TCFD, the United Nations Framework Convention on Climate Change **(UN FCCC)**, and the Convention on Biological Diversity and International Union for Conservation of Nature **(IUCN)** standards. NIBC applies science-based methodologies in our assessments. We will continue to evolve our policy approach to account for regulatory developments, supervisory expectations, our changing business context and learnings from any emerging impacts.

NIBC has established processes to assess climate and environmental risks and impacts related to our financings and investments. These are described in our Sustainability Framework and in other disclosures. NIBC applies a policy-based approach in regard to suppliers and is working to further enhance supplier due diligence. These processes are further supplemented by new tools and processes which NIBC is establishing in order to further align with EU Taxonomy standards, corporate sustainability due diligence requirements and to support our net-zero ambitions.

NIBC is enabling and promoting climate action. For example, we finance renovations that raise the energy performance of commercial and retail properties. We work with ship owners to reduce fuel consumption per km per tonne of cargo carried and to prepare for the capital investments that will be needed in new fuel and propulsion technologies. And we promote energy-efficient digital infrastructure and efforts within this asset class to increase the sourcing of renewables. In some cases, KPIs have been embedded in “sustainability linked” loans for corporate clients, requiring certain levels of performance tied to interest rate incentives.

NIBC has launched a company-wide project which aims to address the many data and reporting requirements related to sustainability. This will allow us to continue to expand our reporting capabilities and to address the calls from supervisory authorities for deeper sustainability risk analysis and more granular data. In the first stage of the project we have prioritised two of our most material asset classes - Mortgage loans and the Shipping portfolio.

Despite data improvement initiatives, the alignment of our financial activities with the EU Taxonomy will remain a challenge. Most of NIBC's corporate exposures are related to corporates which are technically SMEs and micro-enterprises not subject to the upcoming CSRD. The Taxonomy technical screening criteria **(TSC)** and do no significant harm criteria **(DNSH)** are complex and may be difficult and disproportionately costly for SMEs to achieve. This increases the risk that these companies will be excluded from green finance. Therefore we are working with our clients on a practical implementation focused on the most material criteria of the Taxonomy.

Sustainability risk is identified as a potential driver of financial risk in NIBC's Risk Appetite Framework. A quantitative limit has been established in relation to climate-related losses. As further data quantification is developed, NIBC may consider further measures.

NIBC has assessed the likelihood of climate and environmental risks as drivers of financial risk to be low through the medium term. Climate & Environmental risks are mostly likely to materialise in the areas of credit risk and operational risk. For NIBC reputational risk is considered to be a sub-category within operational risk. Several physical climate risk and transitional climate risk scenarios across credit risk, operational risk and liquidity risk have been considered as part of NIBC's scenario analysis. We are continuing to learn and expect to make refinements in our scenarios and tests as we move forward and as data quality further improves.

It is unlikely that we will experience no material direct impact on credit risk. The increasing granularity of our portfolio suggests that to the degree these materialise as physical climate impacts, they will most likely be event-driven and related to a specific location. All of NIBC's core asset classes will face climate transition risks and there is increasing evidence that many have started their transition and adaptation journey.

For the short to medium term (up to 5 years) and based on the current NIBC portfolio composition, impacts would most likely related to physical climate risk events such as inland flooding, land subsidence or an extreme weather-related event. As such these would be limited to a geographical location and further limited in impact due to the granularity of NIBC's portfolio.

Qualitative information on Social risk

Business strategy and processes

Our business model is being simplified and financially de-risked. The majority of NIBC's financial activities today are related to secured lending, highly granular and for specific purposes. For example to acquire a home, operate a vessel, develop student housing, build a modern logistics warehouse, to bring high-speed internet and communications to a rural community, or lease modern equipment. This asset basis and granularity reduces risks thereby giving assurance to funders and investors that they are making a meaningful investment in the community and can expect a reasonable return.

NIBC applies an integrated sustainability strategy. We aim to apply and continuously improve our processes to identify , manage and mitigate sustainability risks and identify, evaluate and pursue sustainable opportunities which create financial and non-financial value for our stakeholders. We support our retail and corporate customers to become more sustainable, and to help the communities that we serve to become more resilient. This is embodied in our purpose, "enabling ambitions by financing assets."

