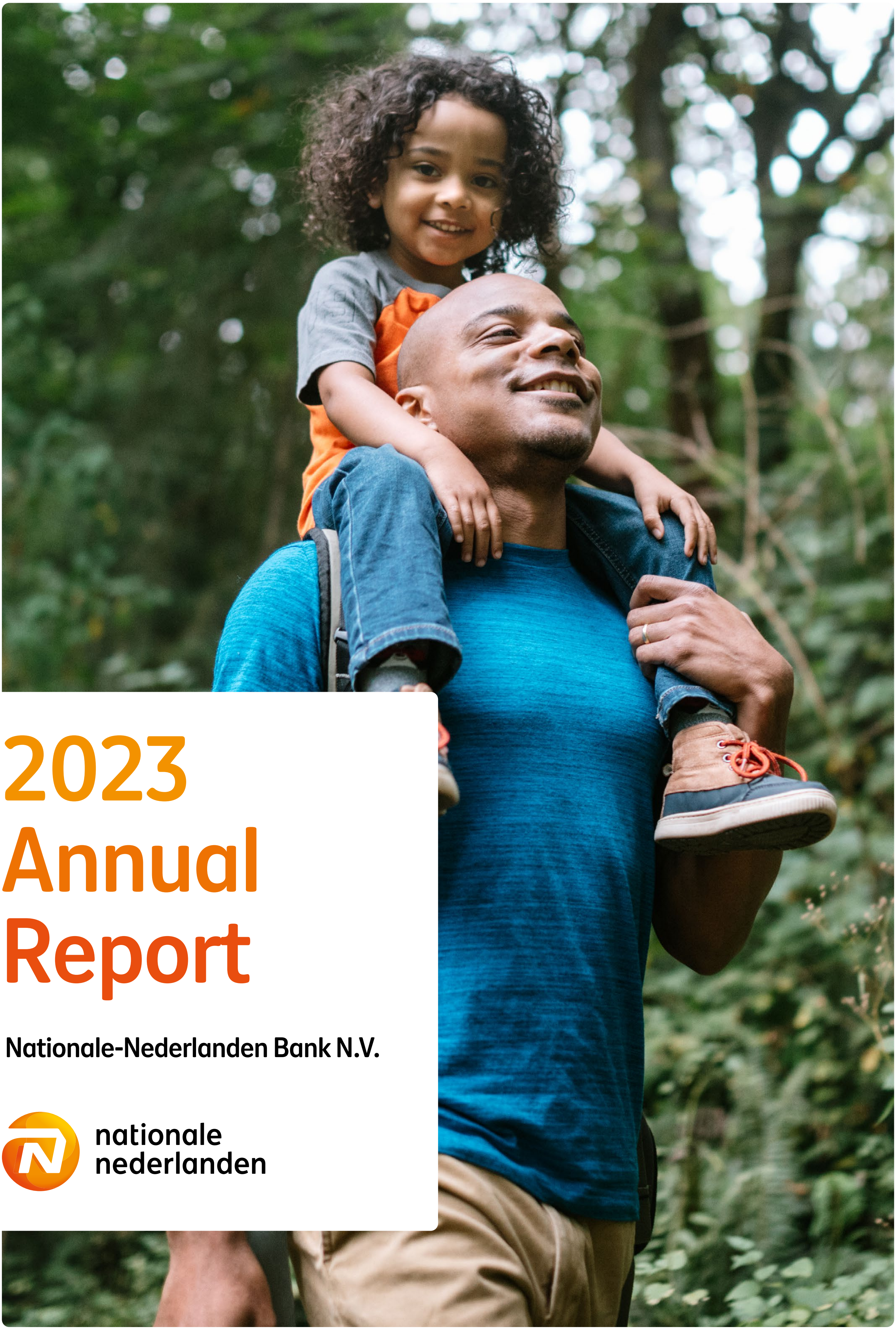


2023 Annual Report

Nationale-Nederlanden Bank N.V.

nationale nederlanden

Contents

Composition of the Boards

The composition of the Management Board and the Supervisory Board of Nationale-Nederlanden Bank N.V. (NN Bank) as at 31 December 2023 was as follows:

Management Board

Composition as at 31 December 2023

A.J.M. (Marcel) Zuidam (1970), CEO and chair

N.A.M. (Nadine) van der Meulen (1974), CFO[1]

P.C.A.M. (Pieter) Emmen (1969), CRO

F.E.G. (Femke) Jacobs (1980), CTO[2]

Supervisory Board

Composition as at 31 December 2023

A.A.G. (André) Bergen (1950), chair

T. (Tjeerd) Bosklopper (1975)

A.M. (Anne) Snel-Simmons (1968)

A.T.J. (Annemiek) van Melick (1976)

1. Appointment as of 1 February 2023 by the General Meeting on 23 January 2023.
2. Non-statutory Board member as defined by Company Internal Governance. The Management Board includes both statutory and non-statutory members, which is required by IAS 24. Part 9 of Book 2 of the Dutch Civil Code requires NN Bank to present only the statutory members of the Management Board.

NN Group and NN Bank at a glance

NN Group profile

NN Bank is a fully owned subsidiary of NN Group N.V. (NN Group). NN Group is an international financial services company, active in 11 countries, with a strong presence in a number of European countries and Japan.

Led by our purpose and ambition, guided by our values and brand promise, and driven by our strategic commitments, we are committed to creating sustainable long-term value for all our stakeholders: customers, shareholders, employees, business partners and society at large.

With all our employees, we provide retirement services, pensions, insurance, investments and banking products to approximately 19 million customers. We are a leading financial services provider in the Netherlands. We provide our products and services under the following brand names: Nationale-Nederlanden, OHRA, Movir, AZL and BeFrank, as well as via our joint venture, ABN AMRO Verzekeringen, and our partnerships with ING Bank and Volksbank.

Our roots lie in the Netherlands, with a rich history that stretches back over 175 years. NN Group is listed on Euronext Amsterdam (NN).

NN Bank

NN Bank is a prominent retail bank in the Netherlands, serving approximately 1.25 million retail customers and ranking fifth in balance sheet size. We offer mortgages, savings and retail investment products and bancassurance products. With this product offering, NN Bank is complementary to Nationale-Nederlanden's individual Life and Non-life insurance products for retail customers in the Netherlands.

We distribute our products via the direct channel (nn.nl) and via distribution partners (intermediaries). In addition, we provide administration and management services to other NN Group entities and institutional investors. This makes us an important supplier of mortgages as an asset class for NN Group.

NN Bank continues to originate high-quality Dutch residential mortgages while driving customer interaction and supporting communities with sustainability initiatives. For more information about our strategy, please see chapter 2.

NN Bank has two fully owned subsidiaries:

Woonnu B.V., with a registered office in The Hague and a separate AFM licence. Through Woonnu B.V., NN Bank originates mortgage loans under a separate label and via a third-party mortgage servicer.

HQ Hypotheken 50 B.V., with a registered office in Rotterdam. Through this subsidiary, NN Bank offered mortgage loans to customers via a third-party mortgage servicer. This is a closed-book mortgage portfolio.

Key figures NN Bank

Financial

Interest income
EUR 1,072.3m

(2022: EUR 585.8m)

Risk costs*
EUR –8.4m

(2022: EUR –0.8m)

Net result
EUR 127.1m

(2022: EUR 81.5m)

Cost/Income ratio
58.2%

(2022: 62.9%)

Mortgages portfolio**
Origination EUR 4.7bn
Net growth EUR 0.7bn

(2022: Origination EUR 8.7bn
Net growth EUR 1.3bn)

Savings portfolio
Net growth
EUR 0.3bn

(2022: EUR 0.3bn)

Return on equity
11.6%

(2022: 7.6%)

Total capital ratio
17.9%

(2022: 16.6%)

Non-financial

Number of customers***
1,254,000

(2022: 954,000)

Mortgage originator in the Netherlands
Number 5

(2022: Number 4)

Mortgage portfolio with energy label 'A'
25%

(2022: 24%)

Emission intensity mortgage portfolio
25.0 kg CO_2/m^2

(2022: 25.7kg CO_2/m^2)

Net Promoter Score
+11.3

(2022: +19.6)

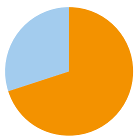
Employee engagement
7.6

(2022: 7.6)

Average number of employees
Total 1,313 FTE
(internal and external)

(2022: total 1,312 FTE)

Gender diversity in Management Team
Male 30%
Female 70%



(2022: Male 40%/Female 60%)

Awards
Erkend Adviseur Duurzaam Wonen – Winnaar 2023 SEH Duurzaamheidsaward
Winnaar Beste Online Vermogensbeheerder Cashcow Award 2023
finner Beoordeling 2023 ★★★★★ Vermogensbeheer

Brands
nationale nederlanden
woonnu
powerly

* Including EUR -/- 3.4 million due to the sale of part of the consumer lending portfolio.
** The residential mortgage portfolio excludes notary amounts in transit, staged payments and accounting effects such as premiums and the fair value hedge adjustment.
*** Numbers include bancassurance customers. The number of customers excluding bancassurance is 951,000.

NN Bank at a glance continued

How we create value

Inputs → **What we do**

Financial capital

Total equity: EUR 1,156m

Interest income: EUR 1,072m

Fee and commission income: EUR 83m

Human capital

Average number of employees: 1,313 FTE

Amount spent on education: EUR 1m

Applying our values: Care, Clear, Commit

Intellectual capital

Internal processes, systems and controls

Manufactured capital

Products, offices and physical assets

Natural capital

Use of natural resources in our offices

Social and relationship capital

- Customers: 1,254,000,
- Intermediaries, business partners
- Other key stakeholders (e.g., regulators)

Care | Clear | Commit

We help people care for what matters most to them

Product development and pricing
We develop products and services to meet societal and customer needs. Our experience and deep understanding of risk enables us to offer attractive financial solutions at a fair price.

Distribution
We distribute our products through a range of channels, including directly to customers and through intermediaries. We leverage our scale and diverse business footprint for cross-selling opportunities.

Customer experience
We use our digital capabilities to realise a seamless customer experience in which we offer customers relevant financial insights and solutions.

Our portfolio's
We invest our client funds in high quality residential mortgages and our bank investment portfolio.
We pursue a low risk profile and high liquidity for our investment portfolio, guided by our Responsible Investment Framework.

Income
We generate income through interest on our mortgages and, in addition, through fees received for our products and services and from returns on investments we make.

Profit
Our profit is what remains after expenses, such as interest on customer deposits, impairments and operating costs.

NN Bank at a glance continued

Outputs

Proposed dividend to group:
EUR 44m

Total capital ratio:
17.9%

Total staff expenses:
EUR 156m

Inclusive and inspiring working environment:
Employee engagement score: **7.6**
Women in Management Team NN Bank: **70%**

Availability of services:
Digitalising and automating processes for customers and intermediaries

Effective control framework

Efficient operating model:
Total administrative* expenses **EUR 275m**

* Administrative expenses are the sum of staff expenses, other operating expenses and regulatory levies.

Transactional Net Promotor Score:
11.3

Intermediary satisfaction:
7.4

Environmental impact from own operations*:
GHG emissions:
11 kilotonnes CO_2
compensated by carbon credits*

* NN Group wide numbers

Environmental impact from investments:
Carbon footprint of our mortgage portfolio: **25.0 CO_2/m^2**

Green Asset Ratio: **23%**

Returns to customers: Interest paid on savings: **EUR 240m**

Returns on retail investments: above market average

Responsible tax: total tax contribution: **EUR 44m**

Positive contribution to society:
Top 3 initiatives for which NN Bank colleagues volunteered:
1. Stichting Jarige Job
2. Talentcoach
3. Week van het geld

Outcome for our stakeholders

Customers
To our customers, we offer peace of mind. We help our customers by taking care of what matters most to them. We provide personal services at important moments in life, we help them live sustainably and increase their financial self-sufficiency.

Our people
To our employees, we provide wages and other benefits. We also contribute to their pensions. In addition, we offer skills training and opportunities for career development. We provide an inspiring and inclusive place to work.

To our institutional investors we are committed to delivering healthy return on investments.

Our shareholder
To our shareholder, we are committed to deliver resilient and growing long-term capital generation. To do so, we maintain a strong balance sheet and create solid financial returns by using our financial strength.

Society
We contribute to the wellbeing of people and the planet. We take a long-term and responsible approach to investments. We also support the economy through paying taxes and by contracting business partners.

Marcel Zuidam, CEO of NN Bank:

Standing with our customers

> We help our customers make sustainable choices and we provide a concrete framework for action.
>
> **Marcel Zuidam**
> CEO of NN Bank

According to NN Bank CEO Marcel Zuidam, 2023 was a great year for the Bank. In addition to strong financial performance, we saw our empowered teams make progress on the various Digital Retail Bank strategic initiatives. But it was also a year of macroeconomic uncertainty, with rising interest rates, high inflation and persistent tightness in the labour and housing markets. The year 2023 showed us why our customers' financial health and our role in helping them make sustainable choices are paramount.

How do you look back on 2023?
'Financially, 2023 was an exceptionally good year for the Bank. The increase in the interest result and tight cost control led to a sharp increase in our net result, despite macroeconomic uncertainties. From a global perspective, the conflict between Israel and Hamas and the continuing war in Ukraine had a negative effect on markets. Once again, we saw the global consequences of climate change and the need to adapt to it as a society.'

'In addition, interest rates rose over the year, and our customers felt the effects of high inflation. In the banking sector, we see that legislation and regulation are having a major impact. For example, the application of legislation related to Financial Economic Crime is becoming increasingly risk-based, meaning that customers who do not pose a significant risk are less burdened by interference related to checks and screenings, and efficiency is increasing.'

'In the Netherlands, we find ourselves recovering from a mild 2023 recession, but one with a persistently tight labour market. And we also saw continued scarcity on the housing market, with a decline in the affordability of houses as interest rates rose.'

We find ourselves in uncertain times again. How is NN Bank responding?
'We weather uncertain times by being a financially robust bank with strong capital and liquidity buffers, so that we can help our customers in times like these. And simultaneously, our Digital Retail Bank strategy helps our customers be and remain financially healthy. It helps them make sustainable choices such as making their homes more sustainable or growing their assets sustainably. We are constantly adapting our propositions to better serve these objectives.'

A growing percentage of the population is not able to stay financially healthy. How are you dealing with this?
'For more than ten years, NN has been committed to enhancing financial resilience in the Netherlands and to reducing poverty caused by problematic debt. Fortunately, only a select few customers in our portfolio currently have payment problems. Homeowners are our largest customer group, and they are not among the most vulnerable households in the Netherlands. For customers who are struggling financially, we have been able to alleviate their money worries. We always put the customer at the heart of what we do. This means that we opt for temporary measures only if we think that they will lead to a sustainable recovery. We use all kinds of instruments, and most importantly, we talk to the customer at an early stage. Our customer insight enables us to engage early if problems are likely to arise.'

How does the Bank contribute to making sustainable choices?
'We help our customers make sustainable choices and provide a concrete framework for action. When they want to make their homes more sustainable, we not only provide insight into the costs involved, but also assist them, step by step, from orientation through installation. For example, with our Powerly initiative. As one of the largest mortgage providers in the Netherlands, we recognise our social responsibility and the impact we can make.'

'Our independent intermediaries are strong allies in our effort to help. We have organised various workshops for them about how to best advise customers about sustainability. And here, too, we show specifically how sustainability can become a permanent feature of mortgage advice. Our intermediaries have responded very positively to this. From 2024 onwards, all mortgage providers will make borrowing capacity dependent on the home's energy label. And we will continue to actively approach our mortgage customers. We have also amended the forms of investment on the asset management side so that, where possible, our investment products are made up of sustainable funds.'

> "
> **In the past few years, we have become the face of Nationale-Nederlanden in the direct channel for almost all our retail customers.**

What is NN Bank's role within NN Group, and how have we fulfilled this role in 2023?
'As a Digital Retail Bank, we have frequent customer contact. In the past few years, we have become the face of Nationale-Nederlanden in the direct channel for almost all our retail customers. With the launch of the NN Bancassurance proposition in 2022, we have broadened our product offering and further strengthened our customer offering. Through our broad product offering and frequent customer contact, we really get to know our customers, can offer them insight into their financial situation and can offer them a suitable solution. In addition, we are of course NN Group's mortgage originator and, as a Bank, we make a strong contribution to the Group's financial performance and a diversification of income sources, which is also very important in uncertain times.'

> "
> **In 2024, we will take the next step in realising the Digital Retail Bank.**

Looking back on 2023, what are you most proud of?
'Thanks to our empowered product teams, we have substantially improved the speed and delivery predictability for our various strategic initiatives. There is plenty of momentum and we have successfully completed complex programmes, such as the front-end renewal of our mortgage domain. And at the same time, our call centre and service staff are reporting that 43% of our mortgage customers rate their customer experience at 9+ out of 10. I am really proud of that. We are seeing improvement in our staff's task-relevant maturity every year, and that is incredibly important in a competitive playing field.'

Shifting towards the future: what are the ambitions for 2024?
'We are continuing on the path we charted in 2023 with our engaged employees. In 2024, we will take the next step in realising the Digital Retail Bank. We will continue to digitise our customer processes and upgrade our data environment. We will also continue to broaden our product range and offer new solutions to help our customers make their homes more sustainable and become financially resilient. With that in mind, we are also working on a payment proposition. I am really looking forward to using this to provide our customers with a service that is even more personal and relevant.'

Report of the Management Board

2

Our operating environment

As a Dutch bank, we operate in a dynamic and complex environment that is impacted by a wide range of factors. These include legal, economic, geopolitical, societal and technological developments.

The world is in a state of geopolitical instability, due to conflicts such as the Russia-Ukraine war, tensions between the US and China, and the conflict between Israel and Hamas. This instability could impact NN Bank, even though the company has limited direct financial exposure to these countries.

The European political landscape is becoming more polarised and fragmented, which presents challenges to achieving agreements on necessary reforms in pensions, healthcare and climate solutions. In the Netherlands, elections took place on 22 November 2023, and it may take some time before a new coalition government is formed. Elections will be held in the European Union in June 2024, and negotiations on the Retail Investment Strategy and the Regulation on Financial Data Access will be postponed until after the elections.

Geopolitical tensions and rising inflation impact the economy. Steep increases in energy and commodity prices in 2022 were followed by economy-wide price increases and wage inflation in 2023. Across the world, central banks continued to raise interest rates to combat inflation.

Our goal is to navigate through the turbulent economic developments caused by high inflation, high interest rates and lower growth, which pose challenges for banks. But we will remain vigilant and will manage the associated risks.

Housing market

The sharp rise in house prices came to an end in 2022, and the beginning of 2023 showed a year-on-year decline for the first time since 2014. Mortgage interest rates and income levels jointly determine the financing space for the purchase of a home. In 2022, the increase in purchasing power was limited, due to a combination of high inflation and limited wage growth. Simultaneously, mortgage rates increased, leading to reduced affordability and a decline in demand for housing. However, in 2023, wages rose significantly, marking the highest increase in four decades according to Statistics Netherlands (CBS). This led to improved affordability in the latter half of 2023. As a result, house prices also increased in the same period, albeit slightly less than in the previous year.

According to Kadaster (Dutch land registry), there was a 5.5% decrease in the sale of existing homes in 2023 compared to 2022. However, this shift in the housing market has created a more favourable environment for first-time home buyers, who experienced less competition and fewer restrictions in the housing market. Meanwhile, residential real estate investors have decreased their presence in the market and some have even sold off their investments, leading to a decrease in demand.

The housing stock is growing only modestly, while the population of the Netherlands is growing rapidly. As a result, the housing shortage increased by 75,000 houses to 390,000 (4.8% of the housing stock). The housing shortage is expected to remain stable in the next few years. In 2023, sales of newly built homes declined by more than half compared to 2022, due to slow economic growth, high construction costs, increased interest rates and a decline in the number of permits.

Making homes more sustainable is an increasingly important theme. The impact of an improved energy label on the value of a house is growing. Houses with a better energy label are increasing in value and, from 2024 onwards, the maximum mortgage amount will partially be determined by the energy label. In the future, it is likely that the consequences of physical climate risks, such as foundation and flood risks, will also impact house prices and maximum mortgage amounts.

Mortgage market

An increase in market interest rates has led to higher customer mortgage rates.

De Nederlandsche Bank (Dutch central bank, [DNB]) reported that the average interest rate on a new mortgage loan in the Netherlands was 4.3% at the end of 2023, compared to an average interest rate of 3.5% at the end of 2022.

The higher interest rate environment is also resulting in a shift to shorter fixed-rate interest periods, with most customers opting for fixed interest rate periods of 10 years. Previously, fixed-rate periods of 20 or 30 years were preferred. On balance, the mortgage market fell by more than 30% due to the reduction in refinancing, fewer home transactions and lower mortgage amounts due to lower housing prices.

Many consumers have a fixed-rate period with a lower interest rate, as compared to the current market interest. For this reason, mortgage origination for refinancing decreased by 70% in 2023 compared to 2022 (Kadaster).

First-time buyers, on the other hand, took out more mortgages in 2023 than in 2022, as current conditions on the housing market are more favourable for them. There was less competition from buy-to-let investors, for example. Existing homeowners were more cautious in 2023, mainly due to the decline in house prices during the first half of 2023. When homeowners move to a new house, they are often eager to transfer their current mortgage, as it typically has a lower mortgage rate than the current market rate. The Mortgage Data Network (Hypotheken Data Netwerk, [HDN]), reports that moving homeowners used the so-called ‘meeneemregeling’ about twice as often in 2023 as they did in 2022.

In the last quarter of 2023, the mortgage market showed some recovery, with the exception of the refinancing market.

Savings market

The Dutch savings market continued to grow in 2023, although at a slower pace than in previous years. The European Central Bank (ECB) increased its deposit interest rates several times, eventually reaching 4%. Despite concerns about inflation at an average of 5% in 2023, there was a notable growth of 3% in the Dutch savings market in 2023.

According to figures from DNB, more than 8 million Dutch households had a total of EUR 449 billion in deposits in September 2023. That is an average of EUR 54,000 per household. It is estimated that the top 1% of the richest Dutch households possess up to 25% of total deposits. The savings balance of an average household is assumed to be much lower, around EUR 18,000 (CBS).

The Dutch savings market remains a secure and trustworthy option for individuals seeking a reliable way to save their money. The Dutch term deposit market increased by 30%.

> “The premium volume for retail Non-life insurance has been steadily increasing since 2017.

Consumer lending market

As of 2023, our focus has shifted due to changes in the consumer credit market. The demand for personal loans has decreased and alternative forms of credit are emerging.

Retail investments under management market

The investment value of Dutch households increased in 2023 in contrast to a disappointing year in 2022, when both the stock and bond markets fell. The number of households in the Netherlands actively investing increased as well.

Dutch retail investors continue to prefer execution-only over any other investment product category, with online asset management coming in second. Online asset management customers consider the convenience of this investment product to be the most important advantage. In addition, many recognise their lack of investment knowledge, and therefore gladly make use of their supplier’s expertise to invest in retail investment funds.

Bancassurance

The premium volume for retail Non-life insurance has been steadily increasing since 2017. This growth is driven by various factors, including:

- Premium increases: inflation, escalating damages due to climate change and rising traffic congestion
- An increase in the number of elderly individuals who own cars
- Growth of the number of households

A significant portion of the retail insurance market involves the motor sector. Within this sector, premium volumes have increased, partly attributed to the growing number of privately held vehicles and the rising share of more expensive and heavier electric vehicles. This has led to an increase in both premiums and volumes.

Outlook

We expect that the uncertainty around housing price development will remain significant and persistent for a longer period of time. It is difficult to predict short-term developments in the housing market due to the many uncertain factors that influence it. The Dutch economy is currently recovering from a mild recession, while the labour market remains tight. However, we expect that housing prices may be affected if economic recovery falls short of expectations and unemployment rates rise. Inflation and interest rate developments are also uncertain and play a significant role. Additionally, sentiment is a crucial factor in the housing market, but it is volatile.

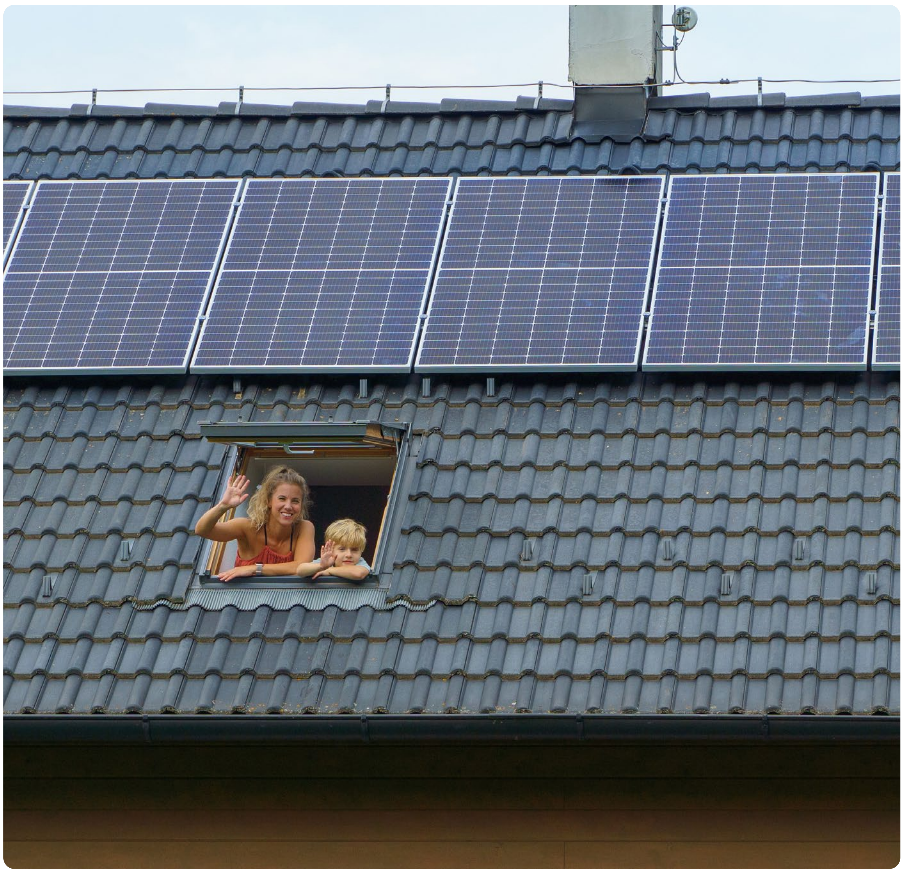
Since the increase in energy prices, consumers have become more aware of energy costs when purchasing a home, which is reflected in their housing preferences. This effect will intensify as a home's energy efficiency is included in lending standards as of 2024. Creating enough new, energy-efficient homes and making existing housing stock more sustainable is a significant challenge.

NN Bank expects that the mortgage market will slightly increase in 2024 compared to 2023, driven by wage increases and stable unemployment rates.

We expect the ECB to change its monetary policy and to lower interest rates in due course, as inflation has started to decrease. This may impact the margins on our liabilities. In addition, the competition for deposits is increasing as foreign banks or savings platforms offering online and digital banking services with attractive savings interest rates are becoming increasingly popular. The savings market is likely to continue evolving in response to changing economic and technological trends.

We expect steady growth in the retail Non-life insurance market. This will be shaped by sustainability initiatives, like the shift to electric vehicles and the focus on home renovations for sustainability.

> **"Since the increase in energy prices, consumers have become more aware of energy costs when purchasing a home, which is reflected in their housing preferences.**



Jeroen Kemper, Jeroen van der Ree:

Personal and relevant starts with data

"Many teams within the Bank are already data-driven, and they want to work with the data. But access to those data was often the biggest bottleneck.

Jeroen Kemper – Head of Advanced Business Analytics
Jeroen van der Ree – Business Change Manager

In order to be personal and relevant to customers, we must first truly know them and their circumstances. And that starts with data. The Bank is therefore strongly committed to ensuring both data quality and accessibility. And, of course, to managing data responsibly. Through a central customer profile and by processing data in real time, everyone in the organisation has access to data that can serve customers better. The Bank's many data-driven teams embrace this approach. And customers gain personal and relevant solutions.

How is the Bank making full use of customer data?

Jeroen Kemper: 'According to our Digital Retail Bank strategy, we want to offer our customers a relevant and personal digital customer experience. But to do that, we need to really know them. And that starts with data. We've brought all available data together in a central customer profile: the Customer360. We've combined all the data from the various sources into a single model, so that the Customer360 always looks the same for all our products, transactions and processes. This uniform approach makes it much easier to work with those data. We can manage data better and we have greater insight into customer behaviour.'

'We also want the data to be up to date. Throughout NN Bank, some teams only submit new data to us once a day, once a week or once a month. If you have to work with old data, it's really difficult to offer a relevant customer experience. So, we have set up a platform that streams data in real time. Changes to the data are sent directly to the platform and we see the change immediately in all connected systems. This allows the whole organisation to view the same data at the same time. By merging the data into a whole and offering the streaming platform, we ensure a personal and relevant customer approach.'

What does that personal and relevant approach look like?

'There are various examples. Take, for example, the sustainabillity model. One of our ambitions is to help customers make their homes more sustainable. And, as one of the largest mortgage providers in the Netherlands, that's quite a task. We use data to speed up this process through the model we have made for preliminary advice. We look at several of the home's features and the customer's characteristics. An intermediary will always issue the final advice, but by calculating lots of elements in advance and issuing advice based on data, the process is much more efficient, and we make the intermediary's work easier.'

How do you introduce those data into the organisation?

'Many teams within the Bank are already data-driven, and they want to work with the data. But access to those data was often the biggest bottleneck. Thanks to the Customer360, access is much easier. Teams that use the Customer360 very quickly get up to speed and can get to work. And once they start working with data, it quickly sparks lots of new ideas. We also have more than 50 Business Translators who have been trained to expand on, and help with, this data-driven way of working. I think we have a pretty full toolbox now, with the Customer360, the streaming platform and the Business Translators. And we see that it works, of course all in a responsible way.'

What do you mean by that?

'People can't just get access to data. We are very careful with our customer data and operate within the legislative framework and our NN privacy statement. At the start of each data-driven project, we begin by carefully checking what data are needed, what they will be used for exactly, whether we are using more data than we need, how we store the data and what we do with them when the project comes to an end. By working closely with our Risk colleagues to establish what we want to achieve for the customer, communicating openly and making it clear what data we are using, we can handle data responsibly.'

> “By working closely with our Risk colleagues, communicating openly and making it clear what data we are using, we can handle data responsibly.

'The questions that remain at the forefront are: "is it in the interest of the customer? Does this offer customers a better, more relevant experience?" Because the customer expects a certain quality of service from us. The same applies to our duty of care and regulatory requirements. Because you need the data for that too.'

'An example of this is our sustainable mortgage product, which allows customers to borrow more in exchange for taking measures that benefit the sustainability of the home. You have to monitor whether this is actually happening. By running the home improvement account declarations though text recognition software and then through ChatGPT, we can not only properly monitor this process, but also make our colleagues' work much more efficient. This is just one of the ways we use AI to increase efficiency.'

Tell us about that.

Jeroen van der Ree: 'Automated Call Logging (ACL) is another great example. It offers a summary of a conversation between the customer and our Customer & Services colleagues within ten seconds after the conversation ends. It offers a helping (administrative) hand. The colleague is in control, decides whether the summary is correct and adds text where necessary. In this way, ACL is a genuine personal assistant. And that's important to us. At the Bank, we are always looking at how we can best help our Customer & Services colleagues, so that that they can focus on their true added value: helping our customers. There is a lot of other, necessary work involved, such as keeping a record of the conversations and administration. By using AI to support our colleagues with this, they can spend less time on administration and more time having valuable conversations with our customers.'

> “Automated Call Logging is the foundation of that personal assistant, and now we can build on it.

Will we expand this AI-driven personal assistant?

'Yes. ACL is the foundation of that personal assistant, and now we can build on it. We are thinking about, for example, enabling a relevant informative article to automatically appear on the colleague's screen during the conversation. Another logical addition is to pre-label the conversation, by product or process. The personal assistant can also help get information ready for back-office colleagues. We're also thinking about introducing a short report for the customer. We develop all ideas and use cases in close cooperation with colleagues. "How can it help you to help the customer in the most relevant and personal way?" That's at the forefront. It has been from the outset and our colleagues feel that too.'

And what is next?

Jeroen Kemper: 'We are already making extensive use of data and AI at the Bank to improve existing processes. And we are becoming increasingly proficient at it. A next step is to turn this around and use AI as a starting point and only add more manual work if there's no other option. That calls for a completely different way of working, but we are moving towards that.'

Our business and strategic developments

We look back on a positive year, in which we had strong financial results and made good progress on our strategic commitments.

Strong customer relations

We are continuously improving our services and offering new ones. We closely monitor changes in customer needs and respond to these changes by adapting products, services and customer processes. Our customers and business partners are actively involved in many of these improvements. By offering an exceptional experience, we want to strengthen our relationship with our customers and attract new customers who prefer NN products and services. We aim for long-term relationships with our customers, in which we are their partner at moments that matter.

We are committed to providing an outstanding customer experience every day. To achieve this, we have restructured our business to ensure that intermediaries have fixed contact persons within the Bank. To further enhance our customer service, intermediaries will now be able to discuss mortgage options with an NN Bank account manager prior to submitting an application. We have also established digital learning lanes to support the highest possible quality of our services.

Our goal is to provide an exceptional digital customer experience. In 2023, customer experience improved in several processes through our continuous improvement process, led by completed customer surveys. By the end of 2023, the overall transactional NPS, a measure of customer satisfaction, was 11.3 (2022: 19.6). Although the NPS for 2023 decreased, we anticipate that the improvements made, will lead to higher scores in the future.

We acknowledge that not all customers are comfortable with, or capable of, handling their banking needs online. To address this, we have established an Onboarding Desk staffed with specialised call agents who guide new customers through the onboarding process in a personalised way. This approach ensures that all customers feel valued and included and minimises any difficulties they may encounter during the onboarding process.

In addition to customer satisfaction, intermediary satisfaction is also important to NN Bank. To improve our intermediaries' satisfaction, we made several improvements. These include the implementation of a new operating concept with fixed contact persons for our largest mortgage intermediaries. Furthermore, a pension savings product that flexibly combines fiscal savings and investments has been a long-standing request from our intermediaries. That request was fulfilled this year. The product enables NN Bank to build long-term relationships with its customers.

As part of the ambition to become the Digital Retail Bank of choice, NN Bank is preparing to add payment services to its product offering. This will enable us to offer a complete package of financial (banking) services to retail customers in the Netherlands.

Digitalisation & data-driven way of work

Data and digitalisation are our key priority in becoming customer-oriented and efficient bank. We continue to invest in a strong data foundation that ensures compliance with regulatory requirements, and strong data and artificial intelligence (AI) capabilities to accelerate the growing number of data-driven projects in our organisation.

We focus on creating seamless customer journeys in our digital channels. We made significant progress in improving our digital platforms, including the NN app, the online client portal and the online intermediary portal. We have added new features, such as the ability to open term-deposit accounts and make extra mortgage repayments through the NN app.

We also improved efficiency in our customer operations through digitalisation and automation. We implemented Automated Call Logging within our Customer & Services departments in 2023. This is a generative AI solution that helps our agents get an automatic summary of their conversations with customers within seconds after the calls end. In this way, our colleagues spend more of their time helping our customers.

We also reached an important milestone with the complete implementation of the new mid-office system for mortgages. This Software as a Service (SaaS) application enables NN Bank to further digitise its operations and respond more efficiently to technical opportunities that aim to enhance customer and intermediary satisfaction, such as automating the capital transfer process for pension savings and payouts. The implementation of process mining is expected to further improve customer and broker experience by identifying and streamlining bottlenecks and inefficiencies in business processes.

Balancing individual privacy with our duty of care and social responsibility, whilst complying with data protection requirements including the General Data Protection Regulation (GDPR), is a key responsibility. That is why we provide our colleagues with repeated training and updated information and have appointed Privacy Officers throughout our organisation who work closely with our Data Protection Officer (DPO).

For more information about how we protect our customers' privacy and ensure compliance, we refer to chapter 4, Corporate governance.

Our purpose

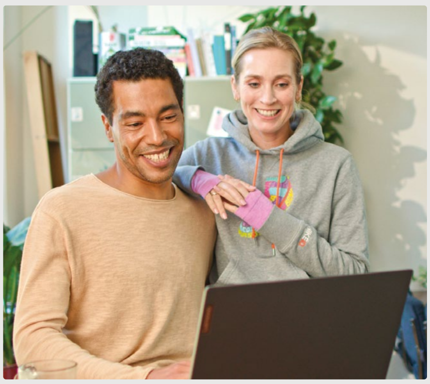
We help people care for what matters most to them

Our ambition

We want to be an industry leader, known for our customer engagement, talented people and contribution to society

Our brand promise

You matter



Our values

Care

Clear

Commit

Our strategy

The Digital Retail Bank

With these four priorities we give substance to our strategy:

- **Strong Customer Relations**
- **Digitalisation & data-driven way of work**
- **Sustainable business & society**
- **Learning & agile organisation**

Sustainable business & society

Our contribution to society and the environment is one of the Bank's key ambitions. Healthy profits and a well-capitalised bank with a sound risk management culture form the basis from which we contribute to a stable, safe and secure financial system. It also enables us to be a reliable partner for our customers. We are conscious of our responsibility to help detect financial crime and we have further strengthened our practices in this domain in the past year. Climate change is one of the most urgent threats of our era. Our range of products and services comprises solutions that aid the shift towards a low-carbon economy. Customers need perspective for action and certainty to make sustainable choices more often and faster. NN Bank considers it our role to help both customers and intermediaries make that transition. Our sustainable mortgage provider, Woonnu, assists customers in making their homes more sustainable by offering financing solutions and professional guidance. Furthermore, our online platform, Powerly, offers personalised recommendations for sustainable living and has helped almost 120,000 customers over the past two years.

NN Bank has also begun analysing its value chain to better understand and manage the impact of its business activities on the environment and society. The Bank has identified its most important stakeholders and value chain actors, including upstream, own operations and downstream actors. IT suppliers, savings customers and funding providers are considered to be the Bank's main upstream actors, while its own people are the main actors within its operations. Mortgage customers and investors constitute the Bank's value chain downstream.

Looking forward, NN Bank has planned to obtain and collect more information and data on material actors in its value chain to gradually develop a clearer view on how and to what extent our activities, relationships and resources are affected by or have influence on sustainability matters. This will enable the Bank to continue to foster more sustainable behaviour in alignment with our values. (Care, Clear, Commit).

For more information about our 2023 initiatives related to sustainability, we refer to chapter 3, Sustainability matters.

Learning & agile organisation

We believe that to remain engaged, it is important for employees to understand where we want to go, what our objectives are, how they and their teams contribute to these and what skills and capabilities are required to do so now and in the future. By focusing on workforce transformation and through strategic workforce planning, we explore ways to anticipate the rapidly changing environment in which we live and work, and remain future-proof as an organisation and as individuals.

As an organisation, we are transforming into a data-driven Digital Retail Bank. This also impacts our organisation, the way we work together and the way we lead our teams. We are moving increasingly towards working in empowered product teams with end-to-end responsibility to solve customer problems/friction points and developing a leadership style that supports this. To achieve this, we continue to monitor the way we work and instil a culture of learning. We encourage the development of craftsmanship through participation in NN-wide expert groups (so-called 'Guilds').

Awards in 2023

In 2023, we received several awards. These include the SEH Sustainability Award for Woonnu's strong vision and ambition to make sustainable living possible for everyone. Furthermore, we won the Cashcow Award 2023 in the category 'Best Online Asset Manager' for the Beheerd Beleggen online investment proposition.

Our role in society

NN Bank focuses on helping people care for what matters most to them. We empower our customers to make conscious choices that have a positive impact on their lives and the world around them. We contribute to society by assisting our customers as they make sustainable living choices and supporting them in managing their daily financial matters. We invest in developing digital products, propositions and customer journeys in a secure and reliable banking platform.

Furthermore, by giving clients insight into their financial management, we help them make conscious choices with a positive impact. If customers get into financial trouble, we are there too. This includes insight into what they can do to reduce costs, continue to bear their financial burdens and become financially resilient. In doing so, we help these clients take care of what matters to them: financial well-being.

Although the Netherlands is a prosperous country, there is a large group of people who are less fortunate. Just under 1 million people are at risk of poverty, and the number of households with problematic debts is estimated at 726,210 (CBS). For more than ten years, NN has been working to increase financial well-being amongst our customers and in the Netherlands and to reduce poverty caused by problematic debt. At NN Bank, we have more than 1.2 million customers, so we have a great societal responsibility to contribute to a financially healthy Netherlands.

Customer relationships are key for us, especially when our customers face financial difficulties. The Bank provides a tailored approach, including coaching and tools intended to generate more income, reduce living expenses, reduce monthly mortgage payments or a combination of these. For our mortgage customers, the first priority is to help them keep their homes. We help those who are facing financial difficulties to reach a level at which there is no longer any money stress. We do this together

> “We empower our customers to make conscious choices that have a positive impact on their lives and the world around them.

> We are involved in a coalition of creditors, the Schuldeiserscoalitie. In the coalition, large Dutch businesses work together to combat poverty in the Netherlands.

with the customer and always strive for sustainable solutions. Our people are trained on and familiar with the various hurdles and taboos that relate to debt problems.

We are involved in a coalition of creditors, the Schuldeiserscoalitie. In the coalition, large Dutch businesses work together to combat poverty in the Netherlands. The participating businesses abide by an ethical manifesto about how to deal with customers who encounter payment difficulties. NN Bank also takes part in the Dutch Debt Relief Route (Nederlandse Schuldhulproute, [NSR]). Various organisations are part of the NSR, whose aim is to identify people with potentially problematic debts at an early stage. Organisations such as banks, health and other insurers, telecom businesses, energy companies and housing corporations can identify actual or imminent payment arrears.

NN Bank employees are given the opportunity to get involved in people's financial well-being outside of their role at the Bank. Colleagues can do volunteer work, for example, during Money Week (Week van het Geld), aimed at teaching students how to handle their money matters. Several colleagues help people with financial difficulties or are involved in foundations that assist young people with financial difficulties. This contribution to society is important for NN's employees. Furthermore, colleagues have the option to request a donation to a charity that they support through our Together for Society foundation (Stichting Wij en de Maatschappij).

NN is member of the National Coalition for Financial Health (NCFG). The NCFG is a coalition of public and private organisations that aim to build a financially healthy Netherlands. Our employees are involved in several working groups. In addition to the NCFG, we are also involved within the NVB 'Debt' working group. This working group stands for social collections, shares best practises and is involved in all kinds of initiatives to reduce poverty.

Going forward, we will continue to work on our role in society through NN Group's global Community Investment Programme, which aims to support the financial, physical and/or mental well-being of one million people by 2025. For more information, please see the 2023 Community Investment Report, available on NN Group's corporate website, in the 'Financial Reports' section (nn-group.com).

Martijn van Veelen, Willem Los:

A partner in challenging times

> We support our customers and identify different signs that point to problems.

Martijn van Veelen – Head of Debt Recovery, Collections & Financial Health
Willem Los – Specialist Financial Health

One of our Digital Retail Bank ambitions is to help customers to be and remain financially resilient by making sustainable choices. But what happens if customers are struggling financially? Fortunately, very few NN Bank customers are currently experiencing payment problems. But if they do, they can count on the Bank's engagement and help. The Bank and the customer work together to find solutions for a sustainable recovery. This with help from colleagues who are trained on and familiar with the various barriers and taboos associated with debt problems. Because no one chooses to get into financial difficulty: it often just happens. Empathy and support are key.

How do you notice if customers are having problems?

Martijn: 'NN Bank wants to help customers with their financial well-being. And, of course, this includes being there for customers if they are struggling financially. We support our customers and identify different signs that point to problems. One very obvious example is noticing when direct debits go uncollected, but you'd rather be one step ahead. That's why we also look for signs at so-called "life events".'

Willem: 'Life events are important events in a customer's life, such as a divorce. If one of the partners wants to stay in the house, but their income isn't high enough, that's a sign for us. Or a customer who is retiring but has a high mortgage debt in relation to their home's value. By engaging at the customer level, we can monitor this much better. Of course, we get the customer's permission to use these data. And sometimes, customers come to us.'

What happens if customers (might) experience problems?

Willem: 'Our system enables us to talk to the customer as quickly as possible if there are potential problems. Because in our experience, the quicker you can get round the table with the customer, the better you can help them.'

