BNG BANK ANNUAL REPORT

2023

BANK

Driven by social impact

This document is the PDF/printed version of the 2023 Annual Report of BNG Bank and has beenprepared for ease of use. The 2023 Annual Report was made publicly available pursuant to section 5:25c of the Dutch Financial Supervision Act (Wet op het financieel toezicht), and was filed with Netherlands Authority for the Financial Markets in European single electronic reporting format (the ESEF package). The ESEF package is available on the company's website at https://www.bngbank.nl/over-BNG-Bank/Kerncijfers-en-jaarverslagen/Jaarverslag-2023 and includes a human-readable XHTML version of the 2023 Annual Report. In any case of discrepancies between this PDF version and the ESEF package, the latter prevails.

In memoriam

On September 23, 2023, our colleague Thomas Eterman passed away. A great loss for family, friends and for us. We greatly miss his warm character, humor and effervescent personality.

Annual Report BNG Bank 2023

2023

DRIVEN BY SOCIAL
IMPACT

DIRECTORS' REPORT

Foreword

Key figures

1 Driven by social impact

1.1 Our Road to Impact 12
1.2 Economic development 23
1.3 Partnership in client sectors 26
1.4 Strong position in money and capital markets maintained 36

2 Financial results and outlook

2.1 Financial results 40
2.2 Financial outlook 44

3 Internal business operations

3.1 Employees 48
3.2 CO_2 emissions from business operations 57
3.3 Compliance 59
3.4 Risk Management 63

4 Governance

4.1 Corporate structure 84
4.2 Composition of the management body and organisation 87

5 Corporate governance statement

6 Report of the Supervisory Board

6.1	Foreword	94
6.2	Composition of the Supervisory Board and committees	98
6.3	Activities of the Supervisory Board	99
6.4	Audit Committee	102
6.5	Risk Committee	104
6.6	HR Committee	106
6.7	Remuneration Committee	107

7 Supplementary Information

7.1	Reporting principles	108
7.2	Glossary	113
7.3	CO_2 Emissions associated with the loan portfolio	118

8 Financial statements

8.1	Consolidated financial statements	123
8.2	Company financial statements	239
8.3	Other information	271

FOREWORD

2023 was a turbulent year. The first few months saw turmoil on the financial markets. Banks failed and central banks took measures to curb inflation. There was also uncertainty about the direction in which the economy would develop. The second half of the year was similarly eventful. Political relations between the East and the West deteriorated. Concerns about the climate increased. All over the world, weather records were broken. Throughout the year, the war in Ukraine continued in the background.

During the reporting year, many important issues in the public sector required attention. I am referring to topics such as keeping neighbourhoods liveable, increasing calls for livelihood security, changing demographics, the acute shortage of social housing – especially for young people – and the scarcity of labour. Each of these are challenges that affect the work of our clients in the public sector: municipalities, housing associations, healthcare and educational institutions.

How did BNG Bank fare in 2023? In spite of everything, it was a good year. I am proud that, as in previous years, we were the biggest lender to the public sector. Our clients knew we could provide them with favourable financing on attractive terms. Even in times like these, we are there for our clients. That is what drives us. Our country's municipalities, housing associations, and healthcare and educational institutions were able to achieve their objectives, thanks in part to financing from BNG Bank.

We were again awarded the highest credit ratings by the leading international rating agencies in 2023. As a result, BNG Bank was able to borrow on the international capital market at favourable rates. We managed to attract sufficient funding and achieve good transactions in terms of volume, term and pricing. We then passed on this funding to our clients in the form of advantageous loans.

It matters to us that BNG Bank's loans are among the most advantageous on the market. This translates directly into lower costs for our clients and a higher return for society, which ultimately benefits the residents of the Netherlands. For this reason, further investments were made in the reporting year to optimise BNG Bank's business processes for competitive organisational costs and more efficient services.

Financial results

I am extremely satisfied with the financial results achieved in the reporting year. The long-term loan portfolio increased by EUR 1 billion to EUR 89 billion in 2023. We issued EUR 11.3 billion in new long-term loans to our clients. That is EUR 1 billion less than last year, but EUR 0.5 billion more than we expected. I consider that a good performance, given the challenging market conditions.

The interest result amounted to EUR 563 million, which is 82 million euros more than the result for 2022. The longer terms of the loans granted – the average term was 23 years – and interest rates have contributed to this increase. BNG Bank regards the interest result as structurally healthy. We recorded a net profit of EUR 254 million for the 2023 reporting year.

BNG Bank's capital position remained strong in the reporting year. At the end of 2023, the Common Equity Tier 1 ratio and standard Tier 1 ratio were 43% and 46% respectively. We are satisfied with the steady growth in funding attracted with ESG bonds. In 2023, this percentage grew to 41%, an increase of 5% over 2022.

In accordance with current policy, BNG Bank proposes to distribute 50% of the net profit, adjusted for the additional Tier 1 capital payout. This represents a dividend distribution of EUR 120 million.

Outlook for 2024

BNG Bank has set out its strategy in the document entitled *Our Road to Impact.* The main goal of this strategy is to continue working to make the Netherlands more socially oriented and sustainable, as the biggest lender to the public sector. We are aiming to further reduce the carbon footprint of our loan portfolio and continue to boost our ESG performance and that of our clients. We will do this through our loans and our knowledge, in close collaboration with our clients.

Appreciation

We are a bank with ambition, developing and improving on a continuous basis. That was the case in 2023 and will continue to be the case in 2024. This is possible because of the unwavering commitment of our expert staff, who deserve our appreciation.

The death of our colleague and director Thomas Eterman greatly affected us all. We are glad to have known him. With his vibrant personality and enormous expertise, Thomas contributed to the excellent results we achieved together this year.

Gita Salden
BNG Bank CEO

2023 KEY FIGURES

Market leader in the public domain

Volume of lending

€ 11.3 billion

Balance sheet total

€ 115.5 billion

Interest result

€ 563 million

Long-term loan portfolio

€ 89.2 billion

Net profit

€ 254 million

Proposed dividend

€ 120 million

Common Equity Tier 1 ratio

43%

2023	2022	2021
43%	35%	32%

Tier 1 ratio

46%

2023	2022	2021
46%	37%	38%

Leverage ratio

13%

2023	2022	2021
13%	13%	10.6%

1 Driven by social impact

1.1 Our Road to Impact

BNG Bank's purpose 'driven by social impact' forms the basis of our *Our Road to Impact strategy*. A strategy focused on social and sustainable combined with sound financial results. This is how BNG Bank aims for annual growth in impact realised (linked to five SDGs) through our clients. In addition, we aim to reduce CO_2 emissions from ourselves and our clients. At the end of 2023, we closed the first three-year period of Our Road To Impact with valuable results. In 2024, we started with a revised strategy for the period 2024-2026.

Strategy

BNG Bank has traditionally been the bank of and for the public domain. Our purpose is 'driven by social impact'. This purpose is leading for all BNG Bank's activities. 'Social impact' refers to the world in which we live and work. That living and working is partly made possible by our loans and by the efforts of our clients and partners. Having an impact therefore means that we affect the quality of life in our country. For the first three-year period of Our Road To Impact, we set the ambition that clients should regard BNG Bank as a natural partner for financing social issues. We want to be successful in this, and we want to be able to demonstrate that. Relevant instruments to achieve this ambition are:

- the granting of loans with attractive conditions;
- the proper conduct of payment services; and
- to contribute as a strategic partner to thinking about social issues and provide solutions for them.

A prerequisite for granting loans with attractive conditions is that BNG Bank is valued at the highest rating level. This allows us to attract funding on international capital markets at favourable rates. We pass on these favourable rates to our clients.

In its strategy, BNG Bank chooses clients in the public domain in the Netherlands. This pertains to the following groups:

- the Dutch central government, provinces, municipalities and water boards;
- organisations that perform a public task, such as housing associations and healthcare and educational institutions;
- organisations for whom at least 50% of their share capital is provided by the government and/or who carry out activities for which the government is a full guarantor.

Results in 2023

We closed out the last year of the first three-year period of Our Road to Impact in 2023. We are not only proud of the results we achieved during this period but also that we achieved our ambition: **'BNG Bank is a bank with an impact: clients see us as a natural partner for financing social issues, we are successful in this and we can demonstrate that'.**

The 2021-2023 strategy had three strategic spearheads.

Increasing value for our clients

We have managed to maintain our position as market leader in the public domain. Underlying this is the fact that we maintained the highest rating levels (Moody's: Aaa; Fitch Ratings: AAA; S&P Global: AAA). As a result, we were once again able to attract funding in the international capital markets in 2023 at equal or lower rates than our peers. During 2023, we actively focused on financing the social transitions in which our clients find themselves. The stakeholder survey that we conducted in 2023 shows that our bank is highly valued by clients. They value our reliability and expertise and the availability and affordability of our funding.

Operational excellence

Efficient and controlled processes, such as credit, customer and payment transactions, form the basis for attractive and uninterrupted services.At the end of 2023, we brought the processes of payment transactions back in-house. In addition, we took steps in 2023 in the area of high-quality data. Finally, we have made significant improvements to the security of our IT systems.