NIBC has set an overarching ambition of maintaining a strong human rights policy approach in our financings and to embrace diversity and inclusion in our operations. Tangible quantitative targets include a gender balanced managing board (achieved in April 2023) and gender pay equality. NIBC's integrated sustainability processes include human rights due diligence and a commitment to take appropriate steps in accordance with OECD Guidelines, UN Guiding Principles on Business and Human Rights and International Labour Organization **(ILO)** conventions. This is supported by a publicly accessible complaints and grievance mechanism through which legitimate representatives can raise any complaints.

NIBC's policy approach is organized within NIBC’s Sustainability policy framework and sustainability policies, and our thematic human rights policy. Changing technologies, evolving stakeholder preferences, changes in the physical environment, necessitate that NIBC regularly reviews its policies and refines these as necessary. At minimum, these are reviewed every two years, in practice this happens more often – usually every year. The latest revision of NIBC’s Human Rights policy was published in February 2024. NIBC engages with its counterparties on their strategies to address socially harmful activities in their operations and supply chains. For example, NIBC is engaging with counterparties on human rights and upcoming EU disclosure requirements to help counterparties prepare for increased social due diligence.

Governance

NIBC's Managing Board and Executive Committee are responsible for all sustainability-related matters. Within these bodies, NIBC's CFO has responsibility for sustainability. The MB and ExCo have delegated responsibility for organising the Sustainability Framework and implementation of human rights and social objectives, strategy and policies to a dedicated Senior Sustainability Officer who reports directly to NIBC's CFO. The Sustainability Officer works closely with each NIBC business line in order to ensure these goals are met.

NIBC has integrated social and human rights risks and factors across short, medium and long-term timeframes and has reported on these in our Annual Report and other sustainability-related disclosures. Science-based pathways have been analysed where possible within NIBC's activities and asset classes utilizing tools provided by CRREM and SBTI among others. This is supported by actions and plans within the different business lines within NIBC. These continue to evolve with improvements in data sourcing, data quality, technology developments and the changing regulatory landscape. NIBC operates a three line of defence internal control framework in which commercial business teams comprise the first line, risk management and compliance the second line, and internal audit as the third line of defence.

Within NIBC's management bodies, NIBC's CFO has responsibility for sustainability. NIBC's Senior Sustainability Officer who reports directly to NIBC's CFO. Updates are typically provided to NIBC's Managing Board and ExCo on a quarterly basis. In practice, updates are more frequent, given regulatory developments and the changes within NIBC's operating environment Updates on sustainability including social and human rights risks is presented to NIBC's RMC on at least a semi-annual basis. NIBC's Audit Committee and RPCC (Supervisory Board sub-committees) are provided updates on a semi-annual basis in regard the internal control environment and risk management and reporting respectively.

Risk Management

Our social and human rights standards consider the UN Guiding Principles on Business and Human Rights, as well as leading international standards and frameworks such as the EU Taxonomy, OECD Guidelines, UN Global Compact, UN Declaration on Human Rights, and ILO conventions. NIBC applies the UN Guiding Principles for Business and Human Rights **(UNGP)** framework in our assessments. We will continue to evolve our policy approach to account for regulatory developments, supervisory expectations, our changing business context and learnings from any emerging impacts.

NIBC has established processes to assess social and human rights risks and impacts related to our financings and investments. These are described in our Sustainability Framework and in other disclosures. NIBC applies a policy-based approach in regard to suppliers and is working to further enhance supplier due diligence. These processes are further supplemented by new tools and processes which NIBC is establishing in order to further align with EU Taxonomy standards, corporate sustainability due diligence requirements and to support our net-zero ambitions.

NIBC pursues several approaches to address impacts on workers in our value chains. These aim to address the impacts which take place within asset classes where NIBC is active. For example, NIBC was one of three banks which founded the Responsible Ship Recycling Standards (RSRS), an initiative in the shipping sector which helps to address value chain impacts and circularity in the sector. RSRS aims to ensure decent working conditions and environmental protections are in place throughout the lifecycle of a vessel.

NIBC uses the frameworks and methods prescribed in these international human rights standards to understand our responsibility and take appropriate measures. The effectiveness of our actions is very difficult to measure. But this provides a secondary opportunity to gather feedback from stakeholder representatives and the feedback loop allows us to continue to refine our approach.

Most of NIBC’s targets related to impacts on value chain workers are currently qualitative. Stakeholders have expressed that initiatives such as Responsible Ship Recycling Standards **(RSRS)** are having a meaningful and positive impact. We are taking steps to achieve quantitative measurements including corporate client sustainability questionnaires. We are encouraging clients and business partners to develop corporate policies and improve transparency and aim to be able to share our measurements in the future.