Martijn: 'In our initial contact, we establish whether the customer's problem is a one-off or whether it's structural. One-off problems are often solved in a single conversation or by the customer themselves. In the case of structural problems, it's important that we really support the customer. We use a comprehensive financial analysis to establish how big the problem is, what the causes are and what measures might be appropriate. This is always tailored to the customer. We give them a complete picture of their financial situation, which goes beyond just NN products. The most important starting point for any solution is that it contributes to sustainable recovery. Because that's the goal. We only consider it to be sustainable recovery if the customer's arrears have been cleared and they haven't experienced problems for some time.'

And what kind of measures are available?

Willem: 'We have a wide range of options. In many cases, we can offer tailor-made solutions, such as consolidating debts and significantly reducing monthly repayments. Or by looking at interest-rate averaging or introducing a payment holiday. But if the problem is caused by a customer losing their job, we also look for solutions and offer the services of a job coach. Or a budget coach, if the customer needs a little help managing their finances. We really look at each customer and their individual situation.'

Why is that first conversation so important?

Willem: 'The first conversation helps the customer feel confident and secure enough to talk about the problems. A conversation could reveal that there is a far bigger problem and that's something you'd rather know about straight away. But it is also crucial for providing consistent support throughout the follow-up process.'

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> **Our system enables us to talk to the customer as quickly as possible if there are potential problems.**

Martijn: 'If customers are really in difficulty, it is often hard to get in touch with them. They are often afraid of the Bank and creditors. Research shows that if you're experiencing long-term stress because of payment difficulties, it's simply not possible to find a solution yourself. Customers can't see the wood for the trees. A customer who is in arrears and has payment difficulties has an average of 10 to 15 creditors. If a customer doesn't respond to our calls, we visit them and make the barriers to access as low as possible. By being open and by engaging with empathy, we can stimulate a conversation.'

Willem: 'Shame and fear are factors that weigh heavily for customers when it comes to getting in contact with us. We want to remove those barriers with our approach. If customers still find it difficult to talk to us as a Bank, we engage an external party.'

Martijn: 'No one chooses to get into financial difficulty: it often just happens. We train our employees to speak to customers in alignment with our values. We enter into a dialogue based on a social approach, involving autonomy, engagement and competency. But above all: how can we help? I think that's one of the most important success factors in how we work.'

What does the approach look like in practice?

Willem: 'Here's an example from a recent case. A customer was in mortgage arrears by one or two months. They caught up with payments and then the pattern of being one or two months in arrears returned. You know then: there's something wrong here. To find out what their situation was, we asked our staff to visit the customer at home. This facilitated various conversations around the kitchen table. From these conversations, which were pretty tricky from the start,

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> **Research shows that if you're experiencing long-term stress because of payment difficulties, it's simply not possible to find a solution yourself.**

it became increasingly clear that the family had been having problems for some time. The mother was a full-time carer for their disabled daughter and developed mental health issues from the constant stress of problem debts. There was a lot of shame when it came to discussing this with others, not least because both parents were well educated, and the father had a good job. By constantly plugging one gap with another, they had fallen into debt. This had led to tension in the relationship, stress and shame. The customers had spent the last few years in survival mode, and this had taken a toll on them.'

'Because contact with them had been restored, it meant that we could also work on a solution. Their total debt was EUR 85k, with high interest rates. We looked for a sustainable solution. This was difficult, because the mother was not on the mortgage deed, and we couldn't take her income into account. However, we were able to agree on a tailor-made solution with our Legal Affairs department to increase the family's current mortgage so that all the debts could be repaid, and they were left with just the mortgage debt. For the customer, this alleviated the stress of not having enough money, there were no longer any other debts and the customer's monthly costs fell by more than EUR 1,300. As a result, the family has a sustainable financial future.'

Our business performance

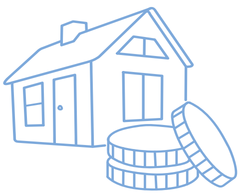
We look back on a strong set of financial results in 2023. Amidst the cooling economy, we continue to focus on achieving our strategic goals.

Mortgage portfolio

Our residential mortgage portfolio increased from EUR 22.1 billion in 2022 to EUR 22.8 billion in 2023. Our total serviced mortgage portfolio, which includes the mortgage portfolio under management for other group entities and third parties, stabilised at EUR 55.8 billion (2022: EUR 55.9 billion).

Total serviced mortgage portfolio 2023

EUR 55.8 billion



Our mortgage origination decreased from EUR 8.7 billion in 2022 to EUR 4.7 billion in 2023, partly due to lower market origination levels and decreased institutional investor appetite. With a market share of 5.1%, we are now the fifth-largest mortgage originator in the Netherlands. As mortgage rates were relatively low in 2022, homeowners were eager to lock in rates for a longer period of time and increase their financial security. Impacted by the sharp increase in mortgage rates, there has been a shift towards shorter-tenure, fixed mortgage rates in 2023.

Since its launch in August 2020, Woonnu has originated EUR 2.9 billion in mortgages. Woonnu supports sustainable living with a discount on mortgage interest for homes with a high energy label (A and B). In 2024, Woonnu will be integrated with NN Mortgages. The integration of the two brands is expected to yield greater synergies, as it will combine resources and expertise.

Customer savings portfolio

Our customer savings portfolio increased from EUR 16.2 billion in 2022 to EUR 16.5 billion in 2023. This results in a market share of 3.6% of the total savings balance of Dutch households (2022: 3.7%). In 2023, there was a significant shift from internet savings to term deposits, the volume of the latter increasing four-fold. We see that the term deposits market continues to grow as interest rates have increased and banks have increased their short-term term deposit rates at a higher pace than their customer internet savings rates.
NN Bank's savings portfolio consists of EUR 7.4 billion in internet savings and term deposits, EUR 7.1 billion in bank annuities, EUR 1.8 billion in Bankspaar Plus (BSP) mortgage savings and EUR 0.2 billion in other savings.
In the past year, we ceased our savings activities in Spain.

> In 2022, NN launched bancassurance, making NN Bank a direct distributor of retail Non-life insurance under the NN Verzekeren label, thereby broadening our retail product base.

Consumer lending portfolio

As of 2023, our focus shifted due to changes in the consumer lending market. The demand for personal loans has decreased and alternative forms of credit are emerging. As a result, we have made the strategic decision to cease new production of consumer lending in March 2023. We are in the process of selling the largest part of the consumer lending portfolio. We remain committed to compensating customers who were overcharged interest on their revolving credit. This compensation process began in November 2022, following Kifid rulings regarding variable interest claims in revolving consumer credit loans, which were announced at the end of December 2021.

Retail investments under management portfolio

Our retail investments under management portfolio increased by EUR 25 million to EUR 918 million in 2023. This growth can largely be attributed to the increased value of investments throughout 2023. This is a marked improvement from the previous year, which was rather disappointing due to a decline in both the stock and bond markets. Moreover, the number of households in the Netherlands that have actively invested has also increased.

Execution-only remains the preferred choice for Dutch retail investors, with online asset management following closely behind. Online asset management customers consider the convenience of this investment product to be the most important advantage. In addition, many recognise their lack of investment knowledge, and therefore gladly make use of their supplier's expertise.

Bancassurance

In 2022, NN launched bancassurance, making NN Bank a direct distributor of retail Non-life insurance under the NN Verzekeren label, thereby broadening our retail product base.

Our financial developments

Analysis of results

Amounts in millions of euros	2023	2022
Net interest income	406.3	256.5
Gains and losses on financial transactions and other income	-7.3	-0.6
Net fee and commission income	64.8	98.1
Valuation results derivatives	-22.1	12.6
Total income	**441.7**	**366.6**
Impairment charges on financial instruments[1]	-5.0	-0.8
Staff expenses	156.1	140.4
Regulatory levies	18.2	26.8
Other operating expenses	101.1	90.2
Total expenses	**270.4**	**256.7**
Result before tax	**171.3**	**109.9**
Taxation	44.2	28.4
Net result	**127.1**	**81.5**

Key figures

Amounts in millions of euros	2023	2022
Loans	21,525	20,309
Customer deposits and other funds on deposit	16,465	16,228
Net interest margin[2]	1.65%	1.06%
Cost/Income ratio[2]	58.2%	62.9%
Return on assets[2]	0.5%	0.3%
Return on equity[2]	11.6%	7.6%
Total assets	25,205	24,160
CET1 capital[3]	1,069	981
CET1 ratio[3]	16.5%	15.3%
Total capital[3]	1,154	1,066
Total capital ratio[3]	17.9%	16.6%
Leverage ratio	4.0%	3.8%
Liquidity Coverage Ratio (LCR)	197%	183%
Average number of internal FTE	1,037	974

1 Excluding EUR -/- 3.4 million due to the sale of part of the consumer lending portfolio.
2 These ratios are calculated as follows:
- Net interest margin: calculated as interest result divided by the average total assets in a year (for reference, see Note 18 ‘Net interest income’).
- Cost/income ratio: calculated as staff expenses plus other operating expenses divided by total income.
- Return on assets: calculated as net result divided by the average total assets in a year.
- Return on equity: calculated as net result divided by the average equity in a year.

3 ‘Total capital’ would be EUR 1,193 million, ‘CET1 ratio’ would be 17.1% and ‘Total capital ratio’ would be 18.4% after inclusion of the net result for the year 2023, less the payment of the proposed final cash dividend.

Profit or loss

NN Bank achieved a net result of EUR 127.1 million, representing a substantial increase from EUR 81.5 million in 2022. This results in a return on equity of 11.6%, up from 7.6% in 2022. Increased interest rates have been an important driver of the strong net result in 2023. As the significant increase in interest rates in 2023 drew heightened attention to banks' savings rates policies, we remained mindful of public discussions on the savings rates.

Total income in 2023 is EUR 75.1 million higher than the previous year, driven by our higher interest result. Our interest result benefited from the current interest rate environment and increased from EUR 256.5 million in 2022 to EUR 406.3 million in 2023. Income from our mortgage portfolio as well as from our cash management activities increased. On the other hand, rising interest rates led to higher funding costs, leading to a reduction in our interest income. The increase in our interest result has led to a significant recovery of our interest margin, which rose from 1.06% in 2022 to 1.65% in 2023.

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> **Our objective is to have access to diversified funding sources with respect to investors, markets and maturities.**

Gains and losses on financial transactions and other income increased to a loss of EUR 7.3 million in 2023, compared with a loss of EUR 0.6 million in 2022. This mainly reflects the intended sale of a part of our Consumer Lending portfolio.

Fee and commission income decreased by EUR 33.3 million to EUR 64.8 million, as we transferred fewer mortgages to investors in NN mortgages. This was partly offset by higher service fees received from the NN bancassurance activities.

Valuation result on derivatives decreased from a gain of EUR 12.6 million in 2022 to an loss of EUR 22.1 million in 2023.

Total expenses increased by EUR 13 million to 270.4 million in 2023. Staff and other operating expenses increased by EUR 15.7 million in 2022 to EUR 156.1 million in 2023. This increase was mainly caused by investments in our capabilities to combat financial economic crime (FEC). In addition, we continued to invest in our strategic priorities. The release of the loan loss provision increased by EUR 4.2 million to EUR 5 million. The cost/income ratio was 58.2%, compared with 62.9% in 2022, reflecting higher income, partly offset by higher expenses.

Targets and regulatory requirements

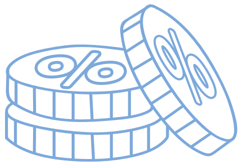
NN Bank has set the following financial targets for 2025: a Cost/income ratio below 55% and a Net operating return on equity of 9% or higher on a statutory basis[1]. In addition to these financial targets, we also have capital targets:

Total capital ratio: NN Bank aims to have a Total Capital Ratio of at least 16.7%.

1 A net operating return on equity of 9% on statutory basis equals a return on equity of approximately 12% on Group reporting basis.

Net result 2023

EUR 127.1 million



Capital, funding & liquidity

The acquisition of funding and liquidity from institutional and professional investors is a crucial aspect of our balance sheet financing. Our objective is to have access to diversified funding sources with respect to investors, markets and maturities. In 2023, we raised funding through the issuance of two covered bonds. In February 2023, NN Bank issued a EUR 750 million green covered bond with a four-and-a-quarter-year maturity. This marked the third public green bond transaction issued under NN Bank's Green Bond Framework, which supports the long-term sustainability strategy. In October 2023, the Bank issued a three-year, EUR 750 million covered bond. As of year-end 2023, the total nominal amount outstanding of secured funding through covered bonds was EUR 6.35 billion.

In September and October 2023, we engaged in early redemption of our retained securitisations, Hypenn I and Hypenn VII, respectively, by bringing forward the optional redemption dates. These retained securitisation notes have been replaced by EUR 2 billion in retained covered bonds, issued in two tranches (EUR 1.25 billion in June and EUR 750 million in September 2023), under the existing Soft Bullet Covered Bond programme. As a result, NN Bank

> **NN Bank has maintained a solid capital position, with a Total Capital Ratio of 17.9% (2022: 16.6%) and a CET1 ratio of 16.5% at year-end 2023 (2022: 15.3%).**

has established a more cost-efficient and flexible way to create sufficient contingent liquidity if and when needed. The two retained bonds help manage the Liquidity Coverage Ratio (LCR) in addition to the on-balance-sheet High-Quality Liquid Assets (HQLA) portfolio and cash. Our liquidity position remained strong, with an LCR of 197% at year-end 2023.

To hedge the banking book, we enter into interest rate swaps. The market value of the derivatives is settled through variation margin payments with our derivative counterparties. Throughout 2023, NN Bank was a net receiver of variation margin cash. However, if interest rates drop sharply, this could lead to outgoing margin payments.

NN Bank has maintained a solid capital position, with a Total Capital Ratio of 17.9% (2022: 16.6%) and a CET1 ratio of 16.5% at year-end 2023 (2022: 15.3%).

In February 2022, DNB released its updated CCyB framework. As DNB aims to reach a CCyB of 2% in a standard risk environment, the CCyB will increase from 1% to 2% by May 2024. Therefore, the capital target for the Total Capital Ratio will increase from 16.7% to 17.7% from May 2024 onwards.

Driven by a strong result and a solid capital position, NN Bank will propose a final dividend of EUR 44m over the 2023 financial year. The Total Capital Ratio will increase from 17.9% to 18.4% after inclusion of the net result for the year 2023, less the payment of the proposed final cash dividend.

Non-financial statement

NN Bank is a direct subsidiary of NN Group. NN Group includes the non-financial information as per the Decree disclosure of non-financial information (Besluit bekendmaking niet-financiële informatie) in the consolidated Report of the Management Board for NN Group. Financial undertakings subject to the Decree will have to disclose the proportion in their GAR assets of exposures to Taxonomy-eligible and Taxonomy non-eligible economic activities and certain other disclosures. For this non-financial information, NN Bank will make its EU Taxonomy eligibility and alignment disclosure in the chapter, ‘EU Taxonomy’ and in chapter 8 ‘Other Information’.

Conclusions for 2023 and looking ahead

For NN Bank, 2023 was a landmark year, characterised by financial success. Our strong performance is reflected in our Net result reaching EUR 127 million and a proposed final dividend payout of EUR 44 million. This result was achieved because of increased interest rates, strict cost control and low risk costs. We showed consistent performance in the realisation of our Digital Retail Bank strategy to achieve our ambition to be the sustainable living and financial companion for our customers. We further progressed on the implementation of an efficient, highly digitised and future-ready banking platform. We completed the implementation of our new mortgages mid-office, which among other things, has automated mortgage applications via intermediaries. We continued to implement new technologies, such as process mining and generative AI, to support digital and seamless customer and broker experiences.

Together with our clients, we have reduced GHG emissions in our mortgage portfolio to 202 kilotonnes of CO_2e, a 6% decrease compared to 2022. We are keen to continue our journey to incorporate sustainability into our business model. Actions are in place to report in more detail based on the Corporate Sustainability Reporting Directive.

Looking ahead to 2024, we expect interest rates to decline due to ECB rate cuts in the course of the year, causing possible margin pressure for our savings business and treasury result. We remain committed to delivering on our financial targets. We also aim to have the Digital Retail Bank in place in 2024, while further implementing our strategic programmes and continuing to build our future-ready Digital Retail Banking platform. We expect to achieve these ambitions while maintaining our commitment to preventing Financial Economic Crime (FEC), supporting sustainability initiatives and upholding our sound risk and compliance culture. We are grateful for our colleagues' commitment, dedication and enthusiasm to achieve these results and we will continue to fuel our diverse and inclusive working environment.

> “For NN Bank, 2023 was a landmark year, characterised by financial success.

Sustainability matters

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Our vision

NN Bank aims to be a sustainable business leader in the markets in which it operates. That includes creating long-term value for our customers, colleagues and society. This offers us an opportunity to fulfil our purpose of helping people care for what matters most to them, now and in the future.

Our values care, clear, commit, and our brand promise, You matter, guide our actions. Our strategic commitments focus on promoting the well-being of people and the planet. We do business with the future in mind and aim to contribute to a world in which people can thrive for generations to come.

Our sustainability strategy

We are incorporating climate action across NN Bank's business. We believe this approach will not only benefit the environment, but also create sustainable long-term value for all our stakeholders. The risks associated with climate change present significant challenges, which the financial sector can help address. At the same time, those risks also present opportunities for innovation, growth and positive impact to help accelerate the transition to a low-carbon economy.

NN Bank has identified five areas of action in which to contribute to sustainability:

- Engage with customers and steer our investment portfolio to reduce greenhouse gas (GHG) emissions
- Develop new propositions and services
- Leverage NN Bank's Green Bond Framework
- Evaluate and adjust all products to help customers in their sustainability journey
- Contribute to (sector-) specific initiatives and partnerships

As a large mortgage provider in the Netherlands, mortgages are a key focus of NN Bank's sustainability strategy. We have set an interim target of a 34% reduction in emissions (base year: 2021) by 2030, to guide our mortgage portfolio towards net zero in 2050.

Our governance

NN Bank's CEO leads the sustainability governance structure and is accountable for sustainability matters. The Bank's Management Team (MT) is responsible for strategic direction and for implementing the strategy. On the Board level, our Supervisory Board (SB) performs structural oversight on sustainability matters by ensuring sustainability, including climate and environment (C&E) is a standard item on SB meeting agendas and by integrating sustainability into existing consultation and reporting structures. All MT members are responsible for integrating sustainability into their respective domains and functions. Sustainability objectives are part of each MT members' performance scorecard. Furthermore, a dedicated Environmental, Social and Governance (ESG) Office is in place to support all domains with our sustainability strategy implementation.

Climate and environmental risks

C&E risks can be seen to affect the Bank's risk profile through:

- physical risks, such as acute weather events like flooding, storms and wildfires; and chronic events like rising sea levels, rising temperatures and drought
- transition risks, such as changes in policies and regulations and market sentiment

A robust approach to assessing and managing our exposure to C&E risk is an integral part of our sustainability goal to establish a net-zero CO_2 portfolio by 2050. Therefore, we are proactively assessing the C&E risks across the Bank.

In line with this, NN Bank conducted qualitative materiality assessments on both climate risk and environmental risk, the latter with a focus on biodiversity loss.

Among the physical climate risks, we identified some as having medium to high severity and impact. These include:

- flood risks
- drought/extreme heat risks, which can cause wildfires in the short to medium term, and foundation damage in the long term

Taking the same approach as above, the climate transition risks with medium to high severity and impact that would be most relevant are:

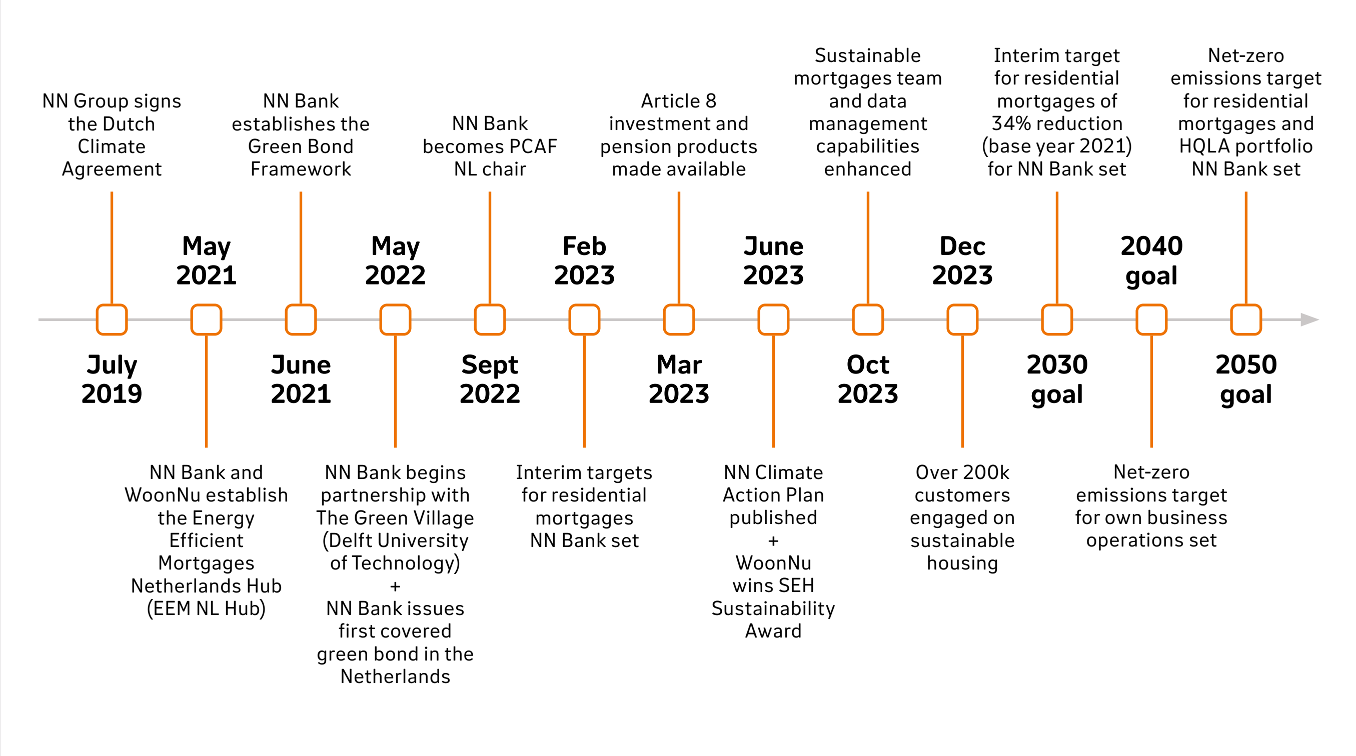
- policy and regulations risks, such as GHG emissions pricing and emission-reporting obligations
- changes in market sentiment, such as changing customer behaviour

In terms of biodiversity loss and its impact, we have identified and assessed biodiversity risks and have deemed the risk to be low for now. We will continue to assess it annually for any new insights and/or developments.

Risk profile

NN Bank aims for prudent sustainability risk management by fully embedding it into its risk management frameworks. Sustainability risks can be seen as drivers of existing risk types, like credit risk, operational risk and strategic risk. During 2023, NN Bank made progress on its risk identification and risk assessment, with a particular focus on the environment. As part of scenario analysis and stress testing, NN Bank has undertaken stress tests to cover C&E risk from both physical- and transition-risk perspectives, including scenario analyses over a longer-term horizon, namely until 2050. In all cases, NN Bank's balance sheet can withstand adverse circumstances related to C&E risk.

Our climate journey so far



In 2023, we continued to focus on inspiring and stimulating mortgage intermediaries in the field of home sustainability. For the second time, we organised an election for Most Inspiring Advisor in the Netherlands. In doing so, we have identified intermediaries who are on the forefront of transitioning from mortgage advisor to sustainable living financial intermediary. These intermediaries are a source of inspiration for their peers and contribute to homeowners' willingness to become more sustainable. We also published the 'Together towards climate-neutral living in 2050' white paper, in which we offer mortgage intermediaries information and inspiration related to making homes more sustainable. The white paper also underscores the importance of the role of mortgage lenders and intermediaries on this theme.

In 2023, we continued to invest in enriching and organising our sustainability data. This allows us to report and monitor our progress related to our carbon footprint and Green Asset Ratio. But above all, it offers opportunities to develop targeted propositions to help customers make their homes more sustainable, and to help intermediaries make their mortgage portfolio more sustainable.

Our actions

1. Engage with customers and steer our investments to reduce GHG emissions

NN Bank directs and engages with customers to actively work on reducing their carbon footprint. We developed several propositions (e.g., Woonnu, Powerly) and services (e.g., direct execution funnel to installation partners, B2B2C service concept for intermediaries) to spark customer activation. Propositions like these provide customers with actionable insights and professional assistance as they implement sustainable and healthy living solutions in and around their homes. Furthermore, we are experimenting with solutions to decrease the perceived burdens of lowering the carbon footprint, such as high costs or lack of knowledge about sustainability options. We, for example, recently launched an experimental, innovative engagement platform, on which customers unite with other customers to obtain group discounts. Also, we have invested significantly in a service model that is packed with solutions such as our shop-in-shop concept, campaign and content management assistance, and sustainability masterclasses. These solutions empower financial intermediaries to act as catalysts in customer activation. In 2023, we engaged and encouraged more than 200,000 customers to reduce their carbon footprint.

2. Develop new propositions and services

To better serve our customers, we develop products and services that support their energy transition. This includes specific and attractively priced product propositions that offer new and existing mortgage customers support and incentives to make their homes more energy efficient. An example is the Woonnu label guarantee and discount for energy label B and better.

> "NN Bank directs and engages with customers to actively work on reducing their carbon footprint.

3. Leverage NN Bank's Green Bond Framework

NN Bank issues green bonds under its Green Bond Framework to align the Bank's funding strategy with its sustainability strategy. We updated the framework to incorporate regulatory developments, such as the EU Taxonomy, and ensure it is fully aligned with the ICMA Green Bond Principles. The framework, with a focus on green buildings, allows NN Bank to raise sustainable financing that meets regulatory criteria and market best practices regarding sustainability.

The Green Bond Framework reflects NN Bank's commitment to sustainability and contributes to the Dutch Climate Agreement and the development of sustainable markets. We fund assets that mitigate climate change by reducing emissions, and thereby make a positive impact that will help steer the total mortgage portfolio emissions towards intermediate target levels and ultimately achieve our net-zero ambition. Separate reporting on the Green Bond portfolio, assets and climate impact is available on NN's corporate website.

4. Evaluate and adjust all products to help customers in their sustainability journey

In addition to providing new, sustainability-driven products and services, we believe we can also play a role in initiating and driving sustainability in our existing savings and retail investment under management products. For example, we offer investment products that promote sustainability. But we also develop relevant content for our customers in presentations, webinars, blogs and videos.

5. Contribute to (sector-) specific initiatives and partnerships

To strengthen our customer propositions, we have joined various initiatives to gain and share knowledge and expertise on healthy and sustainable living. For example, we are one of the founding partners of 'Healthy Indoors' (Gezond Binnen). We work actively with the Netherlands Organisation for Applied Scientific Research (TNO) and Lung Foundation Netherlands (Longfonds) and started a partnership with The Green Village (Delft University of Technology) to further develop knowledge and skills in the sustainability domain.

Additionally, we will further intensify our cooperation with financial intermediaries through active support of knowledge development, activation methods, service concepts and (white label) content creation. Lastly, due to the importance of having high-quality standardised data, we work together with industry peers in the Energy Efficient Mortgages Netherlands Hub (EEM NL Hub) and Partnership for Carbon Accounting Financials (PCAF), to develop harmonised standards and frameworks for energy-efficient mortgages and carbon footprint measurement.

Our carbon footprint

To meet NN Bank's decarbonisation objectives, we monitor the GHG emissions related to our activities as an organisation. This includes the direct emissions of our internal operations, the indirect emissions associated with our mortgage portfolio, and for the first time, the associated indirect emissions related to our investment securities.

Methodology enhancements

We follow internationally recognised standards like the GHG Protocol and PCAF's 'Global GHG Accounting and Reporting Standard for the Financial Industry' in our methodology. In 2023, we updated our methodology for sovereign bonds to align with the updated PCAF standard and improve reporting quality. To prevent significant double-counting of emissions, we report on our government bond emissions separate from the rest of our portfolio, in accordance with PCAF standards.

As an active member of PCAF, we advance industry standards and harmonisation for measuring and reporting financed emissions. Our methodology may evolve further over time as data improvements and refinements are made.

Limitations and next steps

We are committed to continuously improving our methods and data sources to ensure the relevance of our decarbonisation strategy to real-world decarbonisation efforts. For instance, our current method for residential mortgages relies on theoretical average consumption data. To address this limitation, we have partnered with TNO. Together, we are conducting a feasibility analysis to identify solutions for obtaining actual consumption data for residential mortgages.

While interpreting the results, it is important to bear in mind that a carbon footprint provides a snapshot of today's emissions but can be limited as a forward-looking indicator of how customers/ companies are making the transition to a low-carbon economy.

Emissions figures

In the table below, an overview of the carbon footprint per asset category is provided and explained in more detail in the sections 'Mortgages' and 'Investment securities'.

> "We are committed to continuously improving our methods and data sources to ensure the relevance of our decarbonisation strategy to real-world decarbonisation efforts.

Carbon footprint mortgages

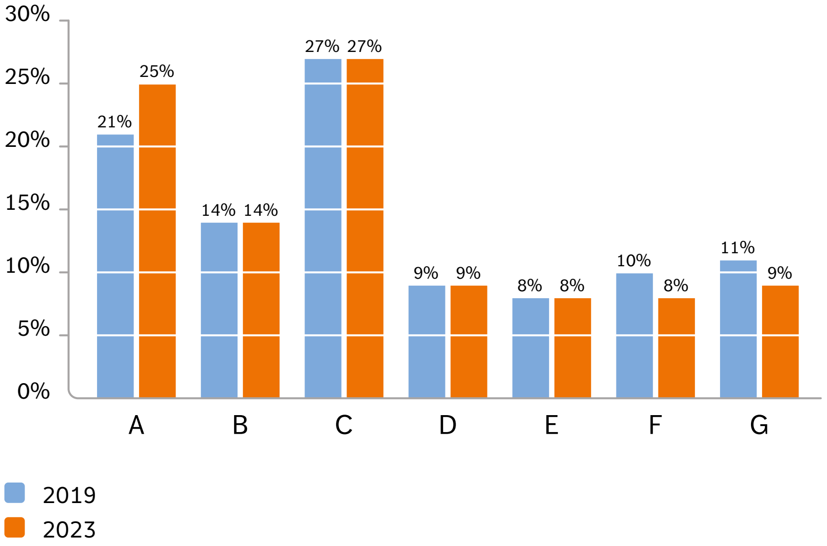
We included all residential mortgages in our portfolio, as represented on the NN Bank balance sheet, in our 2023 carbon footprint analysis. This amounted to 98,948 homes, with a total value of EUR 22.8 billion.

We account for the scope 1 and 2 emissions of each house (i.e., purchased natural gas + purchased electricity = total energy usage). We measure the carbon footprint of every house based on energy label, floor space, building type and corresponding emission factor. This method is in line with the PCAF Standard and corresponds to a data quality score of 3 (on a 1-5 scale, where 1 is the highest). This is the highest data quality

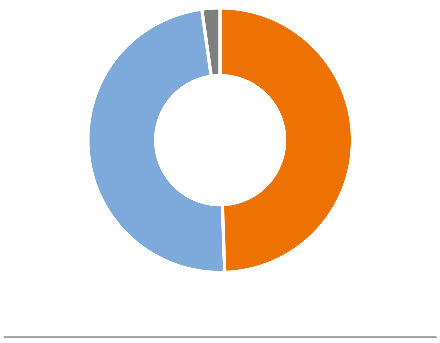
Determining our material matters

Asset category	Total Assessed Assets (EUR millions)	Financed Emissions (kilotonnes of CO_2e)		Carbon footprint (tonnes of CO_2e per EUR million invested)		Weighted Average Carbon Intensity (kg CO2e per m2)		Data Coverage (% of assessed assets)	PCAF Data Quality Score (1 - 5)	
		Scope 1 + 2	Scope 3	Scope 1 + 2	Scope 3	Scope 1 + 2	Scope 3		Scope 1 + 2	Scope 3
Fixed Income Corporate	€ 637	1	168	1	265	n.a.	n.a.	99.6%	1.4	3.5
Residential mortgages	€ 22,796	202	n.a.	9	n.a.	25.0	n.a.	100.0%	3.5	n.a.
Total (excl. Government)	€ 23,433	203	168	9	265			100.0%		
		Scope 1 incl LULUCF	Scope 1 excl LULUCF	Scope 1 incl LULUCF	Scope 1 excl LULUCF	Scope 1 incl LULUCF	Scope 1 excl LULUCF		Scope 1 + 2	Scope 3
Government bonds	€ 32	5	5	162	168	n.a.	n.a.	100.0%	1.0	n.a.

NN Bank portfolio: Energy label distribution
(based on number of houses, comparative figures 2019–2023)



PCAF Data Quality score
end of 2023



score that can be achieved in absence of actual building energy consumption data (i.e., metered data). Dutch financial institutions that are part of PCAF, including NN, are currently exploring ways to obtain the actual consumption data to further enhance quality of reporting. By improving the monitoring of household CO_2 emissions, we can bring the reporting outcomes closer to the actual emissions.

The energy label remains an important data input for the methodology. The chart below shows the energy label distribution of NN's mortgage portfolio. Compared to 2019, when we first gathered this information, the share of label A in our portfolio increased from 21% to 25%, labels B, C, D and E remained stable at 14%, 27%, 9% and 8% respectively, labels F and G (taken together) decreased from 21% to 17%.

Around 49% of the houses in our mortgage portfolio have a definitive energy label. If no definitive energy label is available, we matched the addresses with a provisional energy label, as this currently is the best estimate available. For the rest of the mortgage portfolio, we looked at the building year of the property. Based on the building year and the corresponding building standards at that time, an energy label can be assumed. For a small number of properties (2%), we could not make a match at all due to missing information.

A full 50% of NN's mortgage portfolio had PCAF data quality score 3, 48% had PCAF data quality score 4 and 2% had PCAF data quality score 5 at the end of 2023. The scores mainly relate to the availability of energy labels. The average PCAF data quality score is 3.5.

Emissions are attributed to NN Bank according to the loan-to-value (LTV) ratio. The LTV used is the current loan-to-original-market-value ratio, which is the net outstanding mortgage amount divided by the original property value. If these original values are not available, the latest available property value is used as denominator. We also take into account the latest available market value when available. This follows the definition that PCAF NL prescribes, which aims to interpret the global PCAF Standard. This standard recommends using the original property value to dampen the volatility that an LTV attribution approach brings in the financed emission figures.

Our mortgage portfolio's financed emissions per year-end 2023 were 202 kilotonnes of CO_2e, a 6% decrease compared to last year. This was mainly due to a lower attribution factor and lower emission factors, which improved by 3% in 2023 as energy production in the Netherlands became more sustainable.

Carbon emission figures

Year	Total carbon emissions	Attribution factor	Total financed carbon emissions	Carbon intensity	Carbon intensity
	kilotonnes CO_2e		kilotonnes CO_2e	per EUR million	per m²
2022	329	67%	215	10	25.7
2023	317	65%	202	9	25.0

Progress on net-zero target

To measure progress towards our net-zero ambition, we also calculated the carbon intensity measured in $kgCO_2/m^2$. We used data from Kadaster, the Dutch land registry, to convert the financed emissions to an intensity metric. The emissions intensity in 2023 was 25.0 $kgCO_2/m^2$. This represents a decrease of 10% versus the baseline year of 2021. Our target is to achieve a 34% reduction by 2030, or 18.0 $kgCO_2/m^2$. Our methodology and target are based on the CRREM NL 1.5oC pathway (2021 version) and aligned with criteria that the Science Based Targets Initiative (SBTi) set forth.

Carbon footprint investment portfolio

In this analysis, we refer to our investment securities as our High-Quality Liquid Assets (HQLA) portfolio. NN Bank holds the HQLA portfolio for liquidity purposes to manage the LCR, in addition to retained covered bonds and cash. As at year-end 2023, the HQLA portfolio consisted of government bonds and corporate bonds, the latter limited to covered bonds only.

Carbon footprint of corporate bonds

The financed emissions for a corporate portfolio are based on the amount we have invested relative to the issuer's enterprise value. In other words, it is the share of the company's emissions that can be attributed to NN Bank based on the amount we have invested in the company.

These financed emissions can be divided into scope 1, 2 and 3 emissions. We report on all scopes. We report on scope 3 emissions separately from scope 1 and 2 emissions. This approach offers full transparency, while avoiding potential double-counting issues when adding these to the scope 1 and 2 emissions of investees. Despite significant questions about the quality and reliability of scope 3 data, we believe it is important to report on them given their significant real-world impact and the fact that they represent the majority of emissions for any investment portfolio. Our reporting aims to increase transparency in the industry and support the data improvement necessary for accurate incorporation of scope 3 emissions in future emission figures.

The absolute financed emissions (scope 1, 2 and 3) of NN Bank's corporate bond holdings are 169 kilotonnes CO_2e as per year-end 2023. The scope 1 emissions are relatively low, as the corporate bond holdings are mainly limited to banks (covered bonds) which tend to have higher scope 3 emissions because of the activities they finance. The carbon

intensity of the corporate bonds currently stands at 266 tonnes CO_2 per EUR million. Emissions data is available for 99.6% of NN Bank's corporate bonds.

Carbon footprint of government bonds

We account for government bond emissions following the updated methodology prescribed by PCAF. On 14 December 2022, PCAF published a second edition of the Global GHG Accounting and Reporting Standard for Financed Emissions, which included a significant revision of the methodology for calculating financed emissions associated with investments in sovereign debt.

Like corporate financed emissions, sovereign financed emissions represent the share of a country's emissions that can be attributed to NN Bank based on the amount we have invested in the sovereign. As there is no such thing as a 'country's total market value', it is market practice to use a proxy to attribute the right amount of emissions to an investment. As per the recently updated PCAF standard, we divide the total amount we have invested by the PPP-adjusted GDP of a country to calculate financed emissions, where the latter then serves as a proxy for the borrower's total value.

In line with PCAF requirements, NN reports sovereign emission data including and excluding land use, land use change and forestry (LULUCF) emissions. The numbers that include LULUCF emissions include the role of land (use) and forestry as carbon sinks.

PCAF's recommendation is to only report on actual sovereigns, as the emission of quasi-sovereigns (local authorities, supranational entities, etc.) is unfortunately not currently measurable. As the number of quasi-sovereigns is relatively high (87%) in NN Bank's government bond holdings, the assessed and reported sovereign financed emissions are therefore relatively low.

The absolute financed emissions of NN Bank's government bond holdings are 5 kilotonnes CO_2e as per year-end 2023. The carbon intensity of the government bonds currently stands at 162 tonnes CO_2 per EUR million. Emissions data is available for 100% of NN Bank's government bonds.

> **"Emissions data is available for 100% of NN Bank's government bonds.**

Approach for mortgage target-setting

Together with other financial institutions within PCAF, we developed a model to calculate a mortgage portfolio's carbon footprint. The model covers consumers' absolute scope 1 and scope 2 emissions related to the energy use of properties financed through mortgages. It reflects the indirect emissions in our lending portfolio. Construction emissions and a building's embodied GHG emissions are not taken into account.

To estimate the CO_2 emissions of residential real estate, data regarding the natural gas and electricity consumption per residence is needed. Because these data are not publicly available, PCAF has estimated the consumption per energy label and square meter by using Statistics Netherlands (CBS) data.

We used the CRREM's tool to analyse our portfolio against science-based decarbonisation pathways aligned with the Paris Agreement. The pathways are calculated based on a carbon budget to remain within the boundaries of a 1.5°C rise in global temperatures.

The financial sector increasingly uses the CRREM methodology, which is aligned with the SBTi's recommendations. CRREM's scenario is specific to real estate and mortgages, so it considers the sector's carbon budget and relevant technological developments in the decarbonisation pathways. The pathways are updated regularly with the latest scientific input and stakeholder feedback. As a result, targets may change over time.

As CRREM uses physical emission intensity per square meter, we use data from Kadaster to convert the current emissions to this metric. In 2022, based on these methodological decisions, we developed a model for the total portfolio of Dutch mortgages that NN Bank originated and/or serviced, as represented on the NN Group balance sheet.

The model indicates that we need to reduce our emission intensity to 18.0 $kgCO_2/m^2$ by 2030 according to the 2021 CRREM pathway for the Netherlands and the available CBS emission figures. This is a 34% reduction compared to our baseline year: 2021. Based on the currently used PCAF methodology, this is equal to approximately an average energy label A++ or better for the entire mortgage portfolio by 2030. At the end of 2022, 24% of NN's mortgage portfolio was label A or better (provisional and definitive labels of dwellings, sources: RVO, Kadaster).

External factors and ability to influence

As part of the target-setting process, NN Bank has made an inventory of external dependencies. It provides us with input to continue to develop our strategy. An important factor is the dependency on government policies and actions. Greening the electricity grid is an important decarbonisation contributor in the residential housing market, and our level of success depends heavily on the success of the Dutch government in achieving the Dutch Climate Agreement.

Societal impact

We believe that societal impact will be a determining factor in the speed of decarbonisation. In the current environment, we see broader societal challenges emerging. Households confronted with rising energy bills will have an incentive to improve the energy efficiency of their homes. However, the financial room to do so is limited due to the increased cost of living. Home improvements are also challenged by the lack of materials and lack of a technically trained labour force. As a financial institution, we can create awareness and support and educate homeowners regarding how to make their homes more sustainable.

Government action

Besides our own efforts, we depend on all parties in the value chain to make the energy transition successful. In this respect, the government plays a pivotal role. We believe that government action has a significant impact on whether we will be able to reach the targets and has different levers of impact as well. For example, by implementing regulation and policies, creating financial incentives, meeting government ambitions, creating public awareness and providing the necessary infrastructure to green our energy sources.

Data accuracy

Data accuracy is key in determining our progress towards reaching our climate ambitions. A standardised approach and data collection would enhance comparability and collaboration between all parties, which subsequently would support the realisation of targets. Whilst we are working together with other financial institutions, we also see opportunities to cooperate more with the government to help address these challenges.

NN Bank is currently collaborating with PCAF and TNO to explore a different approach for measuring the CO_2 footprint of households. The aim is to measure actual energy consumption instead of using energy labels as the driver in calculations.

EU Taxonomy

The EU Taxonomy Regulation is a unified classification system for sustainable ('green') economic activities. The European Commission established the regulation as part of the 2018 EU Green Deal. Eligibility under the EU Taxonomy indicates which activities are in scope of the taxonomy but does not take into account the different technical criteria required to qualify as environmentally sustainable (i.e., 'Taxonomy-aligned').

In 2023, NN Bank's Taxonomy-eligible covered assets are EUR 21.8 billion (2022: EUR 20.4 billion) and the proportion of Green Asset Ratio (GAR) assets regarding Taxonomy-eligible economic activities is 94.6% (2022: 93.2%).

The GAR for NN Bank's stock of loans is 22.9% for 2023. That percentage of the stock is Taxonomy-aligned. In chapter 8 'Other Information', NN Bank's approach and further EU Taxonomy disclosures are provided.

> "As a financial institution, we can create awareness and support and educate homeowners regarding how to make their homes more sustainable.

Corporate governance

General

NN Bank has a two-tiered Board system, which comprises a Supervisory Board and a statutory Management Board (the Boards). The members of the Audit & Risk Committee have been appointed from among the Supervisory Board members. The task of this committee is to prepare the Supervisory Board's decisions on audit issues, risk management and financial reporting. The Management Board determines, and is responsible for, NN Bank's mission, strategy, policy and objectives. It focuses on business continuity, taking into account a balanced assessment of customer, investor and employee interests. The Supervisory Board advises the Management Board and supervises the Management Board's pursuit of policy and performance of its duties and the company's course of affairs.

The general meeting of NN Bank (General Meeting) appoints the statutory Management Board members.

The NN Bank Management Board consists of three statutory members: a CEO, CFO and CRO, and one non-statutory member: the CTO.

The governance and control structure for NN Bank forms the basis for its sound management and is founded on the following principles:

- A governance structure based on a Management Board, with supporting committees authorised to establish policies, set limits and organise checks and balances within the strategic mandate of NN Group
- An independent risk management function, responsible for implementing an adequate framework for risk and control policy, directly anchored in the Management Board via the CRO
- An adequate policy framework that guides the mechanics involved in placing the organisation on an operational footing, set out in the NN Group policy framework, unless waived by NN Group
- The embedding of the policy framework, guidelines and procedures in the Three Lines of Defence model

In order to preclude potential legal sanctions, financial losses and reputational damage, NN Bank's policy guidelines are regularly reviewed and adjusted. Each policy area has an owner, who is responsible for establishing and maintaining the specific guidelines within the policy area concerned. The specific policy guidelines also address how they relate to existing NN Group policy in the areas concerned.