Strengthening the organisation

In order to be successful, it is crucial to attract the right people and to deploy the right competences, knowledge and skills in the right positions. Despite a tight labour market, we managed well. In 2023, we recruited 119 new employees to realise the bank’s ambitions. We continuously update knowledge and skills through the extensive range of learning and development opportunities for employees.

Recalibration of strategy for 2024-2026

Our clients, investors and other stakeholders highly appreciate BNG Bank. The financial results are excellent in many respects. What we are also seeing is that the world around us is changing rapidly, with new opportunities but also new risks. As a bank, we must be prepared for this. That is why it is important to review our way of working and strategy from time to time. How do we see the future, and what is our vision? What are the expectations of our clients, investors and other stakeholders? These are the building blocks on the basis of which we have fine-tuned our strategy.

Vision: how BNG Bank sees the future

We expect the next 10 years to be dominated by improvements to the sustainability of all aspects of our society. This is an important task for the public sector, particularly in relation to the energy transition and CO_2 reduction in conjunction with other themes aimed at making the Netherlands cleaner, greener and more future-proof. In the years ahead, society will expect the public sector to be at the forefront of efforts to make our country more sustainable.

The sector will also continue to play a leading role in traditional public tasks such as healthcare, education, housing and social services. All this means a significant increase in the workload of our partners in the public domain.

In these circumstances, the public sector will have a strong need for a robust, reliable and socially engaged financial partner such as BNG Bank. That is why we accept our responsibility and the sector can continue to count on us in the way that our partners are used to. We continue to strive to maintain our market leadership in the public sector. As always, clients can count on us for loans at competitive rates and with attractive conditions. This will be an important task for the coming years, for which we will make every effort.

A key element of our vision for the future is the expectation that the way in which clients arrange financing will change. Instantly obtaining and comparing rates from a large number of providers will become the new norm. Credit providers from outside the traditional financial sector will join the battle for clients. It will also become easier for clients to borrow money directly from the capital market. The strong market position of BNG Bank is characterised by opportunities and threats.

Outcomes of the stakeholder survey

Stakeholders see BNG Bank as a professional, reliable and well-managed bank that makes a significant contribution to the public sector through its financing. They believe that our bank's employees are customer-friendly, engaged and knowledgeable. Thanks to the available funding and sector knowledge, it is easy and pleasant for stakeholders to do business with BNG Bank. Stakeholders also say that our focus should remain on ensuring the accessibility and affordability of loans.

Clients say they think BNG Bank is indispensable. Our bank offers clients loans on very favourable terms. We ensure stability and continuity in the financing of their activities. This allows our clients to focus on their core public tasks and important social objectives. Clients advise our bank to continue on the path we have taken and to continue to do what we are good at. They want us to remain the reliable, knowledgeable and committed financier in and for the public sector. In addition, according to our clients, it is important to ensure further digitalisation of the services and improvement of our processes.

Investors have let us know that they see BNG Bank as a safe and attractive party to invest in. This is mainly due to the creditworthiness of our bank (Triple-A status is often a prerequisite). In addition, investors value the liquidity of the bonds, and ESG criteria (in addition to yield and risk) are increasingly a decisive factor for their investment choices.

Ambition

With our vision for the future and the expectations of our clients, investors and other stakeholders clearly in mind, we have set our ambition for the period 2024-2026. It reads: ***We are the most important financier for the public domain to make the Netherlands more social and sustainable.***

In order to achieve this ambition, we must achieve valuable results over the next three years. First and foremost, we must be able to offer funding at the most competitive rates. After all, this is the primary way in which we add value for our clients. In addition, we are preparing for the future. A future in which the interaction between our clients and the bank has changed: our clients make a more digital customer journey with personal contact where necessary. And a future in which we are proud of our improved performance and that of our clients in terms of ESG.

Material themes

Each year, we determine which topics we consider to be material. In this, we refer to the extent of the impact each topic has on our stakeholders and the (potential) impact that we as a bank have on these topics. In 2021, we performed a full materiality analysis in accordance with the Global Reporting Initiative (GRI) standards. We updated this analysis in both 2022 and 2023. Based on a SWOT and trend analysis and competitive analysis, the existing long list of topics has been updated. The significance of each of these topics has been determined in order to arrive at a priority. This resulted in a prioritised short list, which was presented to the various stakeholders. This revealed that the seven material topics are still in force. However, some nuances have been added in this regard. The importance of sustainability increased for both our stakeholders and the bank itself. In addition, ethical conduct has been expanded and translated into compliance with laws and regulations: stakeholders expect this from BNG Bank. The material topics are as follows:

2023	2022
1. Market leader in the public sector	1. Market leader in the public sector
2. Sustainability embedded in business operations	2. Social impact on five SDGs
3. Partnerships and stimulating the social impact of clients on five SDGs	3. Client partnerships and stimulating the social impact of clients
4. Compliance with laws and regulations	4. Ethical conduct in accordance with core values
5. Data security and high-quality data	5. Data security and high-quality data
6. Efficient organisation	6. Efficient organisation
7. Attracting, developing and retaining talent	7. Attractive and future-proof work environment

1. Market leadership in the public domain
Maintaining market leadership in the public domain is appropriate to our ambition: we make the Netherlands more social and green by providing financing to our clients in the public domain. Market leadership is also what our stakeholders expect as a bank of and for the public domain.

2. Sustainability embedded in business operations
Given the growing importance of sustainability issues and challenges for clients and other stakeholders of BNG Bank and BNG Bank's intrinsic motivation to be able to make valuable contributions to social issues, this topic is of high strategic importance.

3. Partnerships and stimulating the social impact of clients on five SDGs
BNG Bank's client partnership is designed to finance the social issues of its clients. To measure this impact, we translated the specific objectives that underpin the five SDGs (3, 4, 7, 11 and 13) into quantifiable standards. An important theme in this regard is the reduction of CO_2 emissions. We also measure the reduction of CO_2 emissions at our clients using the PCAF method. This falls under the Going Green climate plan.

4. Compliance with laws and regulations
This is our license to operate and is expected of us as a public sector bank. During this year, a trend analysis showed that the expectations of external stakeholders with regard to banks and their responsibilities as gatekeepers have increased. This prompted us to refine this topic. By properly fulfilling our gatekeeper role, we ensure that we do business with clients that pass our integrity test and that we meet our statutory duty.

5. Data security and high-quality data
Data are essential to promote the quality of service to clients and enable clients to create social impact. In addition, the requirements relating to data quality from the regulator are growing.

6. Efficient organisation
Competitive organisational costs are required to be able to offer clients financing at the most competitive rates. BNG Bank is working to improve the digitisation of client data and digital methods of exchanging data. This will increase both the efficiency and the quality of business processes. A faster turnaround time for the lending process will improve the client experience. By actively steering the management of the processes for the most important departments within BNG Bank, we are able to provide clients with more efficient services.

7. Attracting, developing and retaining talent
Dedicated and competent staff and appropriate leadership are preconditions for the successful implementation and realisation of our ambitions. Accordingly, BNG Bank is stepping up its efforts to attract new staff and develop existing staff.

Connectivity table
The coherence between the strategic objectives, the material topics and all KPIs is visualised in the connectivity table below.

Material topics	Strategic objectives	Key Performance Indicators
Market leader in the public sector	Be the market leader in the public sector	Lending scoring percentage
	Have competitive funding costs	Funding costs lower than or equal to our peers
Sustainability embedded in business operations	Sustainability embedded in the strategy and business processes	Progress on comprehensive sustainability policy
Partnerships and social impact of clients on five SDGs	Reduction of client CO_2e emissions	Reduction of client CO_2e emissions>0%
Laws and regulations	Perform gatekeeper role with efficiency and professionalism	% CDDs completed on time
Data security and high-quality data	Make our data is high quality and easy to access	Process (delivery reliability of IT development)
	Our IT landscape is modern and secure	Change (new data fields under governance)

		Run (number of data platform incidents)
Efficient organisation	Processes visible within risk appetite	Management of processes within risk appetite
Attracting and retaining talent	We are able to attract and retain talent	Time-to-Hire
		Regretted Loss

Results of material impact 2023

Material topics	Key Performance Indicators	Objective	Score 2023
Market leadership in the public domain	Lending scoring percentage	>60%	65.7%
	Funding costs lower or equal to peers	Achieved	Achieved
Sustainability embedded in business operations	Progress on comprehensive sustainability policy	100%	50%
Partnerships and social impact of clients on five SDGs	Reduction of client CO_2e emissions	>0	2.1%
Laws and regulations	% CDDs completed on time	>95%	97&
Data security and high-quality data	Process (delivery reliability of IT development)	90-120%	Not measured
	Change (new data fields under governance)	100%	79%
	Run (number of data platform incidents)	63/9	21/16
Efficient organisation	Management of processes within risk appetite	Management of processes within risk appetite	Achieved
Attracting and retaining talent	Time-to-Hire	<68 days	78 days
	Regretted Loss	<6%	1.38%