To date NIBC has not set specific limits in regard to social risk. Effectively any material impact would trigger and analysis of the root cause, development of additional preventive measures and an escalation to our Managing Board and ExCo.

For NIBC, social and human rights risks typically are indirect risks which lie deep within counterparty and supplier value chains. As such these "linked" incidents and according the OECD Guidelines and UNGPs can escalate to a "contributing" level if NIBC does not take reasonable actions to follow up. Since NIBC has processes and systems in place to address these situations, the main risks are reputational risks. For NIBC reputational risk is considered to be a sub-category within operational risk.

Qualitative information on Governance risk

Governance

The Managing Board of NIBC is ultimately responsible for ensuring adequate compliance within NIBC. Managing compliance risk and complying with applicable laws, regulations and standards in both personal and business conduct is the responsibility of every employee or contractor working for NIBC. Regular training and updates are provided to our staff in order to maintain awareness and address any emerging areas of concern.

Important national and international/European regulations applicable to NIBC include the Dutch Financial Supervision Act (Wft), anti-money laundering laws such as Wwft and AMLD4, as well as a.o. MiFID II, FATCA/CRS, GDPR and MAD/MAR.

NIBC's anti-corruption, anti-fraud and anti-bribery policies are well established and consistent with the United Nations Convention Against Corruption. NIBC maintains a Code of Conduct which was modernised in recent years to reflect developments in the changing world around us. NIBC also maintains a Compliance Framework underpinned by a robust set of policies which aims to ensure responsible conduct. Our compliance policy suite includes policies on Fraud Prevention, Anti-Bribery & Corruption, Whistleblowing, Complaints Handling, Conflicts of Interest, Sanctions, Gifts and Entertainment, and Prevention of Tax Evasion among others. The purpose is to ensure a culture of honesty and ethics within NIBC, a strong internal control environment, and high awareness.

Our Code of Conduct is a core policy which every new staff member signs when joining NIBC. Our Whistleblower policy provides safeguards for reporting any irregularities or suspicious behaviours. These are designed to ensure non-retaliation against complainants. Trusted representatives are available to guide internal complainants and anonymous channels are also offered. NIBC's external complaints mechanism is available to all stakeholders and their legitimate representatives. When complaints are raised, NIBC is committed to investigate incidents promptly, independently and objectively.

Compliance and business conduct training is a mandatory component for all staff in NIBC's training regime. This is required for all new staff when they join NIBC. NIBC's managing board members oversee introduction sessions which emphasize responsible business conduct and corporate culture. Staff are required to perform renewed conduct training at least every two years.

Risk Management

Signing a mortgage loan contract is often the most important financial commitment made by a retail customer. NIBC's Sustainability policy commits us to responsible retail lending practices and to offer its products and services in a truthful, responsible and fair manner. We are committed to responsible marketing practices and to avoid practices that might impose unfair and abusive loan terms on borrowers or be perceived as mis-selling of products.

NIBC engages with consumers and end users about impacts through formal and informal channels and processes. These channels include direct communications, customer surveys, online feedback and complaints mechanisms, and via third parties. Whether positive or negative, we take all feedback seriously and act on these findings. Complaints are monitored within each business unit, by NIBC's compliance and risk teams and reported to NIBC's ExCo.

Annual corporate Net Promoter Score **(NPS)** and retail customer satisfaction surveys are performed and results disclosed as part of the sustainability performance indicators provided within this report.

The most material processes to prevent and detect corruption or bribery are NIBC's Know Your Customer **(KYC)** process, due diligence undertaken as part of transaction origination and review processes, our Whistleblowing procedures and complaints mechanisms.

These processes aim to prevent, detect and address allegations or incidents of bribery and corruption and are managed by NIBC's compliance team. A complaints committee oversees actual allegations and incidents when they arise and reports the outcomes to NIBC's ExCo and Supervisory Board. These are among the aspects addressed as part of NIBC's "in-control" assessment. These processes are complemented by training and awareness sessions related to compliance, integrity and related subjects. For example, recent sessions have focused on raising awareness in regard to recent guidance from supervisory authorities to prevent greenwashing.

In our financings, NIBC screens and monitor potential transactions for politically exposed persons **(PEP**), as there may be an increased risk of bribery, corruption or other forms of fraud. This requirement is described in our Client Due Diligence policy. When a PEP is identified measures of Enhanced Due Diligence are required. Adequate and appropriate for the identified risk, measures need to be taken to establish the source of wealth and the source of funds that are used in the business relationship in order to ensure that these are not the proceeds from corruption or other criminal activity.