Composition of the boards, diversity and inclusion

NN Group aims to have an adequate and balanced composition in its boards. In order to always ensure such composition, several relevant selection criteria are balanced and (re)appointments to these boards are made on the basis of harmonised policies and in accordance with legal and regulatory requirements.

Since 1 January 2021, NN Group has aimed to have a gender balance of at least 40% women and 40% men for its boards. Since 2021, NN Group has also had a target to have at least 40% women in senior management positions. Since 2022, these positions include the NN Group Management Board, managerial positions reporting directly to an NN Group Management Board member and all senior managerial positions reporting to a business unit CEO.

In addition, in 2022, a target was set to have at least 40% women in management team positions within each Dutch NN Group company in scope of the Gender Diversity in Boards of Dutch Companies Act (Wet tot wijziging van Boek 2 van het Burgerlijk Wetboek in verband met het evenwichtiger maken van de verhouding tussen het aantal mannen en vrouwen in het bestuur en de raad van commissarissen van grote naamloze en besloten vennootschappen, (the Act on Gender Diversity)), which entered into force on 1 January 2022.

In support of these ambitious gender diversity targets, NN Group has set an action plan that all NN Group companies in scope of the Act on Gender Diversity have adopted. This action plan supports a healthy and diverse succession pool for senior management throughout the organisation, as part of our Diversity & Inclusion (D&I) and Key Talent Management policy and processes. We have set out various actions on the different drivers behind our D&I roadmap, such as enhanced processes, data & monitoring, visibility & networks, and mindset & awareness. Actions include, amongst others:

- The 40% target must be taken into account in the succession planning and process for appointments of persons in Board and senior management positions
- At least once a year, Talent Review & Succession Planning sessions are organised for senior management
- We strive for a minimum of 50% female candidates on shortlists for senior management positions
- We keep a list of the female talent pool, and participation in Succession Planning sessions and Leadership and Development programmes is ensured
- We engage with the female talent pool and increase their visibility (e.g., networking events, Women in Leadership Network mentoring programme)
- We regularly perform equal pay analyses

Composition of NN Bank's Boards and Management Team

NN Bank aims to have an adequate and balanced composition of its Boards including a gender balance of at least 40% women and 40% men. The fact that its Management Board consist of only three members requires the Management Board to consist of at least one female and at least one male. Following the appointment of Mrs van der Meulen, effective 1 February 2023, the composition of NN Bank's statutory Management Board consists of one female and two males and meets said target as of this date.

NN Bank's Supervisory Board consists of four members. This Board comprises 50% female and 50% male members and therefore meets the target.

NN Bank's Management Team consists of its three statutory Management Board members, the CTO and six other senior management positions. Comprising seven females and three males, women held 70% of NN Bank's Management Team positions, and men held 30%. The Management Team therefore does not meet the target as of 1 February 2023.

In future (re-)appointments of Board members and Management Team members, NN Bank will continue to consider all applicable laws and regulations and relevant selection criteria, including gender diversity targets.

We believe our company is strongest when we embrace the full spectrum of humanity. Regardless of what we look like, where we come from, or who we love. That is why NN Group, including NN Bank, takes a stand for diversity, inclusion and equal opportunities for all. When people inside of our company represent the people outside our company, we can be more responsive to what they expect, want and need, also in changing circumstances. After all, change is a constant factor in our lives, also in the financial sector.

More information can be found in the Diversity and Inclusion section of the 2023 NN Group Annual Report, and our NN Statement on Diversity and Inclusion.

External auditor

On 19 May 2022, the NN Group general meeting reappointed KPMG Accountants N.V. (KPMG) as the external auditor of NN Group for the financial years 2023 up to and including 2025. On 23 May 2022, the General Meeting reappointed KPMG as external auditor of NN Bank for the financial years 2022 up to and including 2025.

The external auditor attended the meetings of the Audit & Risk Committee of the Supervisory Board on 15 March and 24 August 2023.

More information on NN Group's policy on external auditor independence is available on the NN Group website (nn-group.com).

Legislation and regulations

NN Bank adheres to the legislation and regulations by which it is governed. For NN Bank, this includes:

(i) Conduct of business supervision regulations, such as MiFID II and MiFIR, EMIR, the Financial Supervision Act, Sustainable Finance Disclosure Regulation, the (Anti-) Money Laundering and Terrorist Financing (Prevention) Act and Sanction laws, Payment Services Directive 2 (PSD2), Mortgage Credit Directive, Credit Consumer Directive;

(ii) Prudential regulations, such as the Capital Requirements Directive/ Capital Requirements Regulation, Basel III;

(iii) Other regulations, such as the Dutch Civil Code, the General Data Protection Regulation, the Telecommunications Act, Trade name act and Trade register act, Taxonomy Regulation and the further regulation based on these legislations.

As a member of the Nederlandse Vereniging van Banken (Dutch Banking Association, [NVB]), NN Bank also upholds the NVB Code of Conduct and decisions that are binding for its members, as well as the Codes of Conduct generally applicable to the banking sector, such as the Banking Code, the Code of Conduct for Financial Institutions on the Processing of Personal Data, the Code of Conduct for Consumer Lending and the Code of Conduct for Mortgage Loans.

Banking Code

NN Bank has implemented the Banking Code and applies it. The Code helps to increase awareness of the role of banks and their responsibilities towards society. NN Bank devotes a great deal of attention to the Code in the Bank's operations, risk management and in its dealings with customers and other stakeholders.
The Code can be downloaded from the Dutch Banking Association's website (nvb.nl). NN Bank publishes its full report regarding the 'Application of the Banking Code' on the Nationale-Nederlanden website (nn.nl).

Remuneration policy

As a subsidiary of NN Group, NN Bank falls within the scope of the NN Group Remuneration Framework.

NN Group's remuneration policies take into account all applicable regulations and codes, including the Banking Code. The NN Group Remuneration Framework strikes a balance between the interests of its customers, employees, shareholders and society at large. The NN Group Remuneration Framework supports NN Group's overall ambition to be an industry leader, known for our customer engagement, talented people and contribution to society.

The general principles underpinning the NN Group Remuneration Framework are (amongst others) as follows:

- Support the attraction, motivation and retention of employees, while being compliant with applicable legislation and with the aim of applying best practices within the financial industry
- Take into account NN Group's business strategy, objectives, its role in society, values and risk appetite, as well as sustainable long-term value creation for all stakeholders
- Be mindful of the financial sector's role in society
- Support NN Group's overall ambition to be an industry leader, focusing on customer engagement, attraction and retention of talent, and making a contribution to society.
- Contribute to an inclusive working environment by ensuring equal opportunities, equal working conditions and equal pay for equal work
- Promote robust and effective risk management, including management of sustainability risks (such as environment, society, governance and employee-related matters) and the integration thereof in the risk management system and procedures. It supports balanced risk-taking, sustainable long-term value creation and the protection of a sound capital base. This will, amongst others, be supported by performance objective-setting processes.
- Avoid improper treatment of customers and employees
- Comply with legislation as applicable to NN Group from time to time, apply best practices in the industry and act in the spirit of (inter)national regulations and guidance on remuneration

The limited variable remuneration remaining is predominantly linked to strategic targets.

NN Group's Code of Conduct

All individual NN Group employees are obliged to observe NN Group's Code of Conduct and the NN statement of Living our Values. NN Group, and therefore NN Bank, expects exemplary behaviour from its entire staff, irrespective of their job function. Effective business contacts, both within and outside NN Group, should be based on honesty, integrity and fairness. NN Group's Code of Conduct also includes a whistle-blower procedure, which ensures anonymity when reporting irregularities, albeit violations of laws and regulations.

Risk management organisation

In line with NN Group, the Three Lines of Defence model, on which NN Bank's risk management structure and governance are based, defines three risk management levels. Each line has distinct roles, decision authorities, execution responsibilities and oversight responsibilities. This framework ensures that risk is managed in line with NN Bank's risk appetite as defined by the Management Board and ratified by the Supervisory Board, and that NN Bank's risk appetite is consistent with that of NN Group.

The First Line of Defence is formed by NN Bank Business Management and has primary accountability for the performance of the business, operations, compliance and effective control of risks affecting NN Bank's business. The Second Line of Defence consists of oversight functions, with a major role for the risk management organisation and the legal and compliance functions. The CRO steers a functional independent risk organisation, which supports the commercial departments in their decision-making, but which also has sufficient countervailing power to prevent risk concentrations and other forms of unwanted or excessive risk. The Third Line of Defence is provided by Corporate Audit Services (CAS) and offers an independent assessment of the standard of internal control with respect to NN Bank's business and support processes, including governance, risk management and internal controls.

NN Bank is exposed to various financial and non-financial risks. For a more detailed description of these risks and the way in which they are managed, reference is made to Note 39 'Risk management'.

Risk Appetite Framework

The Risk Appetite Framework consists of the overall NN Bank Risk Appetite Statement (RAS), the Risk Appetite Statements for credit risk, market risk and non-financial risk derived from the overall statement, and the underlying limits framework per risk category. The overall RAS states the degree of risk that NN Bank is prepared to accept in all risk categories, given its proposed activities in pursuit of its objectives.

The Risk Appetite Framework consists of qualitative and quantitative statements as to risk preferences, risk tolerances, risk limits and risk controls. The RAS and the underlying limits frameworks are based on the annual Internal Capital and Liquidity Adequacy Assessment Processes, and on the business plan in force, including capital and funding plans. The RAS provides constraints for the business plan. NN Bank's risk committees monitor usage of the risk limits per risk category.

Within the Management Board, the CRO is responsible for drawing up an RAS proposal in close consultation with the CFO. The risk management organisation, including the compliance function, assists the CRO, including providing analyses of the current risk positions and risk tolerances. The Management Board and Supervisory Board approve the proposed risk appetite as part of the input for the annual business plan.

Internal capital and liquidity adequacy

In terms of capital and liquidity, De Nederlandsche Bank (Dutch Central Bank, [DNB]) requires an annual internal evaluation to determine whether the capital and liquidity position and risk management is sufficient, given NN Bank's operations now and in the near future, including stress testing. This internal evaluation is performed using an Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP). The ICLAAP and Supervisory Review & Evaluation Process (SREP) show that NN Bank has a robust capital and liquidity position.

Financial reporting process

As NN Bank is part of NN Group, the policies and procedures for establishing and maintaining adequate internal control over financial reporting are similar to those that NN Group applies for its Consolidated financial statements.

Internal control over financial reporting is a process designed under the supervision of the CFO, to provide reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of NN Bank's assets
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that NN Bank's receipts and expenditures are handled only in accordance with authorisation of its management and directors
- Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the assets that could have a material effect on NN Bank's financial statements

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Loan Loss Provisioning (LLP) process

At NN Bank, Loan Loss Provisioning (LLP) is a quarterly process, carefully executed and well monitored and controlled. This process encompasses the following key phases:

- Identification: assets that, based upon the IFRS business model test, require the determination of a Loan Loss Provision are selected for further processing
- Determination of significant increase of credit risk (SICR) and provisions: NN Bank's credit risk exposure models are used to calculate the level of 12-month Expected Loss (for Stage 1) and the Lifetime Expected Loss (for Stage 2 and Stage 3 exposures), as well as the provision for Purchased Other Credit Impaired (POCI) assets. The LLP is the sum of Stage 1, 2, 3 and POCI provisions
- Approval: The NN Bank Impairment and Provisioning Committee (IPC) reviews the figures for approval
- Reporting: The figures are booked in the NN Bank General Ledger and used for internal and external reporting (e.g., DNB)

The Hague, 27 March 2024

The Management Board

Report of the Supervisory Board

Duties

The Supervisory Board is responsible for supervising and advising the Management Board on its conduct and general management of the business, as well as on NN Bank's strategy, also within the context of NN Group's strategy. Supervisory Board approval is required for important business-related decisions, such as strategic decisions, transfer of a significant part of the business, entering or terminating a long-term partnership, major participations and investments, and the termination of employment of many employees.

Meetings

In 2023, NN Bank's Supervisory Board convened six times and its Audit & Risk Committee convened three times. Important items on the Supervisory Board's agenda were the full-year and half-year results, the progress on implementation of NN Bank's strategy and its strategic programmes, the Bank's Internal Capital Adequacy Assessment (ICAAP) and Internal Liquidity Adequacy Assessment (ILAAP) submission, risk appetite, balance sheet transactions, the Business, Capital, Funding and Recovery Plans and the strengthening of the internal organisation. In addition, in the context of its permanent education session, the Supervisory Board performed a deep dive into the Bank's Recovery Plan and discussed with the Management Board the functioning of the external auditor and its independence.

Risk

At each regular meeting of the Supervisory Board, the Bank's key risk and position reports were discussed and monitored against the Risk Appetite Statements (RAS), as well as the required actions. The Supervisory Board also approved NN Bank's RAS and ICAAP/ ILAAP submissions.

Committees

The primary purpose of the Audit & Risk Committee is to provide oversight of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations. An Audit & Risk Committee removes the inherent difficulty of the Supervisory Board acting as both a mentor and an assurer. Both roles are integral to a healthy risk management culture. It provides the auditor with an independent point of reference. To facilitate the Supervisory Board's decision-making, the Audit & Risk Committee reports to the Supervisory Board and provides appropriate advice and recommendations on matters related to NN Bank's corporate reporting processes, risk management and compliance framework.

In 2023, the Audit & Risk Committee, which is composed of two members of the Supervisory Board, met three times. The Bank's Management Board, Internal Audit (CAS) and the external auditor attended these meetings. The Audit & Risk Committee discussed in depth and monitored the key risk topics covering all risk types, including the functioning of the Bank's internal governance, its risk framework, the functioning of the Second Line of Defence, CSRD and its IT Security. The internal and external audit plans were approved and monitored, and the progress made in the resolution of audit issues, including IT, was discussed. The Non-Financial Risk Management Plan, FEC, Compliance, including the Compliance Operational Plan, and Legal Risks passed in review, as well. Furthermore, the committee discussed key financials, financial reporting, reports of specific audits by internal auditors and the external auditor, and reports from DNB and AFM.

Functioning of the Management Board

In 2023, the Supervisory Board performed its annual, mandatory self-assessment, supported by an external party. This assessment was combined with an assessment of the Bank's Management Board. It was observed that the Supervisory Board and Management Board created an environment and corporate culture that fosters sound decision making. The Supervisory Board concluded that the Bank's Management Board was capable and effective. It met the Supervisory Board's expectations to the fullest.

Composition of the Management Board

On 1 January 2023, the Bank's CFO, Mr Kees van Kalveen, resigned. As of 1 February 2023, Mrs Nadine van der Meulen, was appointed as the Bank's new CFO.

Please refer to page 3 of this Annual Report for the current composition.

Composition of the Supervisory Board

Members of the Supervisory Board are selected based on a profile that includes the required professional background, education, international experience, skills, diversity and independence. The composition of the Supervisory Board is such that its members can perform their duties properly because of an appropriate mix of experience and expertise.

The composition of the NN Bank Supervisory Board did not change in 2023.

Please refer to page 3 of this Annual Report for the current composition.

Annual Report and dividend

The Management Board has prepared the Annual Report and discussed it with the Supervisory Board. The Annual Report will be submitted for adoption at the 2024 annual General Meeting. NN Bank will propose a final dividend over 2023 of EUR 44 million.

Appreciation for the Management Board and NN Bank's employees

Finally, the Supervisory Board would like to express its gratitude to the Management Board and to all other colleagues for their hard work, personal dedication and ongoing commitment, as well as for their achievements in 2023, especially in view of the continuing challenges that current times create.

The Hague, 27 March 2024

The Supervisory Board

Conformity statement

The Management Board is required to prepare the Annual accounts and the Report of the Management Board of Nationale-Nederlanden Bank N.V. for each financial year, in accordance with applicable Dutch law and those International Financial Reporting Standards that were endorsed by the European Union (IFRS-EU).

Conformity statement pursuant to section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act (Wet op het financieel toezicht)

The Management Board is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, and for making judgements and estimates that are prudent and reasonable. It is also responsible for establishing and maintaining internal procedures that ensure that all major financial information is known to the Management Board, so that the timeliness, completeness and correctness of the external financial reporting are assured.

As required by section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act, each of the signatories hereby confirms that to the best of his knowledge:

- The Nationale-Nederlanden Bank N.V. 2023 Annual accounts, as referred to in section 2:361 of the Dutch Civil Code including the relevant additional information as referred to in section 2:392 paragraph 1 of the Dutch Civil Code, give a true and fair view of the assets, liabilities, financial position and profit or loss of Nationale-Nederlanden Bank N.V. and the entities included in the consolidation taken as a whole
- The Nationale-Nederlanden Bank N.V. 2023 Report of the Management Board, as referred to in section 2:391 of the Dutch Civil Code, gives a true and fair view of the position at the balance sheet date, and the development and performance of the business during the financial year 2023 of Nationale-Nederlanden Bank N.V. and the entities included in the consolidation taken as a whole, together with a description of the principal risks Nationale-Nederlanden Bank N.V. is confronted with
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a going-concern basis
- The Nationale-Nederlanden Bank N.V. 2023 Report of the Management Board includes those material risks and uncertainties that are relevant to the expectation of Nationale-Nederlanden Bank N.V.'s continuity for the period of 12 months after the preparation of the report

The Hague, 27 March 2024

The Management Board
A.J.M. (Marcel) Zuidam, CEO and chair
N.A.M. (Nadine) van der Meulen, CFO
P.C.A.M. (Pieter) Emmen, CRO

Annual accounts

Consolidated annual accounts

Consolidated statement of financial position

Amounts in thousands of euros, unless stated otherwise

Consolidated statement of financial position

	notes	2023	2022
Assets			
Cash and balances at central banks	2	2,155,834	2,182,806
Amounts due from banks	3	260,317	350,037
Financial assets at fair value through profit or loss:			
– non-trading derivatives	4	39,098	45,473
Investment securities	5	900,827	1,023,654
Loans*	6	21,524,697	20,309,174
Intangible assets	7	23,180	27,186
Assets held for sale	8	40,388	0
Deferred tax assets	25	169	2,998
Other assets*	9	260,533	218,814
Total assets		**25,205,043**	**24,160,142**
Liabilities			
Amounts due to banks	10	0	245,000
Customer deposits and other funds on deposit	11	16,464,651	16,227,542
Other borrowed funds	12	305,000	318,000
Other liabilities	13	99,650	90,345
Provisions	14	11,357	27,394
Debt securities issued	15	7,083,011	6,125,471
Subordinated debt	16	85,000	85,000
Total liabilities		**24,048,669**	**23,118,752**
Equity			
Shareholders' equity		1,156,374	1,041,390
Total equity	17	**1,156,374**	**1,041,390**
Total equity and liabilities		**25,205,043**	**24,160,142**

* The comparative figures changed. Reference is made to Note 6 ‘Loans’.

References relate to the notes starting on page 56. These form an integral part of the Consolidated annual accounts.

Consolidated statement of profit or loss

Amounts in thousands of euros, unless stated otherwise

Consolidated statement of profit or loss

	notes		2023		2022
Interest income		1,072,330		585,771	
Interest expenses		666,074		329,257	
Net Interest income	18		406,256		256,514
Gains and losses on financial transactions and other income	19		-7,259		-625
– fee and commission income		83,007		112,748	
– fee and commission expenses		18,172		14,652	
Net fee and commission income	20		64,835		98,096
Valuation results on non-trading derivatives	21		-22,128		12,589
Total income			**441,704**		**366,574**
Impairment charges on financial instruments			-5,025		-804
Staff expenses	22		156,139		140,442
Regulatory levies	23		18,213		26,828
Other operating expenses	24		101,067		90,185
Total expenses			**270,394**		**256,651**
Result before tax			**171,310**		**109,923**
Taxation	25		44,224		28,380
Net result			**127,086**		**81,543**
Attributable to:					
Shareholder of the parent			127,086		81,543

Consolidated statement of comprehensive income

Amounts in thousands of euros, unless stated otherwise

Consolidated statement of comprehensive income

		2023		2022
Net result		**127,086**		**81,543**
– unrealised revaluations on investment securities at fair value through other comprehensive income	26,548		-55,250	
– macro fair value hedge accounting effect on investment securities at fair value through other comprehensive income transferred to the statement of profit or loss	-18,749		31,991	
Items that may be reclassified subsequently to the statement of profit or loss		7,799		-23,259
Total other comprehensive income		**7,799**		**-23,259**
Total comprehensive income		**134,885**		**58,284**
Comprehensive income attributable to:				
Shareholder of the parent		134,885		58,284
Total comprehensive income		**134,885**		**58,284**

Consolidated statement of changes in equity

Amounts in thousands of euros, unless stated otherwise

Consolidated statement of changes in equity (2023)

	Share capital	Share premium	Reserves	Total equity
Equity - 1 January 2023	**10,000**	**481,000**	**550,390**	**1,041,390**
Unrealised revaluations on investment securities at fair value through other comprehensive income	0	0	26,548	26,548
Macro fair value hedge accounting effect on investment securities at fair value through other comprehensive income transferred to the statement of profit or loss	0	0	-18,749	-18,749
Total amount recognised directly in equity (Other comprehensive income)	**0**	**0**	**7,799**	**7,799**
Net result	**0**	**0**	**127,086**	**127,086**
Total comprehensive income	**0**	**0**	**134,885**	**134,885**
Dividend paid	0	0	-20,000	-20,000
Change in employee share plans	0	0	99	99
Other	0	0	0	0
Equity - 31 December 2023	**10,000**	**481,000**	**665,374**	**1,156,374**

Consolidated statement of changes in equity (2022)

	Share capital	Share premium	Reserves	Total equity
Equity - 1 January 2022	**10,000**	**481,000**	**603,639**	**1,094,639**
Unrealised revaluations on investment securities at fair value through other comprehensive income	0	0	-55,250	-55,250
Macro fair value hedge accounting effect on investment securities at fair value through other comprehensive income transferred to the statement of profit or loss	0	0	31,991	31,991
Total amount recognised directly in equity (Other comprehensive income)	**0**	**0**	**-23,259**	**-23,259**
Net result	0	0	81,543	81,543
Total comprehensive income	**0**	**0**	**58,284**	**58,284**
Dividend paid	0	0	-111,600	-111,600
Change in employee share plans	0	0	73	73
Other	0	0	6	6
Equity - 31 December 2022	**10,000**	**481,000**	**550,390**	**1,041,390**

Consolidated statement of cash flows

Amounts in thousands of euros, unless stated otherwise

Consolidated statement of cash flows

	notes	2023	2022
Result before tax		171,310	109,923
Adjusted for:			
– amortisation and disposals of intangible assets	7	8,449	3,366
– amortisation of mortgage premium	6	16,180	29,607
– amortisation premium investment securities	5	7,097	9,477
– modifications	6	-1,018	-1,707
– net impairment charges on financial instruments		-5,025	-804
– fair value change on hedged items	6	-338,330	1,435,596
– fair value change on assets held for sale	8	7,179	0
– increase (decrease) deferred tax	25	117	-3,053
– change in employee share plans	17	99	73
– other		0	-6
Taxation paid		-51,971	-17,435
Changes in:			
– amounts due to banks	10	-245,000	245,000
– non-trading derivatives	4/27	6,375	-49,691
– loans*	6	-683,329	-1,060,937
– other assets*	9	-89,285	20,864
– customer deposits and other funds on deposit	11	237,109	323,395
– net addition to provisions	14	2,873	6,929
– other liabilities	13	-1,857	-1,903
Net cash flow from operating activities		**-959,027**	**1,048,694**
Investments and advances:			
– investment securities	5	-6,499	-17,094
– intangible assets	7	-4,443	-6,862
Disposals and redemptions:			
– investment securities	5	158,015	180,962
Net cash flow from investing activities		**147,073**	**157,006**
Proceeds from issuance of subordinated debt	16	0	15,000
Repayments of subordinated debt	16	0	-15,000
Proceeds from issuance of debt securities	15	1,496,807	504,197
Repayments of debt securities	15	-768,545	-338,201
Proceeds from other borrowed funds	12	305,000	543,000
Repayments of other borrowed funds	12	-318,000	-863,000
Dividend paid	17	-20,000	-111,600
Net cash flow from financing activities		**695,262**	**-265,604**
Net cash flow		**-116,692**	**940,096**

* The comparative figures changed. Reference is made to Note 6 ‘Loans’.

Interest included in net cash flow from operating activities

	2023	2022
Interest received	1,068,082	584,329
Interest paid	-537,737	-329,317
Interest received and paid	**530,345**	**255,012**

Cash and cash equivalents

	2023	2022
Cash and cash equivalents at beginning of the period	2,532,843	1,592,747
Net cash flow	-116,692	940,096
Cash and cash equivalents at end of the period	**2,416,151**	**2,532,843**

	2023	2022
Cash and balances at central banks	2,155,834	2,182,806
Amounts due from banks	260,317	350,037
Cash and cash equivalents at end of the period	**2,416,151**	**2,532,843**

Notes to the Consolidated annual accounts

Amounts in thousands of euros, unless stated otherwise

Nationale-Nederlanden Bank N.V. (NN Bank) is a public limited liability company (*naamloze vennootschap*) incorporated under Dutch law. NN Bank has its official seat and its office address in The Hague, the Netherlands. NN Bank is recorded in the Commercial Register, no. 52605884. Amounts in the annual accounts are in thousands of euros, unless stated otherwise.

NN Bank's principal activities are providing retail customers with mortgage loans, (online) savings, bank annuities, bancassurance, consumer lending and retail investment products. In addition, NN Bank provides mortgage administration and management services to Nationale-Nederlanden Levensverzekering Maatschappij N.V. (NN Life), Nationale-Nederlanden Schadeverzekering Maatschappij N.V. (NN Non-life), NN Insurance Belgium N.V. (NN Belgium) and other third parties.

1 Accounting policies

NN Bank prepares its Consolidated annual accounts in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS-EU) and Part 9 of Book 2 of the Dutch Civil Code. In the Consolidated annual accounts, the term IFRS-EU is used to refer to these standards, including the decisions NN Bank made with regard to the options available under IFRS-EU. NN Bank applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU 'carve-out' of IFRS-EU.

NN Bank's accounting policies under IFRS-EU, and its decisions on the options available, are included below. The principles are IFRS-EU and do not include other significant accounting policy choices made by NN Bank. The accounting policies that are most material to NN Bank are included in the section 'Material accounting policies and estimates'.

The preparation of the Consolidated annual accounts requires the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities at the balance sheet date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

The presentation of, and certain terms used in, the Consolidated statement of financial position, Consolidated statement of profit or loss, Consolidated statement of comprehensive income, Consolidated statement of cash flows, Consolidated statement of changes in equity and the Notes were changed to provide additional and more relevant information or (for changes in comparative information) to better align with the current period presentation. The impact of these changes is explained in the respective notes, when significant.

Upcoming changes in IFRS-EU

There are no upcoming changes in IFRS-EU that were issued by the IASB, that are effective after 2023 and are material to NN Bank.

Changes in accounting policies

Except as described below, no changes to IFRS-EU became effective that had any impact on the NN Bank annual accounts.

IFRS 17 'Insurance Contracts' was issued in 2017 and revised in 2020. IFRS 17 covers the recognition and measurement, presentation and disclosure of insurance contracts and replaces the current IFRS 4. IFRS 17 is endorsed in the EU and is effective as of 1 January 2023. The implementation of IFRS 17 did not have a significant impact on shareholder's equity at that date and did not impact NN Bank's net result. It did not have a significant impact on the operating and regulatory ratios.

Other changes in IFRS effective in 2023

The following amendments to IFRS became effective in the current reporting period with no significant impact for NN Bank:

- Amendments to IAS 1 'Presentation of Financial Statements': Disclosure of Accounting Policies.
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': Definition of Accounting Estimates.
- Amendments to IAS 12 'Income Taxes': International Tax Reform – Pillar Two Model Rules and Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction.

Material accounting policies and estimates

NN Bank has identified the accounting policies that are most material to its business operations and to the understanding of its results. These material accounting policies are those that involve the most complex or subjective judgements and assumptions, and relate to impairments and the determination of the fair value of financial assets and liabilities. In each case, the determination of these items is fundamental to the financial condition and results of operations, and requires management to make complex judgements based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgements as to future events and are subject to change, as the use of different assumptions could produce materially different results. All valuation techniques used are subject to internal review and approval. For further details on the application of these accounting policies, reference is made to the applicable notes in the Consolidated annual accounts and the information below.

Reference is made to Note 39 'Risk management' for a sensitivity analysis of certain assumptions as listed below.

Impairments

IFRS 9 contains multiple impairment models for different portfolios. These are applied to all financial assets measured at amortised cost and at fair value through 'Other comprehensive income' (Equity). The expected-loss impairment model requires at balance sheet date accounting for expected credit losses within the 12 months following the time when financial instruments are first recognised, and recognising full lifetime expected losses in case of a significant increase in credit risk. For further details on the accounting policy pertaining to this estimate, reference is made to 'General accounting policies' under the heading 'Impairment'.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is based on unadjusted quoted market prices at the balance sheet date, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. When an exchange price is not available, market prices may be obtained from independent market vendors, brokers or market-makers. In general, positions are valued taking the bid price for a long position and the offer price for a short position. In some cases, positions are marked at mid-market prices. For further details on the accounting policy pertaining to this estimate, reference is made to 'General accounting policies' under the heading 'Fair value of financial assets and liabilities'.

General accounting policies

Consolidation

NN Bank comprises Nationale-Nederlanden Bank N.V. and all its subsidiaries. The Consolidated annual accounts of NN Bank comprise the accounts of Nationale-Nederlanden Bank N.V. and all entities over which NN Bank has control. NN Bank has control over an entity when NN Bank has existing rights that give it the ability to direct the relevant activities, and is exposed to, or has rights to, variable returns from its involvement with the entity. NN Bank has the ability to affect those returns through its power over the entity. The assessment of control is based on the substance of the relationship between NN Bank and the entity, and considers existing and potential voting rights that are substantive. For a right to be substantive, the holder must have the practical ability to exercise that right.

NN Bank's activities involve transactions with structured entities in the normal course of business. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in determining who controls the entity. For example, when any voting rights relate only to administrative tasks and the relevant activities are directed by means of contractual arrangements. NN Bank uses structured entities for its Covered Bond Programme. In the past, the Bank has used structured entities for residential mortgage securitisation transactions. NN Bank consolidates these entities in its financial statements on the basis of the economic relationship between NN Bank and the structured entities, as NN Bank has the power to control those entities.

For interests in investment entities, the existence of control is determined while taking into account both NN Bank's financial interests for its own risk and in its role of managing mortgage assets.

The net result of the operations and the net assets of subsidiaries are included in the statement of profit or loss and the statement of financial position from the date control is obtained until the date control is lost. On disposal, the difference between the sales proceeds, net of directly attributable transaction costs and the net assets, is included in 'Net result'.

All intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Where necessary, the accounting policies used by subsidiaries are changed to ensure consistency with NN Bank policies. The reporting dates of subsidiaries are the same as NN Bank's reporting date.

A list of principal subsidiaries is included in Note 34 'Principal subsidiaries'.

Foreign currency translation

Functional and presentation currency

The Consolidated annual accounts are presented in euros, which is NN Bank's functional and presentation currency.

Transactions and balances
NN Bank does not conduct transactions in foreign currencies.

Recognition and derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired, or when NN Bank has transferred substantially all risks and rewards of ownership. If NN Bank neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset.

Financial assets are generally (de)recognised at trade date, which is the date on which NN Bank commits to purchasing or selling the asset. Settlement date accounting is generally applied for financial liabilities. Loans and receivables are recognised at settlement date, which is the date on which NN Bank receives or delivers the asset.

Realised gains and losses on investments are determined as the difference between the sales proceeds and (amortised) cost. For debt securities, the cost is determined by specific identification, generally First In, First Out (FIFO).

Classification and measurement financial assets

IFRS 9 contains a classification and measurement approach for financial assets that reflect the business model in which assets are managed, as well as their cash flow characteristics. Financial assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less any impairment losses. Transaction costs (including qualifying fees and commissions) are part of the amortised cost. Subsequent measurement of financial assets depends on the classification, driven by cash flow characteristics and the business model in which an asset is held. The standard contains three principal classification categories for financial assets: measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost only if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any impairment losses.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

The investment securities portfolio is divided in two sub-portfolios. The objective of the ‘hold-to-collect’ sub-portfolio is to hold and maintain critical mass in high-quality liquid assets in order to meet liquidity and capital needs. This portfolio is measured at amortised cost. The other sub-portfolio is measured at fair value through ‘Other comprehensive income (FVOCI)’, since the objectives are both ‘hold-to-collect’ and selling investment securities.

Financial liabilities are initially recognised at fair value incurred and are subsequently measured at amortised cost. Any difference between the proceeds (transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the financial liability using the effective interest method.

Impairments of financial assets

Measurement of expected credit losses (ECL)
The recognition and measurement of impairments under IFRS 9 is forward-looking. The IFRS 9 impairment requirements apply to all financial assets measured at amortised cost and at fair value through ‘Other comprehensive income’ (Equity). Initially, a provision is required for credit losses expected within the next 12 months. This is referred to as ‘Stage 1’. If there is a significant increase in credit risk between the moment of origination and the reporting date, but the exposure is not in default, the exposure is in ‘Stage 2’. If the exposure is in default, this is referred to as ‘Stage 3’. For both ‘Stage 2’ and ‘Stage 3’, a provision is required for expected credit losses over the remaining lifetime of the financial asset.

The lifetime expected credit losses are calculated based on different macro-economic scenarios (up, neutral, down) with individual weights for the probability that these scenarios will occur. Those weights are influenced by the macro-economic outlook. The outlook is highly uncertain due to the war in Ukraine, high levels of inflation, and the subsequent interest rate hikes and drop in house prices. Due to this uncertainty, the weight of the macro-economic down scenario is set to 40%. The neutral and up scenario are weighted 50% and 10%, respectively.

Inputs into measurement of expected credit losses

NN Bank uses the following components to calculate the expected credit losses:

- Probability of Default (PD): the statistically determined likelihood that a customer will experience a default event over a 12-month horizon. This probability is modelled over a time horizon that encompasses a full economic cycle, i.e., Through-The-Cycle (TTC).
- Exposure at Default (EAD): the expected exposure amount in the case of default
- Loss Given Default (LGD): the percentage of the EAD that is expected to result in a loss, taking into account the potential that the defaulted customer will be able to cure, and the potential proceeds of primary and/or secondary collateral. As with PD, LGD is determined on a TTC basis.

In the IFRS 9 model, these components are transformed from TTC for regulatory purposes to Point in Time (PIT) for accounting purposes, in order to present the current state of the economy. TTC PD represents the credit worthiness of a customer in an average economy, while the PIT PD represents the credit worthiness of a customer in the economy at a certain point in time. The further modelling is clarified in the paragraph below.

Definition of default

The Capital Requirements Regulation (CRR) refers to ‘default’, while IFRS refers to ‘credit-impaired’ with potential differences between these two concepts. In addition, the European Banking Authority (EBA) often refer to ‘Non-performing exposures’ (NPE). In order to align definitions, NN Bank has implemented these three definitions in exactly the same way. A customer at NN Bank is credit-impaired, non-performing and in default if:

- The customer is more than 90 days past due, or
- The customer was in default the previous month, and the minimum holding period (MHP) is active, or
- The customer is deemed to be unlikely to pay

The Days Past Due (DPD) counter is based upon the EBA’s Regulatory Technical Standards on the materiality threshold for credit obligations past due under Article 178 of Regulation (EU) No 575/2013’ as well as the EBA Q&A. The DPD counter is based on the number of days between the reporting period and the date the arrears amount breached the threshold.

The conclusion of NN Bank is that DPD is calculated differently for two purposes:

- For the default classification, the Days Past Due counter starts counting when the arrears amount is greater than or equal to EUR 100 and the arrears amount is greater than 1% of the carrying value
- For all other purposes, the Days Past Due counter starts on the first day after any amount that is greater than or equal to EUR 100 has not been paid

The amount past due is calculated on a First In, First Out (FIFO) basis. This means that if a customer misses one payment and continues with regular and full payments of single monthly terms, it is assumed that the last payment is used to catch up on the delinquent amount. The calculation of the amount past due includes missed payments on secondary collateral, such as pledged savings or insurance policies.

The main criterion for lifting the default status will be that no arrears greater than EUR 250 occurred during the MHP. For defaulted customers that are classified as ‘distressed restructuring’, the MHP is 12 months. For all other defaulted customers, the MHP is 3 months.

Write-offs

A loan or part of the loan is written off when the Problem Loans department assesses that recovery is highly improbable. As a result of the write-off, the loan or part of the loan is derecognised, and the provision is released. The claim on the client continues to exist after the write-off. Based on the client’s situation, an agreement is made to repay the residual debt. Any inflows on the residual debt are reported as recoveries.

Purchased or Originated Credit-Impaired (POCI) assets

POCI assets are financial assets that are credit-impaired on initial recognition and stem from mortgage portfolio transfers from ING Bank. Impairment on a POCI asset is determined based on lifetime ‘expected credit loss’ (ECL) from initial recognition. POCI assets are recognised initially at an amount net of impairments and are measured at amortised cost using a credit-adjusted effective interest rate. In subsequent periods, any changes to the estimated lifetime ECL are recognised in the statement of profit or loss. Favourable changes are recognised as an impairment gain if the lifetime ECL at the reporting date is lower than the estimated lifetime ECL at acquisition of the asset.

Credit risk grades

The PD model for mortgages consists of two sub-models, a model for customers without payment arrears and a model for delinquent customers. All PDs are mapped to a Master Rating Scale.

Determination significant increase of credit risk

For IFRS 9, a lifetime expected loss needs to be calculated for Stage 2 and 3 loans. Credit-impaired loans are placed in Stage 3. A loan will be placed in Stage 2 if a Significant Increase in Credit Risk (SICR) has been observed. A threshold is set for this significant increase. To determine whether a significant increase in credit risk has occurred, two lifetime PDs are calculated:

- Lifetime PD at reporting date
- Lifetime PD determined at initial recognition with a horizon from reporting date to maturity date

For these lifetime PDs, a relative threshold of 50% and an absolute threshold of 5% are determined. Both the absolute and relative differences are monitored. When both thresholds are breached, the loan is placed in Stage 2.

In addition, the following backstops exist:

- Loans that are >30 days past due, or
- Forborne performing customers, or
- Bridge loans that are active for longer than the contractually agreed time (> 2 years), or
- Loans that have an interest-only portion above 70% and have either:
  - an LTV above 100%, or
  - an LTV above 80% and the loan is within five years from maturity or the borrower is within five years of retirement

Mortgage offers are assumed to always have a low credit risk profile, without the possibility to experience a significant increase in credit risk. Therefore, only a 12-month ECL is calculated for mortgage offers.

Term structure of default probabilities

An important methodological component is the determination of the lifetime PD. For the mortgage portfolio, NN Bank uses migration matrices to create PD forecasts. Migration matrices are matrices that show migration probabilities. At NN Bank, migration matrices are constructed based on the rating changes in a 12-month period. These 12-month migration matrices are referred to as ‘PIT migration matrices’. Using historical rating observations of customers, NN Bank is able to create a time series of historical Point in Time (PIT) migration matrices.

NN Bank links historically observed migration matrices to macro-economic factors. Subsequently, NN Bank forecasts the development of macro-economic factors. Thereafter, using the historically observed relationship between the macro-economic factors and migration matrices, and the forecasted macro-economic factors, NN Bank is able to forecast migration matrices. The first forecasted migration matrix contains the forecasted 12-month PDs. By multiplying consecutive migration matrices, lifetime PD estimates are obtained. Finally, the forecasted migration matrices can be used to calculate marginal PD forecasts. These marginal PDs are the PDs that serve as input in the IFRS 9 mortgage ECL model.

Forward-looking information

IFRS 9 adjusted input parameters are estimated over the remaining lifetime of the asset. A macro-economic forecast is used to estimate the future development of PD and LGD. The following macro-economic time series are taken into consideration:

- Unemployment rate (PD model of mortgages as well as consumer lending)
- Gross Domestic Product (LGD model of consumer lending)
- Housing price index (LGD model of mortgages)

Unemployment rate

The unemployment rate is defined as the unemployed labour force as a percentage of the total labour force. NN Bank has chosen to follow Central Bureau of Statistics (CBS) figures. The unemployed labour force refers to persons without work who are actively searching for paid work and who are directly available to work. The labour force refers to persons willing to work at least twelve hours per week, and requires availability for the labour market within a period of three months.

Gross domestic product

Gross domestic product (GDP) expresses the size of an economy. The volume change of GDP during a reference period expresses the growth or shrinkage of the economy. NN Bank has chosen to follow the expenditure approach of GDP, as this definition is also used in the forecasts of, amongst others, CPB and DNB. In the expenditure approach, GDP is the sum of final uses of goods and services by resident institutional units (final consumption and gross capital formation), plus exports and minus imports of goods and services. The GDP growth refers to the relative change of GDP compared with the year before.

Housing prices

Calculation of the housing price index is based on the housing price index of existing homes. The housing price index of existing homes is based on the Kadaster (the Dutch land registry)'s registration of sales of homes in the Netherlands. The housing price index is corrected for various characteristics of the homes, such as size and location.

Consumer lending
NN Bank's consumer lending includes the following product types:

- Instalment Loans are consumer loans that repay to a fixed maturity date
- Second Mortgages are mortgages in which another financial institution holds the first charge. In the event of a forced sale, the owner of the first charge needs to be fully compensated first. Only mortgages with low Loan-To-Value ratios result in a (partial) compensation for the owner of the second mortgage. That is why the credit risk for these loans is comparable with loans without a cover (Instalment Loans and Revolving Loans) or lower as a result of the increasing house prices. Most second mortgages are interest-only loans; they do not have a maturity date.

The set of macro-economic factors used to calculate future PDs and LGDs is limited for consumer lending. Unemployment rate has been used to project PDs, and GDP has been used to project LGDs. The relationship between the macro-economic factors and PD and LGD has been estimated on the basis of historical correlations in combination with expert opinion. Rather than using migration matrices, the future values are derived on a marginal basis (e.g., PD curve).

Non-retail book
NN Bank applies a simple approach to calculate the ECL for its investments in bonds, securitisations and other similar publicly traded securities. In determining the level of sophistication of the selected approach, NN Bank considered entity factors (including credit quality, size, business model, complexity, cross-border activity, use of SA or IRB approach) and portfolio factors (including complexity, materiality and available data). Given these factors, NN Bank concluded that it is appropriate to use a simple approach to calculate ECLs for non-retail assets.

Following the investment mandate regarding Investment securities, only investment-grade assets are held in the non-retail portfolio. The assets in the non-retail portfolio always have a low credit risk, as a significant increase in credit risk would place these securities outside the investment mandate and are to be divested. Therefore, only a 12-month ECL is calculated for assets in the non-retail portfolio.

Loan loss provisions do not apply to derivatives. The rationale is that all interest rate swaps are cleared through a Qualified Central Clearing Party, through two separate clearing brokers. Over-collateralisation is taken into account, leading to a situation in which initial margins posted are no longer considered to be exposure. In addition, the total credit risk exposure has regulatory risk weight of 2%. Hence, the risk on this exposure is deemed to be very low.

Private banking portfolio
The private banking portfolio from the former Delta Lloyd Bank is a run-off portfolio with a small number of loans and marginal exposure. The calculation of lifetime expected losses is based on the same approach as regular mortgages.

Revenue from contracts with customers

NN Bank is in the business of originating mortgage loans and servicing mortgage loan portfolios for other NN Group companies, Goldman Sachs Dutch Residential Mortgage Fund and ING Bank. In addition, NN Bank is active in the business of servicing investment portfolios for retail customers. Revenue from contracts with customers is recognised when services are transferred to the customer at an amount that reflects the consideration NN Bank expects to be entitled in exchange for those services.

Revenue related to servicing mortgage loan and investment portfolios is recognised over time, since customers simultaneously receive and consume the benefits provided by NN Bank's performance of the services. The revenue of the services is a variable consideration, since the remuneration fluctuates based on the number of mortgages or investments serviced over a specified period. At the end of this period, when the invoice is issued, it is highly probable that any significant revenue reversal would not occur. The servicing fees are recognised as revenue at the end of the period and presented in the line item 'Service management fee' under 'Net fee and commission income'.