Policy and actions relating to material topics

Material topic	Impact	Involvement	Policy and Commitments 2023	Management actions taken
1. Market leader in the public sector	Actual, Positive	Activities	BNG Bank has a pricing policy that leaves room for interventions when required by the market situation. Report on scoring percentage available on a monthly basis. The report on funding costs is available every quarter.	Monthly monitoring found that the actual scoring percentage exceeded the targeted scoring percentage at all times during the year. The quarterly reports showed that the funding costs were lower than those of the peers.
2. Sustainability anchored in business processes	Potential, Positive	Activities	An integrated Sustainability policy will be developed in 2023.	In 2023, the governance at Sustainability came into effect through the Sustainable Banking Committee.
3. Promoting partnerships and clients' social impact on five SDGs	Potential, Positive	Clients	BNG Bank brings the CO_2 emissions of its own organisation and the loan portfolio in line with the objectives of the Paris Climate Agreement.	In 2023, we mapped the CO_2 emissions of the loan portfolio and BNG Bank, improved data quality and increased scope.
4. Laws and regulations	Potential, Negative	Activities	By properly fulfilling our gatekeeper role, we ensure that we do business with clients that pass our integrity test and that we meet our legal obligations.	Monitoring on %CDDs fully completed on time.
5. Data security and high-quality data	Actual, Positive	Activities	In 2023, we will create a robust data package that will be created alongside data governance and meet data quality requirements.	The Executive Committee has tightened its governance on this issue in order to guarantee ownership of data. Development on the new DWH has been prioritised.
6. Efficient organisation	Actual, Positive	Activities	Management of processes within risk appetite	Ongoing monitoring via steering committee and project groups. Additional commitment from CRO to safeguard progress
7. Attracting, developing and retaining talent	Actual, Negative	Activities	BNG Bank increases its efforts to attract and retain employees.	Active talent management development by senior management. Start development of career paths.

Effectiveness of the management of material topics

Management and steering with regard to material topics is done through the strategic objectives which together make up the strategic programme of ‘Our Road to Impact’. Every quarter, the Executive Committee and the Supervisory Committee receive reports on the progress of the strategic programme. The effectiveness of the management actions taken is monitored and forms part of this report. Effectiveness is monitored using a performance management system, internal and external verification, and audit and impact assessments.

Material topic	Target and KPI	Outcome and effectiveness management actions
1. Market leader in the public sector	The scoring percentage for lending volume exceeds 60%. The funding costs are lower than those of our peers.	During the year, at the monthly monitoring of the scoring percentage, it was always observed that it was above the norm. The funding costs were lower than those of our peers every quarter in 2023.
2. Sustainability anchored in business processes	We focus fully on Sustainability and have a sustainability strategy for the coming years.	During the year, the Sustainable Banking Committee established that BNG Bank is on track with regard to this material theme.
3. Promoting partnerships and clients’ social impact on five SDGs	The reduction of the CO_2e emissions of BNG Bank’s loan portfolio compared to 2022 is greater than 0.	The CO_2e emissions of the BNG Bank loan portfolio declined further.
4. Laws and regulations	BNG Bank carries out the CDD process in a timely manner.	CDD processes carried out in a timely manner during the year
5. Data security and high quality	KPI Process KPI Change KPI Run	The data necessary to measure this KPI has not been recorded adequately and reliably for the period 2023. Good results for KPI Change were achieved in the last quarter, as a result of which the target was achieved. The KPI run is positive for the end of the year
6. Efficient organisation	Management of processes within risk appetite	This target was successfully completed by the end of 2023.
7. Attracting, developing and retaining talent	The Time-to-Hire is < 68 days. Regretted Loss is limited to <6%.	The Time-to-Hire KPI has shown a downward trend in 2023, but has exceeded the set target for the year 2023. The regretted loss remained persistently low during the year.

Value creation

BNG Bank’s strategy focuses on social and sustainable impact in combination with healthy financial results. The value that we add to society and the process for this is reflected in our value creation model, which consists of several components: purpose, core values, core activities and strategic focus to impact on Sustainability Goals.

Value creation model

Purpose

Driven by social impact

Core values

Sustainable, reliable and professional

Core activities

Lending and payment services in the public domain

Strategic focus

- More Focus
- Operational Excellence
- Partnerships and social impact of clients
- Efficient organisation

Material topics

- Market leader in the public domain
- Sustainability embedded in business operations
- Customer partnerships and stimulating the social impact of customers
- Laws and regulations
- Data security and high quality data
- Efficient organisation
- Attracting and retaining talent

Indicators

The lending volume scoring percentage is 65.7%.

Funding costs lower than or equal to peers.

Realisation of progress on sustainability policy is 50%.

The reduction in customers CO_2 emissions relative to the 2022 measurement is 2.1%.

97% of CDD process was timely finished.

Delivery of IT development is not yet completely measurable.

New data fields under governance is 79% realised.

The number of incidents involving the data platform was 21, 16 of which were high.

The control of the processes is within the risk appetite.

The time to hire is 78 days.

The regretted loss rate is 1.38% in 2023.

Impact

Stakeholder engagement

Stakeholder	Involvement
Shareholder	General Meeting of Shareholders Discussion with ministries, provinces and municipalities.
Supervisory Board	The Supervisory Board supervises the activities and policies of the Executive Committee and the way in which the strategy is implemented. The Supervisory Board met seven times in 2023. An explanation of the activities and discussed topics of the Supervisory Board is included in Chapter 6 of this annual report.
Employees	Employees are involved in the bank's direction via, among other things, periodic employee satisfaction surveys and the Works Council. In addition, employees in 2023 were actively involved in the determination of the sustainability strategy and the material topics by means of both interviews and questionnaires.
Clients	BNG Bank conducts annual discussions with a large portion of its clients. In addition to financial issues, sustainability also has an increasingly prominent place on the agenda during these discussions.
Investors	BNG Bank attracts a large part of the funding through public issues (bond issuance) on the international capital markets. A limited share is acquired through private placements. The Executive Committee and the treasury department are involved in frequent discussions with investors on an individual basis and at conferences with investors.
Supervisory authorities	The Executive Committee and employees of reporting departments regularly consult with the supervisory authorities, including the European Central Bank (ECB), De Nederlandsche Bank (DNB) and the Netherlands Authority for the Financial Markets (AFM) with regard to both financial and non-financial matters.
Rating agencies	consultation with various rating agencies by Executive Committee and Treasury

Focusing on impact and climate

In 2021, BNG Bank prepared an impact framework. This impact framework is designed so that we can focus on measurable social impacts. These impacts have been selected in such a way that they are consistent with the SDGs. In addition, they are relevant within the Dutch context and tie in with the ambitions of the most important client groups of our bank. The most important client groups are municipalities, housing associations, and healthcare and education institutions. These parties represent approximately 90% of the loans granted by BNG Bank. A complete overview of all indicators that are measured and the methodology behind the measurement can be found on our website.

We report annually in separate reports on the progress of our impact framework and on the progress of our Going Green Climate Plan. In this plan, we have mapped out our road to 2050. We want to achieve a 25% decrease in our financed emissions compared to 2019 by 2025, and a 53% decrease compared to 2019 by 2030. By 2050, we aim to be a climate-neutral bank ('net zero').

In this annual report, we report on the financed issues relating to the outstanding loans as at 31 December 2022. This is based on the method developed by PCAF, the Partnership for Carbon Accounting Financials. According to the PCAF methodology, clients' direct and indirect emissions are attributed to the bank based on a set of valuation rules. The emissions of the client portfolio can be divided into:

- direct emissions caused by own sources within the client's organisation (scope 1);
- indirect emissions from the generation of purchased electricity, steam, heat or cooling (scope 2); and
- indirect emissions from sources that are not in the possession of the client's organisation and that the client cannot directly influence (scope 3).

In 2022, 2,667 ktonnes of CO_2e emissions were generated by our loan portfolio (2021: 2,724 ktonnes

CO_2e). This represents a decrease of 2.1% in absolute emissions compared with 2021. If the total financed emissions (scope 1, 2 and 3) are not considered but only the scope 1 and 2 emissions of clients, the decrease in absolute emissions is 9.5%.

CO_2e emissions were calculated over EUR 79,138 million of the loan portfolio (2021: EUR 78,410 million). The size of our loan portfolio varies from year to year. That is why it is also useful to look at relative emissions. These are reflected in the emission intensity, i.e. tonnes of CO_2e/EUR million. This emission intensity decreased from 34.7 tonnes CO_2e/EUR million to 33.7 tonnes CO_2e/EUR million, a decrease of 2.9%. If we only look at the scope 1 and 2 emissions from clients, the decrease in the emission intensity is 10.3%. The tables below show the emission intensity per sub-segment for scope 1 and 2 activities of our clients.