Appendix 1 Disclosure Index

Disclosure index of the Commission Implementing Regulation 2021/637

Pillar 3 disclosure requirements	Location in Pillar 3 report	EBA Template	Template description
Disclosure of key metrics and overview of risk-weighted exposure amounts	Key Metrics & Overview of Risk-Weighted Exposure Amounts	EU OV1	Overview of total risk exposure amounts
		EU KM1	Key metrics template
Disclosure of risk management objectives and policies	Risk Management Strategy & Process		
Disclosure of the scope of application	Introduction		
Disclosure of own funds	Own Funds	EU CC1	Composition of regulatory own funds
		EU CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements
		EU CCA	Main features of regulatory own funds instruments and eligible liabilities instruments
Disclosure of countercyclical capital buffers	Countercyclical buffer	EU CCyB1	Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer
		EU CCyB2	Amount of institution-specific countercyclical capital buffer
Disclosure of leverage ratio	Leverage Ratio	EU LR1	LRSum: Summary reconciliation of accounting assets and leverage ratio exposures
		EU LR2	LRCom: Leverage ratio common disclosure
		EU LR3	LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)
Disclosure of liquidity requirements	Liquidity Risk	EU LIQ1	Quantitative information of LCR
		EU LIQ2	Net Stable Funding Ratio
Disclosure of exposures to credit risk, dilution risk and credit quality	Credit Risk	EU CR1	Performing and non-performing exposures and related provisions
		EU CR2	Changes in the stock of non-performing loans and advances
		EU CQ1	Credit quality of forborne exposures
		EU CQ3	Credit quality of performing and non-performing exposures by past due days
		EU CQ4	Quality of non-performing exposures by geography
		EU CQ5	Credit quality of loans and advances to non-financial corporations by industry
		EU CQ7	Collateral obtained by taking possession and execution processes
Disclosure of the use of credit risk mitigation techniques	Credit Risk	EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques
Disclosure of the use of the standardised approach	Calculation of Risk Weighted Assets	EU CR4	Standardised approach – Credit risk exposure and CRM effects
		EU CR5	Standardised approach
Disclosure of the use of the IRB approach to credit risk	Calculation of Risk Weighted Assets	EU CR7-A	IRB approach – Disclosure of the extent of the use of CRM techniques
Disclosure of specialised lending and equity exposure under simple risk weight approach	Equity exposures under the simple risk-weighted approach	EU CR10.5	Equity exposures under the simple risk-weighted approach
Disclosure of exposures to counterparty credit risk	Counterparty Credit Risk	EU CCR1	Analysis of CCR exposure by approach
		EU CCR2	Transactions subject to own funds requirements for CVA risk
		EU CCR3	Standardised approach – CCR exposures by regulatory exposure class and risk weights
		EU CCR5	Composition of collateral for CCR exposures
		EU CCR8	Exposures to CCPs

Pillar 3 disclosure requirements	Location in Pillar 3 report	EBA Template	Template description
Disclosure of exposures to securitisation positions	Securitisation Exposures	EU-SEC1	Securitisation exposures in the non-trading book
		EU-SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor
		EU-SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor
		EU-SEC5	Exposures securitised by the institution - Exposures in default and specific credit risk adjustments
Disclosure of the use of the standardised approach and of the internal models for market risk	Market Risk	EU MR1	Market risk under the standardised approach
		EU MR2-A	Market risk under the internal Model Approach (IMA)
		EU MR2-B	RWEA flow statements of market risk exposures under the IMA
		EU MR3	IMA values for trading portfolios
		EU MR4	Comparison of VaR estimates with gains/losses
Disclosure of interest rate risk of non-trading book activities		EU IRRBB1	Interest rate risk of non-trading book activities
Disclosure of operational risk	Operational Risk	EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts
Disclosure of remuneration policy	Remuneration Policy	EU REM1	Remuneration awarded for the financial year
		EU REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)
		EU REM3	Deferred remuneration
		EU REM4	Remuneration of 1 million EUR or more per year
		EU REM5	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)
Disclosure of encumbered and unencumbered assets	Encumbered and Unencumbered Assets	EU AE1	Encumbered and unencumbered assets
		EU AE2	Collateral received and own debt securities issued
		EU AE3	Sources of encumbrance