Revenue related to origination of mortgage loans is recognised as soon as the origination of mortgage loans has been completed. The criteria for over-time recognition are not met. The origination fees are presented in the line item 'Brokerage and advisory fees' under 'Net fee and commission income'.

In certain contracts, NN Bank is allocating the agreed transaction price to origination and servicing as performance obligations. In line with the Bank's allocation objectives, subsequent changes in the transaction price following behaviour in the underlying portfolio are assigned to servicing fees and recognised as 'Service management fee' or as a reduction of this fee.

Certain contracts regarding origination of mortgages contain a significant financing component, since the payment of the origination fee is done over the lifetime of mortgages, even though the performance obligation is satisfied at a point in time. The fee is split into a consideration for the origination service and a consideration for the financing service. In the statement of profit or loss, the fee for the financing service is presented under 'Interest income on loans' in Note 18 'Net interest income'.

NN Bank acts as an execution-only intermediary in NN Non-life retail insurance products. In this capacity, NN Bank is active in servicing and retaining retail customers and in the acquisition of new customers. Revenue related to servicing and retaining is recognised over time, since customers simultaneously receive and consume the benefits provided by NN Bank's performance of services. Revenue related to the acquisition of new customers is recognised at a point in time as soon as the acquisition has been completed. The criteria for over-time recognition are not met. The fees are presented under 'Net fee and commission income'.

Partial transfer of mortgage loans

NN Bank and related parties are involved in the issuance of savings mortgages. Initially, one party recognises the full savings mortgage loan. The customer saves the total amount to redeem the savings mortgage at maturity date at the other party. If the savings amount increases, consequently, the share of ownership of the savings mortgage by the other party increases. NN Bank has arrangements to transfer savings mortgage parts when mortgages are sold leading to the situation that mortgage and savings are at different parties. In certain arrangements, NN Bank receives the mortgage parts. In other arrangements, NN Bank transfers the mortgage parts. Transferred mortgage parts are recognised and derecognised at their nominal value. Following these arrangements, the changes are added or deducted from the amount of 'Loans'.

For the former Delta Lloyd Bank portfolio, these objectives are realised with help of sub-participation agreements. The mechanism is the same as described above, but the ownership is not transferred. NN Bank has a receivable when there are arrangements to transfer mortgage parts in an intercompany account, or NN Bank has a payable that represents the claim on related parties at the level of built-up savings premiums for the former Delta Lloyd Bank portfolio.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities with the same party are offset, and the net amount is reported in the statement of financial position, when NN Bank has a current, legally enforceable right to set off the recognised amounts and intends to either settle on a net basis, or to realise the asset and settle the liability at the same time.

Fair value of financial assets and liabilities

The fair values of financial assets and liabilities are based on unadjusted quoted market prices at the balance sheet date, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. The quoted market price used for financial assets held by NN Bank is the current bid price. The quoted market price used for financial liabilities is the current offer price. When an exchange price is not available, market prices may be obtained from external market vendors, brokers or market-makers. In general, positions are valued taking the bid price for a long position and the offer price for a short position. In some cases, positions are marked at mid-market prices. When markets are less liquid, there may be a range of prices for the same security from different price sources. Selecting the most appropriate price requires judgement and could result in different estimates of the fair value.

For certain financial assets and liabilities, quoted market prices are not available. For these financial assets and liabilities, fair value is determined using valuation techniques, based on market conditions existing at each balance sheet date. These valuation techniques range from discounting of cash flows to valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations and credit ratings) and customer behaviour are taken into account.

Valuation techniques are subjective in nature, and significant judgement is involved in establishing the fair value for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of the fair value.

Reference is made to Note 26 'Fair value of financial assets and liabilities' for the basis of determination of the fair value of financial assets and liabilities.

Maximum credit risk exposure

The maximum credit risk exposure for items in the statement of financial position is generally the carrying value, not considering any impairments or loan loss provisions, for the relevant financial assets. For the off-balance-sheet items, the maximum credit exposure is the maximum amount that could be required to be paid. Reference is made to Note 32 'Contingent liabilities and commitments' for these off-balance-sheet items. Collateral received is not taken into account when determining the maximum credit risk exposure. As a large part of the loans on NN Bank's statement of financial position consists of loans secured by mortgages, the actual credit exposure is significantly lower. The manner in which NN Bank manages credit risk and determines credit risk exposures is explained in Note 39 'Risk management'.

Leases

The accounting model for lessees is not applicable, since NN Bank has no significant contracts with group companies and external parties that qualify for lease accounting.

Taxation

NN Bank is part of the Dutch fiscal unity of NN Group for corporation tax purposes, making it jointly and severally liable for the total tax payable by the fiscal unity. The tax receivables and payables concern the receivables and payables to NN Group.

Income tax on the result for the year consists of current and deferred tax. Income tax is generally recognised in the statement of profit or loss but is recognised directly in equity if the tax relates to items that are recognised directly in equity.

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the statement of financial position. Deferred tax is determined using tax rates (and laws) applicable that have been enacted or substantively enacted at the balance sheet date, and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised when it is probable that future taxable profits will be available, against which the temporary differences can be used. Deferred tax is provided on temporary differences arising from investments in subsidiaries, except when the timing of the reversal of the temporary difference is controlled by NN Bank and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be used.

Offsetting deferred tax assets with deferred tax liabilities is allowed when there is a legally enforceable right to offset current tax assets against current tax liabilities together with the intention to do so and the deferred taxes relate to income taxes levied by the same taxation authority on the same entity or on the same fiscal unity.

Employee benefits

Defined contribution pension plans

For defined contribution plans, NN Bank pays contributions to the NN CDC Pensioenfonds and BeFrank on a contractual basis. NN Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as staff expenses in the statement of profit or loss when they are due.

Share-based payments

Share-based payment expenses are recognised as staff expenses over the vesting period. A corresponding increase in equity is recognised for equity-settled share-based payment transactions. The fair value of equity-settled share-based payment transactions is measured at the grant date. For cash-settled share-based payment transactions, a liability is recognised at fair value. This fair value is remeasured at every balance sheet date.

Interest income and expenses

Interest income and expenses are recognised in the statement of profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability, and of allocating the interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying value of the financial asset or financial liability. When calculating the effective interest rate, NN Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses. The calculation includes all fees and basis points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. In the event of a change in the interest rate during the fixed interest period (interest mediation), the gross carrying amount is adjusted, reflecting a revised estimate of receipts of cash flows in the original effective interest calculation including a receivable based on the estimated future penalty cash flows.

Once a financial asset, or a group of similar financial assets, has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income and expenses from non-trading derivatives are classified as interest income and interest expenses in the statement of profit or loss, except for interest income and expenses on derivatives for which no hedge accounting is applied. The latter is classified in ‘Valuation results on non-trading derivatives’, together with the changes in the (clean) fair value of these derivatives.

Statement of cash flows

The Consolidated statement of cash flows is prepared in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the result before tax is adjusted for those items in the statement of profit or loss, and changes in items in the statement of financial position, which do not result in actual cash flows during the year.

Cash and cash equivalents comprise balances with less than three months’ maturity from the date of acquisition. Investments qualify as ‘cash equivalent’ if they are readily convertible into a known amount of cash and are not subject to significant risk of changes in value.

The net cash flow shown in respect of ‘Loans’ relates only to transactions involving actual payments or receipts. The ‘Addition to loan loss provisions’, which is deducted from the item ‘Loans’ in the statement of financial position, has been adjusted accordingly from the ‘Result before tax’ and is shown separately in the statement of cash flows.

Accounting policies for specific items

Financial assets and liabilities at fair value through profit or loss (Notes 4 and 12)

A financial asset or liability is classified as at fair value through profit or loss if it is acquired principally for the purpose of selling in the short term or if designated by management as such. Management will make this designation only if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair-value basis. Transaction costs on initial recognition are expensed as incurred. Interest income from debt securities and receivables classified as at fair value through profit or loss is recognised in the statement of profit or loss using the effective interest method.

Derivatives and hedge accounting

Derivatives are initially recognised and subsequently measured at fair value. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative. In general, NN Bank designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments. NN Bank applies this fair value hedge accounting, whereby the movement in measurement of derivatives is offset by the movement in measurement of the hedged item in statement of profit or loss. NN Bank has designated derivatives as fair value hedge accounting on the interest rate risk inherent in its mortgage portfolio and High-Quality Liquid Assets (macro hedge), as well as on the interest rate risk related to debt securities issued (micro hedge). Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

At the inception of the hedge transaction, NN Bank documents the relationship between hedging instruments and hedged items, its risk management objectives, together with the methods selected to assess hedge effectiveness. In addition, NN Bank documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value of the hedged items. NN Bank applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU 'carve-out' of IFRS-EU. The EU 'carve-out' macro hedging enables a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging deposits and under-hedging strategies. Under the IFRS-EU 'carve-out', hedge accounting may be applied to deposits, and ineffectiveness only arises when the revised estimate of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket. In further Notes, macro fair value hedge accounting is referred to as 'Fair value hedge accounting'.

IFRS 9 and hedge accounting

The hedge accounting requirements of IFRS 9 aim to simplify hedge accounting. As these simplifications currently exclude macro hedge accounting under the EU 'carve-out' of IFRS-EU, the impact on NN Bank is limited. NN Bank has chosen to continue applying IAS 39 for macro fair value hedge accounting.

Fair value hedge accounting

Changes in the fair value of derivatives that are designated and qualify as fair value hedge accounting are recognised in the statement of profit or loss, together with fair value adjustments to the hedged item attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative adjustment of the hedged item is, in the case of interest-bearing instruments, amortised through the statement of profit or loss over the remaining term of the original hedge, or recognised directly when the hedged item is derecognised.

Non-trading derivatives that do not qualify for hedge accounting

Derivatives that NN Bank uses as part of its risk management strategies that do not qualify for hedge accounting under NN Bank's accounting policies are presented as non-trading derivatives. Non-trading derivatives are measured at fair value, with changes in the fair value taken to 'Valuation results on non-trading derivatives' in the statement of profit or loss.

Reference is made to Note 26 'Fair value of financial assets and liabilities' for the basis of determination of the fair value of the derivatives.

Loans (Note 6)

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs. Subsequently, loans are carried at amortised cost using the effective interest method less any impairment losses. Interest income from loans is recognised in 'Net interest income' in the statement of profit or loss using the effective interest method. When a change of interest tenor prior to the end of the current interest period occurs (interest rate averaging), a receivable under 'Loans' is accrued and is based on the change in net present value of the contract.

Intangible assets (Note 7)

Intangible assets consist mainly of computer software that has been purchased or generated internally for own use, and is stated at cost less amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over its useful life. This period will generally not exceed five years. Amortisation is included in 'Other operating expenses'.

At each reporting period, NN Bank assesses whether there is an indication that an intangible asset may be impaired. Irrespective of whether there is an indication of impairment, intangible assets with an indefinite useful life and intangible assets not yet available for use are tested annually for impairment. This is done by comparing the carrying value with the best estimate of the recoverable amount of the individual intangible asset. Impairment, if applicable, is included in the statement of profit or loss under 'Other operating expenses'.

Assets held for sale (note 8)

Assets are classified as 'held for sale' if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable and the assets are available for immediate sale in their present condition. Management must be committed to the sale, which is expected to occur within one year from the date of classification as 'held for sale'.

Upon classification as 'held for sale', the carrying amount of the assets is compared to their fair value less cost to sell. If the fair value less cost to sell is lower than the carrying value, this expected loss is recognised through a reduction of the carrying value of any goodwill related to the disposal group or the carrying value of certain other, non-current, non-financial assets to the extent that the carrying value of those assets exceeds their fair value. Any excess of the expected loss over the reduction of the carrying amount of these relevant assets is not recognised upon classification as 'held for sale', but is recognised as part of the result on disposal if and when a divestment transaction occurs.

Classification into or out of 'held for sale' does not result in a restating of comparative amounts in the balance sheet.

Other assets (Note 9)

Other assets include a receivable for origination fees, which is a non-current asset and relates to origination fees to be received following a long-term contract. Its measurement is based on a discounted cash flow calculation.

Customer deposits and other funds on deposit (Note 11)

Customer deposits and other funds on deposit are non-derivative financial liabilities that are not quoted in an active market. They are carried at amortised cost using the effective interest method. Interest expenses on customer deposits and other funds on deposit are recognised in 'Interest expenses' in the statement of profit or loss using the effective interest method.

Other borrowed funds, debt securities issued and subordinated debt (Notes 12, 15 and 16)

Other borrowed funds, debt securities issued and subordinated debt are recognised initially at their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the statement of profit or loss over the period of the borrowings, using the effective interest method.

Financial liabilities include only instruments of which the terms and conditions represent a contractual obligation to pay interest and/or principal. Instruments that are similar in substance, but of which the terms and conditions do not include a contractual obligation to pay interest and principal, are classified as equity.

Provisions (Note 14)

Provisions consist of restructuring provisions and other provisions. Restructuring provisions include employee termination benefits when NN Bank is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Provisions are discounted when the effect of the time value of money is significant, using a before-tax discount rate. The determination of provisions is an inherently uncertain process involving estimates regarding amounts and timing of cash flows.

Net fee and commission income (Note 20)

Fees and commissions are generally recognised as the service is provided. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts when the service is provided.

2 Cash and balances at central banks

Cash and balances at central banks

	2023	2022
Amounts held at central banks	2,155,834	2,182,806
Cash and balances at central banks	**2,155,834**	**2,182,806**

‘Amounts held at central banks’ reflects the demand balances. ‘Amounts held at central banks’ includes a mandatory reserve deposit of EUR 78.6 million (2022: EUR 83.3 million), which is not freely disposable to NN Bank. Reference is made to Note 30 ‘Assets not freely disposable’. The remainder of ‘Amounts held at central banks’ is at NN Bank’s free disposal.

3 Amounts due from banks

Amounts due from banks

	2023	2022
Bank balances	17,947	39,276
Collateral posted	242,370	310,761
Amounts due from banks	**260,317**	**350,037**

‘Bank balances’ comprises current accounts and accrued interest with banks.

‘Collateral posted’ concerns posted collateral regarding centrally cleared swaps. The decrease in ‘Collateral posted’ from EUR 310.8 million to EUR 242.4 million is caused by lower initial margin requirements by the central clearing party and due to decreased net swap positions. ‘Collateral posted’ is not freely disposable.

4 Financial assets at fair value through profit or loss

Non-trading derivatives

	2023	2022
Derivatives held for fair value hedge accounting	39,098	45,473
Non-trading derivatives	**39,098**	**45,473**

For further clarification on ‘Derivatives held for fair value hedge accounting’, reference is made to Note 27 ‘Derivatives and hedge accounting’.

5 Investment securities

Investment securities by type 31 December 2023

	AC[1]	FVOCI[2]	2023
Government bonds[3]	52,699	191,218	243,917
Covered bonds	0	636,982	636,982
Corporate bonds	0	12,363	12,363
Financial institution bonds	0	0	0
Asset backed securities	7,616	0	7,616
Investment securities - before loss provisions	**60,314**	**840,563**	**900,877**
Investment securities loss provisions	-11	-39	-50
Investment securities - after loss provisions	**60,304**	**840,523**	**900,827**

1. AC = Amortised Cost.
2. FVOCI = Fair Value through Other Comprehensive Income.
3. Government bonds includes supranational and government bonds from European Union member states and Great Britain.

Investment securities by type 31 December 2022

	AC[1]	FVOCI[2]	2022
Government bonds[3]	95,764	183,360	279,124
Covered bonds	0	704,246	704,246
Corporate bonds	0	12,228	12,228
Financial institution bonds	500	0	500
Asset backed securities	27,614	0	27,614
Investment securities - before loss provisions	**123,878**	**899,834**	**1,023,712**
Investment securities loss provisions	-20	-38	-58
Investment securities - after loss provisions	**123,858**	**899,796**	**1,023,654**

1. AC = Amortised Cost.
2. FVOCI = Fair Value through Other Comprehensive Income.
3. Government bonds includes supranational and government bonds from European Union member states and Great Britain.

Changes in investment securities

	2023	2022
Investment securities – opening balance	1,023,712	1,271,518
Additions	6,499	17,094
Amortisation	-7,097	-9,477
Changes in unrealised revaluations	35,778	-74,461
Disposals and redemptions	-158,015	-180,962
Investment securities – closing balance	**900,877**	**1,023,712**

There were only sales from the FVOCI portfolio, and the sales did not have an impact on the business model classification.

In 2023, unrealised gains on investment securities amounted to EUR 35.8 million (after tax: EUR 26.5 million). An amount of EUR 25.3 million (after tax EUR 18.7 million) of these unrealised gains is hedged by macro fair value hedge accounting. Reference is made to the Statement of comprehensive income.

6 Loans

Loans by type

	2023	2022
Loans secured by mortgages, guaranteed by public authorities	5,757,304	5,419,271
Loans secured by mortgages	16,448,407	15,988,971
Loans secured by mortgages, hedged items	-980,873	-1,523,213
Consumer lending	12,220	86,107
Other loans	0	69,053
Group companies	290,919	279,066
Loans – before loan loss provisions	**21,527,977**	**20,319,255**
Loan loss provisions	-3,280	-10,081
Loans	**21,524,697**	**20,309,174**

‘Loans secured by mortgages’ includes Purchased or Originated Credit-Impaired loans. For ‘Consumer lending’, reference is made to Note 8 ‘Assets held for sale’. ‘Other loans’ relates to a short-term receivable from third parties for mortgages sold, but not yet transferred. ‘Group companies’ relates to a receivable, following arrangements to transfer mortgage parts in a current account for the former Delta Lloyd Bank portfolio.

Loans by stage 31 December 2023

	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit-Impaired	No allocated stage	2023
Loans - before loan loss provisions	21,410,242	959,106	92,106	26,871	-960,348	21,527,977
Loan loss provisions	-336	-1,954	-932	-58	0	-3,280
Loans - after loan loss provisions	**21,409,906**	**957,152**	**91,174**	**26,813**	**-960,348**	**21,524,697**

'No allocated stage' relates mainly to mortgage premium and fair value changes of hedged items.

Loans by stage 31 December 2022

	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit-Impaired	No allocated stage	2022
Loans - before loan loss provisions	21,292,815	417,666	95,059	29,025	-1,515,310	20,319,255
Loan loss provisions	-652	-4,336	-5,016	-77	0	-10,081
Loans - after loan loss provisions	**21,292,163**	**413,330**	**90,043**	**28,948**	**-1,515,310**	**20,309,174**

No individual loan has terms and conditions that significantly affect the amount, timing or certainty of the Consolidated cash flows of NN Bank. For additional details, see Note 39 'Risk management'.

Reference is made to Note 26 'Fair value of financial assets and liabilities', for disclosure by fair value hierarchy and Note 39 'Risk management' for NN Bank's credit risk exposure and on significant credit risk exposures.

Changes in loans by stage

	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit-Impaired	No allocated stage	2023	2022
Loans – opening balance	21,292,815	417,666	95,059	29,025	-1,515,310	20,319,255	21,212,153
Mortgage portfolio transfer	47,581	3,065	995	0	0	51,641	364,760
Partial transfer of mortgage loans	38,032	23,854	301	0	0	62,187	3,119
Origination	2,724,788	37,624	3,232	0	0	2,765,644	3,717,963
Premium new mortgages	0	0	0	0	-2,479	-2,479	-7,591
Amortisation mortgage premium	0	0	0	76	-16,256	-16,180	-29,607
Fair value change hedged items	0	0	0	0	542,340	542,340	-1,952,197
Other changes[1]	-152,557	38,473	13,178	10	30,339	-70,557	-148,524
Modifications[2]	0	0	0	0	1,018	1,018	1,707
Redemptions	-1,951,077	-84,835	-28,556	-2,240	0	-2,066,708	-2,842,527
Reclassifications to assets held for sale	-52,803	-3,256	-2,127	0	0	-58,186	0
Transfers to[3]:							
– Stage 1	0	-118,865	-2,549	0	0	-121,414	-287,069
– Stage 2	-641,334	0	-21,704	0	0	-663,038	-177,544
– Stage 3	-16,617	-17,660	0	0	0	-34,277	-37,618
Transfers from[3]:							
– Stage 1	0	641,335	16,617	0	0	657,952	164,927
– Stage 2	118,865	0	17,660	0	0	136,525	301,821
– Stage 3	2,549	21,705	0	0	0	24,254	35,482
Loans – closing balance	**21,410,242**	**959,106**	**92,106**	**26,871**	**-960,348**	**21,527,977**	**20,319,255**

1. 'Other changes' mainly reflects the differences that result from 'Transfers to/Transfers from', which are based on year-to-date (YtD) and other movements based on month-to-date (MtD). The transfers are based on the YtD methodology to avoid double-counting movements where a loan can change stages multiple times a year. Additionally, it reflects changes in the drawn amounts of the construction deposits, and changes in 'Other loans'.
2. 'Modifications' relates to the impact of the modification of the outstanding mortgage loans as a result of the amended interest rate pricing system for NN and former Delta Lloyd mortgage portfolios.
3. 'Transfers to' shows the outflow from the stage in the column to the stage stated on row level. 'Transfers from' shows the inflow from stage on row level to the stage in the column. Differences between 'Transfers to' and 'Transfers from' arise due to changes in balance amount between the moment of outflow and inflow.

In 2023, the mortgage portfolio transfer from ING Bank amounted to EUR 25.6 million and is presented under 'Mortgage portfolio transfer'. As at 31 December 2023, both parties had already determined to transfer EUR 6.6 million in mortgage loans for the first four months of 2024. As settlement date accounting is applied, these mortgages are not recognised in the statement of financial position as at 31 December 2023.

Mortgage loans are transferred to the cover pool of the Soft Bullet Covered Bond Programme. These mortgage loans continue to be recognised on NN Bank's statement of financial position, as NN Bank retained all or substantially all of the risks and rewards of the mortgage loans. Reference is made to Note 30 'Assets not freely disposable' and Note 35 'Structured entities'.

The percentage of the total loans to customers in Stage 3 remained stable at 0.4% (EUR 93 million). As for Stage 2, we observe an increase from 1.9% to 4.3% at the end of 2023 (EUR 959 million), as the arrear related risk drivers are now monitored on daily basis instead of monthly basis. The underlying credit risk remains unchanged.

The movement of 'Fair value change hedged items' is due to increasing interest rate curves. Reference is made to Note 21 'Valuation results on non-trading derivatives' and Note 27 'Derivatives and hedge accounting'.

Purchased or Originated Credit-Impaired loans (POCI)

	2023	2022
POCI - opening balance	29,025	31,483
Mortgage portfolio transfer	0	156
Amortisation value adjustment	76	104
Redemptions	-2,240	-2,863
Unfavourable changes in credit quality	-30	-93
Favourable changes in credit quality	40	238
POCI - closing balance	**26,871**	**29,025**

Purchased or Originated Credit-Impaired (POCI) loans are purchased from ING Bank and recognised initially at an amount net of impairments. They are measured at amortised cost using a credit-adjusted effective interest rate. In subsequent periods, any deteriorating changes to the estimated lifetime ECL are recognised in the statement of profit or loss.

Loan loss provisions by type

	2023	2022
Loans secured by mortgages	2,957	5,439
Consumer lending	323	4,642
Loan loss provisions by type	**3,280**	**10,081**

For loan loss provisions on 'Consumer lending' reference is made to Note 8 'Assets held for sale'.

In 2023, the loan loss provisions decreased by EUR 6.8 million to EUR 3.3 million. For mortgages, the provision decreased by EUR 2.5 million due to an update in the provisioning model. Secondly, the management overlay related to increasing interest rates and high inflation decreased by EUR 1.9 million to EUR 1.0 million as inflation and interest rates are stabilising. The release in provision was partly offset by a housing price decrease between the third quarter of 2022 and the third quarter of 2023[1] (4.6%[2]). For consumer loans, the provisions decreased by EUR 4.3 million to EUR 0.3 million due to the intended sale of a large part of the consumer lending portfolio.

Inflation and increasing interest rate
In an effort to address high levels of inflation, central banks increased interest rates several times last year. As a result, mortgage interest rates increased and new production dropped. The war in Ukraine had many effects on the European markets, most notably on energy prices.

The impact of those adverse events had not fully materialised at the end of 2023. Therefore, NN Bank took a management overlay to ensure that the level of loan loss provisions is sufficient. The management overlay is calculated based on the expected impact of high inflation and the rise in interest rates on the most vulnerable customer segments (e.g., interest rate reset in the near future or properties with energy label F or G). As inflation and interest rates stabilised, the management overlay decreased from EUR 3.0 million at the end of 2022 to EUR 1.0 million at the end of 2023.

Macro-economic scenarios
Furthermore, NN Bank has updated its macro-economic scenarios. The assumptions on future macro-economic variables such as GDP, unemployment and housing prices are used as input in the calculation of the expected credit losses under IFRS 9, where it is required to use forward-looking information. Various institutions published adjusted economic outlooks and scenarios. The

[1] Figures of fourth quarter are unavailable per year-end.
[2] Based on CBS

Bank has taken into account the most recent scenarios published by the CPB, DNB and other institutions. The economic outlook remains uncertain due to the current geopolitical situation and its impact on the financial stability.

As a result, the weights of the macro-economic scenarios remain higher for the downturn scenario of 40%. The scenario weights are assigned as follows: neutral scenario 50%, upside 10%, downside 40%. These assumptions will be continuously assessed and adjusted, if necessary, based on the further developments of the geopolitical situation and other macroeconomic developments. To provide an indication of the expected credit losses' sensitivity to the macro-economic environment, the table also shows the impact on mortgages and consumer lending ECL of applying a 100% weighting to each scenario.

In 2023, the Dutch economy initially slowed down. In the beginning of the year, housing prices continued to decrease. However, house prices bottomed out earlier than expected and started increasing again in the second half of 2023. In the neutral scenario, NN Bank expects the economy to grow by 1% in 2024. In later years, NN Bank expects growth to remain low. The unemployment rate is expected to be 4.2% in 2024 in the neutral scenario and is expected to remain relatively low. In this scenario, we expect housing prices to increase by 3% in 2024.

To provide an indication of the expected credit losses' sensitivity to the macro-economic environment, the column 'Unweighted ECL' shows the impact on mortgages and consumer lending ECL of applying a 100% weighting to each scenario. The expected credit losses are relatively insensitive, because the mortgage portfolio is well-collateralised with an average LTV of 57%.

Scenario / Weighting	Macro-economic variable	2024	2025	2026	Long-Term Rate	Unweighted ECL	Weighted ECL
	Unemployment	3.4%	2.5%	3.3%			
Up / 10%	Housing Price index growth	5.0%	14.3%	8.3%		3,158	
	GDP growth	1.9%	4.7%	3.4%			
	Unemployment	4.2%	4.1%	4.1%	4.1%		
Neutral / 50%	Housing Price index growth	3.0%	2.4%	2.4%	2.4%	3,248	3,280
	GDP growth	1.0%	2.0%	2.0%	2.0%		
	Unemployment	4.6%	5.6%	4.9%			
Down / 40%	Housing Price index growth	-7.5%	-17.3%	-7.5%		3,350	
	GDP growth	-1.5%	-6.0%	-2.0%			

Changes in loan loss provisions by stage – Loans secured by mortgages

	Stage 1 12-month ECL non-credit impaired	Stage 2 Lifetime ECL non-credit impaired	Stage 3 Lifetime ECL credit impaired	Purchased or Originated Credit-Impaired	2023	2022
Loan loss provisions – opening balance	361	3,738	1,263	77	5,439	4,413
Addition (release from) to the loan loss provisions	40	-1,386	140	-19	-1,225	843
Changes in models and methodologies	-207	-761	-549	0	-1,517	319
Transfers to[1]:						
– Stage 1	0	-192	-23		-215	-510
– Stage 2	-10	0	-300		-310	-472
– Stage 3	-1	-52	0		-53	-59
Transfers from[1]:						
– Stage 1	0	426	176		602	505
– Stage 2	2	0	211		213	343
– Stage 3	0	23	0		23	57
Loan loss provisions – closing balance	**185**	**1,796**	**918**	**58**	**2,957**	**5,439**
Write-offs	0	0	293	0	293	227
Recoveries	0	0	-979	0	-979	-647

1. 'Transfers to' shows the outflow from the stage in the column to the stage stated on row level. 'Transfers from' shows the inflow from stage on row level to the stage in the column. Differences between 'Transfers to' and 'Transfers from' arise because the provision changes as a result of the change in stage.

Changes in loan loss provisions by stage – Consumer lending

	Stage 1 12-month ECL non-credit impaired	Stage 2 Lifetime ECL non-credit impaired	Stage 3 Lifetime ECL credit impaired	2023	2022
Loan loss provisions – opening balance	291	598	3,753	4,642	6,482
Addition (release from) to the loan loss provisions	-145	-378	-3,466	-3,989	-2,621
Changes in models and methodologies	0	0	0	0	567
Transfers to[1]:					
– Stage 1	0	-187	-380	-567	-418
– Stage 2	-8	0	-280	-288	-471
– Stage 3	-3	-24	0	-27	-116
Transfers from[1]:					
– Stage 1	0	110	303	413	722
– Stage 2	9	0	83	92	380
– Stage 3	8	39	0	47	117
Loan loss provisions – closing balance	**151**	**158**	**14**	**323**	**4,642**
Write-offs	0	0	1,196	1,196	2,310
Recoveries	0	0	-1,993	-1,993	-1,742

1. 'Transfers to' shows the outflow from the stage in the column to the stage stated on row level. 'Transfers from' shows the inflow from stage on row level to the stage in the column. Differences between 'Transfers to' and 'Transfers from' arise because the provision changes as a result of the change in stage.

Write-offs minus reversals were EUR -1.5 million, of which EUR -0.7 million for mortgages. Write-offs were low as the portfolio is well-collateralised and unemployment remains low.

Change in comparative figures

In 2023, the presentation of the note 6 'Loans' and note 9 'Other assets' are adjusted in order to provide relevant information and better align with current period presentation. The adjustments relate to incorrect accounting of mover loans. These updates have no impact on 'Shareholders' equity or 'Net result' over any year and are therefore assessed as a non-material omission of the 2022 annual accounts. The impact of these updates on the balance sheet line items are stated below:

Effect on balance sheet as at 31 December 2022	2022 before restatement	Restatement	2022 after restatement
Loans	20,335,474	-26,300	20,309,174
Other assets (parent company: receivable from group companies)	192,514	26,300	218,814
Assets at balance	**20,527,989**	**0**	**20,527,989**

In the comparative figures of the Consolidated statement of cash flows, these restatements also have been processed.

7 Intangible assets

Intangible assets

	2023	2022
Intangibles	**23,180**	**27,186**

	2023	2022
Intangibles – opening balance	27,186	23,690
Additions	4,443	6,862
Amortisation	-3,537	-3,342
Impairments	-4,912	0
Disposals	0	-24
Intangibles – closing balance	**23,180**	**27,186**
Gross carrying value	38,356	36,125
Accumulated amortisation	-15,176	-8,939
Net carrying value	**23,180**	**27,186**

'Additions' to the intangible assets relate to renewal and expansion of our core banking platform and to strategic initiatives. Updated insights in efficiency improvements and higher expenses have led to an impairment of EUR 4.9 million of intangible assets. Intangible assets include internally developed software amounting to EUR 20.3 million (2022: EUR 23.8 million), of which EUR 18.6 million relates to projects in progress. The amortisation period is generally five years from the date of full implementation of the new systems.

8 Assets held for sale

As at 31 December 2023, 'Assets held for sale' relate to the sale of part of the consumer lending portfolio.

Assets held for sale

	2023	2022
Consumer lending loans	40,388	0
Total assets	**40,388**	**0**

In autumn 2023, NN Bank began the process of selling the majority of its consumer lending portfolio. This triggered a reclassification, as these loans are no longer held within a business model whose objective is to hold assets to collect contractual cash flows. At the reclassification date, the IFRS 9 measurement changed from amortised cost to fair value through profit or loss. The lower fair value amounting to EUR 47.9 million has been determined as the best estimate of the selling proceeds. Since the conditions for a highly probable sale under IFRS 5 have been met, the portfolio has been classified and presented under IFRS 5 'Assets held for sale'. The carrying value is based on IFRS 9 (fair value through profit or loss). The anticipated sale transaction comprises retroactive selling as per 31 August 2023. Therefore, the redemptions received from customers over the period September through December 2023, amounting to EUR 7.5 million, have been deducted from the sale proceeds. Consequently, 'Assets held for sale' in the amount of EUR 40.4 million comprises the best estimate of selling proceeds (EUR 47.9 million) minus the purchaser-received redemptions (EUR 7.5 million). The resulting loss from the sale of this portfolio, amounting to EUR 7.2 million, includes a loan loss provisions release of EUR 3.3 million and is accounted for in a separate line item, 'Result of sale of consumer lending portfolio' under 'Gains and losses on financial transactions and other income'.

9 Other assets

Other assets

	2023	2022
Accrued interest mortgages	50,179	44,567
Accrued interest other	3,403	4,767
Current account NN Insurance Eurasia N.V.	21,529	23,173
Current account other group companies	76,014	33,653
Debtors	104,089	111,960
Other	5,319	694
Total other assets	**260,533**	**218,814**

'Current account NN Insurance Eurasia N.V.' is mainly used for daily settlement of mortgage flows and expenses. Reference is made to 'Change in comparative figures' under note 6 'Loans' in the Consolidated annual accounts.

10 Amounts due to banks

'Amounts due to banks' includes non-subordinated debt due to banks, other than amounts in the form of debt securities issued, including accrued interest with banks.

Amounts due to banks by type

	2023	2022
Interest-bearing	0	245,000
Amounts due to banks	**0**	**245,000**

The decrease in 'Amounts due to banks (interest-bearing)' of EUR 245 million relates mainly to the redemption of a longer-term refinancing operations loan of EUR 200 million.

As at 31 December 2023, NN Bank had unused credit facilities available of EUR 10 million (31 December 2022: EUR 123 million).

11 Customer deposits and other funds on deposit

Customer deposits and other funds on deposit by type

	2023	2022
Savings	7,445,540	7,621,106
Bank annuities	7,184,281	6,852,389
Bank annuities related to mortgages	1,712,204	1,622,111
Group companies	122,626	131,936
Customer deposits and other funds on deposit	**16,464,651**	**16,227,542**

'Group companies' relates to a payable, following arrangements to transfer mortgage parts in a current account for the former Delta Lloyd Bank portfolio.

In 2023, many customers moved their savings from daily withdrawable accounts to fixed-term deposit accounts, due to rising interest rates.

The interest payable on savings accounts is contractually added to the accounts and is presented in the balance as such.

Customers have not entrusted any funds to NN Bank on terms other than those prevailing in the normal course of business.

Changes in customer deposits and other funds on deposit

	2023	2022
Customer deposits and other funds on deposit – opening balance	16,227,542	15,904,147
Deposits received	4,239,937	3,855,309
Withdrawals	-4,002,828	-3,531,914
Customer deposits and other funds on deposit – closing balance	**16,464,651**	**16,227,542**

12 Other borrowed funds

Other borrowed funds

	2023	2022
Other funds	305,000	318,000
Other borrowed funds	**305,000**	**318,000**

	2023	2022
Other borrowed funds – opening balance	318,000	638,000
Issuances	305,000	543,000
Redemption	-318,000	-863,000
Other borrowed funds – closing balance	**305,000**	**318,000**

Funds received from third parties amounted to EUR 305 million, while EUR 318 million was repaid in 2023, resulting in an decrease in 'Other funds' to EUR 305 million (2022: EUR 318 million).

In 2023, NN Group provided a revolving credit facility commitment to NN Bank, up to an amount of EUR 250 million (2022: EUR 250 million). In addition, NN Group provided a Central Clearing Borrowing Facility up to an amount of EUR 1,300 million (2022: EUR 1,300 million) for the funding of variation margin calls regarding centrally cleared interest rate derivatives contracts. The facilities were fully undrawn at 31 December 2023.

13 Other liabilities

Other liabilities

	2023	2022
Income tax payable	7,195	14,942
Other taxation and social security contributions	13,442	13,739
Accrued interest other	43,628	23,936
Current account other group companies	2,255	6,541
Costs payable	15,016	16,064
Other	18,114	15,123
Other liabilities	**99,650**	**90,345**

‘Income tax payable’ relates to corporate income tax yet to be settled with NN Group. Further reference is made to Note 32 ‘Contingent liabilities and commitments’.

‘Accrued interest other’ mainly relates to accrued interest regarding other borrowed funds and debt securities issued.

‘Other’ mainly relates to year-end accruals and other payables to third parties in the normal course of business.

14 Provisions

Provisions

	2023	2022
Provision for client compensation schemes	8,441	23,127
Restructuring provisions	2,916	4,237
Other provisions	0	30
Provisions	**11,357**	**27,394**

Changes in provisions

	Provision for client compensation schemes		Restructuring provisions		Other provisions	
	2023	2022	2023	2022	2023	2022
Provisions - opening balance	23,127	22,904	4,237	2,827	30	30
Additions	8,325	5,077	9,652	4,881	0	0
Releases	-7,801	-1,768	-7,274	-1,260	-30	0
Charges	-15,210	-3,086	-3,699	-2,211	0	0
Provisions - closing balance	**8,441**	**23,127**	**2,916**	**4,237**	**0**	**30**

‘Provision for client compensation schemes’ is mainly recognised for the interest compensation consumer credit, which is a compensation scheme regarding revolving consumer credit with a floating interest rate. This provision was created in 2021 and updated in 2022. In 2023, the actual payments for client compensation amounted to EUR 12.9 million.

‘Restructuring provisions’ are recognised for expected future redundancy costs. The additions are mainly due to reorganisation related to the sale of consumer loans and changes to Technology & Transformation teams. The releases mainly resulted from staff that NN Bank was able to transfer to another internal position. The remaining restructuring provision at the balance sheet date represents the best estimate of the expected future redundancy costs and is expected to be sufficient to cover the remaining costs of the restructuring programme.

‘Additions’ or ‘Releases’ are recognised in the statement of profit or loss.

15 Debt securities issued

'Debt securities issued' relates to debentures and other issued debt securities with either fixed or floating interest rates. NN Bank does not have debt securities that are issued on terms other than those available in the normal course of business. The maturities, based on the earliest contractual payment date of the debt securities, are as follows:

Debt securities issued – maturities 31 December 2023

	Less than 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
Covered bonds	990,420	489,425	764,694	763,088	495,487	2,525,808	6,028,922
Fixed rate unsecured debt securities	0	491,448	0	32,430	460,562	44,702	1,029,142
Floating rate unsecured debt securities	0	0	24,947	0	0	0	24,947
Debt securities issued	**990,420**	**980,873**	**789,641**	**795,518**	**956,049**	**2,570,510**	**7,083,011**

Debt securities issued – maturities 31 December 2022

	Less than 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
Covered bonds	0	979,505	481,244	0	0	2,884,251	4,345,000
Fixed rate unsecured debt securities	764,408	0	483,888	0	32,408	474,923	1,755,627
Floating rate unsecured debt securities	0	0	0	24,844	0	0	24,844
Debt securities issued	**764,408**	**979,505**	**965,132**	**24,844**	**32,408**	**3,359,174**	**6,125,471**

Secured debt securities

NN Bank has the right to redeem the Residential Mortgage Backed Securities under the Hypenn RMBS securitisation programme at First Optional Redemption Date (FORD). These dates for the debt securities issued are presented in the table below. The amounts are balance sheet amounts, excluding retained notes.

	FORD	2023	2022
Hypenn RMBS I A3	18-9-2023	0	0
Hypenn RMBS VII	17-10-2023	0	0
Total		**0**	**0**

In the second half of 2023, Hypenn RMBS I and Hypenn RMBS VII were fully early redeemed. The outstanding notes were fully held (retained) by NN Bank.

	Maturity date	2023	2022
Soft Bullet Covered Bond October 2017	10-10-2024	499,928	499,590
Soft Bullet Covered Bond June 2018	11-9-2025	498,988	498,432
Soft Bullet Covered Bond September 2018	25-9-2028	496,548	495,847
Soft Bullet Covered Bond February 2019	27-2-2024	499,959	499,509
Soft Bullet Covered Bond March 2019 - 1	18-3-2039	24,837	24,827
Soft Bullet Covered Bond March 2019 - 2	21-3-2039	19,922	19,917
Soft Bullet Covered Bond July 2019	25-9-2028	51,794	52,173
Soft Bullet Covered Bond September 2019	24-9-2029	498,744	498,524
Soft Bullet Covered Bond July 2020	8-7-2030	495,826	495,962
Soft Bullet Covered Bond September 2020	24-9-2035	497,481	497,199
Soft Bullet Covered Bond November 2020	12-11-2040	247,509	247,360
Soft Bullet Covered Bond March 2021	4-3-2041	500,019	499,857
Soft Bullet Covered Bond May 2022	17-5-2032	497,246	496,744
Soft Bullet Covered Bond February 2023	28-5-2027	746,285	0
Soft Bullet Covered Bond June 2023 (retained)	9-6-2032	0	0
Soft Bullet Covered Bond September 2023 (retained)	6-9-2030	0	0
Soft Bullet Covered Bond October 2023	16-10-2026	747,662	0
Fair value change hedged items and other items		-293,826	-480,941
Total		**6,028,922**	**4,345,000**

On 28 February 2023, NN Bank raised EUR 750 million in secured funding by issuing a four-and-a-quarter-year green Soft Bullet Covered Bond under the Soft Bullet Covered Bond Programme.

On 9 June 2023, NN Bank issued a EUR 1.25 billion, nine-year Soft Bullet Covered Bond under the Soft Bullet Covered Bond Programme. The outstanding notes are fully held (retained) by NN Bank.

On 6 September 2023, NN Bank issued a EUR 750 million, seven-year Soft Bullet Covered Bond under the Soft Bullet Covered Bond Programme. The outstanding notes are fully held (retained) by NN Bank.

On 16 October 2023, NN Bank raised EUR 750 million in secured funding by issuing a three-year Soft Bullet Covered Bond under the Soft Bullet Covered Bond Programme.

Unsecured debt securities

	Maturity date	2023	2022
Debt Issuance Programme May 2019	31-5-2023	0	499,884
Debt Issuance Programme August 2019	3-9-2029	19,908	19,933
Debt Issuance Programme November 2019	26-2-2025	499,212	498,416
Debt Issuance Programme September 2021	21-9-2028	498,020	497,600
Other unsecured debt securities	n/a	77,182	347,136
Fair value change hedged items		-65,180	-107,342
Fixed rate unsecured debt securities		**1,029,142**	**1,755,627**
Floating Rate Note July 2019 - 2	10-7-2026	24,947	24,844
Floating rate unsecured debt securities		**24,947**	**24,844**

‘Debt securities issued’ includes the bonds issued under the Soft Bullet Covered Bond Programme, the Debt Issuance Programme and ‘Schuldschein’ debt. The debt securities issued to third parties amounted to EUR 7,083 million as at 31 December 2023 (31 December 2022: EUR 6,125 million), of which EUR 6,029 million relates to the Covered Bonds (31 December 2022: EUR 4,345 million) and EUR 1,054 million relates to unsecured debt securities (31 December 2022: EUR 1,780 million). At 31 December 2023, no notes were issued to related parties (31 December 2022: EUR 0 million).

For the Covered Bond Programme, reference is made to Note 35 ‘Structured entities’.

Green bonds issued

NN Bank issues green bonds under its Green Bond Framework in order to align the Bank’s funding strategy with its C&E strategy. The framework enables NN Bank to finance or refinance green residential properties in the Netherlands, and allows the Bank to raise sustainable financing that meets regulatory criteria and market best practices with regards to sustainability. Under the framework, NN Bank is able to issue green unsecured debt under the Debt Issuance Programme, green covered bonds under the Soft Bullet Covered Bond Programme, as well as green (subordinated) loans. The Framework was published in 2021 and updated in February 2024. Since the initial publication, the Bank issued the following debt instruments under the framework (in notional amounts):

	Maturity date	2023	2022
Senior Non-Preferred Bond September 2021 issued under Debt Issuance Programme 2021	21-09-2028	500,000	500,000
Subordinated debt February 2022 (Note 16 'Subordinated debt')	27-2-2032	15,000	15,000
Soft Bullet Covered Bond May 2022	17-5-2032	500,000	500,000
Soft Bullet Covered Bond February 2023	28-5-2027	750,000	0
Total		**1,765,000**	**1,015,000**

16 Subordinated debt

Subordinated debt

				Notional amount		Balance sheet value	
Interest rate	Year of issue	Due date	First call date	2023	2022	2023	2022
2.55%	2022	27 February 2032	27 February 2027	15,000	15,000	15,000	15,000
1.29%	2020	26 February 2030	26 February 2025	30,000	30,000	30,000	30,000
1.38%	2019	26 September 2029	26 September 2024	25,000	25,000	25,000	25,000
1.83%	2019	26 June 2029	26 June 2024	15,000	15,000	15,000	15,000
Subordinated debt				**85,000**	**85,000**	**85,000**	**85,000**

NN Group provided four subordinated loans to NN Bank for an amount of EUR 85.0 million, which qualify as Tier 2 capital under the CRR. Under IFRS-EU, these debt instruments are classified as liabilities. They are considered capital for regulatory purposes. NN Bank has the right to pay off the debt at the call date.