CO_2e emissions associated with loan portfolio

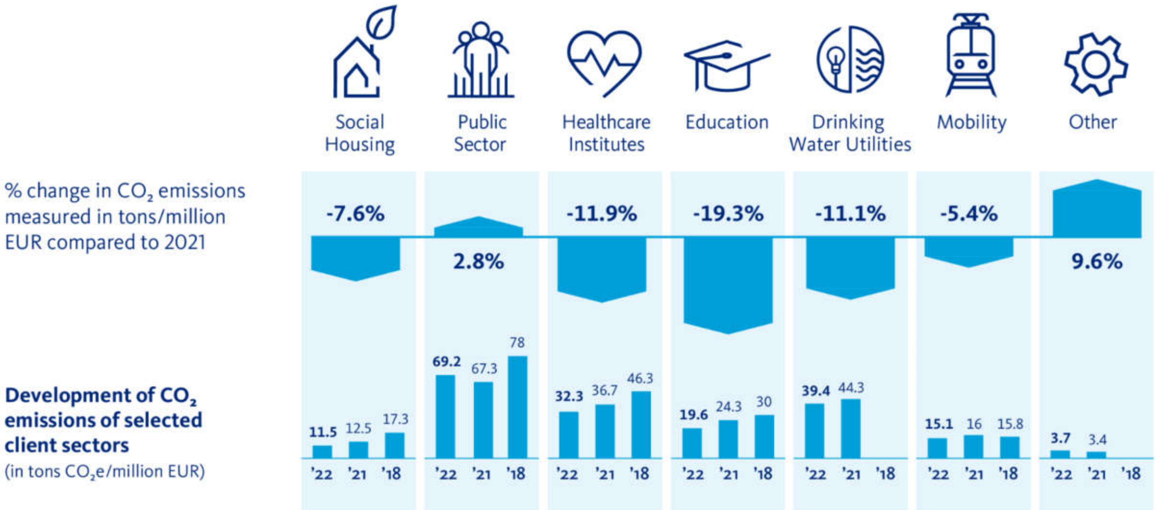
	Social Housing	Public Sector	Healthcare Institutes	Education	Drinking Water Utilities	Mobility	Other
Emissions (in tons/million EUR)	11.5	69.2	32.3	19.6	39.4	15.1	3.7
Total **2.667** kton CO_2e Emissions attributed to credit loans by BNG Bank (kton)	492	1.916	208	13	20	17	0.2
PCAF data quality score (range 1 to 5, with 1 being the highest score)	2.0	3.9	3.3	3.0	2.2	4.0	4.0
% portfolio included in calculation	95.2%	89.5%	95.9%	62.2%	94.3%	90.1%	2.2%

Within the portfolio, the decrease in absolute scope 1 and 2 issues is greatest among the client groups municipalities (-/- 49 ktonnes CO_2e), housing corporations (-/- 22 ktonnes CO_2e) and the healthcare sector (-/- 22 ktonnes CO_2e). Within these segments, a fall in both gas consumption (-7%) and electricity consumption (-3%) can be observed. The energy mix in the Netherlands is changing: an increasing share of electricity is generated from renewable sources. This is a major reason why the CO_2e emitted per kilowatt hour generated has decreased compared with the previous year. This development means that the percentage decrease in electricity consumption has a greater effect on the decrease in emissions than the decrease in gas consumption.

Where possible, we also try to calculate the scope 3 emissions from clients. This is currently the case for the customer groups municipalities, provinces, water boards, healthcare institutions and water companies. The following tables show for each sub-segment the type of activities included in the calculation of the scope 3 emissions. In contrast to the scope 1 and 2 emissions of the loan portfolio, the scope 3 emissions increased by 44 ktonnes CO_2e. This change was caused entirely by the increase in the scope 3 emissions of municipalities. This concerns the purchased goods and services for this client group.

A description of the methodology and the data used is included in the Reporting Principles section. A detailed report of the CO_2e emissions associated with the loan portfolio has been published on the website.

Development in CO_2e emissions associated with the loan portfolio



1.2 Economic development

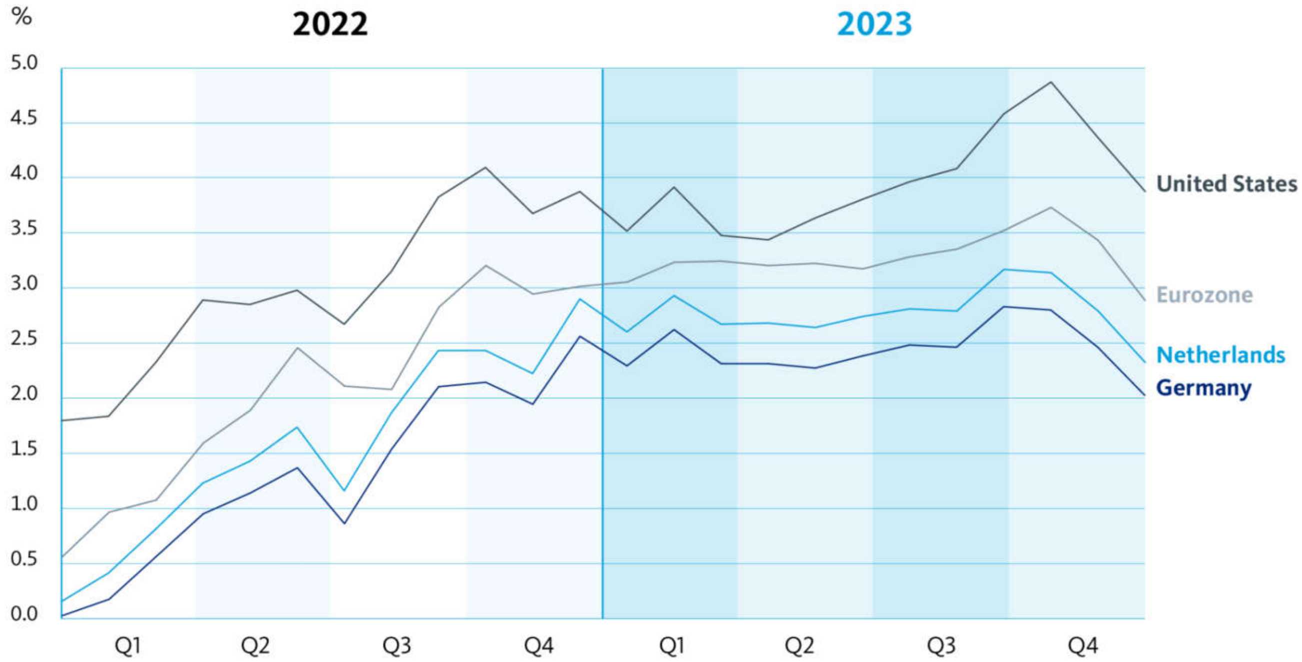
The global economy saw less growth in 2023 compared with 2022. Economic growth slowed down particularly in Europe, including the Netherlands. Rising interest rates, high inflation and scarcity in the labour market were the most important factors putting pressure on the economy. The fall of the Dutch coalition government also caused uncertainty.

In the Netherlands, economic growth fell from 4.3% to 0.6%. Household spending only increased by 0.7%, compared with 6.6% in 2022, partly due to high inflation. This significant decline of growth did not come as a surprise. Private consumption received a strong boost towards the end of 2022 thanks to the lifting of Covid-related restrictions. A second reason for the slowdown was that exports did not grow as much as in 2022, due to lower foreign demand. Finally, investments in residential construction were under pressure due to rising interest rates.

Tighter monetary policy

As a result of high inflation, the central banks were forced to raise official rates significantly. The European Central Bank (ECB) raised the rate on deposits from 2% to 4%. In addition, acting in line with the policy adopted by the US central bank, the ECB decided to gradually reduce its securities portfolio by no longer reinvesting part of the amounts received in repayments on previously purchased loans. The interest rates in the short-term maturities rose due to this tighter monetary policy. This created an inverse interest rate structure, with short-term interest rates rising above long-term interest rates. The quarterly interbank interest rate rose from 2.1% to 3.9%. The long-term interest rates initially rose, but fell again in the last months of the year. At the end of December 2023, the ten-year interest rate on German government bonds stood at 2.0%, which is 0.5% lower than the previous year. The comparable Dutch rate fell from 2.9% to 2.3%. Due to these developments, it became relatively more attractive to enter into long-term loans. This also influenced clients of BNG Bank. Partly because the monetary policy in the United States was also tightened, the value of the euro remained relatively stable in 2023.

Interest on 10-year government bonds



Source: Macrobond

Energy prices fell

The energy prices rose significantly in 2022 due to the war in Ukraine. In response, the Netherlands and other EU member states jointly changed their energy policy. Imports of gas from the US and the Middle East increased at the expense of imports of Russian gas. The demand for gas was also relatively low due to the mild winter. Because of this, the prices of gas and other energy sources fell significantly in the first months of 2023. This resulted in inflation decreasing despite the increase in wage costs. The development of inflation was significantly influenced by a change in the calculation of energy prices. From June 2023, these prices were calculated based on the actual contracts of households, some of which are fixed-term contracts. Previously, Statistics Netherlands (CBS) had based its calculations exclusively on variable-rate contracts. According to official figures, the average inflation fell from 10% in 2022 to 3.8% in 2023. According to an estimate by the Netherlands Bureau for Economic Policy Analysis (CPB), if the new calculation method had been applied in 2022, the inflation would have increased from 6.8% to 7.8% in 2023.

Scarcity in the labour market continued

The labour market remained tight in 2023. The number of vacancies remained high due to the continuing demand for staff. This particularly affected healthcare and education, two sectors in which BNG Bank is active. Unemployment remained stable in 2023 at 3.5%, a historically low level. The scarcity in the labour market has made it difficult for the government to achieve its plans, which may have an impact on the bank's loan portfolio. However, the growth in the number of jobs did decrease over the course of the year as a result of the economic slowdown.