Appendix 2 List of Abbreviations

AC	Audit Committee
ADMC	Architecture and Data Management Committee
AFM	Authority for Financial Markets
AIRB	Advanced Internal Ratings' Based (approach)
ALCO	Asset & Liability Committee
ALM	Asset & Liability Management
AML	Anti-Money Laundering
ASF	Available Stable Funding
BIS	Bank for International Settlements
BPV	Basis-point Value
CCF	Credit Conversion Factor
CCR	Counterparty Credit Rating
CD	Compliance Department
CDD	Client Due Diligence
CDS	Credit Default Swap
CET 1	Common Equity Tier I
CISO	Chief Information Security Officer
CLO	Collateralised Loan Obligations
CRM	Credit Risk Management (department)
CRM	Credit Risk Mitigation
CSA	Credit Support Annex
CSRD	Corporate Sustainability Reporting Directive
CTF	Counter Terrorist Financing
CVA	Credit Valuation Adjustment
DNB	Dutch Central Bank
DNSH	Do no significant harm criteria
DVA	Debt Value Adjustment
EAD	Exposure at Default
EBA	European Banking Authority
EC	Economic Capital
EC	Engagement Committee
ECB	European Central Bank
EHQLA	Extremely High Quality Liquid Assets
EL	Expected Loss
ERBA	External Ratings Based Approach
ESG	Environmental, Social and Governance
ExCo	Executive Committee
FX	Foreign Exchange
G-SII	Globally Systemically Important Institution
GCD	Global Credit Data
HQLA	High Quality Liquid Assets
IC	Investment Committee
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILO	International Labour Organization
IMA	Internal Model Approach
IMI	Internal Model Investigation
IRRBB	Interest Rate Risk in the Banking Book
IRS	Interest Rate Swaps
ISDA	International Swaps and Derivatives Association
ITS	Implementing Technical Standards
IUCN	International Union for Conservation of Nature
KYC	Know Your Customer
LCR	Liquidity Coverage Ratio
LD	Legal Department
LGD	Loss Given Default
LtIMV	Loan-to-Indexed Market Value
M	Maturity
MB	Managing Board
MDA	Modelling & Data Analytics (department)
MRM	Market Risk Management (department)
NFRD	Non-Financial Reporting Directive
NHG Guarantee	Dutch government guarantee
NPARP	New Product Approval Review Process
NPE	Nonperforming Exposure
NPS	Net Promoter Score
NSFR	Net Stable Funding Ratio
OECD	Organisation for Economic Co-operation and Development

ORM	Operational Risk Management (department)
OTC	Over-the-Counter derivatives
OTM	Originate to manage
P&L	Profit & Loss (account)
PD	Probability of Default
PEP	Politically exposed person
PRI	Principals for Responsible Investment
RA&MV	Risk Analytics and Model Validation (department)
RAROC	Risk-Adjusted Return on Capital
RC	Pillar 1 Regulatory Capital
RCSA	Operational Risk and Control Self-assessments
RDA	Restructuring & Distressed Assets Management (department)
RL	Realised Loss
RMBS	Residential Mortgage-Backed Securities
RMC	Risk Management Committee
RNC	Remuneration and Nominating Committee
RPCC	Risk Policy & Compliance Committee
RR&RPM	Retail Risk & Risk Portfolio Management (department)
RSF	Required Stable Funding
RSRS	Responsible Ship Recycling Standards
RWA	Risk Weighted Assets
RWEA	Risk Weighted Exposure Amount
SA	Standardized Approach
SCARP	Significant Change Approval and Review Process
SEC-ERBA	Securitisation External Ratings-Based Approach
SEC-IRBA	Securitisation Internal Ratings-Based Approach
SEC-SA	Securitisation Standardised Approach
SIC	Strategic Investment Committee
SME	Small Medium Enterprise
SME SF	Small Medium Enterprise Supporting Factor
SPE	Special Purpose Entity
SREP	Supervisory Review and Evaluation Process
SRT	Significant Risk Transfer
STS	Simple, Transparent and Standardised
SvaR	Stressed VaR
T1	Tier 1
T2	Tier 2
TC	Transaction Committee
TCFD	Taskforce for Climate-related Financial Disclosures
TLTRO	Targeted Long Term Refinancing Operation
TSC	Technical screening criteria
UN	United Nations
UN FCCC	United Nations Framework Convention on Climate Change
UNEPFI	United Nations Environment Programme Finance Initiative
UNGP	UN Guiding Principles for Business and Human Rights
VaR	Value-at-Risk
WbFO	Wet beloning Financiële ondernemingen
Wft	Wet op het Financieel Toezicht