All subordinated debt is euro denominated.

17 Equity

Total equity

	2023	2022
Share capital	10,000	10,000
Share premium	481,000	481,000
Revaluation reserve	-20,207	-28,006
Retained earnings and unappropriated result	685,581	578,396
Shareholder's equity	**1,156,374**	**1,041,390**

Share capital

	Ordinary shares			
	Shares (in numbers)		Amount (in EUR thousand)	
	2023	2022	2023	2022
Authorised share capital	5,000,000	5,000,000	50,000	50,000
Unissued share capital	4,000,000	4,000,000	40,000	40,000
Issued share capital	**1,000,000**	**1,000,000**	**10,000**	**10,000**

Changes in equity (2023)

2023	Share capital	Share premium	Reserves	Total shareholders' equity
Equity – opening balance	10,000	481,000	550,390	1,041,390
Total amount recognised directly in equity (Other comprehensive income)	0	0	7,799	7,799
Net result for the period	0	0	127,086	127,086
Dividend paid	0	0	-20,000	-20,000
Change in employee share plans	0	0	99	99
Other	0	0	0	0
Equity – closing balance	**10,000**	**481,000**	**665,374**	**1,156,374**

Changes in equity (2022)

2022	Share capital	Share premium	Reserves	Total shareholders' equity
Equity – opening balance	10,000	481,000	603,639	1,094,639
Total amount recognised directly in equity (Other comprehensive income)	0	0	-23,259	-23,259
Net result for the period	0	0	81,543	81,543
Dividend paid	0	0	-111,600	-111,600
Change in employee share plans	0	0	73	73
Other	0	0	-6	-6
Equity – closing balance	**10,000**	**481,000**	**550,390**	**1,041,390**

Ordinary shares

All shares are in registered form. Shares may be transferred by means of a deed of transfer, subject to the approval of the General Meeting. On 31 December 2023, issued and fully paid ordinary share capital consists of 1,000,000 ordinary shares, with a par value of EUR 10.00 per share.

Distributable reserves

NN Bank is subject to legal restrictions regarding the amount of dividends it can pay to its shareholder. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to total shareholder's equity less the paid-up and called share capital and less the reserves required pursuant to law or the Articles of Association. In case of negative balances for individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts.

In addition to the legal and regulatory restrictions on distributing dividends, there are various other considerations and limitations that are taken into account in determining the appropriate levels of equity. These considerations and limitations include, but are not restricted to, rating agency and regulatory views, which can change over time. It is not possible to disclose a reliable quantification of these limitations. Reference is also made to Note 40 'Capital management'.

Legally distributable reserves, determined in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, from NN Bank and its subsidiaries are as follows:

Distributable reserves based on the Dutch Civil Code

		2023		2022
Total shareholders' equity		1,156,374		1,041,390
– share capital	10,000		10,000	
– revaluation reserve	-20,207		-28,006	
– intangible assets reserve	23,180		27,186	
Total non-distributable part of shareholders' equity		12,973		9,180
Distributable reserves based on the Dutch Civil Code		**1,143,401**		**1,032,210**

Proposed appropriation of result

The result is appropriated pursuant to article 21 of the NN Bank Articles of Association, the relevant provisions of which state that the General Meeting, having heard the advice of the Management Board and the Supervisory Board, shall determine the appropriation of result. It is proposed to increase the retained earnings with the 2023 net result of EUR 127.1 million.

Appropriation of result 2022

On 6 June 2023, following the General Meeting's adoption of the 2022 Consolidated annual accounts, the 2022 net result of EUR 81.5 million was added to the retained earnings.

Dividend 2023

In 2023, NN Bank paid an interim dividend of EUR 20 million (EUR 20 per share) and will propose a final dividend over 2023 of EUR 44 million.

18 Net interest income

Net interest income

	2023	2022
Interest income on loans	570,285	502,294
Modifications	1,018	1,728
Interest income on non-trading derivatives	419,554	72,579
Negative interest on liabilities	8	879
Interest income using effective interest rate method	**990,865**	**577,480**
Other interest income	81,465	8,291
Total interest income	**1,072,330**	**585,771**
Interest expenses on amounts due to banks	808	344
Interest expenses on customer deposits and other funds on deposit	239,908	124,740
Interest expenses on debt securities issued and other borrowed funds	74,382	47,755
Interest expenses on non-trading derivatives	316,823	144,725
Interest expenses on subordinated loans	1,388	1,400
Negative interest on assets	2,286	6,694
Interest expenses using effective interest rate method	**635,595**	**325,658**
Other interest expenses	30,479	3,599
Total interest expenses	**666,074**	**329,257**
Net interest income	**406,256**	**256,514**

'Modifications' relates to the impact of the modification of the outstanding mortgage loans as a result of the amended interest rate pricing system for NN and former Delta Lloyd mortgage portfolios.

'Negative interest on liabilities' consists of negative interest expenses on other borrowed funds.

'Other interest income' relates mainly to interest received from DNB amounting to EUR 78.7 million in 2023 (2022: EUR 8.3 million).

'Negative interest on assets' includes negative interest income charged by DNB of EUR 0.3 million (2022: EUR 4.4 million). The remainder relates mainly to interest on investment securities.

'Other interest expenses' relates mainly to Central Clearing costs and are higher due to the increased interest rates.

Interest margin in percentages

	2023	2022
Interest margin	**1.65%**	**1.06%**

'Interest margin' is calculated by dividing the 'net interest income' by the average of the total assets for the year ending 2023 and 2022, respectively.

19 Gains and losses on financial transactions and other income

Gains and losses on financial transactions and other income

	2023	2022
Result of sale of consumer lending portfolio	-7,179	0
Realised gains or losses of investment securities	-2	0
Other income	-78	-625
Gains and losses on financial transactions and other income	**-7,259**	**-625**

For the line item 'Result of sale of consumer lending portfolio', reference is made to Note 8 'Assets held for sale'.

20 Net fee and commission income

Net fee and commission income

	2023	2022
Service management fee	61,888	50,811
Brokerage and advisory fees	21,119	61,929
Other fees	0	8
Fee and commission income	**83,007**	**112,748**
Asset management fees	12,644	11,300
Brokerage and advisory fees	4,884	1,571
Other fees	644	1,781
Fee and commission expenses	**18,172**	**14,652**
Net fee and commission income	**64,835**	**98,096**

NN Bank services a total loan portfolio of EUR 34.5 billion (2022: EUR 35.3 billion) for NN Life, NN Non-life, NN Belgium, and other third parties.

NN Bank originates mortgages directly on behalf of NN Life, NN Non-life and NN Belgium and receives an origination fee for this service. The origination fee for the NN Life loan portfolio amounts to EUR 10.7 million (2022: EUR 44.6 million), for the NN Non-life loan portfolio this amounts to EUR 1.4 million (2022: EUR 4.6 million) and for the NN Belgium loan portfolio this amounts to EUR 1.2 million (2022: EUR 1.0 million). The origination fee for other third parties amounts to EUR 4.5 million (2022: EUR 8.8 million). The origination fees are included in 'Brokerage and advisory fees'.

'Brokerage and advisory fees expenses' include, since 1 January 2023, a commission for newly integrated bancassurance activities.

21 Valuation results on non-trading derivatives

Valuation results on non-trading derivatives

	2023	2022
Gains or losses (fair value changes) in fair value hedge accounting relating to:		
– the hedging instrument (non-trading derivatives)	-352,287	1,440,158
– the hedged items (mortgages/debt securities) attributable to the hedged risk	330,159	-1,431,525
Gains or losses (fair value changes) in other non-trading derivatives	0	3,956
Valuation results on non-trading derivatives	**-22,128**	**12,589**

Included in ‘Valuation results on non-trading derivatives’ are the fair value movements used to economically hedge exposures. Changes in market conditions, such as interest rates, influence the fair value movements on the derivatives.

The market value of hedging instruments decreased in 2023 due to the lower level of the interest rate curves at year-end, mainly for long-term tenors. Fluctuations in the interest rates caused higher hedge ineffectiveness in 2023.

22 Staff expenses

Staff expenses

	2023	2022
Salaries	84,771	72,530
Pension and other staff-related benefit costs	16,366	14,261
Social security costs	11,133	9,532
Share-based compensation arrangements	104	73
External staff costs	38,285	40,655
Education	1,406	1,147
Other staff costs	4,074	2,244
Staff expenses	**156,139**	**140,442**

NN Personeel B.V. employs all NN Bank staff. NN Personeel B.V. charges NN Bank for its staff expenses under a service level agreement. Although these costs are not paid out in the form of staff expenses by NN Bank, they do have the characteristics of staff expenses and they are therefore recognised as such. NN Personeel B.V. recognises a provision for holiday entitlement and bonuses. Actual costs are charged to NN Bank when accrued.

Pension costs

Defined contribution plans

NN Bank is one of the sponsors of the NN Group defined contribution plan (BeFrank). The assets of all NN Group’s defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of salary. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in ‘Other assets’ or ‘Other liabilities’.

Number of employees

	2023	2022
Average number of internal employees on full-time equivalent basis	1,037	974
Average number of external employees on full-time equivalent basis	276	338
Total	**1,313**	**1,312**

Remuneration of Management Board and Supervisory Board

Reference is made to Note 37 ‘Key management personnel compensation’.

Share plans

NN Group has granted shares to a number of NN Bank senior executives. The purpose of the share schemes is to attract, retain and motivate senior executives.

Share awards comprise upfront shares and deferred shares. The entitlement to the deferred shares is granted conditionally. If the participant remains in employment for an uninterrupted period between the grant date and the vesting date, the entitlement becomes unconditional. A retention period applies from the moment of vesting these awards (five years for Management Board and one year for Identified Staff).

Share awards on NN Group shares

Changes in share awards on NN Group shares outstanding for NN Bank

	Share awards (in numbers)		Weighted average grant date fair value (in euros)	
	2023	2022	2023	2022
Share awards outstanding – opening balance	2,117	2,397	36.53	31.70
Granted[1]	4,488	1,688	35.43	42.90
Vested	-3,252	-1,928	33.54	36.05
Forfeited	-323	-40	34.62	39.10
Share awards outstanding – closing balance	**3,030**	**2,117**	**39.88**	**36.53**

1. Including prior year balances due to personnel movements in 2023

In 2023, 1,789 share awards on NN Group shares (2022: 1,688) were granted to the members of the NN Bank Management Board. To other employees of NN Bank, 0 share awards on NN Group shares (2022: 0) were granted.

As at 31 December 2023, the share awards on NN Group shares consist of 3,030 share awards (2022: 2,117) relating to equity-settled share-based payment arrangements, and no share awards to cash-settled share-based payment arrangements.

The fair value of share awards granted is recognised as an expense under 'Staff expenses' and is allocated over the vesting period of the share awards.

As at 31 December 2023, total unrecognised compensation costs related to share awards amount to EUR 45 thousand (2022: EUR 36 thousand). These costs are expected to be recognised over a weighted average period of 1.6 years (2022: 1.9 years).

23 Regulatory levies

Regulatory levies

	2023	2022
Regulatory levies	18,213	26,828
Regulatory levies	**18,213**	**26,828**

'Regulatory levies' represents contributions to Deposit Guarantee Schemes (DGS) and the Single Resolution Fund (SRF). Contributions to DGS were EUR 11.9 million (2022: EUR 17.2 million) and contributions to the SRF were EUR 6.3 million (2022: EUR 9.6 million).

24 Other operating expenses

Other operating expenses

	2023	2022
Computer costs	22,115	21,139
Office expenses	290	395
Travel and accommodation expenses	1,522	1,539
Advertising and public relations	3,863	2,616
External advisory fees and contributions	6,140	5,858
Bank costs	234	257
Net release from (addition to) restructuring provisions	2,378	3,621
Amortisation and impairments of intangible assets	8,449	3,342
Other	5,999	142
Other operating expenses	**50,990**	**38,909**

	2023	2022
Customer & Commerce	23,848	20,560
IT	12,335	8,515
Facility Management	5,020	6,024
General Management	4,026	11,930
Group HR	3,553	3,078
Finance Service Centre	1,295	1,169
Total Group Services	**50,077**	**51,276**
Total other operating expenses	**101,067**	**90,185**

For 'Net release from (addition to) restructuring provisions', reference is made to the disclosure on the restructuring provisions in Note 14 'Provisions'.

The increase in 'Other' is mainly due to an increase of EUR 4.3 million in provisions and a non-recurring effect of the 2024-2025 collective labour agreement of EUR 1.7 million.

Fees of auditors

Reference is made to Note 48 'Fees of auditors' in the Consolidated annual accounts of NN Group for audit fees and audit-related fees. The services rendered by the auditor, in addition to the statutory audit, include audits in relation to reporting to regulators, audit of annual accounts of subsidiaries, review of interim report, assurance on internal control reports provided to third parties and regulators, services in relation to prospectuses and issuance of debt and reports of factual findings to external parties and regulators.

25 Taxation

NN Bank is part of the Dutch fiscal unity of NN Group for corporate income tax purposes, making it jointly and severally liable for the total tax payable by the fiscal unity. The tax receivables and payables concern the receivables from and payables to NN Group. Income tax payable amounts to EUR 7.2 million and concerns tax payable to NN Group for the most recent quarter. Reference is made to Note 13 'Other liabilities'.

NN Group is subject to the requirements of the 'International Tax Reform – Pillar Two Model Rules' effective as from 31 December 2023. NN Group expects the Pillar Two minimum taxation requirements to be applicable to be applicable to most of its operations, but does not expect significant impact in any of the jurisdictions in which it operates. Also no significant impact on the effective tax rate for NN Group is expected. NN Bank's Taxation on result and Effective tax rate over 2023 are not significantly impacted by this amendment.

Deferred tax (2023)

	Net asset 2022[1]	Change through equity	Change through net result	Net asset 2023[1]
Investments	9,188	-2,706	232	6,714
Loans	-7,433	0	136	-7,297
Provisions	1,243	0	-491	752
Intangible assets	0	0	0	0
Deferred tax	**2,998**	**-2,706**	**-123**	**169**

1. Positive amounts are assets, negative amounts are liabilities.

In 2017, NN Group acquired Delta Lloyd Group. At inception (Day One), all Delta Lloyd Group entities were valued at market value, resulting in premiums to be amortized. On 1 January 2018, Delta Lloyd Bank merged with NN Bank. This resulted in a difference between the valuation based on NN Group principles (including Day One premiums) and the local statutory valuation (excluding Day One premiums), which created a difference in fiscal positions. This accounts for the negative deferred tax assets in the tables above and below. The Delta Lloyd Day One premiums are being amortized over a period of several years, thereby reducing the difference over time.

Deferred tax (2022)

	Net liability 2021[1]	Change through equity	Change through net result	Net asset 2022[1]
Investments	988	8,087	113	9,188
Loans	-9,885	0	2,452	-7,433
Provisions	707	0	536	1,243
Intangible assets	48	0	-48	0
Deferred tax	**-8,142**	**8,087**	**3,053**	**2,998**

1. Positive amounts are assets, negative amounts are liabilities.

Taxation on result

	2023	2022
Current tax	44,346	31,433
Deferred tax	-123	-3,053
Taxation on result	**44,224**	**28,380**

Taxation in 2023 increased by EUR 15.8 million to EUR 44.2 million, from EUR 28.4 million in 2022.

Reconciliation of the weighted average statutory tax rate to NN Bank's effective tax rate

	2023	2022
Result before tax	171,310	109,923
Weighted average statutory tax rate	25.8%	25.8%
Weighted average statutory tax amount	**44,198**	**28,360**
Expenses not deductible for tax purposes	26	20
Effective tax amount	**44,224**	**28,380**
Effective tax rate	**25.8%**	**25.8%**

The statutory tax rate in 2023 was 25.8% (2022: 25.8%). The effective tax rate in 2023 was 25.8% (2022: 25.8%).

Taxation on components of other comprehensive income

	2023	2022
Unrealised revaluations	-2,706	8,087
Realised gains or losses transferred to the statement of profit or loss	0	0
Total income tax related to components of other comprehensive income	**-2,706**	**8,087**

26 Fair value of financial assets and liabilities

The following table presents the estimated fair value of NN Bank's financial assets and liabilities. Certain balance sheet items are not included in the table, as they do not meet the definition of a financial asset or liability. The aggregation of the fair value presented below does not represent, and should not be construed as representing, the underlying value of NN Bank.

Fair value of financial assets and liabilities

	Balance sheet value		Estimated fair value	
	2023	2022	2023	2022
Financial assets				
Cash and balances at central banks	2,155,834	2,182,806	2,155,834	2,182,806
Amounts due from banks	260,317	350,037	260,317	350,037
Financial assets at fair value through profit or loss:				
– non-trading derivatives	39,098	45,473	39,098	45,473
Investment securities	900,827	1,023,654	900,154	1,020,626
Loans	21,524,697	20,309,174	20,788,028	19,535,989
Financial assets	**24,880,773**	**23,911,144**	**24,143,431**	**23,134,931**
Financial liabilities				
Amounts due to banks	0	245,000	0	245,693
Customer deposits and other funds on deposit	16,464,651	16,227,542	16,190,521	15,751,336
Other borrowed funds	305,000	318,000	311,160	318,842
Debt securities issued	7,083,011	6,125,471	6,717,324	5,688,930
Subordinated debt	85,000	85,000	81,976	79,213
Financial liabilities	**23,937,662**	**23,001,013**	**23,300,981**	**22,084,014**

For the other financial assets and financial liabilities not included in the table above, including short-term receivables and payables, the carrying amount is a reasonable approximation of fair value.

'Estimated fair value' represents the price at which an orderly transaction to sell the financial asset or to transfer the financial liability would take place between market participants at the balance sheet date (exit price). The fair value of financial assets and liabilities is based on unadjusted quoted market prices, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices are obtained from independent market vendors, brokers or market-makers. Because substantial trading markets do not exist for all financial instruments, various techniques have been developed to estimate the approximate fair value of financial assets and liabilities that are not actively traded. The fair value presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of the future fair value. Where exposures of a group of financial assets and financial liabilities are managed on a net basis, NN Bank measures the fair value of the group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or settle a net short position.

NN Bank used the following methods and assumptions to estimate the fair value of the financial instruments:

Cash and balances at central banks

'Cash and cash equivalents' are recognised at their nominal value, which approximates the fair value.

Amounts due from banks

'Amounts due from banks' consists of cash advances, overdrafts and other balances. These comprise current accounts and accrued interest with banks. Current accounts and accrued interest are recognised at their nominal value, which approximates the fair value.

Financial assets and liabilities at fair value through profit or loss

Derivatives

Derivative contracts can either be exchange-traded or over-the-counter (OTC). The fair value of exchange-traded derivatives is determined using quoted market prices in an active market and those derivatives are classified in Level 1 of the fair value hierarchy. For those instruments that are not actively traded, the fair value is estimated based on valuation techniques. OTC derivatives and derivatives trading in an inactive market are valued using valuation techniques, because quoted market prices in an active market are not available for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. The principal techniques used to value these instruments are based on discounted cash flows, Black-Scholes option models and Monte Carlo simulation. These valuation models calculate the present value of expected future cash flows, based on 'no-arbitrage' principles. These models are commonly used in the financial industry. Inputs to valuation models are determined from observable market data, where possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices via valuation model calibration procedures. The inputs used include prices available from exchanges, dealers, brokers or providers of pricing, yield curves, credit spreads, default rates, recovery rates, dividend rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes and consensus data, where available.

The exposure of derivative contracts has been reduced, since NN Bank has converted its centrally cleared interest rate derivative contracts of a clearing member from collateralised-to-market (CTM) to settled-to-market (STM). Reference is made to Note 27 'Derivatives and hedge accounting'.

Investment securities

Debt securities

The fair value for debt securities is based on quoted market prices, where available. Quoted market prices may be obtained from an exchange, dealer, broker, industry group, pricing service or regulatory service. If quoted prices in an active market are not available, fair value is based on an analysis of available market inputs, which may include values obtained from one or more pricing services or by a valuation technique that discounts expected future cash flows using market interest rate curves, referenced credit spreads, maturity of the investment and estimated prepayment rates where applicable.

Loans

For loans that are repriced frequently and have had no significant changes in credit risk, carrying values represent a reasonable estimate of the fair value. The fair value of other loans is estimated by discounting expected future cash flows using a discount rate that reflects credit risk, liquidity and other current market conditions. The fair value of mortgage loans is estimated by taking prepayment behaviour into account. Loans with similar characteristics are aggregated for calculation purposes.

Amounts due to banks

'Amounts due to banks' consists of payables including accrued interest. The fair value is based on estimates based on discounting future cash flows using available market interest rates and credit spreads for payables to banks with similar characteristics.

Customer deposits and other funds on deposit

The carrying values of 'Customer deposits and other funds on deposit' with no stated maturity approximate their fair value. The fair values of deposits with stated maturities have been estimated based on discounting future cash flows using a discount rate that reflects credit risk, liquidity and other current market conditions.

Other borrowed funds

The fair value of other borrowed funds is generally based on quoted market prices or, if not available, on estimated prices by discounting expected future cash flows using a current market interest rate and credit spreads applicable to the yield, credit quality and maturity.

Subordinated debt and debt securities issued

The fair value of subordinated debt and debt securities issued is estimated using discounted cash flows based on interest rates and credit spreads that apply to similar instruments listed on the market.

Financial assets and liabilities at fair value and amortised cost

The fair value of the financial instruments carried at fair value and amortised cost (where fair value is disclosed) was determined as follows:

Methods applied in determining the fair value of financial assets and liabilities (2023)

	Balance sheet value	Total fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Non-trading derivatives	39,098	39,098	0	39,098	0
Investment securities - FVOCI	840,523	840,562	815,426	25,136	0
Financial assets not measured at fair value					
Cash and balances at central banks[1]	2,155,834	2,155,834	2,155,834	0	0
Amounts due from banks[1]	260,317	260,317	260,317	0	0
Investment securities - AC	60,304	59,592	42,311	17,281	0
Loans - AC	21,524,697	20,788,028	0	0	20,788,028
Financial assets	**24,880,773**	**24,143,431**	**3,273,888**	**81,515**	**20,788,028**
Financial liabilities not measured at fair value					
Amounts due to banks	0	0	0	0	0
Customer deposits and other funds on deposit[1]	16,464,651	16,190,521	9,337,824	6,830,715	21,982
Other borrowed funds	305,000	311,160	0	311,160	0
Debt securities issued	7,083,011	6,717,324	6,647,895	69,429	0
Subordinated debt	85,000	81,976	0	81,976	0
Financial liabilities	**23,937,662**	**23,300,981**	**15,985,719**	**7,293,280**	**21,982**

1. Financial assets and liabilities measured at amortised cost that are on demand are classified in Level 1 in the table above. Their fair value approximates the carrying value.

Methods applied in determining the fair value of financial assets and liabilities (2022)

	Balance sheet value	Total fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Non-trading derivatives	45,473	45,473	0	45,473	0
Investment securities - FVOCI[2]	899,796	899,834	844,645	55,189	0
Financial assets not measured at fair value					
Cash and balances at central banks[1]	2,182,806	2,182,806	2,182,806	0	0
Amounts due from banks[1]	350,037	350,037	350,037	0	0
Investment securities - AC[2]	123,858	120,792	84,330	9,681	26,781
Loans - AC	20,309,174	19,535,989	0	0	19,535,989
Financial assets	**23,911,144**	**23,134,931**	**3,461,818**	**110,343**	**19,562,770**
Financial liabilities not measured at fair value					
Amounts due to banks	245,000	245,693	0	245,693	0
Customer deposits and other funds on deposit[1]	16,227,542	15,751,335	10,311,089	5,412,304	27,942
Other borrowed funds	318,000	318,842	0	318,842	0
Debt securities issued	6,125,471	5,688,931	5,345,673	343,258	0
Subordinated debt	85,000	79,213	0	79,213	0
Financial liabilities	**23,001,013**	**22,084,014**	**15,656,762**	**6,399,310**	**27,942**

1. Financial assets and liabilities measured at amortised cost that are on demand are classified in Level 1 in the table above. Their fair value approximates the carrying value.
2. The comparative figures changed due to a change the in the methodology applied for determining fair value levels.

NN Bank has categorised its financial instruments that are either measured in the balance sheet at fair value or for which the fair value is disclosed, into a three-level hierarchy, based on the priority of the inputs to the valuation. The fair value hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities, and the lowest priority to valuation techniques supported by unobservable inputs. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

The fair value hierarchy consists of three levels, depending on whether the fair value is determined based on (unadjusted) quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs that are unobservable and that have a more than insignificant impact on the fair value of the instrument (Level 3). Financial assets in Level 3 include, for example, certain complex loans (for which current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model is not available), mortgage loans and consumer lending.

Observable inputs reflect market data obtained from independent sources. Unobservable inputs are inputs that are based on NN Bank's own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Transfers into and transfers out of levels in the fair value hierarchy are recognised on the date of the event or change of circumstances that caused the transfer.

Level 1 – Quoted prices in active markets

This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market that NN Bank can access. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

Level 2 –Valuation technique supported by observable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g., a model), where inputs in the model are taken from an active market or are observable. If certain inputs in the model are unobservable, the instrument is still classified in this category, provided that the impact of those unobservable input elements on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are modified based on other market observable external data and items whose value is derived from quoted prices, but for which there was insufficient evidence of an active market.

Level 3 –Valuation technique supported by unobservable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g., a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market-observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes, but for which the market is considered inactive. An instrument is classified in its entirety as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. 'Unobservable' in this context means that there is little or no current market data available from which the price at which an orderly transaction would likely occur can be derived.

Changes in Level 3 Financial assets

	2023	2022
Level 3 Financial assets – opening balance	0	8,353
Amounts recognised in the statement of profit or loss during the year	0	-8,353
Level 3 Financial assets – closing balance	**0**	**0**

Changes in Level 3 Financial liabilities

	2023	2022
Level 3 Financial liabilities – opening balance	0	8,353
Amounts recognised in the statement of profit or loss during the year	0	-8,353
Level 3 Financial liabilities – closing balance	**0**	**0**

Level 3 – Amounts recognised in the statement of profit or loss during the year

	2023	2022
Financial assets		
Non-trading derivatives	0	-8,353
Financial assets	**0**	**-8,353**
Financial liabilities		
Non-trading derivatives	0	8,353
Financial liabilities	**0**	**8,353**

'Non-trading derivatives' in 2022 consists of balanced guaranteed swaps. In the valuation of these swaps, prepayment behaviour of underlying mortgage loans is included. The maturity of these swaps is based on the First Optional Redemption Date (FORD).

Level 3 financial assets and liabilities at fair value

There were no financial assets or liabilities at fair value classified as Level 3 at year-end 2023.

27 Derivatives and hedge accounting

Use of derivatives and hedge accounting

NN Bank uses derivatives for effective portfolio management and the management of its asset and liability portfolios. In this respect, NN Bank has designated derivatives as fair value hedge accounting on the interest rate risk inherent in its mortgage portfolio and investment securities measured at FVOCI portfolio (macro hedge), as well as on the interest rate risk related to debt securities issued (micro hedge). The objective of economic hedging is to enter into positions with an opposite risk profile to an identified exposure to reduce that exposure. The impact of NN Bank's hedging activities is to mitigate the market risk that would otherwise arise from structural imbalances in the duration and other profiles of its assets and liabilities. In addition, hedging activities are undertaken to hedge against the interest rate risk in the mortgage-offer period in relation to retail mortgages and to lock in the interest margin in relation to interest-bearing assets and related funding.

To qualify for hedge accounting under IFRS-EU, strict criteria must be met. Certain hedges that are economically effective from a risk management perspective do not qualify for hedge accounting under IFRS-EU. The fair value changes of derivatives relating to such non-qualifying hedges are taken to the statement of profit or loss. If hedge accounting is applied under IFRS-EU, it is possible that during the hedge, a hedge relationship no longer qualifies for hedge accounting and hedge accounting cannot be continued, even if the hedge remains economically effective. As a result, the volatility arising from undertaking economic hedging in the statement of profit or loss may be higher than would be expected from an economic point of view.

With respect to interest rate derivative contracts, the notional or contractual amount of these instruments is indicative of the nominal value of transactions outstanding at the balance sheet date; however, they do not represent amounts at risk.

The fair value of the non-trading derivatives is as follows:

	Positive value		Negative value		Balance	
	2023	2022	2023	2022	2023	2022
Derivatives held for macro fair value hedge accounting	1,212,195	1,621,886	208,643	0	1,003,552	1,621,886
Derivatives held for micro fair value hedge accounting	33,112	0	396,564	591,420	-363,453	-591,420
Other non-trading derivatives	0	160,454	0	198,534	0	-38,080
Interest rate swaps Settled-to-Market	-1,245,307	-1,782,340	-605,207	-789,954	-640,099	-992,386
Position to be settled Settled-to-Market	39,098	45,473	0	0	39,098	45,473
	39,098	**45,473**	**0**	**0**	**39,098**	**45,473**

The fair value of the non-trading derivatives decreased in 2023 to EUR 39.1 million (31 December 2022: EUR 45.5 million).

Non-trading derivatives comprises centrally cleared interest rate swaps for which Settled-to-Market (STM) is applied, in accordance with which the Variation Margin paid/received is treated as a settlement of the daily marked-to-market revaluations. 'Position to be settled STM' represents the marked-to-market revaluation of the last day of the year, which has not yet been settled with the clearing member.

Macro fair value hedge accounting

NN Bank applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU 'carve-out' of IFRS-EU. The EU 'carve-out' macro hedging enables a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument, and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under hedging strategies. Under the IFRS-EU 'carve-out', hedge accounting may be applied to core deposits, and ineffectiveness only arises when the revised estimate of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket. NN Bank applies the IFRS-EU 'carve-out' to its hedge of the interest rate risk of mortgage loans and investment securities measured at FVOCI.

NN Bank discontinues and restarts the hedging relationships with each change in its hedging instruments, but at least once per month. The main sources of ineffectiveness are the sensitivity to multiple interest rate curves, differences in payment frequencies and maturity mismatches between the designated hedging instruments and hedged items. Any results on the discontinuation of hedge relations are included under 'Net interest income'. Reference is made to Note 18 'Net interest income'.

Gains and losses on derivatives designated included in fair value hedge accounting are recognised in the statement of profit or loss. The effective portion of the fair value change on the hedged item is also recognised in the statement of profit or loss. As a result, only the net accounting ineffectiveness has an impact on the net result.

The valuation result on macro fair value hedge accounting is as follows:

	Mortgage loans	Investment securities	2023	2022
Fair value movements in hedging instruments	-551,704	-28,551	-580,255	2,002,377
Fair value movements in hedged item attributable to hedged risks	534,802	25,268	560,070	-1,991,241
Net effect macro fair value hedge	**-16,902**	**-3,283**	**-20,185**	**11,136**

Micro fair value hedge accounting

NN Bank also entered into derivative transactions in order to hedge the interest rate risk of its funding operations. Fair value micro hedge accounting for those derivatives is applied. The hedged item consists of individual external borrowings in 'Debt securities issued', while the hedging instrument consists of interest rate swaps. NN Bank periodically assesses the fair value change of the micro hedge in the hedged part of 'Debt securities issued' attributable to the hedged risk, on the basis of the expected interest reset date. When NN Bank assesses the hedge as effective, it recognises the fair value change in the hedged part of 'Debt securities issued' in the balance sheet and the gain or loss in the statement of profit or loss.

The valuation result on micro fair value hedge accounting is as follows:

	2023	2022
Fair value movements in hedging instruments	227,968	-562,219
Fair value movements in hedged item attributable to hedged risks	-229,911	559,716
Net effect micro fair value hedge	**-1,943**	**-2,503**

Non-trading derivatives

The following table shows the non-trading derivatives by type and maturity.

Non-trading derivatives by type and maturity (2023)

	notionals, amounts in millions of euros				amounts in millions of euros	
	< 1 year	Between 1 and 5 years	> 5 years	Total	Positive fair value	Negative fair value
Interest rate swaps	742	7,170	10,689	18,601	39	0
Total non-trading derivatives	**742**	**7,170**	**10,689**	**18,601**	**39**	**0**

Non-trading derivatives by type and maturity (2022)

	notionals, amounts in millions of euros				amounts in millions of euros	
	< 1 year	Between 1 and 5 years	> 5 years	Total	Positive fair value	Negative fair value
Interest rate swaps	1,239	3,282	11,144	15,665	45	0
Total non-trading derivatives	**1,239**	**3,282**	**11,144**	**15,665**	**45**	**0**

28 Assets by contractual maturity

Amounts presented in these tables by contractual maturity are the amounts as presented in the balance sheet.

Assets by contractual maturity (2023)

	Less than 1 month[1]	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and balances at central banks	2,155,834	0	0	0	0	2,155,834
Amounts due from banks	17,947	0	0	0	242,370	260,317
Financial assets at fair value through profit or loss:						
– non-trading derivatives[2]	39,098	0	0	0	0	39,098
Investment securities	94,873	24,909	100,614	672,815	7,616	900,827
Loans	72,870	52,318	235,822	1,545,086	19,618,601	21,524,697
Intangible assets	100	200	902	2,998	18,980	23,180
Assets held for sale	0	0	40,388	0	0	40,388
Deferred tax assets	0	0	0	169	0	169
Other assets	149,280	39,854	1,243	0	70,156	260,533
Total assets	**2,530,002**	**117,281**	**378,969**	**2,221,068**	**19,957,723**	**25,205,043**
Risk management derivatives:						
– inflow	28,375	61,157	327,432	904,485	1,179,160	2,500,609
– outflow	-9,690	-12,638	-145,785	-421,177	-480,779	-1,070,069

1. Includes assets on demand.
2. Contractual cash flows for non-trading derivatives are presented on a gross basis. Risk management derivatives shows the contractual interest cash flows on derivatives. The cash flows of the floating legs are based on forward rates, based on the interest rate swap curve per 29 December 2023.

Assets by contractual maturity (2022)

	Less than 1 month[1]	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and balances at central banks	2,182,806	0	0	0	0	2,182,806
Amounts due from banks	39,276	0	0	0	310,761	350,037
Financial assets at fair value through profit or loss:						
– non-trading derivatives[2]	45,473	0	0	0	0	45,473
Investment securities	15,511	64,121	57,753	878,656	7,613	1,023,654
Loans	104,306	90,540	229,317	1,524,430	18,360,581	20,309,174
Intangible assets	295	590	2,653	2,103	21,545	27,186
Assets held for sale	0	0	0	0	0	0
Deferred tax assets	0	0	2,998	0	0	2,998
Other assets	103,211	46,821	1,314	0	67,468	218,814
Total assets	**2,490,878**	**202,072**	**294,035**	**2,405,189**	**18,767,968**	**24,160,142**
Risk management derivatives:						
– inflow	3,876	20,800	240,450	1,185,557	1,642,334	3,093,017
– outflow	-6,986	-10,717	-70,422	-349,932	-592,055	-1,030,112

1. Includes assets on demand.
2. Contractual cash flows for non-trading derivatives are presented on a gross basis. Risk management derivatives shows the contractual interest cash flows on derivatives. The cash flows of the floating legs are based on forward rates, based on the curve per 30 December 2022.

29 Liabilities by maturity

The tables below include all financial liabilities by maturity based on contractual, undiscounted cash flows. Furthermore, the undiscounted future coupon interest on financial liabilities payable is included in a separate line and in the relevant maturity bucket.

'Non-financial liabilities' are included based on a breakdown of the (discounted) balance sheet amounts by expected maturity. Reference is made to the Liquidity Risk paragraph in Note 39 'Risk Management' for a description on how liquidity risk is managed.

Liabilities by maturity (2023)

	Less than 1 month[1]	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Amounts due to banks	0	0	0	0	0	0
Customer deposits and other funds on deposit	9,485,173	202,094	1,238,489	2,458,153	3,080,742	16,464,651
Other borrowed funds	0	0	280,000	25,000	0	305,000
Debt securities issued	0	499,959	490,461	3,522,081	2,570,510	7,083,011
Subordinated debt	0	0	0	0	85,000	85,000
Financial liabilities	**9,485,173**	**702,053**	**2,008,950**	**6,005,234**	**5,736,252**	**23,937,662**
Other liabilities	18,114	43,930	37,606	0	0	99,650
Other provisions	202	1,711	6,828	2,616	0	11,357
Non-financial liabilities	**18,316**	**45,641**	**44,434**	**2,616**	**0**	**111,007**
Total liabilities	**9,503,489**	**747,694**	**2,053,384**	**6,007,850**	**5,736,252**	**24,048,669**
Risk management derivatives:						
– inflow	2,883	10,924	68,818	202,453	249,473	534,551
– outflow	-720	-66,601	-153,458	-517,582	-518,036	-1,256,397
Coupon interest due on financial liabilities	-299	-1,595	-51,156	-333,477	-253,593	-640,120

1. Includes deposits on demand, arranged by the earliest possible contractual maturity without taking into account expected customer behaviour and other factors.

Liabilities by maturity (2022)

	Less than 1 month[1]	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Amounts due to banks	0	225,000	20,000	0	0	245,000
Customer deposits and other funds on deposit	10,425,736	148,698	574,180	2,175,085	2,903,843	16,227,542
Other borrowed funds	0	33,000	285,000	0	0	318,000
Debt securities issued	0	0	764,408	2,001,888	3,359,175	6,125,471
Subordinated debt	0	0	0	0	85,000	85,000
Financial liabilities	**10,425,736**	**406,698**	**1,643,588**	**4,176,973**	**6,348,018**	**23,001,013**
Other liabilities	21,249	44,596	24,500	0	0	90,345
Other provisions	2,036	10,532	14,826	0	0	27,394
Non-financial liabilities	**23,285**	**55,128**	**39,326**	**0**	**0**	**117,739**
Total liabilities	**10,449,021**	**461,826**	**1,682,914**	**4,176,973**	**6,348,018**	**23,118,752**
Risk management derivatives:						
– inflow	0	995	16,302	54,279	62,560	134,136
– outflow	-466	-19,948	-111,367	-493,892	-419,629	-1,045,302
Coupon interest due on financial liabilities	-5,487	-8,268	-37,814	-253,603	-254,138	-559,310

1. Includes deposits on demand, arranged by the earliest possible contractual maturity without taking into account expected customer behaviour and other factors.

30 Assets not freely disposable

Assets not freely disposable

	2023	2022
Loans	9,256,519	8,168,756
Cash and balances at central banks	78,632	83,304
Amounts due from banks	16,060	34,653
Assets not freely disposable	**9,351,211**	**8,286,713**

The amount not freely disposable for 'Loans' reflects the mortgage loans structured through the Soft Bullet Covered Bond Programme.

'Cash and balances at central banks' reflects the mandatory reserve deposit at DNB.

'Amounts due from banks' reflects the money held by the NN Covered Bond Company.

31 Transferred but not derecognised financial assets

NN Bank's financial assets that have been transferred but do not qualify for derecognition are mortgage loans incorporated in notes issued by the Hypenn RMBS entities. NN Bank retains substantially all risks and rewards of those transferred assets. The assets are transferred in return for cash or other financial assets.

Mortgage loans transferred to consolidated securitisation entities are not included, as these related mortgage loans are not transferred from a consolidated perspective. Reference is made to Note 35 'Structured entities'.

32 Contingent liabilities and commitments

In the normal course of business, NN Bank is party to activities whose risks are not reflected in whole or in part in the Consolidated annual accounts. In response to the needs of its customers, NN Bank offers financial products related to loans. These products include traditional off-balance-sheet, credit-related financial instruments.

Contingent liabilities and commitments (2023)

	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Guarantees	0	0	0	0	129	129
Irrevocable credit facilities	48,529	0	0	0	0	48,529
Mortgage offerings	165,545	92,384	91,149	0	0	349,078
Construction deposits	37,500	62,216	177,643	67,487	0	344,846
Contingent liabilities and commitments	**251,574**	**154,600**	**268,791**	**67,487**	**129**	**742,581**

Contingent liabilities and commitments (2022)

	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Guarantees	0	0	0	0	639	639
Irrevocable credit facilities	48,227	0	0	0	0	48,227
Mortgage and consumer lending offerings	82,446	240,112	192,945	0	0	515,503
Construction deposits	47,423	79,099	261,144	118,170	0	505,836
Contingent liabilities and commitments	**178,096**	**319,211**	**454,089**	**118,170**	**639**	**1,070,205**

'Irrevocable credit facilities' relates to liabilities arising from irrevocable undertakings and include credit facilities, except mortgage offerings. These are mortgage loans with undrawn facilities and undrawn revolving credit facilities.

In 2023, NN Bank adhered to the contractual agreement with ING Bank. In this contract, NN Bank commits to the purchase of resetting loans until all NN-labelled mortgages owned by ING have been transferred. This is expected to continue until approximately 2036. In addition, the resetting loans now also contain certain other loans with an adjustment in interest rates. As per 31 December 2023, the size of the portfolio of NN-labelled mortgages held by ING Bank was EUR 328 million (2022: EUR 385 million).

Tax liabilities

Together with the other group companies that are part of the fiscal unity, NN Bank is jointly and severally liable for income tax payable by NN Group. The income tax receivable by NN Group at the end of 2023 amounted to EUR 106 million (2022: EUR 308 million receivable).

33 Legal proceedings

General

NN Bank is, or may become, involved in regulatory arbitration and legal proceedings and investigations and maybe subject to third party claims. While it is not feasible to predict or determine the ultimate outcome of all pending proceedings and investigations, some of them may potentially have an effect on NN Bank's financial position, profitability or reputation. NN Bank is performing an investigation on compliance with mortgage lending criteria. Pending this investigation, the financial impact of non-compliance cannot be reliably assessed.

34 Principal subsidiaries

NN Bank has two fully owned subsidiaries:

- Woonnu B.V., which was founded on 13 August 2019 with a registered office in The Hague. Through Woonnu B.V., NN Bank originates mortgage loans under a new label and via a third-party mortgage servicer (Quion Hypotheekbemiddeling B.V.). Woonnu B.V. has a separate AFM licence. It is the Bank's intention to legally merge Woonnu B.V. into NN Bank. However, the Bank will retain, and continue to utilise, Woonnu's platform, brand and identity.
- HQ Hypotheken 50 B.V., which was founded on 21 August 2012 with a registered office in Rotterdam. Through this subsidiary, NN Bank offered mortgage loans to customers via a third-party mortgage servicer (Quion Hypotheekbemiddeling B.V.).

NN Covered Bond Company B.V. is not a legal subsidiary of NN Bank. As NN Bank has control over the structured entity, this Special-Purpose Entity (SPE) has been consolidated as a group company. Reference is made to Note 35 'Structured entities'.

No country-by-country reporting has been included, as NN Bank has no retail activities abroad (apart from a limited savings activity in Spain), and as such this will not provide additional insights.

35 Structured entities

NN Bank's activities involve transactions with structured entities in the normal course of business. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in determining who controls the entity. For example, when any voting rights relate only to administrative tasks and the relevant activities are directed by means of contractual arrangements. NN Bank may use structured entities for securitisation transactions and uses a structured entity in the Soft Bullet Covered Bond Programme. If used, NN Bank consolidates these entities in its financial statements on the basis of the economic relationship between NN Bank and the structured entities, as NN Bank has the power to control those entities.

NN Bank has established a EUR 12.5 billion Soft Bullet Covered Bond Programme and a EUR 5.0 billion Debt Issuance Programme. Under the Soft Bullet Covered Bond Programme, the payment of interest and principal on the bonds issued by NN Bank is guaranteed by the NN Bank-administered structured entity, NN Covered Bond Company B.V. (SB). In order for the SB to fulfil its guarantees, NN Bank legally transfers Dutch prime residential mortgage loans originated by NN Bank to the SB. Economically, the mortgages are on the NN Bank balance sheet. NN Bank consolidates SB.

NN Bank has the following bonds outstanding under the Soft Bullet Covered Bond Programme, which were placed with a wide range of institutional investors, apart from the bonds issued in June and September 2023, which have been fully retained by NN Bank.