The number of bankruptcies increased over the course of 2023, and is expected to rise even more sharply in 2024. This is because companies that benefited from support during the pandemic will now have to repay this. This will have a negative impact on economic development, but the scale of this is currently still unclear.

Fall of the government

The fall of the coalition government in 2023 and the subsequent elections also had consequences for BNG Bank and its clients. Government plans have been postponed or cancelled entirely.

Government deficit increases

The Dutch government's finances are in good shape compared with other countries. The government deficit increased to 1.6% of the gross domestic product (GDP) in 2023. In 2022, the government deficit was only 0.1% of the GDP. The government spent more on education, defence, the reception of asylum seekers and infrastructure. In addition, government revenues decreased. The government deficit remained below the European norm of 3%. Local authorities achieved a budget surplus of 0.3% of GDP in 2023. This is virtually the same as the surplus in 2022.

As a result of the high inflation, the gross government debt ratio decreased from 50.1% to 48.0% of GDP despite the increase in the government deficit. This ratio is significantly lower than in other western countries. According to the European Commission's most recent estimates, the average gross government debt of governments in the eurozone in 2023 will amount to 90.8% of GDP compared with 93.8% in 2022. The main rating agencies maintained the highest level for our country (AAA and Aaa). Partly as a result of this, BNG Bank retained the highest possible credit ratings. This allowed BNG Bank to continue to grant loans to its clients at competitive rates, and in this way contribute to the financing of social facilities.

1.3 Partnership in client sectors

In 2023, BNG Bank was able to meet its clients' credit needs and share ideas about their current and future needs. The bank maintained its position as market leader in the public sector.

Local authorities

Long-term loan portfolio

€ 29.4 billion

(in EUR billions)

New long-term loans

€ 2.3 billion

(in EUR billions)

With its financing, BNG Bank helps local authorities to work on SDGs 3 (Good health and well-being), 4 (Quality education), 7 (Affordable and clean energy), 11 (Sustainable cities and communities) and 13 (Climate action).

Client partnerships are important to BNG Bank. We have always supported local authorities with their financial challenges. This includes sharing ideas on the most suitable funding structure for the short and long term. Serving as our clients' principal bank is also a key element of our relationships with clients.

Public sector lender

In spite of a downward trend in investments, BNG Bank continued to fulfil its role as public sector lender in 2023. In doing so, we contributed in numerous ways to making Dutch society more social and more sustainable. For example, through the Joint Arrangement for Sheltered Employment in the Eindhoven Region, we provided a loan to Ergon, an organisation that helps people with poor employment prospects. With the loan, Ergon set up a climate-neutral 'utopian' launderette that operates according to the highest quality standards (entirely fossil-free) and is the most sustainable launderette in Europe.

The municipality of Súdwest-Fryslân was granted a loan by BNG Bank for various purposes, including to participate in a wind farm.

BNG Bank also signed a loan agreement with NV Verbindion, a civil society organisation that aims to encourage people to get more exercise, for the construction of a swimming pool in Nieuwegein. The municipality of Nieuwegein guaranteed the loan.

BNG Bank financed the De Stelp project in the municipality of Ameland, which involves the construction of 44 care apartments.

Finally, we are proud that the municipality of The Hague, the Municipal and Water Board Tax Collaboration for East Brabant and the social bank Stichting Kredietbank extended their agreements with us, allowing BNG Bank to continue as their principal bank. This means that we handle almost all the payment transactions for these clients and maintain strong relationships with them.

Strategic client conversations

In order for BNG Bank to provide its services, maintaining contact with its clients is essential. To this end, we conduct client conversations. Sustainability improvements and ESG transparency play an increasingly significant role in these conversations. In terms of sustainability improvements, we want our clients to tell us how they are implementing the Paris Agreement, but also how this relates to the other social challenges they are facing. In terms of ESG, BNG Bank has a responsibility to take ESG components into account in its financing propositions and report transparently on these. Accordingly, we increasingly highlight the importance of ESG in our conversations with our clients. This is new for us and for the sector. Together, we are learning how we can give shape to this.

Meetings

Another way in which we share information with and obtain information from our clients is by organising meetings. In November and December 2023, we held three meetings: for large, medium-sized and small municipalities. Various topics were discussed at these meetings, including financing for school buildings, payment transactions, sustainability (district heating networks and guarantee funds), the development of interest rates and ESG, in combination with reporting obligations. In June, the Association of Frisian Municipalities made a working visit to BNG Bank. The purpose of this visit to was expand our network and give insight into the importance, knowledge and expertise of BNG Bank. The visit led to several follow-up conversations on specific topics.

Because we believe it is important to share our knowledge internationally, we welcomed the municipality of Reykjavik in March. They wanted to learn how BNG Bank provides financing to municipalities based on our public role, and, by extension, how we obtain funding.

Social Card

In 2022, BNG Bank introduced a prepaid card for use by refugees from Ukraine. In 2023, this was transformed into the ‘Social Card’. It provides a secure way for municipalities to pay out living allowances to refugees, but can also be used for people being provided with debt assistance. The current prepaid cards will be completely phased out by 1 March 2024. BNG Bank held a meeting in February to introduce the Social Card to municipalities. A total of 13,140 cards were issued in 2023.

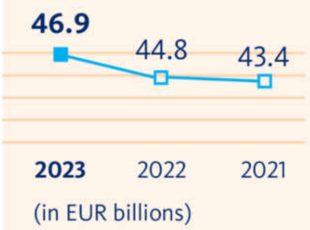
Standardised ESG reporting

Partly on the initiative of BNG Bank, a diverse group of stakeholders, including the Ministry of the Interior and Kingdom Relations, Statistics Netherlands, several audit firms, municipalities, water boards and umbrella organisations, joined forces to develop a standardised way of reporting on ESG. The first meeting was held in January 2023. The group calls itself the ‘coalition of the willing’ and will continue to work towards its common goal in 2024.

Housing associations

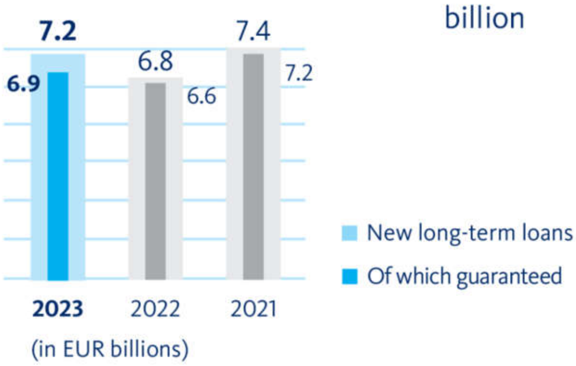
Long-term loan portfolio

€ 46.9
billion



New long-term loans

€ 7.2
billion



With its financing, BNG Bank helps housing associations to work on SDGs 7 (Affordable and clean energy), 11 (Sustainable cities and communities) and 13 (Climate action).

BNG Bank is the main lender to housing associations. As such, it contributes to a social, sustainable Netherlands. With over 2.4 million inexpensive and affordable rental properties, the Dutch social housing sector is of vital importance.

BNG Bank supports the ambitions set out in the National Performance Agreements, which were signed between housing associations, the Ministry of the Interior and Kingdom Relations and the Association of Dutch Municipalities. These ambitions mainly relate to new-build social housing, new-build mid-market rentals and making existing homes more sustainable.

Added value for society

BNG Bank has noticed an increase in investments by housing associations, including in social housing, but mainly in mid-market rentals. In the latter case, housing associations sometimes take on the challenge themselves, when market parties pull out. For BNG Bank, mid-market rental projects have a clear social added value, as they help create mixed neighbourhoods and help people move out of social housing. That said, BNG Bank has called attention to the viability of providing financing for such projects, as we are of the opinion that a form of guarantee by the Social Housing Guarantee Fund (WSW) will be required in the longer term. To underline the importance of this matter, we have had numerous discussions about it with parties in the sector, including the sector organisation Aedes and advisers.

Financing for mid-market rental housing

In 2023, the loan portfolio grew, in terms of both loans backed by a WSW guarantee and loans without a WSW guarantee for mid-market rental housing, including concerning services that do not qualify as a service of general economic interest (SGEI). BNG Bank has seen a definite surge in interest in mid-market rentals. In 2023, the bank was able to contribute to tackling this social challenge by providing lending for mid-market rental housing. These loans amounted to a total of EUR 290 million. We believe it is important that we not focus solely on projects in urban areas, but also finance projects in small municipalities and villages. This year, the recipients of our loans for mid-market rental housing included Staedion, De Alliantie, Bazalt Wonen, Samenwerking Vlaardingen and Vechtdal Wonen. These loans have been used for new-build projects and real estate purchases.

Financing for social housing with WSW guarantees

BNG Bank has issued 6.6 billion in loans guaranteed by the Social Housing Guarantee Fund (WSW), allowing us to make a significant contribution to the construction of new social housing and sustainability improvements to existing social housing. In recent years, housing associations have built around 16,000 new social homes in total per year.