	Due date	Notional amount	Fixed coupon
Soft Bullet Covered Bond October 2017	10-10-2024	500,000	0.500%
Soft Bullet Covered Bond June 2018	11-9-2025	500,000	0.625%
Soft Bullet Covered Bond September 2018	25-9-2028	500,000	1.000%
Soft Bullet Covered Bond February 2019	27-2-2024	500,000	0.250%
Soft Bullet Covered Bond March 2019 - 1	18-3-2039	25,000	1.400%
Soft Bullet Covered Bond March 2019 - 2	21-3-2039	20,000	1.432%
Soft Bullet Covered Bond July 2019	25-9-2028	50,000	1.000%
Soft Bullet Covered Bond September 2019	24-9-2029	500,000	0.125%
Soft Bullet Covered Bond July 2020	8-7-2030	500,000	0.010%
Soft Bullet Covered Bond September 2020	24-9-2035	500,000	0.050%
Soft Bullet Covered Bond November 2020	12-11-2040	250,000	0.050%
Soft Bullet Covered Bond March 2021	4-3-2041	500,000	0.375%
Soft Bullet Covered Bond May 2022	17-5-2032	500,000	1.875%
Soft Bullet Covered Bond February 2023	28-5-2027	750,000	3.250%
Soft Bullet Covered Bond June 2023 (retained)	9-6-2032	1,250,000	3.195%
Soft Bullet Covered Bond September 2023 (retained)	6-9-2030	750,000	3.295%
Soft Bullet Covered Bond October 2023	16-10-2026	750,000	3.625%
		8,345,000	

Securitisation transactions may be used to diversify NN Bank's funding sources and to manage its liquidity profile. In 2022 and 2023, NN Bank had two Residential Mortgage Backed Securities (RMBS) transactions outstanding, Hypenn RMBS I and Hypenn RMBS VII. All notes issued were retained by NN Bank until the second half of 2023, when both Hypenn RMBS I and Hypenn RMBS VII were fully redeemed early.

In the table below, the carrying amounts of the Residential Mortgage Backed Securitisation transactions issued and Covered Bond transactions issued, including the related mortgage loans, are summarised:

	Maturity Year	Related mortgage loans		Notes / bonds issued	
		2023	2022	2023	2022
Hypenn RMBS I	2023	0	1,048,309	0	0
Hypenn RMBS VII	2023	0	1,302,032	0	0
Soft Bullet Covered Bonds	2024-2041	9,256,519	5,818,415	6,322,114	4,825,941
Total		**9,256,519**	**8,168,756**	**6,322,114**	**4,825,941**

36 Related parties

In the normal course of business, NN Bank enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Transactions between related parties have taken place on an arm's length basis, and include rendering and receiving of services, transfers under finance arrangements and provisions of guarantees or collateral. There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised in outstanding balances with related parties.

NN Bank is part of NN Group and conducts transactions with its parent company and its subsidiaries. The following categories of transactions are conducted on terms equivalent to those prevailing in an arm's length transaction:

- NN Bank and related parties are involved in the issuance of savings mortgages. Initially, one party recognises the full savings mortgage loan. The customer saves the total amount to redeem the savings mortgage at maturity date at the other party. If the savings amount increases, consequently, the share of ownership of the savings mortgage by the other party increases. NN Bank has arrangements to transfer savings mortgage parts. In certain arrangements, NN Bank receives the mortgage parts. In other arrangements, NN Bank transfers the mortgage parts. All transfers of mortgage parts take place against their nominal value and are recorded in the current accounts with other group companies. These current accounts are classified under Note 6 'Loans' for received mortgage parts and classified under Note 11 'Customer deposits and other funds on deposit' for paid mortgage parts. Reference is also made to Note 1 'Accounting policies' in the paragraph 'Partial transfer of mortgage loans'.
- Transactions with NN Group concerning financing arrangements and the payment of taxes, as NN Group heads the fiscal unity. Reference is made to Notes 12 'Other borrowed funds', 16 'Subordinated debt', 25 'Taxation' and 32 'Contingent liabilities and commitments'.
- Asset management services to group companies, carried out by NN Bank. Reference is made to 'Income received' in the table 'Other group companies'.
- Facility and other services carried out by group companies
- Transactions relating to the remuneration of Board members. Reference is made to Note 37 'Key management personnel compensation'.
- For defined contribution plans, NN Bank pays contributions to BeFrank on a contractual basis. Reference is made to Note 22 'Staff expenses' for further details.

The tables below present the outstanding financial positions, as at year-end, and income received and expenses paid for the year, resulting from transactions with related parties.

Parent company (NN Group)

	2023	2022
Assets	0	0
Liabilities	20,452	15,453
Income received	-2,024	-1,916
Expenses paid	17,487	20,467

'Liabilities' mainly consists of subordinated loans from NN Group amounting to EUR 85 million, tax positions and interest to be paid.

The interest paid on loans from NN Group is included in 'Income received' and is presented in 'Net interest income' as part of 'Total income' in the Consolidated statement of profit or loss. 'Expenses paid' includes mainly expenses charged by staff departments on behalf of NN Group, especially for IT, Human Resources and General Management. Reference is also made to Note 24 'Other operating expenses'.

Other group companies

	2023	2022
Assets	533,799	403,887
Liabilities	124,880	139,187
Income received	61,214	95,379
Expenses paid	35,815	34,258

'Assets' mainly comprises the current account with NN Insurance Eurasia N.V. of EUR 24 million (2022: EUR 19 million) and positions resulting from partial transfer of mortgage loans to NN Life of EUR 360 million (2022: EUR 297 million). With NN Belgium, loans mortgage savings amount to EUR 72 million (2022: EUR 71 million).

'Liabilities' mainly consists of transferred mortgage parts to NN Life of EUR 123 million (2022: 132 million).

'Income received' mainly reflects fee income on mortgage origination and servicing on behalf of NN Life of EUR 44 million (2022: EUR 78 million), on behalf of NN Non-life of EUR 4 million (2022: EUR 7 million) and on behalf of NN Belgium of EUR 5 million (2022: EUR 5 million). Interest result on received and paid mortgage parts amounts to EUR 6 million (2022: EUR 4 million).

'Expenses paid' mainly comprises expenses by Customer & Commerce and Facility Management for work done by these entities on behalf of NN Bank.

37 Key management personnel compensation

Transactions with key management personnel (Management Board and Supervisory Board) are transactions with related parties. These transactions are disclosed in more detail as required by Part 9 of Book 2 of the Dutch Civil Code.

Management Board[1]

	2023	2022
Fixed compensation:		
- base salary	1,074	971
- pension costs[2]	106	99
- individual savings allowance[2]	140	125
Variable compensation:		
- up-front cash	37	21
- up-front shares	37	21
- deferred cash	37	21
- deferred shares	37	21
Other benefits	210	199
Fixed and variable compensation	**1,678**	**1,478**
Internal pay ratio[3]	4:1	4:1

1. The Management Board includes both the statutory and non-statutory members, which is required by IAS 24. Reference is made to Composition of the Boards on page 3. Part 9 of Book 2 of the Dutch Civil Code requires NN Bank to present only the statutory members of the Management Board. This is not separately disclosed, as otherwise the compensation is traceable to one individual person.
2. 'Pension costs' consists of an amount of employer contribution (EUR 106 thousand) and an individual savings allowance (EUR 140 thousand, which is 23.3% of the amount of base salary above EUR 128,810).
3. The pay ratio compares the total CEO compensation and the remuneration of all staff (Pay ratio). For the CEO, the total remuneration used in the pay ratio is the total amount of fixed and variable compensation as disclosed above. For the staff members, the total remuneration used in the pay ratio is the total remuneration as disclosed in the Consolidated annual accounts Note 22 'Staff expenses'. In order to provide a meaningful comparison, the total remuneration of the staff population excludes external staff costs and the remuneration of the CEO of NN Bank.

The Management Board members were eligible for a range of other emoluments, such as travel insurance. The Management Board members were also able to obtain banking and insurance services in the ordinary course of business and on terms that apply to all NN Group employees in the Netherlands.

Remuneration of the members of the Management Board is recognised in the profit and loss account in 'Staff expenses' as part of 'Total expenses'. The NN Bank Supervisory Board members do not receive any compensation for their activities, except for two Supervisory Board members who are not employees of NN Group (2022: two external Supervisory Board members). The remuneration of EUR 75,000 (2022: EUR 78,000) is recognised in the profit and loss account in 'Operating expenses'. Some Supervisory Board members hold remunerated (Board) positions within NN Group, but not within NN Bank. Their remuneration is part of the allocation of headquarter expenses, and they do not receive any (additional) allowances for their role as Supervisory

Board members. NN Bank does not provide the Supervisory Board with a pension arrangement, termination arrangements (including termination of retirement benefits) or variable remuneration in cash or in shares.

The total remuneration of EUR 1,678 thousand (2022: EUR 1,478 thousand), as disclosed in the table above, includes all variable remuneration related to the performance year 2023. Under IFRS-EU, certain components of variable remuneration are not recognised in the profit and loss account directly but are allocated over the vesting period of the award. The comparable amount recognised in 'Staff expenses' in 2023 and therefore included in 'Total expenses' in 2023, relating to the fixed expenses of 2023 and the vesting of variable remuneration of 2023 and earlier performance years, is EUR 1,754 thousand (2022: EUR 1,533 thousand).

With respect to performance year 2023, the total number of staff eligible for variable remuneration is 4. The total approved variable remuneration budget is EUR 240 thousand, which will be paid in March or April 2024. In 2023, 0 persons received a total remuneration of more than EUR 1 million. For this calculation, the individual base salary, awarded variable remuneration and, where applicable, individual saving allowances and pension contributions were included.

Remuneration policy

As a direct subsidiary of NN Group, NN Bank is in scope of the NN Group Remuneration Framework. NN Bank is well aware of the public debate about pay in the financial industry and the responsibility the industry is taking in that light. The remuneration policies of NN Group take into account all applicable regulations and codes, including the Banking Code. The NN Group Remuneration Framework strikes a balance between interests of its customers, employees, shareholders and society at large, and supports the long-term objectives of the company. The variable remuneration is linked to clear targets. These targets are for a large part strategic.

The general principles underpinning the NN Group Remuneration Framework are (amongst others) as follows:

- Support the attraction, motivation and retention of employees, whilst being compliant with applicable legislation and with the aim of applying best practices within the financial industry
- Take into account NN Group's business strategy, objectives, its role in society, values and risk appetite, as well as sustainable long-term value creation for all stakeholders
- Be mindful of the role of the financial sector in society
- Contribute to an inclusive working environment by ensuring equal opportunities, working conditions and equal pay for equal work
- Promote robust and effective risk management, including risk management of sustainability risks (such as environment, society, governance and employee-related matters) in the integration thereof in the risk management system and procedures. It supports balanced risk taking, sustainable long term value creation and the protection of a sound Capital Base. This will amongst others be supported by performance objective-setting processes
- Avoid improper treatment of customers and employees.
- Comply with legislation as applicable to NN Group from time to time, apply best practices in the industry, and act in the spirit of (inter)national regulations and guidance on remuneration

38 Subsequent and other events

Subsequent events

NN Bank has concluded no subsequent events have occurred.

39 Risk management

Introduction

Risk management is a fundamental part of the banking business that must be addressed appropriately to enable NN Bank to successfully meet its obligations towards customers, regulators and other stakeholders. Accepting risk is an integral part of NN Bank's business: having the right functions, risk culture and systems in place to manage risks is important. NN Bank has developed and implemented a risk management structure that is designed to identify, assess, control and monitor the risks associated with its business. Through its risk management practices, NN Bank seeks to meet its obligations to customers and creditors, manage its capital efficiently and comply with applicable laws and regulations.

In line with NN Group, NN Bank has defined and categorised its generic inherent risk types in a mutually exclusive and collectively exhaustive risk taxonomy, and subsequently expressed its appetite for these risk types.

Mission

The mission of our risk management function is to have a sustainable competitive advantage, by fully integrating risk management into daily business activities and strategic planning. The following principles support this mission:

- Products and portfolios are structured, underwritten, priced, approved and managed appropriately; compliance with internal and external rules and guidelines is monitored and managed
- NN Bank's risk profile is transparent, is managed to remain within risk appetite and is consistent with delegated authorities
- Delegated authorities are consistent with overall bank strategy and risk appetite
- Communication to internal and external stakeholders about risk management and value creation is transparent

Risk management system and governance

NN Bank's organisational risk management structure comprises the governance and policy measures designed to manage all the risks associated with the business of NN Bank, as effectively as possible, for all relevant parties involved. At all times, we aim to avoid a situation in which the risk position and the ensuing potential losses seriously threaten NN Bank's profitability, solvency or liquidity. This involves an independent risk management function – in accordance with the relevant regulatory requirements (Wft, Wwft, CRR and EBA) and the policy frameworks of NN Group and NN Bank.

NN Bank's approach to risk management is based on the following main components:

- **Risk governance:** NN Bank's risk governance follows the 'Three Lines of Defence' concept, which outlines the decision-making, execution and oversight responsibilities for the implementation of NN Bank's risk management
- **Risk management system:** NN Bank's risk management structure takes into account the relevant elements of risk management, including its integration into NN Bank's strategic planning cycle, the management information generated and a granular risk assessment. This includes a comprehensive set of risk management policies, standards and processes, which are updated regularly to align with market-leading practices, applicable laws and regulations, and to changes in NN Bank's business and risk profile. These risk management policies, standards and processes apply throughout NN Bank and are used by NN Bank to establish, define and evaluate NN Bank's risk tolerance levels and risk control processes. They also ensure that the tolerance levels and policies are communicated throughout the organisation.

Risk Governance

Management Board and its committees

NN Bank's Management Board is responsible for defining, installing and monitoring the risk management organisation in order to ensure its control systems are effective. It has full management responsibility for all of NN Bank's activities, including setting, implementing, monitoring and, if necessary, adjusting NN Bank's policy. Within the Board, the division of duties regarding operational direction of the Second Line rests with the CRO, in accordance with EBA guidelines on internal governance. The Management Board or its committees approve all risk management policies, as well as the quantitative and qualitative elements of NN Bank's risk appetite. NN Group is informed of the resolutions of the NN Bank Management Board within the policy frameworks NN Group has set. The Management Board reports and discusses these topics with the Supervisory Board on a quarterly basis.

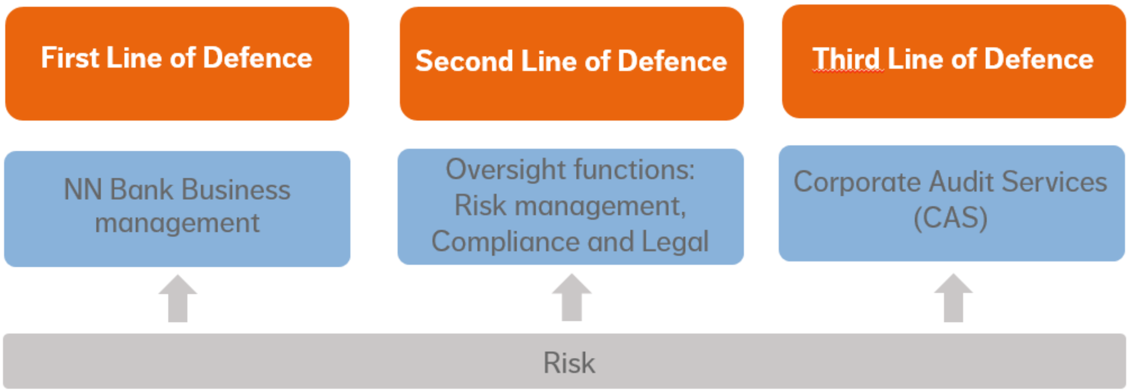
NN Bank's Management Board has delegated a number of activities to specific committees within NN Bank. These committees have an advisory role to NN Bank's Management Board and have been granted delegated authority. In addition, the NN Bank committees inform the relevant NN Group committees of decisions taken.

Committees	Responsibilities	Chairperson
Accounting Committee (AC)	Management of accounting policies for financial reporting in accordance with IFRS-EU	CFO
Asset & Liability Committee (ALCO)	Policy and management of interest-rate risk, liquidity risk and customer behaviour risk, determination of funding and capital instruments to be deployed and overseeing the implementation of (new) funding and capital instruments	CRO
Balance Sheet Management Committee (BSMC)	Management of the pricing of savings and mortgages to ensure that they meet ROE/profitability targets, whilst striving for economic profit per product. Decisions made in the BSMC are mandatory guidance for the pricing committees	CFO
Client Acceptance Review Committee (CARC)	Review and decision-making regarding the Customer Risk Ratings in terms of our customers	CEO
Credit Risk Committee (CRC)	Policy and management of all credit risks incurred by NN Bank for existing credit portfolios, assigned or acquired credit portfolios and new loans	CRO
Crisis Committee (CC)	Management of financial and non-financial risk-related crises	CEO
Data Governance Committee (DGC)	Maintenance and implementation of the Data Governance & Quality Management Policy	CDO
Disclosure Committee (DISCOM)	Advising on relevant disclosures. Ensuring that all disclosures (including insider information) are accurate, complete and appropriate, and that they fairly present NN Bank's condition in all material respects	CFO
Exit Committee	Decisions on a client exit- or ringfencing scenario for clients that have been classified as 'Unacceptable' by the CARC in the Customer Risk Rating	CEO
Impairment & Provisioning Committee (IPC)	Establishing the level of the provisions formed by NN Bank in accordance with its credit risk policy	CFO
IT Risk Committee	Assuring a profound and consistent IT-risk appetite for all departments	CTO
Model Committee (MoC)	Managing model risk, which is the risk of incorrect model design, implementation and/or usage. Approval authority for the models, methodologies and parameters	CRO
Non-Financial Risk Committee (NFRC)	Policy and identification, measurement and monitoring of significant non-financial risks and the adequate mitigation thereof by (line) management	CRO
Product Approval & Review Committee (PRC)	Periodic review of existing products and review of new products for approval	CEO
Regulatory Reporting Committee	Interpretation of regulatory guidance, manuals and/or instructions on prudential, statistical and resolution reporting requirements	CFO

Any sub-committees are not included above.

Risk policy framework

NN Bank's risk policy framework ensures that all risks are managed consistently and that NN Bank as a whole operates within its risk tolerances. The policies/minimum standards focus on risk measurement, risk management and risk governance. To ensure that policies are efficient and effective, they are governed by the Board committee structure. Potential waivers to the policies have to be approved through the Management Board or its Board committees



Three Lines of Defence concept

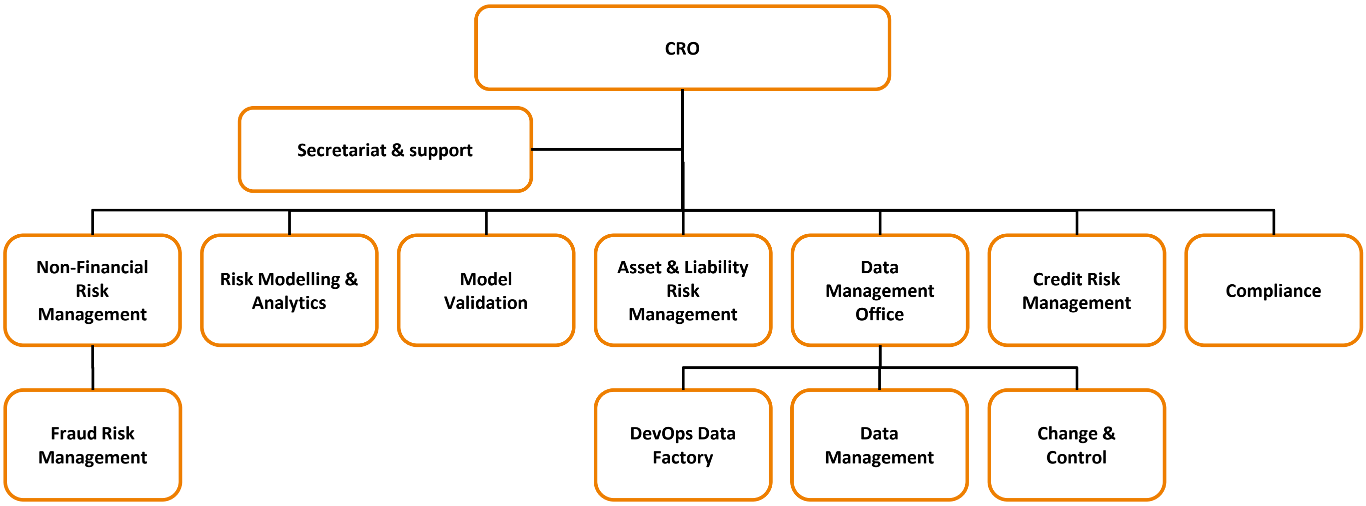
In line with clear segregation of the 'Three Lines of Defence' concept, on which NN Bank's risk management structure and governance are based, NN Bank defines three risk management levels, each with distinct roles, decision authorities, execution responsibilities, and oversight responsibilities. This framework ensures that risk is managed in line with the risk appetite as defined by the Management Board, ratified by the Supervisory Board, and that it is consistent with NN Group's risk appetite:

- **First Line of Defence**: NN Bank Business Management has primary accountability for the performance and all risks of the business, operations, compliance and effective control of risks affecting their business. This includes responsibility for tracking control effectiveness. Finance and Treasury departments are part of the First Line of Defence.
- **Second Line of Defence**: Oversight performed by the internal control functions of NN Bank, i.e., the NN Bank risk management, compliance and legal functions. The functionally independent Second Line supports the commercial departments in their decision-making, but also has sufficient countervailing power to prevent risk concentrations and other forms of unwanted or excessive risk. These oversight functions include:
  - Developing the policies and guidance for their specific risk and control area
  - Encouraging and objectively challenging/monitoring sound risk management throughout the organisation and coordinating the reporting of risks
  - Supporting the First Line of Defence in making proper risk/return trade-offs
  - Exercising escalation power in relation to business activities that are judged to present unacceptable risks to NN Bank
- **Third Line of Defence**: Corporate Audit Services (CAS) offers an independent assessment of the standard of internal control with respect to NN Bank's business and support processes, including governance, risk management and internal controls

Independent risk management function (Second Line of Defence)

The CRO is a member of NN Bank's Management Board. The following departments report to the CRO: Asset & Liability Management Risk, Compliance, Credit Risk, Data Management Office, Non-Financial Risk, Model Validation, and Risk Modelling and Analytics.

Notes to the Consolidated annual accounts continued



In accordance with the EBA Guidelines on Internal Governance, the heads of Asset & Liability Risk Management, Credit Risk Management, Model Validation and Non-Financial Risk Management are heads of Risk Management internal control functions, and the Head of Compliance is the head of the Compliance internal control function. The head of Compliance reports functionally to the NN Group Chief Compliance Officer.

The main objectives of risk management within NN Bank are as follows:

- To create and safeguard transparency, awareness and understanding of the risks associated with the products and portfolios, ensuring that the risk positions taken are carefully considered and in line with the formulated risk appetite
- To retain (potential) customers' and other stakeholders' confidence in NN Bank as a reliable financial service provider
- To comply with all relevant laws and regulations

The scope of work per department is as follows:

- Asset & Liability Risk Management: manage interest rate risks in the banking book and liquidity risks which impact on the realisation of NN Bank's strategic business objectives
- Credit Risk Management: manage lending risk, investment issuer/issue risk, professional counterparty risk, and C&E risk which impact the realisation of NN Bank's strategic business objectives
- Compliance: an independent function aimed at implementation, monitoring and maintaining adherence to relevant laws and regulations including internal policies and procedures. The objective is to ultimately prevent integrity and conduct risk materialisation for NN Bank.
- Data Management Office: data management for financial reporting and modelling purposes
- Model Validation: the validation of financial (risk) models
- Non-Financial Risk Management: all non-financial risks that impact the realisation of NN Bank's strategic business objectives, including emerging and strategic risk
- Risk Modelling & Analytics: risk modelling in support of provisioning, capital and liquidity requirements

The CRO ensures that NN Bank's Management Board and NN Group are well informed and understand NN Bank's risk position at all times. At least every quarter, the CRO reports to the Supervisory Board on NN Bank's risk appetite levels and on NN Bank's risk profile. In addition, the CRO briefs NN Bank's Supervisory Board on developments in internal and external risk-related issues and ensures the Board committees understand specific risk concepts.

The CRO is responsible for the implementation and management of an adequate risk management system and a set of policy guidelines. The aim is to ensure that NN Bank's risk appetite, product offering and operations are within statutory limits set by the prudential supervisor, De Nederlandsche Bank (DNB) and the behavioural supervisor Autoriteit Financiële Markten (AFM), and that they are compliant with the frameworks set by the NN Group Policy House and NN Group's business principles.

Risk management system

The risk management system is not a sequential process, but a dynamic and integrated system. The system comprises three important and interrelated components:

- A risk control cycle, embedded in
- An appropriate organisation, with
- A comprehensive risk appetite framework

NN Bank's business environment exposes NN Bank to inherent risks and obligations. As such, the environment determines the 'playing field' and rules with which to calibrate all risk management activities. These activities are carried out within an internal environment reflected by NN Bank's risk appetite and framework.

Every employee has a role in identifying risk in their area of responsibility, and the role of management is to decide how to manage that risk. It is paramount to know which risks we take and why, to be aware of significant existing and emerging risks, and to ensure an adequate return for the risk assumed in the business.

With risk management, we do not try to predict the future, but instead prepare proactively for a wide range of possibilities.

When assessing and managing risks, we work systematically, aim for completeness and document what we do. Each risk analysis performed shall be focused and relevant. It thus becomes clear and transparent throughout the organisation, for the benefit of management and stakeholders alike.

Risk profile NN Bank

NN Bank is exposed to various risks because of its business model. We provide mortgages to customers, and so we are exposed to credit risks, since it is uncertain whether customers will be able to pay their mortgages in the future. As we use savings to fund our activities, we are exposed to liquidity risk, since it is uncertain when customers will withdraw these savings. In addition, unforeseen regulatory changes may affect the positions on the balance sheet. In this section, we give an overview of the various risks that can affect NN Bank.

NN Bank recognises the following risk types (financial as well as non-financial) that are associated with its business activities.

Financial Risks

- Credit risk: the risk of potential loss due to default of NN Bank's debtors
- Interest rate risk in the banking book: the exposure of a bank's financial condition to adverse movements in interest rates originated from positions in the banking book. This includes customer behaviour risk.
- Business risk: the exposure to value loss due to fluctuations in volumes, margins and costs, as well as due to the design of products from a financial perspective
- Liquidity risk: the risk that NN Bank cannot meet its financial liabilities when they come due, at reasonable cost and in a timely manner

Non-financial risks

- Emerging and strategic risks: risks related to future external uncertainties that could pose a threat to NN Bank and risks arising from making incorrect business decisions, implementing decisions poorly, or being unable to adapt to changes in the operating environment
- Operational risk: the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.
- Business conduct risk: the risk of impairment of NN Bank's integrity
- Compliance risk is the risk of impairing our company's integrity and reputation through a failure to comply with either our own values and/ or our obligations under applicable laws, regulations and standards. A failure to comply might not only damage our reputation and the trust put in our organisation and its services, but it could also lead to legal and/or regulatory sanctions and financial losses through claims for instance.

Risk control cycle

In line with the NN Group Risk Control Framework, NN Bank's risk control cycle consists of four steps: strategy, assessment, control and monitoring. The cycle starts with business processes that support business and risk objectives-setting (the latter resulting in a risk strategy: risk appetite, policies and standards). This is followed by business processes aimed at realisation of those objectives, leading to risks that need to be managed by identifying/assessing them, effective mitigation through controls and continuous monitoring of the effectiveness of controls, including reporting of risk levels.

The risk control cycle, combined with the Business Plan/financial control cycle and performance management/HR cycle, enables the realisation of business objectives by ensuring that NN Bank operates within the risk appetite.

Risk Strategy – Risk Appetite Framework

NN Bank uses an integrated risk management approach for its banking activities. NN Bank's Management Board uses the NN Bank Risk Appetite Framework to determine which risks NN Bank wishes to take, to avoid, to retain and/or to remove. The Risk Appetite Framework consists of qualitative and quantitative statements as to risk preferences, risk tolerances, risk limits and risk controls. In order to verify that NN Bank remains within the Risk Appetite Framework, risk positions are monitored on at least a monthly basis, and reported to NN Bank's Management Board through its risk committees.

Within NN Bank, the CRO is responsible for advising on the risk appetite. NN Bank's Management Board reviews the advised risk appetite for approval at least annually. The risk appetite set by NN Bank's Management Board needs to be consistent with NN Group's risk appetite and must be endorsed by NN Bank's Supervisory Board. The Supervisory Board supervises NN Bank's execution of the risk policies and verifies that they are in accordance with the set risk appetite.

Qualitative risk appetite metrics

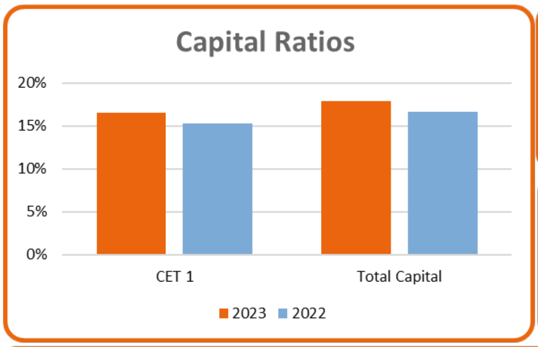
NN Bank key qualitative risk appetite statements are as follows:

Risk Appetite Statement	Risk class	Risk strategy
Strategic Challenges (Shaping the business)	Emerging & Strategic Risks	We create long-term value for all our stakeholders and contribute to the well-being of people and planet, so we continuously evaluate and adapt our business model (such as product portfolio, distribution channels, and organisation) to the external environment to meet evolving customer needs. When doing so, we moderately accept risks from the same, including in attracting and retaining business leaders and (world-class) talent
Strong Balance Sheet (Running the business – financially)	Solvency Risk	We accept financial risks on our balance sheet so we can offer financial security through products and services for our customers, as well as predictable and attractive returns for our investors. We: - avoid having to raise equity capital after a 1-in-20-year event, - only accept risks that we understand, can price and effectively manage - limit exposure to, or volatility due to, non-rewarding risks (in particular, concentration, interest rate, currency and inflation risk) or risks to which we have already a high exposure.
	Liquidity Risk	We want to meet our payment and collateral obligations, even under severe liquidity stress scenarios
Sound Business Performance (Running the business – operationally)	Operational and Compliance Risks	We have no appetite for material breaches of business integrity related Policies and Standards.
		We nurture a culture aligned with our purpose, values and ambitions, which supports continuous learning, collaboration and diversity of thinking, and limit risks to the same.
		We only market products and services that add value to our customers over their expected lifetime in line with their preferences, and can be explained in a simple, transparent manner.
		We moderately accept human errors and, as such, failures in processes and therefore manage to agreed tolerances.
		We limit losses arising from technology risks, and therefore we ensure our technology assets are sufficiently resilient and responsibly used.
		We have no appetite for material errors in external financial and non-financial reporting, and internal reports used for strategic decision-making.
		We avoid, to the extent possible and even under severe circumstances, sustained discontinuation of business (people, offices, IT).

Quantitative risk appetite metrics

For financial risks, NN Bank expresses its risk appetite as the tolerance to allow key metrics to deviate from their target levels. The following key risk metrics have tolerance levels set at Bank level and are monitored on a monthly basis. These metrics are shown below, along with their levels at year-end:

Key risk metrics



Leverage Ratio I
4.0%
2022 3.8%

Liquidity Coverage Ratio I
197%
2022 183%

Mortgages
EUR 22,476 million
2022: 21,748 million

Consumer Lending
EUR 12 million
2022: 86 million

NN Bank has maintained a solid capital position with a Total capital ratio of 17.9% (2022: 16.6%) and a CET1 ratio of 16.5% (2022: 15.3%) at year-end 2023. The leverage ratio stands at 4.0% (2022: 3.8%) at the end of December 2023. The ratio's increased slightly due to an increase in available capital. NN Bank had an LCR of 197% (2022: 183%) at the end of 2023. This is well above the regulatory target of 100% and the internal minimum. It shows a solid liquidity position, given our liquidity risks.

Risk Assessment & Control

Risk assessments are regularly performed throughout NN Bank. Risks that do not directly impact the balance sheet generally require more professional judgment to be identified and quantified. Risk footprints (non-financial risks) and scenario analysis (strategic/emerging risks) are used to assess, report on and follow up on identified risks.

Risk Appetite Statement	Risk class	Risk assessment and example mitigation technique
Strategic Challenges (Shaping the business)	Emerging & Strategic Risks	Scenario analysis, strategic planning, strategic risk assessments, monitoring & management of emerging and strategic risks against risk appetite
Strong Balance Sheet (Running the business – financially)	Solvency Risk	Financial risk assessments, ICAAP, monitoring & management of retail & non-retail credit risk, interest rate risk in the banking book and business/customer behaviour risk against risk appetite, using models as appropriate
	Liquidity Risk	Financial risk assessments, ILAAP, monitoring & management of liquidity risks against risk appetite, using models as appropriate
Sound Business Performance (Running the business – operationally)	Operational and Compliance Risks	Non-financial risk assessments, recovery and resolution planning, monitoring & management of operational and compliance risks against risk appetite. First Line non-financial risk monitoring and key control testing and independent Second Line reviews, PARP

Some of the risk assessments mentioned in the table above will be further described below.

Product approval and review process (PARP)

The product approval and review process (PARP) has been developed to enable effective design, underwriting and pricing of all products, as well as to ensure that they can be managed throughout their lifetime. This process establishes requirements as to the product risk profile features to ensure that products are aligned with NN Bank's strategy. The PARP takes into account customer benefits and product suitability, expected sales volumes, value-oriented pricing metrics and relevant policies. It includes requirements and standards to assess risks as per the risk categories, as well as the assessment of the administration and accounting aspects of the product.

Internal capital adequacy assessment (ICAAP) and liquidity adequacy assessment (ILAAP) processes

At least once a year, NN Bank performs an ICAAP and ILAAP in compliance with European Banking Authority (EBA) requirements. ICAAP and ILAAP test whether NN Bank is sufficiently resilient against severe but plausible stress. Stress testing is a key part of NN Bank's internal capital and liquidity adequacy assessment processes.

Stress testing is a key tool of risk management that involves consideration of the impact of adverse movements in one or more risk factors. The Capital Requirement Regulation (CRR), and, in particular, supervisory review under Pillar II, requires institutions to take a forward-looking view in their risk management, strategic planning and capital planning. The guidelines of NN Bank's stress-testing policy are based on the framework and the guidelines as presented by the European Banking Authority (EBA).

Stress tests focus on topical issues and the sensitivity of NN Bank's capital and liquidity position to certain risks. A stress test can cover a single risk type or multiple risk types. It can include the entire balance sheet, but it can also be used to analyse the potential impact on certain asset classes or certain activities. These analyses determine risk appetite and provide input that helps to steer strategic direction and support decision-making to ensure that NN Bank can survive severe but plausible stress. In addition, this information is important input for the annual Supervisory Review and Evaluation Process (SREP) performed by the regulator, resulting in capital requirements for NN Bank.

Stress-testing approaches include the following:

- Sensitivity analysis is the simple stressing of one risk driver to assess the sensitivity of the institution to that risk driver
- Forward-looking hypothetical and historical scenario analysis is a core part of the NN Bank stress-testing approach. The scenario design takes systematic and institution-specific changes in the present and near future into account
- Reverse stress-testing consists of identifying a significant negative outcome for NN Bank, and then identifying the causes and consequences that could lead to such an outcome

Recovery and resolution planning

In line with the Bank Recovery and Resolution Directive (BRRD) NN Bank has a recovery plan and a resolution plan that is updated annually. The recovery plan prepares NN Bank to restore its financial strength and viability during stress situations. The recovery plan contains NN Bank's recovery and crisis management governance which, among other things, describes the roles and responsibilities in response to a potential crisis. It also states a wide range of indicators which can trigger the activation of the different stages of crisis management. It discusses management measures that could provide relief and achieve recovery both from a liquidity and capital perspective. These measures are tested regularly, assuming a range of scenarios. This analysis shows that NN Bank is adequately recoverable.

Risk Monitoring

The risk profile is monitored against risk appetite; risk assessments are performed to determine risk appetite and to set risk limits. Risk monitoring reports, including deficiencies, conclusions and advice, are regularly provided to the NN Bank Management Board or the respective Board committees. Management takes action when monitoring indicates that risks are not adequately controlled.

Specifically, the Credit Risk Committee and the Asset and Liability Committee, respectively, monitor credit risk, interest rate risk in the banking book, business/customer behaviour risk and liquidity risk and funding risk on a monthly basis. On a monthly basis, the Non-Financial Risk Committee monitors non-financial risks, i.e., emerging, strategic, operational and compliance risks. At least on a quarterly basis, the NN Bank Management Board monitors the integrated risk profile across all risk types. All risk reporting and monitoring is performed in a forward-looking manner.

Regulatory environment

Basel III revisions, CRRIII/CRDVI and upcoming regulations

Since the financial crisis, financial institutions have been under more scrutiny from the public, supervisors and regulators. The resulting revised regulations are intended to ensure that a crisis in the financial system can be avoided in the future. To achieve a more robust banking sector, regulatory changes – primarily the implementation of Basel III – have focused on topics such as the ability of the banking sector to absorb shocks arising from financial and economic stress, improvements to risk management and governance practices, and strengthening banks' transparency and disclosures. In December 2017, the Basel Committee on Banking Supervision (BCBS) announced Basel III revisions. These consist of a revision to the standardised approach to credit risk, the introduction of a capital floor based on standardised approaches, changes to the use of advanced internal ratings-based approach and the introduction of a standardised measurement approach for operational risk, amongst others. On 27 June 2023 the European Council reached a provisional agreement on the Basel revisions. The implementation date remains 1 January 2025 whereas the first reporting date is June 2025 at the earliest. There are some revisions, including the output floor to be phased in until 1 January 2030 and allowing for upward valuation adjustment of a property based on the average value over the last six years.

NN Bank monitors regulatory developments closely and, as appropriate, seeks opportunities for the public to comment and to ensure timely compliance. NN Bank complies with current CRR liquidity and capital requirements and is well prepared for any upcoming changes.

Risk developments 2023

The geopolitical situation remained tense in 2023 with the ongoing war between Russia and Ukraine and the recent Israel-Hamas conflict. These developments further raise concerns about global economic and financial fragmentation and the consequent implications for financial stability and international supply chains. The Dutch economy slowed down as consumption declined due to high inflation and increased interest rates, and lower global trade activities led to fewer exports. Despite this slowdown unemployment remained low during the year. In the first half of 2023 house prices continued to decline, which started after the peak in July 2022. However, as mortgage rates stabilised, and recently even decreased, and incomes increased as a result of Collective Labor Agreements, we saw house prices begin to rise again. NN Bank has taken a management overlay to account for these uncertainties in the near future. The management overlay is held to account for the expected impact of increasing interest rates and energy prices on customers' ability to repay their loans. Reference is made to page 111 'Risk Costs'.

Credit risk

This section provides information about the credit risk profile of the NN Bank portfolio, and NN Bank's Credit Risk Management. Please note that in the credit risk tables in this section, the loan exposures of the financial statement (without subtracting the provisions) are used. The loan exposures in the NN Bank Annual Report are adjusted for (amongst others) construction depots, savings, accrued interest and mortgage premiums.

Credit risk profile

Credit risk is the risk of loss from the default and/or credit rating deterioration of counterparties (including bond issuers). Credit risks arise in NN Bank's lending and investment activities. Credit risk exposure is the total amount of outstanding, plus the unused portion of, commitments. As the distribution of the exposures across relevant metrics (e.g., Probability of Default, or Loss Given Default) is essential for correctly managing the credit risk exposure, NN Bank has established a Credit Risk Appetite Framework that is derived from the overall NN Bank risk appetite.

- Retail credit risk: arises when NN Bank grants a loan to a retail client, or issues guarantees on behalf of a retail client. This includes term loans, mortgages, revolving credits and construction deposits.
- Non-retail credit risk: is the credit default and risk-rating migration risk that is associated with NN Bank's investments in bonds, securitisations and other similar publicly traded securities. This can be viewed as the worst-case scenario loss that NN Bank may incur as a result of holding a position in underlying securities whose issuer's credit quality deteriorates or defaults. The sole purpose of NN Bank's investments in the banking book is for liquidity management purposes. Within NN Bank, (pre)settlement risk, money market risk, counterparty lending risk and issuer risk on investment are categorised under counterparty credit risk and are part of the non-retail credit risk framework. Within NN Bank, the pre-settlement credit risk category is currently associated with OTC derivatives. The interest rate swap portfolio is transferred to mandatory central clearing through a Central Clearing Counterparty (CCP) under the European Market Infrastructure Regulation (EMIR).

Credit risk portfolio & credit quality

Apart from an investment portfolio, which is solely held for liquidity purposes, NN Bank's credit exposure is related to traditional retail lending. The credit risk profile within this retail-lending book largely stems from residential mortgage lending. In addition to mortgages, the retail-lending book consists of a small consumer lending credit book.

Net exposure on mortgages

Amounts in thousands of euros	2023	2022
Balance amount[1]	22,476,105	21,748,458
Indexed market value primary cover	45,934,661	48,021,660
Secondary cover value	1,969,868	1,889,521
State-guarantee value[2]	5,757,304	5,419,271
Total cover + state-guarantee value capped at balance amount	22,467,551	21,740,762
Remaining exposure at risk[3]	8,554	7,696

1. 'Balance amount' reconciles to Stages 1-3 and Purchased or Originated Credit-Impaired loans, excluding the category 'No allocated stage'. Reference is made to Note 6 'Loans'.
2. NHG guarantees
3. 'Remaining exposure at risk' is calculated on loan level as 'Balance amount' minus 'Total cover + guarantee value capped at balance amount'.

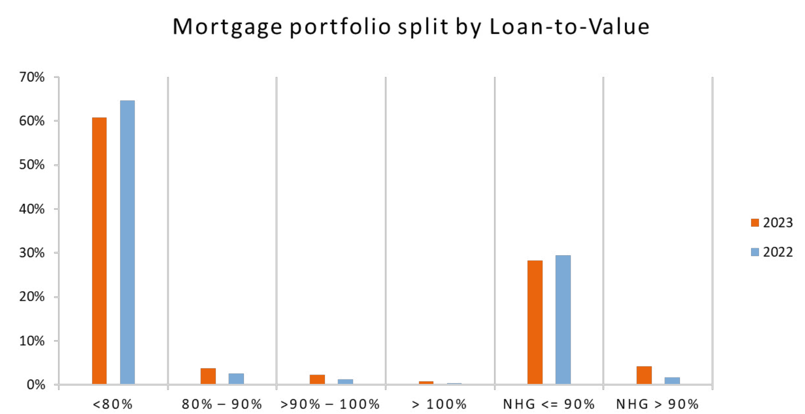
The table above shows the credit risk mitigants (covers and state-guarantee) of NN Bank's mortgage book. In addition to the total value of the different covers and guarantees, the 'Remaining exposure at risk' is calculated. This risk measure is calculated at loan level without double-counting any cover value or guarantee value. The value is capped at the carrying value. 'Remaining exposure at risk' is exposure without any type of cover or guarantee. This amount slightly increased in 2023, mainly due to the decrease in house prices between the third quarter of 2022 and the third quarter of 2023[3] (4.6%[4]). The low 'Remaining exposure at risk', in combination with a low number of customers with payment problems, results in negative risk costs over 2023. For more information on risk costs, reference is made to page 111 'Risk Costs'.

Please note that the state-guarantee value is lower than the exposure that is flagged as such. This is because the state-guarantee value decreases in time following an annuity scheme. For example, for interest-only loans, the loan exposure is stable, while the state-guarantee value decreases. For mortgages that originated after 31 December 2013, the state- guarantee value is also corrected by 10% for the own risk (on the granted guarantee claim) that applies to all banks.

Lastly, NN Bank is continuously investigating the effects of climate change (and, more broadly, Climate & Environmental risks) on its customers and the credit quality of its portfolio. To that end, NN Bank carried out various assessments such as foundation damage due to pole rot and flood risk of the mortgage portfolio. The conclusion is that there is limited short-term risk for NN Bank. For more information on Climate & Environmental risks, reference is made to page 117 'Climate & Environmental risk'.

Loan-to-value

As at the end of 2023, NN Bank's mortgage portfolio had a current loan to indexed market value ratio of 57% (2022: 53%). Due to lower housing valuations, the outstanding amount of the portfolio without state guarantee and an LTV below 80% decreased from 65% in 2022 to 61% in 2023. The outstanding amount without state guarantee and an LTV in excess of 100% increased from 0% in 2022 to 1% of total outstanding in 2023. NN Bank actively approaches customers with an interest-only mortgage and high LTV to discuss changing their mortgage product. The portfolio remains well-collateralised, although the figures slightly declined.



Decreased housing valuations resulted in a shift towards slightly higher LTV buckets as compared to 2022.

[3] Fourth quarter figures were unavailable at year-end.
4 Based on CBS.

Effective in 2023, new residential mortgage loans that have a purchase price below EUR 405,000 were eligible for coverage by state guarantee under NHG scheme in the Netherlands. That amount can be up to EUR 429,300 when accounting for the potential extra budget of 6% for energy-saving renovations. NHG guarantees, to a large extent, the repayment of a loan in case of a forced property sale. The relative guarantee coverage slightly increased from 31% of total outstanding in 2022 to 32% of total outstanding in 2023 as more mortgages are eligible for state guarantee under NHG. This is because the average purchase price decreased. To allow more homebuyers to take out a state-guaranteed mortgage, the state guarantee limit increased as of 2024 to EUR 435,000. That amount can be up to EUR 461,100 when including the extra budget for energy-saving measures for the home.

Credit approval process

The credit approval process ensures that individual transactions are assessed on a name-by-name basis. Each customer is assessed individually. The credit approval process is supported by, amongst others, a credit approval system that ensures consistency with the underwriting policy. A 'Probability of Default' (PD)-based risk weighting system is used to ensure that, at monthly intervals, each customer in the books is given a proper rating. The rating model is used to indicate a customer's creditworthiness.

Past-due loans

The outstanding loans with a delinquency increased in 2023 by EUR 35 million to EUR 207 million (0.9% of total outstanding) due to the impact of inflation and increasing interest rates. The portfolio remains of good quality because of strict underwriting criteria and adequate problem loan management. Furthermore, the mortgage portfolio grew relatively quickly in the past few years because of a substantial level of newly originated loans (which typically have fewer delinquencies).

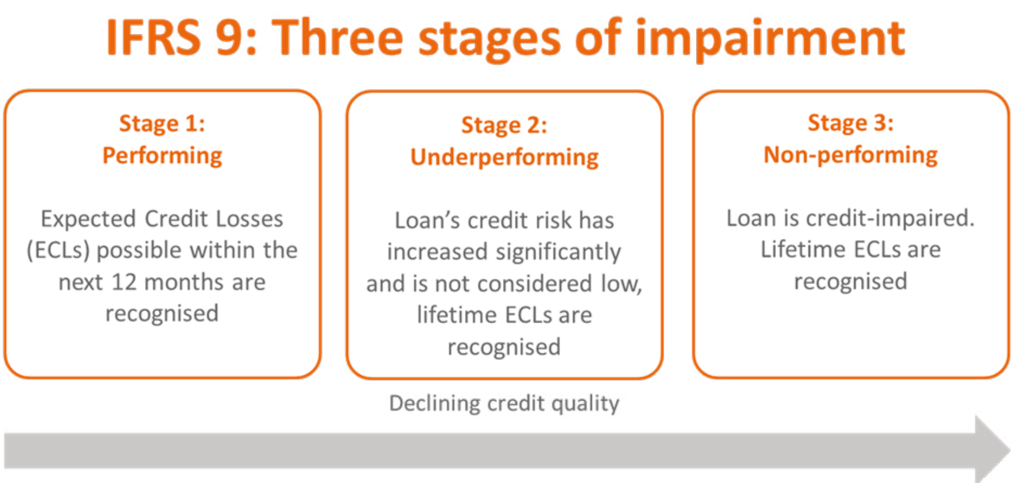
Delinquency

	Mortgages		Consumer lending		Total[1]	
	2023	2022	2023	2022	2023	2022
0 days	22,269,555	21,581,047	12,093	81,351	22,281,648	21,662,398
1 – 30 days	72,712	33,191	85	562	72,797	33,753
31 – 60 days	23,414	15,988	0	353	23,414	16,341
61 – 90 days	34,180	31,886	0	175	34,180	32,061
> 90 days	76,244	86,346	42	3,666	76,286	90,012
Total	**22,476,105**	**21,748,458**	**12,220**	**86,107**	**22,488,325**	**21,834,565**

1. 'Total' reconciles to Stages 1-3 and Purchased or Originated Credit-Impaired loans, excluding the category 'No allocated stage'. Reference is made to Note 6 'Loans'.

NN Bank measures its portfolio in terms of payment arrears on a continuous basis. A loan is considered 'delinquent' if a payment of interest or principal is late by more than one day and the arrears amount is greater than or equal to EUR 100. When this happens, a specialised team contacts the customer to explore the possibilities to get the customer back into financial health as soon as possible.

The delinquent portfolio shows a migration to lower delinquency buckets. The improvement can be largely attributed to the low unemployment environment, despite adverse macroeconomic developments such as high inflation. For consumer lending, the relative improvement is mainly the result of writing off protracted defaults.



IFRS 9 Stages 1 and 2

Under IFRS 9, most of the loans in the portfolio fall in Stage 1 where the 12-month expected loss is calculated. Loans that show a significant increase in credit risk (SICR) at reporting date (versus origination date) are classified as Stage 2 loans, and then a lifetime expected loss is calculated. To establish whether a SICR has taken place, (internally determined) absolute and relative thresholds have been set (quantitative triggers).

Past-due loans (that are not qualified as non-performing), and loans with previous delinquencies receive an elevated PD classification. This can lead to Stage 2 when the quantitative triggers are hit. There are also four backstops:

- Loans that are >30 days past due, or
- Forborne performing customers (discussed more thoroughly later in this paragraph), or
- Bridge loans that are active for longer than the contractually agreed time (> 2 years), or
- Loans that have an interest-only portion above 70%, and have either:
  - an LTV above 100%, or
  - an LTV above 80% and loan close to maturity or a borrower close to retirement (<5 years)

IFRS 9 Stage 3

Stage 3 loans are qualified as a non-performing loan (NPL) and receive a PD of 100%, a lifetime expected loss is calculated under IFRS 9. As can be derived from the table below, 0.4% (EUR 93 million) of the total loans to customers as at the end of 2023 (0.4% at the end of 2022), are classified as Stage 3. The decrease in Stage 3 balance for consumer lending is due to the sale of the consumer lending portfolio.

Purchased and Originated Credit-Impaired (POCI) loans

POCI loans are financial assets (i.e., mortgages) transferred from ING Bank while being in default at the moment of transfer. Therefore, a discount is applied to the carrying amount that equals the expected loss. Unlike the regular mortgages, which can change from one stage to another over different reporting dates, POCI loans never return to Stage 1. Instead, they remain in IFRS9 Stage 2 or Stage 3, depending on their status due to their initial impairments. For its internal processes, NN Bank reports the POCI assets separately. As can be derived from the table below, 0.1% (EUR 27 million) of the total exposure is classified as POCI loans at the end of 2023 (0.1%, at the end of 2022).

Loans exposed to credit risk (Stages by exposure)

		Stage 1		Stage 2		Stage 3		POCI assets		Total[1]
Amounts in millions of euros	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Mortgages	21,398.2	21,214.7	958.9	413.6	92.1	91.1	26.9	29.0	22,476.1	21,748.5
Consumer loans	12.0	78.2	0.2	4.0	0.0	3.9	0.0	0.0	12.2	86.1
Total	**21,410.2**	**21,292.8**	**959.1**	**417.7**	**92.1**	**95.1**	**26.9**	**29.0**	**22,488.3**	**21,834.6**

1. 'Total' reconciles to Stages 1-3 and Purchased or Originated Credit-Impaired loans, excluding the category 'No allocated stage'. Reference is made to Note 6 'Loans'.

Risk costs

Risk costs are defined as net additions to the loan loss provisions, plus write-offs, minus recoveries, and minus interest correction for non-performing loans. NN Bank's total risk costs over 2023 were EUR -8.4 million (-3.7 bps) compared to risk costs of EUR -0.8 million (-0.4 bps) in 2022.

Provisions by stage

		Stage 1		Stage 2		Stage 3		POCI assets		Total[1]
Amounts in millions of euros	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Mortgages	0.2	0.4	1.8	3.7	0.9	1.3	0.1	0.1	3.0	5.4
Consumer loans	0.1	0.3	0.2	0.6	0.0	3.8	0.0	0.0	0.3	4.6
Total	**0.3**	**0.7**	**2.0**	**4.3**	**0.9**	**5.0**	**0.1**	**0.1**	**3.3**	**10.1**

1. Note: Under IFRS 9, NN Bank also calculates provisions for bonds (non-retail), which amounts to EUR 0.1 million per year-end 2023 (2022: EUR 0.1 million).

For the mortgages, consumer loans and bonds portfolio, the stock of provisions amounts to EUR 3.3 million at the end of 2023 (2022: EUR 10.1 million). The following remarks can be made:

- For mortgages, the provision decreased by EUR 2.5 million due to an update in the provisioning model and a decrease in the management overlay. The management overlay related to rising interest rates and high inflation decreased by EUR 1.9 million to EUR 1.0 million as inflation and interest rates are stabilising. The decrease in provision was partly offset by the housing price decrease.
- For consumer loans, the provisions decreased by EUR 4.3 million to EUR 0.3 million due to the sale of a large part of the consumer lending portfolio
- For bonds, the provision decreased by EUR 8 thousand to EUR 50 thousand due to a decrease in the size of the portfolio
- Write-offs minus reversals were EUR -1.5 million, of which EUR -0.7 million for mortgages. Write-offs were low as the portfolio is well-collateralised and unemployment remains low.
- The correction for interest on non-performing loans amounted to EUR -48 thousand

Forbearance

According to NN Bank's definition, forbearance occurs when NN Bank decides to grant concessions through either loan modification or refinancing towards the customer who is unable to meet their financial commitments under the current contract. Modification is defined as changing the terms and conditions of the contract to enable the customer to service the debt. Refinancing relates to issuing a new loan to ensure the total or partial repayment of an existing loan. Examples of forbearance measures can be the reduction of loan principal or interest payments, a temporary payment break, or debt consolidations.

NN Bank has established clear criteria to determine whether a client is eligible for a modification or refinancing, as well as procedures to manage, monitor and report the forbearance activities.

Customers who are granted forbearance measures can be either performing or non-performing depending on conditions of the loan prior to (or after) granting the measure. The customer is seen as *performing forborne* for a minimum of two years if the loan is considered to be performing prior to any forbearance measure. In contrast, a customer is seen as *non-performing forborne* for a minimum of one year if the loan is considered to be non-performing or *performing forborne* prior to any (additional) forbearance measure.

It is noteworthy to point out that the status of loans with forbearance measures can also change during the forbearance reporting period. A *performing forborne* loan can become *non-performing forborne* if it either becomes more than 30 days past due after forbearance measures have been granted, or receives additional forbearance measures during the probation period under certain conditions. The forbearance classification for a loan shall be discontinued when the loan is deemed to be performing and has been reported as *performing forborne* for a minimum of two years, and the loan is less than 30 days past due at the end of the forbearance reporting period.

The underlying NN Bank exposure classified as *forborne* as at year-end 2023 amounted to EUR 200 million (0.9% of mortgage exposure). The loans with forbearance measure decreased as the probation period ends for customers flagged as forborne due to Covid-related payment breaks. Currently NN Bank applies no measures that classify as 'Refinancing'.

Forbearance category in percentage of total lending exposure

	2023	2022
Refinancing	0.00%	0.00%
Terms & Conditions	0.89%	1.12%
Total forbearance	**0.89%**	**1.12%**

Interest rate risk in the banking book

Interest rate risk

Interest rate risk in the banking book is defined as the exposure of a bank's financial condition to adverse movements in interest rates originated from positions in the banking book. Commercial activities result in interest rate risk as, for example, repricing tenors of assets differ from those of liabilities. Changes in interest rates affect earnings and economic value. These two perspectives are complementary, and both are necessary to comprehensively capture interest rate risk. Interest rate risk in the banking book, including interest rate-related customer behaviour risk, is covered under Pillar II. ALM Risk Management is responsible for determining adequate policies and procedures for managing interest rate risk and for monitoring the compliance with these guidelines.

Customer behaviour modelling

NN Bank is exposed to interest rate risk arising from embedded options in products like mortgages and savings. Customer behaviour towards these options influences future volumes and margins. Behaviour modelling is applied in the Bank's key interest rate risk measurements. Models and parameters are reviewed at least annually and updated when deemed necessary. In the modelling of savings, different elements play a role: pricing strategies under various interest rate scenarios, outstanding and expected volumes, and the level of the yield curve. The analyses result in replication rules for the various portfolios. With respect to mortgages and consumer loans, prepayment behaviour and the interest sensitivity of the embedded offered rate options are modelled, if applicable.

Risk profile

At least annually, NN Bank conducts a financial risk assessment aimed at the identification and assessment of key interest rate risks. The outcomes are used as input to the ICAAP and risk appetite reviews. The Bank has a high inherent exposure to interest rate gap risk which it mitigates by attracting long-term funding that matches the repricing tenors of its mortgages. Further, the position is steered by closing interest rate swaps. Exposure to risk from embedded behavioural options is accounted for in the computation of economic capital. In the following sections, the interest rate risk exposures in the banking book are presented. NN Bank uses risk measures from both an earnings perspective and a value perspective. Earnings at Risk (EaR) is used from an earnings perspective. Duration and IRR Economic Value of Equity sensitivity (IRR dEVE) are used from a value perspective. Exposures are monitored by the NN Bank ALCO.

Value perspective

Value-based interest rate risk measures quantify the uncertainty in the future economic value as a result of changes in interest rates. In the steering of the position NN Bank focuses on:

- Effective duration
- Interest Rate Risk Sensitivity of Economic Value of Equity (IRR dEVE)

Both measures are based on economic value. The IRR dEVE is an Alternative Performance Measure (non-GAAP financial measure) and is not a measure of financial performance under IFRS-EU. The EVE is defined as the current value of all future cash flows. Given the current market circumstances and in line with EBA GL/2022/14, risk-free discounting is applied with exclusion of commercial margins and spreads from cash flows.

Duration measures the sensitivity of the value of an instrument for parallel (small) interest rate shifts. To determine the sensitivity for non-parallel shifts, key rate durations are calculated as well. These duration measures are the key instrument in the steering of the Bank's interest rate risk position.

The duration and key rate durations are interest rate risk measures for small changes in interest rates. To determine the impact of large changes in interest rates, the IRR dEVE measure is used. This risk figure measures the impact of changing interest rates on the economic value of NN Bank's balance sheet. It is measured for both parallel and non-parallel scenarios. In the table below, the impact of a 2% interest rate shock on the economic value of the balance sheet is presented. The IRR dEVE captures the interest rate sensitivity of the investments of own funds. It is expressed as a percentage of Tier 1 capital, taking the worst-case impact of the up-and-down 200 basis points parallel shock scenarios. NN Bank measures EVE sensitivity for both parallel and non-parallel scenarios. The metric is based on conditional cash flow modelling, that is, it accounts for scenario-dependent execution of behavioural options.

The loss of economic value has no direct measurable impact on the reported equity or profit or loss. This loss in value will materialise through time in NN Bank's profit or loss. Therefore, IRR EVE sensitivity cannot be linked directly with the statement of financial position or statement of profit or loss.

IRR dEVE

Percentage of Tier 1 capital	2023	2022
Parallel shift 200 basis points	4.6%	7.4%

Exposure to IRR dEVE per end-of 2023 is well within appetite. The overall exposure can be decomposed into a part corresponding to the measurement on unconditional cash flows, and a second part corresponding to the conditionality impact from embedded options in retail portfolios. The first part is approximated by the linear exposure expressed in the duration of equity. Throughout 2023 NN Bank has steered on a duration of equity close to zero so that the linear part of the value sensitivity is relatively low. For NN Bank, the conditionality impact of prepayment is the primary driver of economic value sensitivity. Current prepayment rates for the bank's portfolio are low driven by the incentive for relocating clients to exercise the transfer option (*meeneemregeling*). Both Bank's Pillar II capitalisation and the reporting for the supervisory outlier test are based on the IRR dEVE metric.

Earnings at Risk

Earnings at Risk (EaR) measures the impact of changing interest rates on the projected interest results (net interest income) over a certain time horizon. The EaR is an Alternative Performance Measure (non-GAAP financial measure) and is not a measure of financial performance under IFRS-EU. The EaR reflects the repricing mismatch in the balance sheet on a horizon of a maximum of three years. For this horizon, the main risk drivers are the repricing of investments and floating receiver swaps on the asset side, versus the repricing of variable savings on the liability side. The repricing of variable savings is determined by the tracking speed, which captures how fast, and to what extent, a change in market rates is adopted in the savings rates.

In the table below, the EaR figure for a 2% parallel shock with a one-year horizon is shown under a constant balance sheet assumption. The EaR is expressed as a percentage of the baseline net interest income, taking the worst-case impact of the up-and-down 200 basis points parallel shock scenarios. NN Bank measures EaR for both parallel and non-parallel scenarios.

Earnings at Risk

Percentage of interest result	2023	2022
Parallel shift 200 basis points	5.3%	4.1%

As a result of the positive net repricing gap on the one-year horizon, the IR down scenario remains leading for the EaR exposure of the Bank. The exposure was well within appetite during 2023.

Liquidity risk

Liquidity risk is defined as the risk that NN Bank cannot refinance its assets against a reasonable price (funding liquidity risk) or cannot meet its financial liabilities when they come due, at reasonable cost and in a timely manner (market liquidity risk).

Risk profile

NN Bank aims for prudent liquidity risk management to ascertain that sufficient liquidity is maintained, in order to ensure safe and sound operations in all circumstances.

For the management of liquidity risk, a distinction is made between the short and long term. The main objective for the short term is that NN Bank has sufficient liquid assets to meet short-term obligations both on a going-concern basis and in stress circumstances during its defined survival period. For the long term, the funding profile is managed in such a way that long-term compliance to both internal and external targets is ensured. This implies that the maturities of the assets and the corresponding funding should be matched as much as possible. Given the profile of NN Bank, a mismatch between the duration of the (long term) mortgage portfolio and the duration of liabilities is the main cause of funding liquidity risk in the longer run. For the short term, the main liquidity risk is caused by the potential outflow of customer savings.

Strategic liquidity risk profile

NN Bank manages its balance sheet prudently, whereby the Bank aims to fund the longer-term assets with stable and longer-term liabilities. Monitoring and control of funding is achieved through a dedicated funding and liquidity framework. Each year, the business strategy is translated into a funding plan for a minimum of three years. The funding plan and corresponding liquidity gap are monitored in the ALCO on a monthly basis. The main sources of funding are retail savings. Next to that, NN Bank issues unsecured and covered bonds, as part of the Debt Issuance and Soft Bullet Covered Bond Programmes respectively, and obtains money market funding to manage the mismatch between assets and liabilities. As part of its Soft Bullet Covered Bond Programme NN Bank has issued EUR 2bn of retained covered bonds that can be used as collateral to obtain funding from the Central Bank or through other secured funding transactions. Given this new source of collateral, in 2023 the notes of the Hypenn RMBS I and Hypenn RMBS VII were fully redeemed early.

Tactical liquidity risk management

The regulatory and internal limits for funding and liquidity risk are monitored on a daily and/or monthly basis. These limits are also directly linked to stress testing. NN Bank maintains a liquidity position with conservative internal targets and a robust liquidity buffer. On a daily basis, the liquidity position has to be sufficient to meet NN Bank’s short-term obligations. The position is managed by maintaining sufficient liquid assets and the capacity to generate additional cash.

On a monthly basis, NN Bank performs several stress tests with respect to NN Bank's funding and liquidity positions. Some of these stress tests are regulatory-driven, and others are based on internal stress scenarios.

Also on a monthly basis, NN Bank reports a number of stress scenarios, based on regulatory requirements, including those based on CRR regulation, such as:

- Liquidity Coverage Ratio (LCR)
- Net Stable Funding Ratio (NSFR)

Besides these regulatory stress scenarios, stress tests are performed in which the time-to-survival is calculated given internal stress scenarios. The scenarios assume stress like severe outflow of savings and unavailability of additional funding sources.

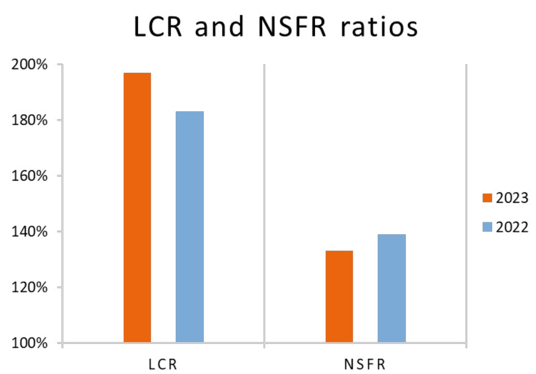
Contingency liquidity risk

Contingency liquidity risk specifically relates to the organisation and planning for liquidity management in times of stress. Within NN Bank, for contingency purposes, a specific crisis team – consisting of key Board members and representatives from staff departments (e.g., Finance, Risk and Treasury) – is responsible for liquidity management in times of crisis. Throughout the organisation, an adequate and up-to-date contingency funding plan is in place to enable senior management to act effectively and efficiently in times of crisis.

Liquidity position

Liquidity measures

	2023	2022
LCR	197%	183%
NSFR	133%	139%



At the end of December 2023, NN Bank had an LCR of 197% and an NSFR of 133%. This is well above the regulatory and internal minimums. It shows a solid liquidity position given our liquidity risks. In addition to the available liquidity as captured by the LCR and the NSFR, NN Bank has other sources of liquidity available.

Non-financial risk management

Emerging, strategic, operational, legal and related second-order risks – such as reputational risks – are monitored. To ensure that these risks are controlled and proactively managed, NN Bank has a framework in place to govern the process of identifying, assessing, mitigating, monitoring and reporting non-financial risks.

Emerging and strategic risks

Risk profile

Risks related to future external uncertainties that could pose a threat to the sustainability and viability of NN Bank's business model and risks arising from making incorrect business decisions, implementing decisions poorly, or being unable to adapt to changes in the operating environment. Emerging and strategic risks encompass disruptive technology risk, political and regulatory risk, environmental, social and governance risk, business model risk, algorithm/model risk from a decision-making perspective and HR risk.

Risk mitigation

NN Bank's strategy and strategic initiatives are important emerging and strategic risk mitigants. These mitigants aim to deal with emerging and strategic risk to further ensure the sustainability and viability of NN Bank's business model. Emerging and strategic risk identification and mitigation is supported by business environment scenario planning, strategic risk assessments and through monitoring and management of emerging and strategic risks. Emerging and strategic risks are first managed by the NN Bank MB itself, supported by its NN Bank Management Team. The Board committees manage non-financial risks, either in a dedicated manner, as with the Non-Financial Risk Committee and Model Committee, or a specific manner, as through the Data Governance Committee, or as part of a committee with a broader risk management mandate, such as through the Product Approval & Review Committee and the Crisis Committee.

Furthermore, NN Bank has implemented a roadmap outlining and strengthening NN Bank's contribution to mitigating climate change and environmental risks, aligned with ECB expectations and covering all domains including risk management. Main risk management areas are covered based on the Risk Control Cycle, Risk Strategy, Risk Appetite, and NN Bank policies.

Operational risk

Risk profile

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes, for instance, IT risk, outsourcing risk, fraud risk and legal risk, but excludes strategic and reputational risk for the purpose of a minimum regulatory operational risk capital charge. Operational risk concerns NN Bank's ability to execute its chosen strategy whilst meeting stakeholder expectations.

Risk mitigation

For operational risk, NN Group has developed an Enterprise Control Framework (ECF) that governs the risk cycle: i.e., the process of identifying, assessing, mitigating, monitoring and reporting financial and non-financial risks. Non-financial risk assessments are conducted on a strategic level (strategic risk assessments) and a business level, and are forward-looking. Based on the identified risks, measures have been implemented to mitigate them within the risk appetite. NN Bank conducts regular risk and control monitoring to evaluate the risks and the effectiveness of the controls. The business owners are responsible for the actual execution of the controls, and for assessing the adequacy of their internal controls.

Business conduct risk

Risk profile

NN Bank defines compliance risk as the risk of impairing our company's integrity and conduct and/or impairment of the personal integrity of one or more of NN Bank employees. Such impairment, whether individual or as a company, happens on a failure to comply with either our own values and/or our obligations under applicable European and Dutch regulatory laws, regulations and standards pertaining to integrity and conduct.

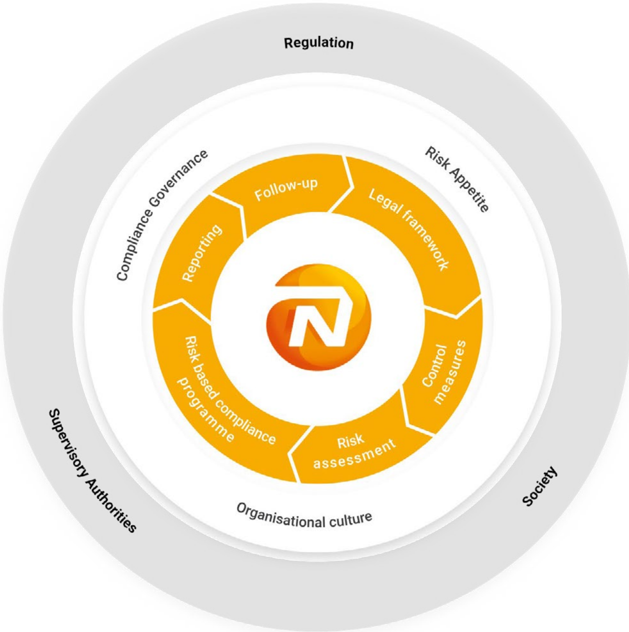
A failure to comply might not only damage our reputation and the trust put in our organisation and its services, but it could also lead to legal and/or regulatory sanctions and financial losses, for instance through claims.

Risk mitigation

NN Bank is committed to upholding its reputation and integrity through compliance with applicable laws, regulations and ethical standards in each of the markets in which the Bank operates. All employees are expected to adhere to these laws, regulations and ethical standards, and management is responsible for ensuring such compliance. Compliance is therefore an essential ingredient of good corporate governance.

The Head of Compliance reports directly to the CRO of NN Bank and has a functional line with the Chief Compliance Officer of NN Group.

The compliance function has executed a programme to further enhance their compliance cycle. This cycle effectively manages compliance risk by identifying, assessing, mitigating, monitoring and reporting business conduct risks. The compliance function provides advice to the businesses to effectively manage their business conduct risks. NN Bank continuously enhances its business conduct risk management programme to ensure that NN Bank and its subsidiaries comply with applicable standards and laws and regulations.



In addition to effective reporting systems, NN Bank has a whistle-blower procedure that protects and encourages staff to speak up if they know of or suspect a breach of external regulations, internal policies or business principles. NN Bank also has policies and procedures regarding anti-money-laundering, sanctions and anti-terrorist-financing, gifts and entertainment, anti-bribery, customer suitability and confidential and insider information. The NN Group Code of Conduct is applicable for its personnel.

NN Bank is fully committed to complying with all applicable sanction legislation, and with all obligations and requirements under those applicable laws, including freezing and reporting obligations with regard to transactions involving a US-, EU- or UN-sanction target. Furthermore, NN Group designates specific countries as ultra-high risk, and prohibits customer engagements and transactions (including payments or facilitation) involving those countries. Certain exceptions to this policy are allowed, after explicit and case-specific consent, and provided that the applicable sanctions laws and regulations are met. At present, the specified ultra-high-risk countries are Cuba, Iran, North Korea, Sudan and Syria. Each of these countries is subject to a variety of EU, US, and other sanction regimes. NN Bank has its own FEC Standard, taking into account laws and regulations that are stricter then the NN Group FEC Policy.

When developing products, NN Bank performs product reviews and implements risk management, legal and compliance procedures to monitor current sales practices. Customer protection regulations, as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices, might influence customer expectations. The risk of potential reputational and financial impact from products and sales practices exists because of the market situation, customer expectations and regulatory activity and needs to be monitored continuously. The compliance function and the business work closely together to optimise products and services and to meet customers' needs.

Climate & Environmental risk (C&E risk)

In recent years, supervisory authorities have been intensifying scrutiny on climate and environmental risk (C&E risk), with a particular focus on the risks associated with the acceleration of new environmental regulations.

Risk profile

C&E risks and the corresponding challenges will have important consequences to various aspects of how we operate as a bank. As a mortgage lender, NN Bank is also expected to play a major role in financing the transition to a sustainable economy and society.

For NN Bank, one of the biggest threats related to C&E risks is credit risk, or the risk that borrowers will default. The Bank's mortgage portfolio can be impacted by climate risk in two ways – either through persistent, chronic changes in the environment such as rising sea levels or through specific acute events such as more intense storms or flooding. Expectations of an increase in such events can negatively impact property values and, ultimately, increase the risk of defaults. In addition, the shift to a lower-carbon economy means we could be susceptible to stricter regulation, disruptive technologies and changes in customer behaviour. Such potential shifts make up a category of risk known as 'transition risk', and for mortgage lenders and borrowers alike, they are substantial.

Another potential channel that may lead to account for environmental risks is biodiversity, which refers to the variety of life on earth, including animals, plants, bacteria and fungi. By financing clients with economic activities dependent on biodiversity, we are exposed to direct and indirect risks associated with environmental risks, which include both physical and transition risks.

A robust approach to assessing and managing our exposure to C&E risk is therefore integral to the sustainability goal of having a net-zero CO_2 portfolio by 2050. Therefore, we are proactively assessing the C&E risks across the Bank. In line with this, in 2023 NN Bank conducted qualitative materiality assessments on both climate and environmental risk, with a specific focus on biodiversity loss.

NN Bank has therefore assessed and identified material physical and transition risks. Looking at the individual risk drivers, we can conclude that some of the material risks having medium to high severity and impact include:

Category	**Risk driver**	**Time horizon** (Short: <3 years Medium: <10 years Long: >10 years)
Physical risks	Flood risks	Medium/long
	Droughts / extreme heat risks (foundation damage in the long run and wildfires in short to medium term)	Short/medium/long
Transition risks	Policy and regulation risks, such as pricing GHG emissions, emission-reporting obligations and transition to lower emission sources	Short/Medium
	Change in market sentiment, such as changing customer behaviour	Short/Medium

These risks will be our priority in measuring and monitoring C&E risks going forward. Ongoing quantification exercises, scenario analyses, and stress testing will yield qualitative and quantitative risk estimates of C&E risks based on geographical location and various time horizons. In terms of biodiversity loss and its impact, we have assessed and identified biodiversity risks and have deemed the risk to be low for now. We will continue to assess it annually for any new insights and developments.

One of the topics that has been assessed in relation to ESG risk is foundation damage due to pole rot. From these analyses, it can be concluded that the risk for NN Bank is currently limited. However, the impact for individual clients may be substantial and may be further amplified by extended periods of drought due to climate change.

NN Bank will continue to monitor foundation damage among other ESG risks.

Risk mitigation

NN Bank aims for prudent C&E risk management by fully embedding it into its risk management frameworks. During 2023, progress was made on risk identification and risk assessment, particularly for environmental risk. In addition, a human rights assessment has been underway to understand how that could impact NN Bank.

As part of scenario analysis and stress testing, NN Bank has undertaken stress tests to cover climate risk from both physical- and transition-risk perspectives, including scenario analysis over the medium- to longer-term horizon, covering until 2050. In all these scenarios, we see that NN Bank's balance sheet is able to withstand climate-risk-related adverse circumstances.

In the coming year, NN Bank will continue to take further steps towards quantification of climate risks to assess how they impact our mortgage portfolio, as well as further assessment of social risks.

40 Capital management

Regulatory requirements

Capital adequacy and regulatory required capital are based on the guidelines developed by the Basel Committee on Banking Supervision (The Basel Committee) and the European Union Directives, as implemented by DNB for supervisory purposes.

NN Bank publishes risk-weighted assets (RWA), Common Equity Tier 1, Total capital and accompanying capital ratios based on CRR, as applicable. For the calculation of RWA, NN Bank applies the Standardised Approach for Credit Risk and the Basic Indicator Approach for Operational Risk. NN Bank does not have a trading book, and therefore Market Risk RWA is not applicable.

Capital management process

In conjunction with the annual MTP process, capital, liquidity and funding plans are prepared each year. These plans are updated on a monthly basis, and the extent to which additional management actions are required is assessed. At all times, maintaining sufficient financial flexibility should be preserved to meet important solvency and liquidity targets. NN Bank's risk appetite statements, which determine risk limit and target-setting, form the foundation of the capital, liquidity and funding plans.

Important inputs to the capital and liquidity planning and management process are provided by stress testing that is performed on a regular basis as part of the ICAAP and ILAAP processes. These stress tests focus on topical issues and the sensitivity of NN Bank's capital position to certain risks. These analyses determine risk appetite and provide input that help to steer strategic direction. In addition, this information is important input for the annual Supervisory Review and Evaluation Process (SREP) performed by the regulator, resulting in capital requirements for NN Bank.

Recovery planning is a natural extension, and follows NN Bank's Risk Management Framework. The Minimum Requirement for own funds and Eligible Liabilities (MREL) have been established to ensure that NN Bank has sufficient equity and eligible liabilities at all times, so that NN Bank can be settled in a manner consistent with the resolution objectives in the event of failure. The MREL requirements are expressed in two percentages, as % of TREA (Total risk exposure amounts) and as % the total exposure measure (TEM, leverage ratio requirement). NN Bank must comply with both the MREL requirements expressed in TREA and in TEM at all times. The MREL requirements for NN Bank are set as follows: (i) 24.5% of TREA (including 3.5% Combined Buffer Requirement) and (ii) 5.18% of TEM. NN Bank already meets the MREL requirements that must be met as of 1 January 2024.

Capital adequacy

Capital position

Amounts in millions of euros	2023	2022
Common Equity Tier 1 Capital	1,069	981
Total capital[1]	1,154	1,066
Risk Weighted Assets	6,465	6,408
Common Equity Tier 1 ratio[1]	16.5%	15.3%
Total capital ratio[1]	17.9%	16.6%

1. 'Total capital' would be EUR 1,193 million, 'CET1 ratio' would be 17.1% and 'Total capital ratio' would be 18.4% after inclusion of the net result for the year 2023, less the payment of the proposed final cash dividend.

NN Bank has maintained a solid capital position with a Capital Requirements Regulation (CRR) total capital ratio of 17.9% (31 December 2022: 16.6%) and a CRR CET1 ratio of 16.5% as of 31 December 2023 (31 December 2022: 15.3%). Common Equity Tier 1 Capital amounts to EUR 1,069 million (31 December 2022: EUR 981 million) and has increased, mainly driven by capital generation in the form of retained profits.

Liquidity adequacy

During 2023, NN Bank maintained an adequate liquidity position.

	2023	2022
Liquidity Coverage Ratio (LCR)	197%	183%
Net Stable Funding Ratio (NSFR)	133%	139%
Loan-to-Deposit ratio (LtD)	137%	134%

The Liquidity Coverage Ratio (LCR) increased from 183% at 31 December 2023 to 197% at 31 December 2023, and remains well above regulatory and internal minimum requirements. The increase in LCR is mainly due to the issuance of wholesale funding.

In addition to the available liquidity as captured by the LCR, NN Bank has other sources of liquidity available. NN Bank has previously issued RMBSs and recently issued retained covered bonds, for which the notes are included in NN Bank's liquidity buffer. These can be used as eligible collateral for ECB open market operations and standing facilities (excluding emergency facilities). Further, NN Bank had intra-group facilities in place for use when necessary.

NN Bank uses two ratios to measure and monitor the Bank's funding position, the NSFR and the LtD, in addition to its liquidity ratio. At 31 December 2023, NN Bank had a NSFR ratio of 133%, which is well above regulatory and internal minimum requirements. At 31 December 2023, NN Bank had a LtD ratio of 137%, which is well within the threshold.

Along with these ratios, stress tests are performed in which the time-to-survival is calculated given internal stress scenarios. The scenarios assume stressors such as severe outflow of savings and unavailability of additional funding sources.

Dividend policy

NN Bank aims to pay dividends to its shareholder on a semi-annual basis, whilst ensuring that the capital ratios show stable development that remains well within NN Bank's risk appetite and the regulatory required capital ratios.

In 2023, NN Bank paid an interim dividend of EUR 20 million and will propose a final dividend over 2023 of EUR 44 million.

Authorisation of the Consolidated annual accounts

The Consolidated annual accounts of NN Bank for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the NN Bank Management Board on 27 March 2024.

The Hague, 27 March 2024

The Management Board

A.J.M. (Marcel) Zuidam, CEO and chair

N.A.M. (Nadine) van der Meulen, CFO

P.C.A.M. (Pieter) Emmen, CRO

The Supervisory Board

A.A.G. (André) Bergen, chair

T. (Tjeerd) Bosklopper

A.M. (Anne) Snel-Simmons

A.T.J. (Annemiek) van Melick

Confirmed and adopted by the General Meeting, dated 29 May 2024.

Parent company annual accounts

Parent company statement of financial position

Amounts in thousands of euros, unless stated otherwise

Parent company statement of financial position

As at 31 December before appropriation of result	notes	2023	2022
Assets			
Cash and balances at central banks		2,155,834	2,182,806
Amounts due from banks	2	242,580	315,096
Financial assets at fair value through profit or loss:			
– non-trading derivatives		39,098	45,473
Investment securities		900,827	1,023,654
Loans*	3	20,962,361	19,709,754
Receivables from group companies*	4	531,132	555,209
Assets held for sale		40,388	0
Deferred tax assets		169	2,997
Other assets	5	161,773	151,251
Investments in group companies	6	149,094	147,458
Intangible assets		22,830	26,624
Total assets		**25,206,086**	**24,160,322**
Liabilities			
Amounts due to banks		0	245,000
Customer deposits and other funds on deposit		16,464,651	16,227,542
Other borrowed funds		305,000	318,000
Other liabilities	7	95,486	79,660
Provisions		11,357	27,394
Debt securities issued	8	7,083,011	6,125,471
Loans from group companies	9	5,207	10,865
Subordinated debt		85,000	85,000
Total liabilities		**24,049,712**	**23,118,932**
Equity			
Share capital		10,000	10,000
Share premium		481,000	481,000
Revaluation reserve		-20,207	-28,006
Retained earnings		558,495	496,853
Unappropriated result		127,086	81,543
Shareholders' equity	10	**1,156,374**	**1,041,390**
Total equity and liabilities		**25,206,086**	**24,160,322**

* The comparative figures changed. Reference is made to Note 6 ‘Loans’ in the Consolidated annual accounts.

References relate to the notes starting on page 126. These form an integral part of the Parent company annual accounts.

Parent company statement of profit or loss

Amounts in thousands of euros, unless stated otherwise

Parent company statement of profit or loss

For the year ended 31 December	notes		2023		2022
Interest income		1,102,242		617,994	
Interest expenses		718,650		418,224	
Net interest income	11		383,592		199,770
Income from group companies	6		1,636		17,405
Gains and losses on financial transactions and other income	12		12,208		44,999
– fee and commission income		79,726		102,982	
– fee and commission expenses		17,374		12,331	
Net fee and commission income	13		62,352		90,651
Valuation results on non-trading derivatives	14		-22,128		4,236
Total income			**437,660**		**357,061**
Impairment charges on financial instruments			-5,052		-826
Staff expenses			153,415		137,589
Regulatory levies			18,213		26,828
Other operating expenses			100,344		89,599
Total expenses			**266,920**		**253,190**
Result before tax			**170,740**		**103,871**
Taxation			43,654		22,328
Net result			**127,086**		**81,543**

Parent company statement of changes in equity

Amounts in thousands of euros, unless stated otherwise

Parent company statement of changes in equity (2023)

	Share capital	Share premium	Revaluation reserve	Other reserves[1]	Total equity
Equity - 1 January 2023	**10,000**	**481,000**	**-28,006**	**578,396**	**1,041,390**
Unrealised revaluations after taxation	0	0	26,548	0	26,548
Macro fair value hedge accounting effect transferred to the statement of profit or loss	0	0	-18,749	0	-18,749
Realised gains or losses transferred to the statement of profit or loss	0	0	0	0	0
Total amount recognised directly in equity (Other comprehensive income)	**0**	**0**	**7,799**	**0**	**7,799**
Net result	0	0	0	127,086	127,086
Total comprehensive income	**0**	**0**	**7,799**	**127,086**	**134,885**
Dividend paid	0	0	0	-20,000	-20,000
Change in employee share plans	0	0	0	99	99
Other	0	0	0	0	0
Equity - 31 December 2023	**10,000**	**481,000**	**-20,207**	**685,581**	**1,156,374**

1. 'Other reserves' include Retained earnings and Unappropriated result.

Parent company statement of changes in equity (2022)

	Share capital	Share premium	Revaluation reserve	Other reserves[1]	Total equity
Equity - 1 January 2022	**10,000**	**481,000**	**-4,747**	**608,386**	**1,094,639**
Unrealised revaluations after taxation	0	0	-55,250	0	-55,250
Macro fair value hedge accounting effect transferred to the statement of profit or loss	0	0	31,991	0	31,991
Realised gains or losses transferred to the statement of profit or loss	0	0	0	0	0
Total amount recognised directly in equity (Other comprehensive income)	**0**	**0**	**-23,259**	**0**	**-23,259**
Net result	0	0	0	81,543	81,543
Total comprehensive income	**0**	**0**	**-23,259**	**81,543**	**58,284**
Dividend paid	0	0	0	-111,600	-111,600
Change in employee share plans	0	0	0	73	73
Other	0	0	0	-6	-6
Equity - 31 December 2022	**10,000**	**481,000**	**-28,006**	**578,396**	**1,041,390**

1. 'Other reserves' include Retained earnings and Unappropriated result.

Notes to the Parent company annual accounts

Amounts in thousands of euros, unless stated otherwise

1 Accounting policies for the Parent company annual accounts

The Parent company accounts of NN Bank are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The accounting policies applicable to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The principles of valuation and determination of results stated in connection with the Consolidated statement of financial position and Consolidated statement of profit or loss are also applicable to the Parent company statement of financial position and statement of profit or loss, with the exception of investments in group companies. These are recognised at net asset value. Reference is made to the disclosures in the Consolidated statement of financial position for the Parent company statement of financial position line items ‘Financial assets at fair value through profit or loss’, ‘Assets held for sale', 'Intangible assets', 'Customer deposits and other funds on deposit', 'Other borrowed funds', 'Provisions' and 'Subordinated debt’. Reference is made to the disclosure in the Consolidated statement of profit or loss for the Parent company statement of profit or loss line item ‘Staff expenses’ for the ‘Number of employees’.

In accordance with Article 379 (1), Book 2 of the Dutch Civil Code, reference is made to Note 34 ‘Principal subsidiaries’ in the Consolidated annual accounts.

2 Amounts due from banks

	2023	2022
Bank balances	210	4,335
Collateral posted	242,370	310,761
Amounts due from banks	**242,580**	**315,096**

‘Bank balances’ comprises current accounts and accrued interest with banks.

‘Collateral posted’ concerns posted collateral regarding centrally cleared swaps. The decrease in ‘Collateral posted’ from EUR 310.8 million to EUR 242.4 million is caused by lower initial margin requirements by the central clearing party and due to decreased net swap positions. ‘Collateral posted’ is not freely disposable.

3 Loans

Loans analysed by type

Loans analysed by type	2023	2022
Loans secured by mortgages, guaranteed by public authorities	5,266,953	4,909,118
Loans secured by mortgages	16,376,403	15,899,676
Loans secured by mortgages, hedged items	-980,873	-1,523,213
Consumer lending, other	12,220	86,107
Other loans	0	69,053
Group companies	290,919	279,066
Loans – before loan loss provisions	**20,965,622**	**19,719,807**
Loan loss provisions	-3,261	-10,053
Loans	**20,962,361**	**19,709,754**

Structured entities

Reference is made to Note 35 ‘Structured entities’ in the Consolidated annual accounts. As these securitisation transactions did not transfer substantially all the risk and rewards, NN Bank continues to recognise mortgage receivables.