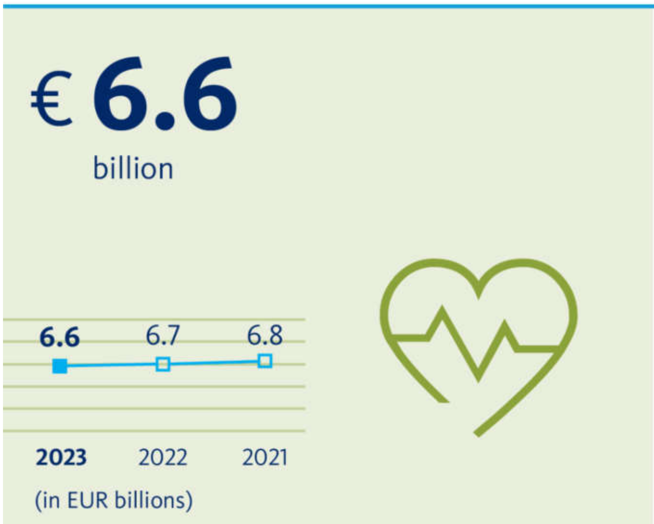
Sustainability improvements

The theme of sustainability improvements seems to be growing in importance for housing associations, not only because of climate change, but also due to the steep increase in energy prices. This has led associations to take measures to reduce energy bills for tenants. For example, the percentage of homes with energy labels E, F and G dropped from 11.8% to 8.6% in 2023.

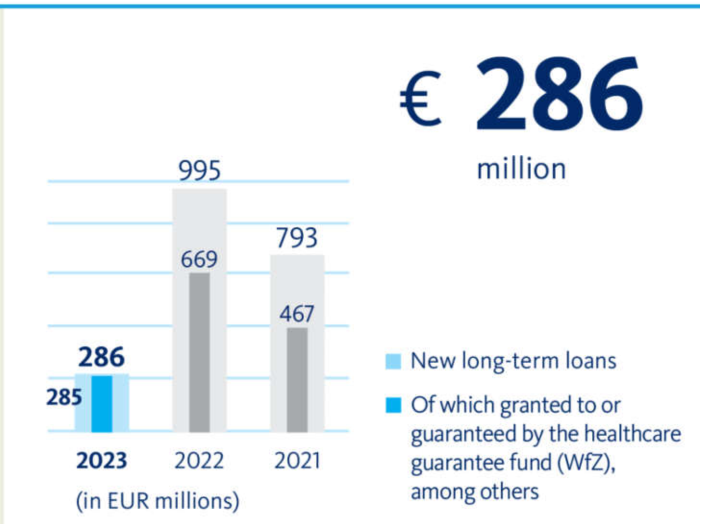
In our conversations with clients, we increasingly give attention to the challenge of improving sustainability. This matter is also discussed in our climate action plan, ‘Going Green’. From our conversations, it has emerged that the majority of housing associations have a climate road map or other climate target in place to make their housing stock more sustainable and thus achieve climate neutrality by 2050.

Healthcare

Long-term loan portfolio



New long-term loans



With its financing, BNG Bank helps healthcare institutions to work on SDGs 3 (Good health and well-being), 7 (Affordable and clean energy) and 13 (Climate action).

BNG Bank provides bank lending for investments in healthcare buildings, among other purposes. The bank has positioned itself as a partner of clients in the healthcare sector. Our clients include institutions providing hospital care, mental healthcare, elderly care, youth care and care for the disabled.

BNG Bank has built up a strong market position with a relatively robust and stable risk profile. Clients know they can approach us with financing questions.

Market leader

BNG Bank is the market leader in the healthcare sector. In 2022, BNG Bank provided 61% of all loans in this sector. In 2023, the total financing provided amounted to 480 million euros. Through this financing, we contributed to impactful projects in the various focus areas of the healthcare sector. In the area of hospital care, for example, we provided loans to the Elisabeth-TweeSteden Hospital to build a new hospital at the Elisabeth site in Tilburg and to the Sint Maartenskliniek rehabilitation centre for the renovation of its main site in Nijmegen.

We were able to provide financing to the Haaglanden Medical Centre for the development of their Electronic Patient Records system and for a comprehensive real estate management plan.

In the area of mental health, we provided a loan to the Northern North-Holland Mental Healthcare Foundation (Stichting GGZ Noord-Holland-Noord) to construct a new building (gas-free and fitted with solar panels) housing a high intensive care clinic that has replaced four old, less energy-efficient clinics.

In the area of elderly care, the Kennemerhart Foundation in Haarlem has drawn up a master plan for renovation and construction. Due to the changing demand for care combined with deferred or delayed investments, a large proportion of elderly care buildings require modernisation or expansion in the coming years. BNG Bank has provided a loan to finance these projects.

BNG Bank has noticed that the investment climate in the healthcare sector is declining. This is due to the deteriorating economic conditions and the narrow operating margins in the sector. The biggest challenge in the healthcare sector remains the availability of personnel. It is expected that this will be become a structural issue, and even a societal issue. This will require continuous attention.

Green Deal for Healthcare

A positive development this year was the Green Deal entitled ‘Working together for sustainable healthcare’. BNG Bank signed it in late 2023. The goal of this Green Deal is to minimise the impact of healthcare on the climate, the living environment and the environment in general through a greater commitment to greening healthcare operations. This new Green Deal contains more concrete and ambitious goals than the previous Green Deal from 2022. It has a greater focus on health promotion, prevention, raising awareness and knowledge about the impact of healthcare on the climate and environment.

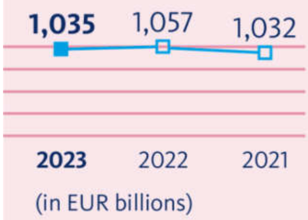
Comprehensive Healthcare Agreement

To ensure that healthcare remains of high quality, affordable and accessible in the future, the sector signed the Comprehensive Healthcare Agreement in late 2022. This agreement will facilitate the necessary transition in how healthcare services are organised. Although there is broad support for this transition within the sector, implementing it will take time given the many different parties involved.

Education

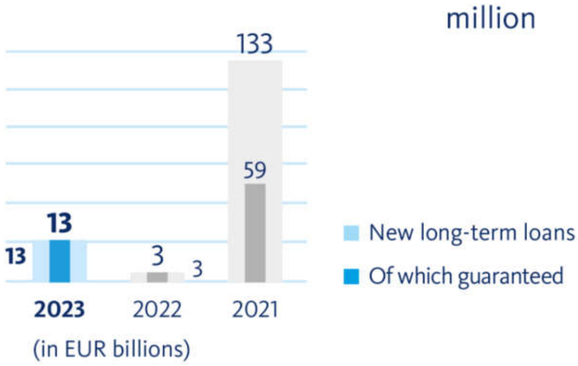
Long-term loan portfolio

€ 1,035
million



New long-term loans

€ 13
million



With its financing, BNG Bank helps educational institutions to work on SDGs 4 (Quality education), 7 (Affordable and clean energy) and 13 (Climate action).

BNG Bank contributes to affordable high-quality buildings for educational institutions. For primary and secondary schools, we typically finance investments via municipalities. For investments by vocational education institutions and universities, BNG Bank provides financing directly.

In 2023, BNG Bank provided a loan for the construction of the Woensdrecht Integrated Child Centre in the municipality of Woensdrecht. The building is entirely energy neutral, gas and emissions free, and equipped with a closed loop geothermal energy system. The initiator and founder of this project is Stichting Maatschappelijk Vastgoed.

BNG Bank has already financed three similar projects, including the De Vaandel project in Heerhugowaard, which was completed in 2023. De Vaandel is an expertise centre for special (primary) education, care and rehabilitation. The building was designed to be energy neutral with its own geothermal energy system and solar panels on the roof.

BNG Bank also signed a loan agreement with the municipality of Landgraaf, to finance the construction of a new building for Eijkhagen College.

In spite of these loans, lending by BNG Bank to the education sector fell short of expectations in 2023. The investment climate has deteriorated due to the macroeconomic conditions (inflation and high interest rates), leading to delays in educational real estate projects.

Sharing of knowledge and expertise

As well as providing financing to the education sector, BNG Bank aims to share its knowledge and expertise. For this reason, BNG Bank is considering ways to provide a fresh boost to the development of educational buildings. In this regard, the primary focus is on investing in sustainability and a healthy indoor climate for school buildings.

In the second quarter of 2023, BNG Bank organised a meeting for school boards and municipalities on the various financing options for school buildings. We explained how BNG Bank can provide support when a new school is going to be built. The topic was also on the agenda for the various meetings with municipalities in the fourth quarter. In late June 2023, BNG Bank contributed to an article on this subject for the website of Binnenlands Bestuur, a platform for civil servants and policymakers.

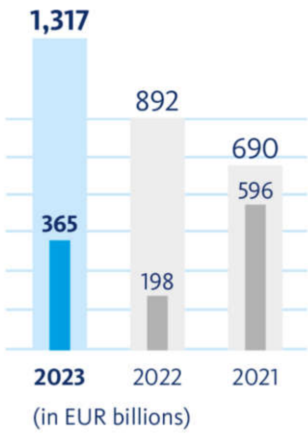
Public companies and infrastructure

Long-term loan portfolio

€ 4,771
million

New long-term loans

€ 1,317
million



With its financing, BNG Bank helps public companies and infrastructure to work on SDGs 7 (Affordable and clean energy) and 13 (Climate action).