Changes in loans

	2023	2022
Loans to third parties – opening balance	19,719,807	20,499,832
Mortgage portfolio transfer	51,641	364,760
Partial transfers of mortgage loans	62,187	3,119
Origination	2,742,271	3,708,676
Change in mortgage premium	-18,395	-36,773
Fair value change hedged items	542,340	-1,952,197
Other changes	-133,697	-147,532
Modifications	1,018	1,707
Redemptions	-2,001,550	-2,721,785
Loans to third parties – closing balance	**20,965,622**	**19,719,807**

4 Receivables from group companies

Changes in receivables from group companies

	2023	2022
Receivables from group companies – opening balance	555,209	675,585
Movement	-24,077	-120,376
Receivables from group companies – closing balance	**531,132**	**555,209**

‘Receivables from group companies’ mainly consists of a loan to HQ Hypotheken 50 B.V. for the funding of the third-party loans as serviced by Quion. The interest rate for 2022 and 2023 is based on Euro Short-Term Rate (€STR) with an add-on of 0.6%. The related interest income for 2023 amount to EUR 14.0 million (2022: EUR 2.4 million).

5 Other assets

Other assets by type

	2023	2022
Accrued assets	54,754	44,452
Other receivables	107,019	106,799
Other assets	**161,773**	**151,251**

All other assets are expected to be recovered or settled within 12 months, except for an amount of EUR 70.2 million (2022: EUR 67.5 million) relating to origination fees to be received following a long-term contract.

6 Investments in group companies

Investment in group companies

	Interest held 2023	Balance sheet value 2023	Interest held 2022	Balance sheet value 2022
HQ Hypotheken 50 B.V.	100%	135,484	100%	135,375
Woonnu B.V.	100%	13,610	100%	12,083
Investments in group companies		**149,094**		**147,458**

Changes in investments in group companies

	2023	2022
Investments in group companies – opening balance	147,458	130,053
Results from group companies	1,636	17,405
Investments in group companies – closing balance	**149,094**	**147,458**

7 Other liabilities

Other liabilities

	2023	2022
Income tax payable	7,068	14,285
Other taxation and social contribution	13,442	13,739
Accrued interest	42,745	23,052
Costs payable	14,429	14,804
Other amounts payable	17,802	13,780
Other liabilities	**95,486**	**79,660**

‘Other amounts payable’ mainly relates to year-end accruals and other payables to third parties in the normal course of business.

All other liabilities are expected to be settled within 12 months.

8 Debt securities issued

	2023	2022
Covered bond issues	6,028,922	4,345,000
Unsecured debt securities	1,054,089	1,780,471
Total	**7,083,011**	**6,125,471**

Reference is made to Note 35 ‘Structured entities’ in the Consolidated annual accounts, specifically the Soft Bullet Covered Bond Programme.

9 Loans from group companies

This position reflects mainly liabilities towards SPEs. Reference is made to Note 35 ‘Structured entities’ in the Consolidated annual accounts. The securitised mortgage portfolios do not qualify for derecognition, since NN Bank retains substantially all risk and rewards. As a consequence, the SPEs account a loan to NN Bank and NN Bank accounts a loan to SPEs, which is included in the line item ‘Loans from group companies’.

10 Equity

Equity

	2023	2022
Share capital	10,000	10,000
Share premium	481,000	481,000
Revaluation reserve	-20,207	-28,006
Retained earnings	558,495	496,853
Unappropriated result	127,086	81,543
Total equity	**1,156,374**	**1,041,390**

Share capital

	Ordinary shares			
	Shares in number		Amount (in EUR thousand)	
	2023	2022	2023	2022
Authorised share capital	5,000,000	5,000,000	50,000	50,000
Unissued share capital	4,000,000	4,000,000	40,000	40,000
Issued share capital	**1,000,000**	**1,000,000**	**10,000**	**10,000**

Changes in revaluation reserve, retained earnings and unappropriated result (2023)

	Revaluation reserve	Retained earnings	Unappropriated result	Total
Revaluation reserve, retained earnings and unappropriated result – opening balance	-28,006	496,853	81,543	550,390
Net result for the period	0	0	127,086	127,086
Dividend paid	0	-20,000	0	-20,000
Unrealised revaluation	7,799	0	0	7,799
Transfers to/from retained earnings	0	81,543	-81,543	0
Change in employee share plans	0	99	0	99
Other	0	0	0	0
Revaluation reserve, retained earnings and unappropriated result – closing balance	**-20,207**	**558,495**	**127,086**	**665,374**

Changes in revaluation reserve, retained earnings and unappropriated result (2022)

	Revaluation reserve	Retained earnings	Unappropriated result	Total
Revaluation reserve, retained earnings and unappropriated result – opening balance	-4,747	506,619	101,767	603,639
Net result for the period	0	0	81,543	81,543
Dividend paid	0	-111,600	0	-111,600
Unrealised revaluation	-23,259	0	0	-23,259
Transfers to/from retained earnings	0	101,767	-101,767	0
Change in employee share plans	0	73	0	73
Other	0	-6	0	-6
Revaluation reserve, retained earnings and unappropriated result – closing balance	**-28,006**	**496,853**	**81,543**	**550,390**

‘Revaluation reserve' cannot be freely distributed. Share premium reserves are not freely distributable up to a negative amount of ‘Retained earnings’.

The total amount of ‘Equity’ in the Parent company annual accounts equals ‘Shareholder’s equity’ in the Consolidated annual accounts.

The ‘Distributable reserves’ based on the Dutch Civil Code in the Parent company annual accounts are equal to the Distributable reserves included in the Consolidated annual accounts, except for the positive components of ‘Share of associates reserve’, which is EUR 0.3 million (2022: EUR 0.6 million). The total ‘Distributable reserves’ based on the Dutch Civil Code in the Parent company annual accounts is EUR 1,143.7 million (2022: EUR 1,032.8 million).

11 Net interest income

Net interest income

	2023	2022
Interest income on loans	600,736	536,058
Modifications	1,018	1,728
Interest income on non-trading derivatives	419,554	71,106
Negative interest on liabilities	8	879
Other interest income	80,926	8,223
Total interest income	**1,102,242**	**617,994**
Interest expenses on amounts due to banks	808	344
Interest expenses on customer deposits and other funds on deposit	239,908	124,740
Interest expenses on debt securities issued and other borrowed funds	74,142	46,115
Interest expenses on non-trading derivatives	316,823	135,557
Interest expenses on subordinated loans	1,388	1,400
Negative interest on assets	2,286	6,407
Other interest expenses	30,714	3,473
Interest expenses on structured entities	52,581	100,188
Total interest expenses	**718,650**	**418,224**
Net interest income	**383,592**	**199,770**

‘Other interest income’ relates mainly to interest received from DNB (2022: interest charged by DNB of EUR 4.1 million in ‘negative interest on assets’).

Interest margin in percentages

	2023	2022
Interest margin	**1.55%**	**0.82%**

‘Interest margin’ is calculated by dividing the ‘net interest income’ by the average of the total assets for year-end 2023 and 2022, respectively.

12 Gains and losses on financial transactions and other income

	2023	2022
Result of sale of consumer lending portfolio	-7,179	0
Realised gains or losses of investment securities	-2	0
Results from financial transactions	19,470	37,283
Other income	-81	7,716
Gains and losses on financial transactions and other income	**12,208**	**44,999**

13 Net fee and commission income

Net fee and commission income

	2023	2022
Service management fee	60,038	52,012
Brokerage and advisory fees	19,688	50,962
Other fees	0	8
Fee and commission income	**79,726**	**102,982**
Asset management fees	11,430	9,826
Brokerage and advisory fees	5,825	2,495
Other fees	119	10
Fee and commission expenses	**17,374**	**12,331**
Net fee and commission income	**62,352**	**90,651**

14 Valuation results on non-trading derivatives

	2023	2022
Gains or losses (fair value changes) in fair value hedge accounting relating to:		
– the hedging instrument (non-trading derivatives)	-352,287	1,440,158
– the hedged items (mortgages) attributable to the hedged risk	330,159	-1,431,525
Gains or losses (fair value changes) in other non-trading derivatives	0	-4,397
Valuation results on non-trading derivatives	**-22,128**	**4,236**

15 Maturity of certain assets and liabilities

Analysis of certain assets and liabilities (2023)

	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and balances at central banks	2,155,834	0	0	0	0	2,155,834
Amounts due from banks	210	0	0	0	242,370	242,580
Loans	71,444	49,422	222,686	1,475,939	19,142,870	20,962,361
Liabilities						
Amounts due to banks	0	0	0	0	0	0
Customer deposits and other funds on deposit	9,485,173	202,094	1,238,489	2,458,153	3,080,742	16,464,651
Debt securities issued	0	499,959	490,461	3,522,081	2,570,510	7,083,011

Analysis of certain assets and liabilities (2022)

	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and balances at central banks	2,182,806	0	0	0	0	2,182,806
Amounts due from banks	4,335	0	0	0	310,761	315,096
Loans	102,882	87,627	216,168	1,453,681	17,849,396	19,709,754
Liabilities						
Amounts due to banks	0	225,000	20,000	0	0	245,000
Customer deposits and other funds on deposit	10,425,736	148,698	574,180	2,175,085	2,903,843	16,227,542
Debt securities issued	0	0	764,408	2,001,889	3,359,174	6,125,471

16 Contingent liabilities and commitments

Contingent liabilities and commitments (2023)

	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Guarantees	0	0	0	0	129	129
Irrevocable credit facilities	48,529	0	0	0	0	48,529
Mortgage offerings	146,477	81,869	80,774	0	0	309,120
Construction deposits	36,755	61,788	177,000	67,487	0	343,030
Contingent liabilities and commitments	**231,761**	**143,657**	**257,774**	**67,487**	**129**	**700,808**

Contingent liabilities and commitments (2022)

	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Guarantees	0	0	0	0	639	639
Irrevocable credit facilities	48,227	0	0	0	0	48,227
Mortgage and consumer lending offerings	79,020	230,103	184,903	0	0	494,026
Construction deposits	46,808	78,618	260,863	118,170	0	504,459
Contingent liabilities and commitments	**174,055**	**308,721**	**445,766**	**118,170**	**639**	**1,047,351**

17 Related parties

NN Bank has entered into transactions with its principal subsidiary, HQ Hypotheken 50 B.V. and Woonnu B.V. 'Receivables from group companies' comprises a loan for funding purposes of the mortgage origination by Quion Hypotheekbemiddeling B.V. on behalf of NN Bank's subsidiary. The related interest income for 2023 amount to EUR 14.0 million (2022: EUR 2.4 million).

Woonnu B.V. originates mortgages directly on behalf of NN Bank and receives an origination fee for this service. The related origination fee amounts to EUR 1.3 million (2022: EUR 0.9 million).

For more details about related parties, reference is made to Note 36 'Related parties' in the Consolidated annual accounts.

18 Other

Fiscal unity

NN Bank and its subsidiaries (excluding consolidated structured entities) are part of the Dutch fiscal unity of NN Group for corporation tax purposes, making it jointly and severally liable for the total tax payable by the fiscal unity. The tax receivables and payables concern NN Group's receivables and payables.

Reference is made to the Consolidated annual accounts for the number of employees and remuneration of the Management Board and the Supervisory Board.

Authorisation of the Parent company annual accounts

The Parent company annual accounts of NN Bank for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Management Board on 27 March 2024.

The Hague, 27 March 2024

The Management Board

A.J.M. (Marcel) Zuidam, CEO and chair

N.A.M. (Nadine) van der Meulen, CFO

P.C.A.M. (Pieter) Emmen, CRO

The Supervisory Board

A.A.G. (André) Bergen, chair

T. (Tjeerd) Bosklopper

A.M. (Anne) Snel-Simmons

A.T.J. (Annemiek) van Melick

Confirmed and adopted by the General Meeting, dated 29 May 2024.

Other information

Independent auditor's report

To: the General Meeting of the Shareholder and the Supervisory Board of
Nationale-Nederlanden Bank N.V.

Report on the audit of the annual accounts 2023 included in the annual report

Our opinion

In our opinion:

- the accompanying consolidated annual accounts give a true and fair view of the financial position of Nationale-Nederlanden Bank N.V. as at 31 December 2023 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as endorsed by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying parent company annual accounts give a true and fair view of the financial position of Nationale-Nederlanden Bank N.V. as at 31 December 2023 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the annual accounts 2023 of Nationale-Nederlanden Bank N.V. (the 'Company' or 'NN Bank') based in The Hague. The annual accounts include the consolidated annual accounts and the parent company annual accounts.

The consolidated annual accounts comprise:

1 the consolidated statement of financial position as at 31 December 2023;
2 the following consolidated statements for 2023: the statement of profit or loss and the statements of comprehensive income, changes in equity and cash flows; and
3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The parent company annual accounts comprise:

1 the parent company statement of financial position as at 31 December 2023;
2 the parent company statement of profit or loss for 2023;
3 the parent company statement of changes in equity; and
4 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the annual accounts' section of our report.

We are independent of Nationale-Nederlanden Bank N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We designed our audit procedures in the context of our audit of the annual accounts as a whole and in forming our opinion thereon. The information in respect of going concern, fraud and non-compliance with laws and regulations and the key audit matters was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

Summary

Materiality

- Materiality of EUR 6 million
- 4.3% of three-year average of results before tax

Group audit

- Audit coverage of 100% of total assets
- Audit coverage of 100% of revenue

Risk of material misstatements related to Fraud, NOCLAR and Going concern

- Fraud risks: presumed risk of management override of controls identified and further described in the section 'Audit response to the risk of fraud and non-compliance with laws and regulations'
- Non-compliance with laws and regulations (NOCLAR) risks: no reportable risk of material misstatements related to NOCLAR risks identified
- Going concern risks: no going concern risks identified

Key audit matters

- Estimation uncertainty with respect to expected credit losses on mortgage loans
- Reliability and continuity of electronic data processing

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Materiality

Based on our professional judgement we determined the materiality for the annual accounts as a whole at EUR 6 million (2022: EUR 6 million). The materiality is determined with reference to the three-year average of results before tax (4.3%). We consider result before tax as the most appropriate benchmark based on our assessment of the general information needs of users of the annual accounts and given the fact that NN Bank is a profit-oriented entity. We have averaged the result before tax because the results have been volatile in recent years due to among other things, the financial impact of the recent interest rate developments and associated developments in the mortgage origination market. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the annual accounts for qualitative reasons.

We agreed with the Supervisory Board that misstatements identified during our audit in excess of EUR 300 thousand (2022: EUR 300 thousand) would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

NN Bank has two fully owned subsidiaries: HQ Hypotheken 50 B.V. and Woonnu B.V. Through HQ Hypotheken 50 B.V., NN Bank offers mortgage loans to customers via a business partner. Woonnu B.V. serves as a mortgage loan originator under the label 'Woonnu' for and on behalf of NN Bank and other entities.

The financial information of these subsidiaries is included in the annual accounts of NN Bank. We are ultimately responsible for the opinion on these annual accounts and therefore we are responsible for directing, supervising and performing the group audit.

We have:

- performed audit procedures ourselves at NN Bank;
- made use of the work of another auditor, appointed by the business partners (service organizations) of NN Bank, for the account balances of HQ Hypotheken 50 B.V. and the mortgage portfolio originated by Woonnu for and on behalf of NN Bank.

As group auditor, we have satisfied ourselves that the audit work performed by the component auditor meets the requirements set out in the instructions that we have sent. Our procedures included regular communication about the assessment of risks and audit responses thereto. Furthermore, we discussed the information reported to us, including audit observations, and performed a review of the audit files to ensure that these are consistent with the instructions sent by us, and support the audit opinion provided by the component auditor on the financial information that we relied upon in the completion of our audit of NN Bank.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the annual accounts.

We have obtained an audit coverage of 100% of total assets and revenues of the group.

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Audit response to the risk of fraud and non-compliance with laws and regulations

In the risk management paragraph of the annual accounts, the Management Board describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations and the Supervisory Board reflects on this.

As part of our audit, we have gained insights into the Company and its business environment, and assessed the design and implementation of the Company's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Company's code of conduct, whistleblowing procedures, incidents register and its procedures to investigate indications of possible fraud and noncompliance. Furthermore, we performed relevant inquiries with management, those charged with governance and other relevant functions, such as Internal Audit (CAS), Legal and Compliance. As part of our audit procedures, we:

- obtained an understanding of how the Company uses information technology (IT) and the impact of IT on the annual accounts, including the potential for cyber security incidents to have a material impact on the annual accounts;
- assessed other positions held by Management Board members and/or other employees and paid special attention to procedures and governance/compliance in view of possible conflicts of interest;
- evaluated internal reports from Internal Audit and Compliance on indications of possible matters of fraud and non-compliance;
- evaluated correspondence with supervisory authorities and regulators.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and identified the following areas as those most likely to have a material effect on the annual accounts:

- 'Wet op het financieel toezicht' (Wft, Act on Financial Supervision);
- banking-specific regulatory requirements as imposed by the prudential regulator DNB;
- regulations related to data privacy (GDPR, General Data Protection Regulation);
- Laws and regulations on Anti-Money Laundering ('AML') and Financial Economic Crime ('FEC') (i.e., the 'Wet ter voorkoming van witwassen en financieren van terrorisme (Wwft, Anti-Money Laundering and Anti-Terrorist Financing Act)); and
- Capital Requirements Directive IV (CRD IV).

Furthermore, we assessed the presumed fraud risk on revenue recognition as irrelevant, because the accounting of interest income and commission income is based on automatically generated accruals based on static data taken from the loan source system and therefore concerns routine transactions not subject to management judgment.

Based on the above and on the auditing standards, we identified the following fraud risk that is relevant to our audit, which entails the relevant presumed risk laid down in the auditing standards, and responded as follows:

Management override of controls (a presumed risk)

- Management is in a unique position to manipulate accounting records and prepare fraudulent annual accounts by overriding controls that otherwise appear to be operating effectively such as via fictitious journal entries or estimates such as the expected credit losses on mortgage loans.

We have performed the following procedures:

- We evaluated the design and the implementation of internal controls that mitigate fraud risks, such as processes related to journal entries, estimates and entries related to the expected credit losses on mortgage loans.
- We performed a data analysis of high-risk journal entries and evaluated key estimates and judgments for bias by the Company's management, including retrospective reviews of prior years' estimates with respect to expected credit losses on mortgage loans. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.

We incorporated elements of unpredictability in our audit. For a sample of dormant savings accounts which were paid out during the financial year, we have matched the payouts with the underlying documents, including the appropriate requests made by the authorized accountholders or their legal representatives.

Our evaluation of procedures performed related to fraud and non-compliance with laws and regulations did not result in a key audit matter.

- We communicated our risk assessment, audit responses and results to management and the Supervisory Board. Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that could have a material effect on amounts recognized or disclosures provided in the annual accounts.

Audit response to going concern

The Management Board has performed its going concern assessment and has not identified any going concern risks. To assess the Management Board's assessment, we have performed, inter alia, the following procedures:

- We considered whether the Management Board's assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit
- We analyzed the Company's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify going concern risks, and

- We inspected regulatory correspondence and the minutes of Board meetings and performed substantive audit procedures to obtain an understanding of the Company's minimum regulatory and internal capital and liquidity position, respectively, and the related adequacy assessment of all capital targets, that underpins management's assessment of the going concern assumption for financial reporting.

The outcome of our risk assessment procedures on the going concern assessment, including our consideration of findings from our audit procedures on other areas, did not give reason to perform additional audit procedures on management's going concern assessment.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

Compared to last year, the key audit matter with respect to 'Estimation uncertainty with respect to expected credit losses on mortgage loans' is no longer related to consumer credit loans, following the sale as described under the 'Subsequent and other events' disclosure. As per year-end 2023, the portfolio is classified as non-current assets held for sale (note 8: 'Assets held for sale'). Only a small consumer credit portfolio remains which we do not identify as part of the key audit matter considering the small amount of the portfolio.

Estimation uncertainty with respect to expected credit losses on mortgage loans

Description

The mortgage loan portfolio of NN Bank is classified as 'hold to collect' and therefore measured at amortized cost. The mortgage loans measured at amortized cost amount to EUR 21.2 billion (gross) as at 31 December 2023. The amortized cost is determined by subtracting the provision for loan losses from the outstanding balance of the loans, amounting to EUR 3.0 million as at 31 December 2023. In accordance with IFRS 9, NN Bank applies an expected credit loss ('ECL') approach to determine the provision for loan losses. The loan loss provision is determined using complex models on a portfolio basis using expert judgment. There is a risk of error that the models do not reflect the accurate or complete loan loss provision. This could stem from incorrect underlying assumptions, insufficient control over the modelling process or insufficient data (quality) used to develop the model or as input in the model.

Certain aspects of the determination of expected loan losses require significant judgment of management, such as the definition of significant increase in credit risk and the definition of default, the determination of the probability of default using migration matrices, the application of macro-economic scenarios and estimating the recoverable amount to determine the 'Loss Given Default'. In addition, the recent economic conditions are outside the bounds of historical experience used to develop ECL model methodologies and result in greater uncertainties to estimate ECLs. These uncertainties are addressed by judgmental overlays by management.

Based on these facts and circumstances, we consider the estimation uncertainty with respect to expected credit losses on mortgage loans a key audit matter.

Our response

Our audit approach included risk assessment procedures, testing the effectiveness of internal controls around determining the loan loss provision, as well as substantive audit procedures. As part of our risk assessment procedures, we obtained an understanding of management's process, systems and controls implemented. Our procedures over internal controls focused on controls around the accuracy of loan and collateral data, and the process for identifying increases in credit risk, such as arrears and the management thereof, and included an assessment of the relevant General IT Controls of the systems involved.

In our substantive procedures:

- we recalculated the 'Probability of Default', 'Loss Given Default' and 'Exposure at Default' based on the technical model documentation for a sample of mortgage loans, and determined that the provision is calculated as the product of these elements;
- we inspected model validation reports and the updated technical model documentation for the mortgage provision models, which were redeveloped in 2023 and performed reperformance testing on key backtesting results included in the model validation report and/or technical model documentation.

In our audit we challenged management's assessment whether the models are still 'fit-for-purpose' and considered the need for post-model adjustments to accurately capture credit risk developments. We involved credit risk specialists from KPMG Financial Risk Management to assist us in these procedures;

- we tested the accuracy and completeness of the data used for the ECL calculations. As part of that, we tested whether the source data could be reconciled with the data captured in risk systems and the general ledger;
- we inspected for a selection of loans whether the data administered could be reconciled to source documentation. Important data to determine the provision for loan losses includes among other things the collateral value and the payment history of the client;
- we performed procedures on the non-performing and forbearance classification of mortgage loans (which is relevant for the staging of loans). We inspected for a selection of loans whether their stage classification is in line with source documentation and in accordance with the definitions of default and significant increase in credit risk as described in the staging policy;
- we assessed whether the macroeconomic scenarios and scenario weights used in the determination of the provision for loan losses are a fair reflection of the macroeconomic data and forecasts (gross domestic product, unemployment and house price index) as at 31 December 2023;
- we assessed the sensitivity analyses for several parameters applied in the loan loss provision models and evaluated the outcome of the ECL benchmarking analysis (compared to peer banks) conducted by NN Bank;

- with the support of our credit risk specialists, we assessed whether the management overlay, implemented in 2022 due to the high inflation and increasing interest rates, is still appropriate to be applied as per year-end 2023. We assessed the methods and assumptions used to estimate how these economic changes affect expected credit losses to ensure they align with industry standards; and
- we assessed whether the disclosures appropriately address the uncertainty that exists when determining the expected credit losses, including the impact of applying different macroeconomic scenarios, and whether the disclosure of the key judgments and assumptions made was sufficiently clear.

Our observation

Based on our procedures performed, we conclude that the expected credit losses for the portfolio of mortgage loans as determined by management of NN Bank is within an acceptable range and that management of NN Bank adequately disclosed information in accordance with EU-IFRS on the estimation uncertainty in note 1, note 6 and note 39 to the annual accounts. We have made recommendations to management to further strengthen the model implementation process.

Reliability and continuity of electronic data processing

Description

NN Bank and its financial reporting process are highly dependent on the reliability and the continuity of information technology due to the significant number of transactions that are processed daily. An adequate IT infrastructure ensures the reliability and continuity of the Company's business processes and the accuracy of financial reporting. As the reliability and continuity of IT systems may have an impact on automated data processing and given the pervasive nature of the IT general control environment, we consider this a key audit matter.

Our response

- We obtained an understanding of the IT organization and developments in the IT infrastructure to determine how it impacts the Company's processes.
- We assessed the impact of changes to the IT environment during the year, either from ongoing internal process optimization initiatives or in order to meet external reporting requirements.
- We tested the design, implementation and operating effectiveness of General IT Controls related to user access management and change management across applications, databases, networks and operating systems.
- In some areas where we had observations in terms of the effectiveness of internal controls, we performed additional procedures over the remedial control actions taken by management on access and change management for the related systems.

- We tested application controls over automated data processing, data feeds and interfaces when relevant for financial reporting.
- We assessed the reliability and continuity of automated data processing only to the extent necessary within the scope of the audit of the annual accounts.
- We inquired with management on security incidents and their initiatives and processes to address cyber security risks.

Our observation

Based on the testing of General IT Controls, we obtained sufficient and appropriate audit evidence to support our IT-driven audit approach. The results of the procedures performed regarding user access management and change management, including the testing of remedial control actions, were satisfactory in relation to our audit. Based on the procedures performed, we noted points for improvement in these areas that we have shared with the Management Board and the Supervisory Board.

Report on the other information included in the annual report

In addition to the annual accounts and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the annual accounts and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the annual accounts or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the annual accounts.

The Management Board is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were initially appointed by the General Meeting of the Shareholder as auditor of Nationale-Nederlanden Bank N.V. on 28 May 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year.

We have been reappointed by the General Meeting of the Shareholder on 23 May 2022 to continue to serve as the external auditor of NN Bank for the financial years 2022 through 2025.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Services rendered

For the period to which our statutory audit relates, in addition to this audit, we have provided agreed-upon procedures and assurance engagements to NN Bank and its controlled undertakings. These services were rendered for the benefit of external users, largely driven by regulatory reporting requirements.

Description of responsibilities regarding the annual accounts

Responsibilities of the Management Board and the Supervisory Board for the annual accounts

The Management Board is responsible for the preparation and fair presentation of the annual accounts in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as it determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error. In that respect the Management Board, under supervision of the Supervisory Board, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the annual accounts, the Management Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the annual accounts using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the annual accounts.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the annual accounts

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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A further description of our responsibilities for the audit of the annual accounts is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at eng_oob_01.pdf (nba.nl). This description forms part of our auditor's report.

Amstelveen, 27 March 2024

KPMG Accountants N.V.

B.M. Herngreen RA

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Appropriation of result

The result is appropriated pursuant to article 21 of the NN Bank Articles of Association, the relevant stipulations of which state that the General Meeting, having heard the advice of the Management Board and the Supervisory Board, shall determine the appropriation of result. Reference is made to Note 17 'Equity' of the Consolidated annual accounts, for the proposed appropriation of result.

EU Taxonomy

1 Our approach to EU Taxonomy reporting

The Taxonomy Regulation is a unified classification system for sustainable ('green') economic activities. The European Commission established the regulation as part of the EU Green Deal. Eligibility under the EU Taxonomy indicates which activities are in scope of the taxonomy but does not take into account the different technical criteria and minimum safeguard required to qualify as environmentally sustainable (i.e., 'Taxonomy-aligned').

By providing retail clients with mortgage loans in the Netherlands, NN Bank's activities of residential real estate lending are directly linked with the EU Taxonomy's definition of 'acquisition and ownership of buildings'. In the taxonomy, this main environmental objective for reporting on Taxonomy eligibility and the first reporting on Taxonomy alignment is listed in activity 7.7 of Climate Change Mitigation (CCM) resp. Climate Change Adaptation (CCA).

In order to align with the EU Taxonomy, an economic activity must meet three criteria. The activity:

- must make a substantial contribution to the environmental taxonomy objectives, based on the substantial contribution criteria
- must 'do no significant harm' to other environmental objectives (i.e., the 'DNSH criterion')
- should meet minimum social safeguards (i.e., the 'MSS criterion')

For the application of the EU Taxonomy in the Dutch residential real estate market, NN Bank works together with industry peers in the Energy Efficient Mortgages Netherlands Hub (EEM NL Hub) and the Dutch Banking Association (NVB). NN Bank has defined relevant terms and indicators, organised its own data and collected additional data in order to apply the technical screening criteria and minimum safeguards. These additional data relate to, for example, energy labels from Netherlands Enterprise Agency (Rijksdienst voor Ondernemend Nederland, [RVO]), building permit dates from Basic Registration Addresses and Buildings (Basisregistratie Addressen en Gebouwen [BAG]) and Climate Impact Atlas data from Climate Adaptation Services (Stichting CAS, [CAS]).

In the following sections, NN Bank provides the definitions and explanations of our fulfilment of the three criteria. Thereafter, the NN Bank's Green Asset Ratio is presented. This presentation is in an amended prescribed template for the purpose of this disclosure, mainly because NN Bank does not have assets in some of the stipulated categories. Finally, the services provided on behalf of third parties outside NN Group are disclosed. NN Bank's Finance department oversees the production of these data and this ratio.

The required disclosure templates have been presented is in an amended format, mainly because NN Bank does not have assets in some of the stipulated categories. The columns for the Environmental Delegated Act (Water, Biodiversity, Circular & Pollution) have been excluded due to lack of data. The nuclear and gas tables have not been disclosed because NN Bank does not have these exposures. The percentage coverage over total assets is 91.3%, the percentage of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V) 2.9% and the percentage of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V) 8.7%. NN Bank does not materially have a Trading book, Financial guarantees or Assets under management, hence those KPI's are not disclosed. The Fees and Commission KPI is not applicable for this financial year.

2 Definitions

The most relevant definitions, assumptions and interpretations for the application of EU taxonomy in the Dutch residential real estate market are as follows:

Term	Definition
Energy Performance Certificate (EPC)	A document or digital record describing the energy performance of the building (unit) with a verifiable validity date, irrespective of the methodology. In the Dutch market, this means an energy label with a validity term of 10 years, registered on RVO's EP-Online site, the official national database of energy performance certification.
Energy Performance Certificate (EPC) class A	All valid Energy Performance Certificates with any of the following values: A, A+, A++, A+++, or A++++, irrespective of the EPC methodology.
Building	Any building unit meeting the categorisation criteria of 'buildings' as used in RVO's EP-Online, combined with a PED and a categorisation of building type.
Building type	Building types are distinguished as ground-bound (grondgebonden) and non-ground-bound (niet-grondgebonden).

EU Taxonomy continued

Building year	The indication of the year in which a building was originally completed or will be delivered as structurally finished. If available, the building year as registered in the national Basic Registration Addresses and Buildings (Basisregistratie Addressen en Gebouwen [BAG]) is used. If that is not available, the building year in the mortgage administration is used.
Building permit date	The date when the building permit was granted. The date is based on the document date of the building life cycle stage permit granted document registered in the national BAG.
Built before 31 December 2020	The construction of the building unit was completed before 31 December 2020, or after 31 December 2020, but the building permit application was dated (and submitted) before 31 December 2020. In the Dutch market, the date of application is not available, hence the building permit granting date is applied for pragmatic reasons. This is a prudent application of the permit definition.
Built after 31 December 2020	The construction of the building unit was completed after 31 December 2020 and the building permit date was also granted after 31 December 2020.
Gross carrying amount	Amortised cost measurement in accordance with IFRS-EU, as applied in NN Bank's Annual Accounts.
PED	Primary Energy Demand. PED refers to the quantity of energy required to obtain the total amount of energy that a building demands from fossil fuels such as gas and electricity.
PED at least 10% lower	PED is at least 10% lower than the threshold set for the Nearly Zero-Energy Building (NZEB) requirements in national measures. In the Dutch market, NZEB requirements have been included in the Dutch Building Code as of 1 January 2021. For buildings with construction year and permit date 2021 and later, the 10% lower criterion means: • for ground-bound (grondgebonden) buildings: ≤ 27 kWh/m2 PED; • non-ground-bound (niet-grondgebonden) buildings: ≤ 45 kWh/m2 PED.
Top 15% of the national or regional building stock, as an alternative for EPC class A	Building is within the top 15% of the national building stock expressed as operational PED and demonstrated by adequate evidence. NN Bank concurred its top 15% definition with a study of CFP Green Buildings, which is also applied in NN Bank's Green Bond Framework. In this definition, the top 15% of the stock is based on the Dutch Building Regulation, EPC scores and PED on national level. The Dutch Building Regulation sets out energy efficiency requirements for different building types using an EPC score. Over time, the regulation became more stringent in energy efficiency and sustainability requirements for buildings, resulting in a more efficient PED. The construction year is used to define the top 15% of the most energy-efficient buildings. Buildings constructed in the period 2006-2020 comprise 12.3% of the total residential building stock, built before 31st of December 2020, which is within the top 15% prescribed by the EU Taxonomy.
Technical Screening Criterion CCM activity 7.7, Acquisition and ownership of buildings	NN Bank's activities directed towards providing retail clients with mortgage loans are directly linked with this criterion and meet the Climate Change Mitigation objective. In its December 2022 clarification of FAQs, the EC determined that in the case of the construction of a new building for the owner of the new building, the value of the building can be considered under the EU Taxonomy criterion 7.7. If the contract is for construction of a new building, the exposure should be assessed against the criterion 7.1. Hence, criterion 7.1 is mainly applicable for a construction company. This means that, in its role as mortgage provider for owners, NN Bank considers new buildings under criterion 7.7.
'Do no significant harm', (DNSH) CCM activity 7.7, Acquisition and ownership of buildings	Mortgage loans linked with 'acquisition and ownership of buildings' as economic activity in the EU Taxonomy need to be climate-risk-resilient and may not significantly harm the Climate Change Adaptation objective. Meeting the DNSH objective is called Climate Change Adaptation (CCA).
Green Asset Ratio	This ratio is calculated by dividing EU Taxonomy-aligned assets by the total covered assets.

3 Substantial contribution

Providing mortgage loans is directly linked with the economic activity 'acquisition and ownership of buildings' (par. 7.7 of the EU Taxonomy criteria). Consequently, the mortgage loans are EU Taxonomy-eligible. In order to be aligned in the EU Taxonomy, this economic activity must make a substantial contribution to the environmental objectives based on the technical screening criteria.

The substantial contribution criteria for alignment are as follows:

- EPC class A at least: for buildings with construction year 2020 and earlier
- PED at least 10% lower: for buildings built after 31 December 2020, PED at least 10% lower than the threshold for Nearly Zero-Energy Buildings in the Dutch market
- Top 15% of the Dutch building stock, as an alternative to EPC class A: for buildings built before 31 December 2020 belonging to the top 15% of the Dutch building stock based on PED

All buildings meeting these criteria are considered to be substantially contributing to climate change mitigation activity 7.7. Additional substantial contribution criteria applies for climate change mitigation activity 7.7, however these criteria were determined to be not applicable to NN Bank's portfolio.

4 Do No Significant Harm

The next step in the EU alignment process for climate change mitigation activity 7.7 is the assessment that the economic activities 'do no significant harm' (DNSH) to the climate change adaptation objectives. NN Bank has chosen to apply the Dutch Green Building Council (DGBC)'s Framework for Climate Adaptive Building (FCAP) for the DNSH assessment of its residential real estate buildings. This framework offers a concrete and applicable elaboration based on EU Taxonomy requirements and major market parties support it. The Bank's climate risk materiality assessment for regulatory reporting is based on the same framework.

The first step is the assessment of which physical climate risks are relevant to the climate change adaptation objectives. As a second step, these relevant physical climate risks are assessed on materiality for the economic activity. The outcomes of the DNB Climate Risk Materiality Assessment are used to determine the material climate risks. This assessment determined that flood risk, wildfire, pole rot (*paalrot*) and soil subsidence (*verschilzetting*) are the material climate risks for NN Bank's mortgage portfolio. NN Bank uses the FCAP to measure and classify the exposure of buildings in the portfolio to these climate risks. This framework has classified these risks into categories (low to very high) based on metrics from various data sources and certain thresholds.

Using primarily Climate Impact Atlas data purchased from Climate Adaptation Services (CAS), climate risks are operationalised with a link to postal code areas. Via the postal code, the data are linked to the mortgages and available building characteristics of NN Bank's buildings' collateral. When a climate risk for a certain building is above a certain threshold, this risk exceeds the 'do no significant harm' criterion and the loan will be designated as not aligned for climate change adaptation.

It is expected that in future, more data on Dutch climate risks, building characteristics and adaptation solutions will become available. When these data become available, NN Bank will further refine its DNSH approach.

5 Minimum Safeguards

The EU Taxonomy regulation comprises minimum safeguards to ensure that undertakings that carry out environmentally sustainable activities labelled as Taxonomy-aligned meet certain minimum governance standards and do not violate social norms, including human rights and labour rights.

A residential building owner exercises ownership, whereas NN Bank finances this ownership by providing mortgage loans. The minimum safeguards are not applicable to households as residential building owners, since households are not considered to be undertakings. Consequently, the minimum safeguards are not applicable when considering Taxonomy-alignment for the economic activity 'acquisition and ownership of buildings'.

6 Investment securities

Investment securities are taken up in the GAR assets and are assessed as either 'Taxonomy-eligible' or 'Taxonomy non-eligible' activities. For its Taxonomy-alignment assessment, NN Bank relies on public data collected by data vendors. Since not all companies have published EU Taxonomy disclosures yet, NN Bank was not able to assess Taxonomy alignment for all investment securities. NN Bank did not use estimates and considers counterparties as 'non-eligible' and 'not aligned' when an underlying counterparty has not yet disclosed its Taxonomy eligibility and alignment.

The 'Sovereigns' counterparties are defined as central governments, supranational issuers and central banks in regulatory reporting and are excluded from both the numerator and denominator, since no adequate eligibility calculation methods are available.

7 Green Asset Ratio

7.1 Assets for the calculation of GAR

The exposures to Taxonomy-eligible activities and NN Bank's stock of loans directed to taxonomy-alignment for both climate change mitigation and climate change adaptation is shown in the following table:

	2023								2022		
			Climate Change Mitigation		Climate Change Adaptation		Total (CCM + CCA)				
Amounts in millions of euros	Total (gross) carrying amount	Proportion of GAR assets	Of which towards taxonomy-relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)	Of which towards taxonomy-relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)	Of which towards taxonomy-relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)	Total gross carrying amount	Proportion of GAR assets	Taxonomy-eligible assets
GAR - Covered assets in both numerator and denominator											
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	**22,298**	**96.9%**	**21,768**	**4,990**	**0**	**0**	**21,768**	**4,990**	**21,311**	**97.5%**	**20,372**
Financial undertakings	1,013	4.4%	521	0	0	0	521	0	1,295	5.9%	442
Credit institutions	527	2.3%	67	0	0	0	67	0	637	2.9%	0
Loans and advances	242	1.1%	0	0	0	0	0	0	311	1.4%	0
Debt securities	285	1.2%	67	0	0	0	67	0	327	1.5%	0
Other financial corporations	486	2.1%	454	0	0	0	454	0	658	3.0%	442
Loans and advances	418	1.8%	393	0	0	0	393	0	471	2.2%	442
Debt securities	69	0.3%	61	0	0	0	61	0	186	0.9%	
Households	21,285	92.5%	21,247	4,990	0	0	21,247	4,990	20,016	91.6%	19,930
of which loans collateralised by residential immovable property	21,247	92.3%	21,247	4,990	0	0	21,247	4,990	19,930	91.2%	19,930
of which Building renovation loans	0	0.0%	0	0	0	0	0	0	0	0.0%	0
of which Credit for consumption	12	0.1%	0	0	0	0	0	0	86	0.4%	0
of which Commercial real estate	25	0.1%	0	0	0	0	0	0	0	0.0%	
Local governments financing	0	0.0%	0	0	0	0	0	0	0	0.0%	0
Assets excluded from the numerator for GAR calculation (covered in the denominator)										0.0%	
Non-financial corporations	388	1.7%							256	1.2%	
SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	388	1.7%							256	1.2%	
Derivatives	39	0.2%							47	0.2%	
On demand interbank loans	18	0.1%							39	0.2%	
Cash and cash-related assets	0	0.0%							0	0.0%	
Other assets (e.g. Goodwill, commodities etc.)	276	1.2%							196	0.9%	
Total GAR assets	**23,018**	**100.0%**	**21,768**	**4,990**	**0**	**0**	**21,768**	**4,990**	**21,849**	**100.0%**	
Sovereigns	32								145		
Central banks exposure	2,156								2,183		
Total assets	**25,206**								**24,176**		

All loans to households collateralised with residential buildings are Taxonomy-eligible. Certain commercial real estate buildings have been excluded from Taxonomy eligibility. NN Bank has chosen not to split this table, since Turnover-based KPI and Capex-based KPI are materially matching. The columns 'of which use of proceeds', 'of which transitional' and 'of which enabling' are omitted, since these are materially zero. All assets are covered under the Green Asset Ratio (GAR) denominator in line with regulatory reporting.

EU Taxonomy continued

The proportion of total covered assets funding Taxonomy-eligible activities and taxonomy-aligned activities for both climate change mitigation and climate change adaptation is shown in the following table:

	2023					
	Climate Change Mitigation		Climate Change Adaptation		Total (CCM + CCA)	
% (compared to total eligible assets)	Proportion of total covered assets funding taxonomy-relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding environmentally sustainable (Taxonomy-aligned)	Proportion of total covered assets funding taxonomy-relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding environmentally sustainable (Taxonomy-aligned)	Proportion of total covered assets funding towards taxonomy-relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding environmentally sustainable (Taxonomy-aligned)
GAR - Covered assets in both numerator and denominator						
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	**100.0%**	**22.9%**	**0.0%**	**0.0%**	**100.0%**	**22.9%**
Financial undertakings	2.4%	0.0%	0.0%	0.0%	2.4%	0.0%
Credit institutions	0.3%	0.0%	0.0%	0.0%	0.3%	0.0%
Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt securities	0.3%	0.0%	0.0%	0.0%	0.3%	0.0%
Other financial corporations	2.1%	0.0%	0.0%	0.0%	2.1%	0.0%
Loans and advances	1.8%	0.0%	0.0%	0.0%	1.8%	0.0%
Debt securities	0.3%	0.0%	0.0%	0.0%	0.3%	0.0%
Households	97.6%	22.9%	0.0%	0.0%	97.6%	22.9%
of which loans collateralised by residential immovable property	97.6%	22.9%	0.0%	0.0%	97.6%	22.9%
of which Building renovation loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Local governments financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total GAR assets	**100.0%**	**22.9%**	**0.0%**	**0.0%**	**100.0%**	**22.9%**

The reconciliation of the 'Total gross carrying amount' to the IFRS balance sheet is as follows:

Reconciliation to IFRS Balance Sheet

Amounts in thousands of euros	2023
Gross carrying amount	25,206,768
Impairments	-3,330
Carrying amount	25,203,438

7.2 Green Asset Ratio

The Green Asset Ratio for NN Bank's stock of loans is calculated as follows:

GAR, green asset ratio

Amounts in thousands of euros	Assets	GAR
Mandatory green asset ratio		
Total taxonomy-eligible covered assets	21,768,152	
Total taxonomy-aligned assets	4,990,312	22.9%
Voluntary disclosure		
Total covered assets substantially contributing to CCM, but not meeting DNSH CCA	684,570	3.2%
Total covered assets substantially contributing to CCM	5,674,882	26.1%
Impact FV hedged items in the IFRS balance sheet	248,893	1.1%
Total covered assets substantially contributing to CCM and before impact FV hedged items	5,923,775	27.2%

Currently, there is no market consensus on a Dutch DNSH application for financial institutions and within, e.g., branch organisations like Energy Efficient Mortgages Netherlands Hub (EEM NL Hub) and the Dutch Banking Association (NVB). For this reason, NN Bank decided to voluntarily disclose the impact of the not-taxonomy-aligned assets for climate change adaptation on its GAR. In addition, NN Bank discloses the impact of FV hedged items applied in the IFRS balance sheet in order to show the GAR's interest rate sensitivity.

8 Other reporting's and KPI's

NN Bank's flow of loans is simplified shown in the next table:

						2023
	Climate Change Mitigation		Climate Change Adaptation		Total (CCM + CCA)	
% (compared to flow of total eligible assets)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
GAR - Covered assets in both numerator and denominator						
Financial undertakings						
Credit institutions	9.9%	0.0%	0.0%	0.0%	9.9%	0.0%
Other financial corporations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Households	100.0%	16.3%	0.0%	0.0%	100.0%	16.3%
of which loans collateralised by residential immovable property	100.0%	16.3%	0.0%	0.0%	100.0%	16.3%
of which Building renovation loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total GAR assets	**12.8%**	**16.3%**	**0.0%**	**0.0%**	**12.8%**	**16.3%**

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Disclaimer

Small differences are possible in the tables due to rounding.

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