The Public Infrastructure & Energy Team provides its clients with specialist financing solutions (including balance sheet and project financing) to enable them to make a social impact. The team focuses on financing infrastructure, networks (water, electricity and heating), renewable energy, waste collection and processing, and spatial development.

For Public Infrastructure & Energy, 2023 was a year with a great deal of variety. That variety is evident from the lending provided in 2023, which included both large and small new loans. The clients of BNG Bank that invest in public infrastructure are working to implement long-term investment agendas, based on their long-term visions. BNG Bank's total outstanding capital in this sector amounts to EUR 4.8 billion, an increase of EUR 761 million compared with 2022.

Port infrastructure: sustainability-linked loan

The Port of Amsterdam is one of the four largest sea ports in Europe. Along with two other Dutch banks, BNG Bank has provided the Port of Amsterdam with a credit facility worth EUR 75 million for sustainability improvements and innovation to create a future-proof port complex. As interest margin charged for the facility is linked to ESG key performance indicators, the facility qualifies as a sustainability-linked loan.

The Port of Amsterdam aims to be a leading European sea port and a frontrunner in the transition to a sustainable society by 2025. The port aims to be coal-free by 2030. The Port of Amsterdam is focusing on the growth in alternative fuels and on increasing the production capacity for sustainable energy.

Mobility: procurement of electric buses

In the mobility sector, BNG Bank contributed to financing the procurement of electric buses by the Amsterdam Regional Transport Authority (VRA) and the Metropolitan Region of Rotterdam-The Hague (MRDH). In the years ahead, the bank expects to contribute to the procurement of zero-emission buses by other regional transport authorities in the Netherlands.

Environment: reducing carbon emissions

In the environmental sector, considerable work is being done to reduce carbon emissions. Most public waste collection organisations are starting to invest in electrification of their vehicle fleets. This is expected to continue in the years ahead. In addition, waste-to-energy plants are investing in carbon capture. To this end, BNG Bank (in collaboration with ING Bank) provided financing to Twence in 2023.

Networks: major investments by network operators

The networks sector is experiencing a great deal of activity. The bank provided EUR 256 million in new financing and EUR 55 million in refinancing to drinking water companies that are making major investments in the renewal of infrastructure and water treatment capacity. In addition, we provided a considerable amount of financing to energy network companies that are making significant investments in strengthening electricity networks. We also had many discussions with public heating companies about their investments plans, but the implementation of the plans is being delayed by various factors, including the continuing lack of clarity about the bill for the Collective Heat Supply Act.

Supporting the energy transition

Another significant milestone was the provision of a credit facility of EUR 8 billion by ten banks, including BNG Bank, to ensure continuation of TenneT's investment programme. This will allow for investment to further strengthen the national high-voltage network in both the Netherlands and Germany, as well as investment in converter stations in the North Sea to which offshore wind farms could be connected within a few years. We were proud to make this important social contribution to the energy transition.

District heating networks

As a discussion partner, we engaged in dialogue with various municipalities and public parties about the development of plans to give a boost to the heating transition. This is a challenging task, where BNG Bank also uses its expertise and experience to improve the investment opportunities for district heating networks together with the Association of Dutch Municipalities. Last year, in co-creation with the Ministry of Economic Affairs and Climate Policy, the bank worked on strengthening the execution capability of new and existing public district heating networks. As part of this work, an outline for a possible guarantee fund for heating was developed.

In November 2023, BNG Bank made a study trip to Denmark to gain more knowledge about district heating networks. Denmark has many years of experience with supplying heat through collective district heating networks. It was a unique opportunity to learn and to discuss opportunities for the Dutch heating sector.

Notable events in 2023

January

Fitch Ratings reconfirms BNG Bank's **AAA status**

First of nine new ESG bonds issued in 2023: **EUR 1.5 billion 10-year bond with an ESG label (social bond) for lending to housing associations**

Tom Hofland wins the BNG Bank Literature Prize

March

BNG Bank provides **financing to the municipality of Ameland** (EUR 28 million) **for the De Stelp project** (44 care apartments)

BNG Bank provides **financing to the municipality of Landgraaf** for a school (EUR 30 million)

April

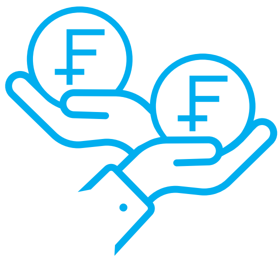
Olivier Labe reappointed as CFO of BNG Bank

Huub Arendse reappointed as Chair of the Supervisory Board

May

Staedion receives financing of EUR 95 million **to build new social and mid-market rental housing** (De Schaloen project) in The Hague

First new ESG bond in Swiss Francs; **CHF 200 million social bond for lending to housing associations**



June

Municipality of Weert wins the BNG Bank Heritage Award

European Investment Bank and BNG Bank **sign a second loan agreement** for EUR 300 million

HMC Hospital borrows EUR 35 million from BNG Bank for large-scale renovations

September

Death of CCO **Thomas Eterman**

Revised strategy for 2024–2026 **adopted by the Supervisory Board**

November

BNG Bank signs the Green Deal for **Sustainable Healthcare to minimise the impact of health care on the climate, the living environment and the environment in general**

BNG Bank named fourth **most secure bank in the world**

December

BNG office relocated to **Bordewijklaan 18 in The Hague**

1.4 Strong position in money and capital markets maintained

Raising short-term and long-term capital in various currencies on the international money and capital markets (funding) is a crucial activity for BNG Bank, enabling it to provide clients with loans at favourable rates. In 2023, BNG Bank was successful at this despite challenging financial markets.

Thanks to its excellent credit rating (Moody's: Aaa; Fitch Ratings: AAA; S&P Global: AAA), BNG Bank was able to raise short-term and long-term funding in various currencies at attractive lending rates throughout the year. BNG Bank obtains the majority of its funding through the public issue of bonds on the international capital markets. A limited share is acquired through private placements. More information is available on BNG Bank's website.

Developments in 2023

In 2023, BNG Bank raised EUR 15.2 billion in long-term funding with an average maturity of 6.5 years. This maturity is relatively high, because as in the previous two years, the demand among our clients was often for loans with longer maturities. The total amount of long-term funding was comparable with 2022.

BNG Bank was active on the capital markets in 2023, with five benchmark bond issues in EUR and three in USD. This was in line with our ambition to maintain an outstanding curve of benchmark bond issues for both currencies. We also made bond issues in British pounds, Australian dollars and Swiss francs. The two benchmark bond issues in CHF marked our return to the Swiss market after a nine-year absence. The bank's funding strategy is to reach a wide variety of investors both in terms of geography and type of investor. The order books for 2023 show that the bank more than achieved this diversity.

Increase in ESG bond issues

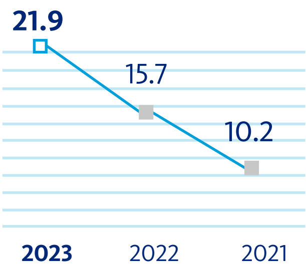
We see increasing interest in ESG bonds in the capital markets. BNG Bank has been active in this market since 2014 by making bond issues with a sustainable or social label. Since then, the bank has issued more than EUR 25 billion of these ESG bonds in the capital markets. The current bonds are issued in line with the bank's Sustainable Finance Framework. This framework can be checked on the BNG Bank website: bngbank.com/Funding. This framework specifies that the funds raised in this way are used to finance municipalities and housing associations and that the budgets of municipalities and expenditures of housing associations are linked directly to the 17 Sustainable Development Goals of the United Nations.

It is our bank's ambition to obtain the highest possible proportion of funding from ESG-bonds. BNG Bank has seen a significant increase in ESG bonds issued in recent years. While ESG bonds made up 14% of our total bonds issued in 2020, this percentage increased to more than 41% in 2023. In total, BNG Bank issued a record EUR 6.3 billion worth of ESG bonds in 2023, both through new bond issues and by increasing the amount of some existing bonds.

Key figures for funding

Total outstanding ESG Bonds

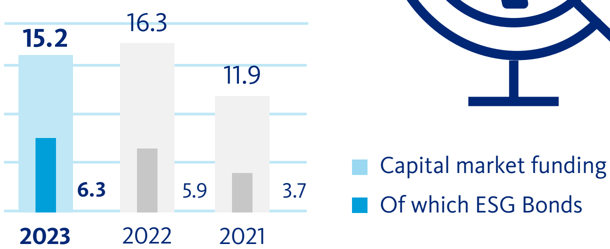
€ 21.9
billion



(in EUR billions)

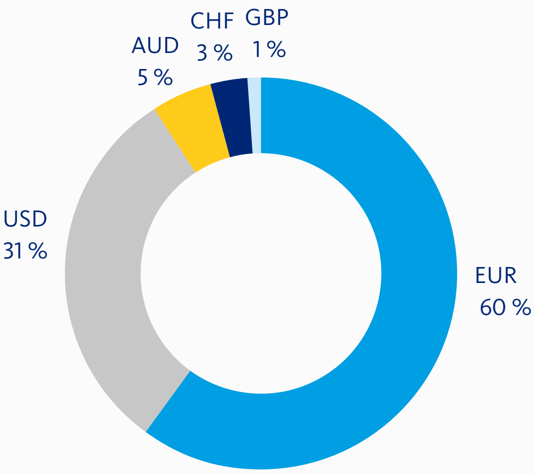
Long term funding raised

€ 15.2
billion

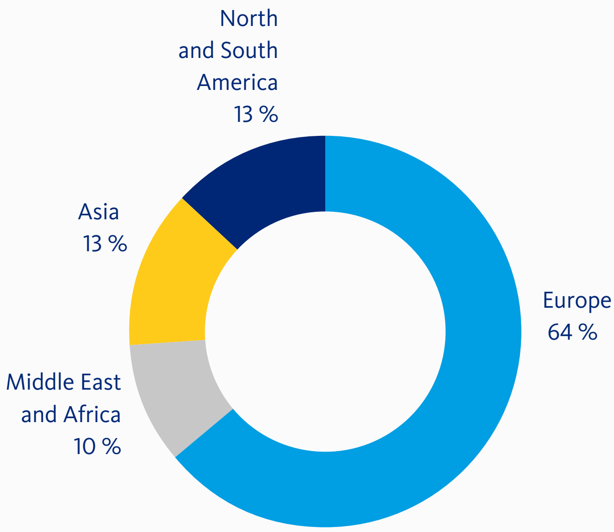


(in EUR billions)

Funding by currency



Funding by geographic region



'A widely shared strategy binds an organisation together'

Freya van der Kroef

In 2024, BNG Bank celebrates its 110th birthday. Although the world has changed enormously over that time, at its core, the main goal of the bank remains the same: to help address social issues by providing financial support. But how do you translate that into a practical strategy that is appropriate to the challenges of today?

‘Strategy is about bringing focus,’ explains Freya van der Kroef, Head of Strategy & Sustainability at BNG Bank. ‘That’s crucial if you’re small, like us, but you want to make a big impact. Having focus ensures that you make clear choices and thus make clear what your position is, both to staff and to the outside world.’

While refining BNG Bank’s strategy, Van der Kroef thought of the words of economist Michael Porter. ‘He said: “The essence of strategy is choosing what not to do”. So we asked ourselves: why does BNG Bank exist? And, therefore, what should we do and not do?’

‘The reason why we exist is not to maximise profits. But it is to be the leading bank for the public sector, to finance solutions for the issues facing society, and to provide clients with outstanding service. Establishing the “why” of BNG Bank created an anchor point for our strategy. It led us to our purpose, the reference point for everything we do: “Driven by social impact”.’

Refocusing our direction

In essence, how you give substance to your purpose is your strategy. Van der Kroef: ‘It determines which clients we lend to, how we serve our clients, what kind of new colleagues we hire and how we structure our organisation. The answers to these types of questions provide the objectives for our strategy for the medium term, so for the coming three years. We then break that strategy period down into short-term periods of 12 months, to make it easier to implement the overall strategy in practice.’

Each year, BNG Bank takes a fresh look at its strategy. ‘Is there anything going on in the organisation or in the world around us that requires a response? Some developments happen quicker than anticipated, while something that seemed really urgent might go on the back burner. So we’re constantly refocusing our direction.’

The positive impact of a clearly defined strategy should not be underestimated: it binds an organisation together. ‘Everyone knows why they’re doing what they do,’ says Van der Kroef. ‘It means you’re all actively focused on achieving goals. BNG staff are motivated to contribute to the greater social good. I’m willing to bet that everyone who works at BNG Bank is motivated by that.’

Continuing to seize opportunities

‘While we have recalibrated our strategy in 2023, our purpose remains the same: BNG Bank wants to have a social impact. As a public bank, it’s essential that we’re always there for our clients, investors and stakeholders, and that we do our job well. In essence, that job is to provide loans on attractive terms.’

‘Our high credit ratings enable us to raise funding at favourable rates, which in turn allows us to help our clients achieve their social goals. Being able to help the public sector make a difference is an opportunity that we will continue to grasp with both hands in the years to come.’

2 Financial results and outlook

2.1 Financial results

BNG Bank is satisfied about the financial results achieved with a high return, strong capital- and liquidity ratios and a growing loan portfolio in 2023. A net profit of EUR 254 million was achieved for the year 2023. Although the net profit was positively affected by the increased interest result, it was EUR 46 million lower than in 2022 due to a lower result on financial transactions. The return on equity was 5.6%, lower than 2022, but is well above the target.

The interest result of EUR 563 million was EUR 82 million higher than the result for 2022. This was among other things caused by higher interest rates and longer maturities on loans to clients. Due to the rise of the maturity of loans to customers, sometimes more than thirty years, a higher spread for liquidity risk on the interest rates was received.

In addition we have again activly managed our concentration risk and counterparty risk for derivatives this year. We have ported more derivatives from a clearing house in the United Kingdom (LCH) to a clearing house in the EU (EUREX). This resulted in a better distribution and thus lower concentration risk. We have also successfully reduced our derivatives position with Credit Suisse down by porting derivatives to banks with a better risk profile, during the banking crisis of the first quarter this year. These actions have basically no or little net impact on net profit. However, they did cause a shift of result on financial transactions (negative impact) to interest result (positive impact).

The result on financial transactions was lower in 2023 than in the previous year. In 2023, this amounted to EUR 78 million negative, which was a decrease of EUR 191 million (2022: EUR 113 million positive). Of this, EUR 25 million negative (2022: EUR 47 million positive) consisted of results realised on sales. With the end of its easing policy, the ECB stopped buying up bonds en masse in the market. As a result, liquidity spreads increased substantially for BNG Bank's bonds but also for bonds we hold for our liquidity buffer, our liquidity portfolio. This was a break with the trend in recent years. The consequence is that in actively managing this portfolio, a net negative value is realized against a higher interest result in the future. In previous years, when liquidity premiums were actually declining, the effect was the opposite.

Of the other unrealised results of EUR 53 million negative (2022: EUR 66 million positive), EUR 58 million was due to the negative valuation of the ineffective portion of the change in the fair value of hedging instruments (2022: EUR 30 million positive). The decrease in the result on financial transactions is further attributable to higher (credit) spreads on certain counterparties.

Last year saw satisfactory developments in the long-term loan portfolio. The long-term lending portfolio rose by EUR 1.2 billion to EUR 89.2 billion in 2023. The long-term loan portfolio to the housing associations sector amounts to EUR 46.9 billion, an increase of EUR 2.1 billion compared to year-end 2022.

BNG Bank issued EUR 11.3 billion in new long-term loans to clients, which was EUR 1.0 billion less than in the previous year but EUR 0.5 billion above the expectations for 2023. Compared to last year the commission result rose by EUR 7 million to EUR 26 million. This was due to the fact that more facilities were entered into, which can be drawn in the future.

The solvency-free long-term loan portfolio amounts to EUR 81.6 billion. This results in a solvency-free exposure of 91.5% of the total long-term loan portfolio. Accordingly, BNG Bank met the target of a solvency-free exposure of at least 90%. In addition, the bank achieved her goal of a scoring percentage of at least 60% on solvency-free long-term lending to the local authority, housing association and healthcare institution sectors: in 2023, the bank granted 65.7% of loan applications. As a result, BNG Bank's position as market leader has once again been confirmed.

Total allowances for expected credit losses on BNG Bank's loans decreased by EUR 60 million to EUR 100 million at the end of 2023. This decrease is due to the administrative settlement of EUR 60 million of previously impaired loans. Total expected credit losses remains low relative to the balance sheet total of EUR 115.5 billion. This reflects the high creditworthiness of the exposures of the bank.

In 2023, we saw a rise in consolidated operating expenses from EUR 115 million in 2022 to EUR 142 million. We have grown in number of employees, both internal and external, in order to thereby strengthening the bank in specific areas such as the security and future-proofing of the IT systems, data quality and data management and our gatekeeper role. The Cost to Income ratio has consequently increased to 24% (2022: 22.4%), but remains relatively low.

With a nominal corporate income tax rate of 25.8%, the effective tax rate came to 26.4% in 2023 (excluding the bank levy). The bank levy amounted to EUR 22 million in 2023; EUR 10 million lower than in 2022. This decrease was partly due to the fact that the balance sheet total for 2022, which was the basis for the calculation of the bank levy in 2023, decreased by EUR 37 billion compared with the year before.

BNG Bank's balance sheet total at year-end 2023 came to EUR 115.5 billion, an increase of EUR 3.4 billion compared with year-end 2022. This increase was mainly caused by market value changes visible in balance sheet items 'Value adjustments on loans in portfolio hedge accounting' and 'Debt securities'.

At the end of 2023, BNG Bank's equity stood at EUR 4.7 billion. This was EUR 0.1 billion more than in 2022, mainly due to the addition of the net profit of 2023. At the end of the year, there was EUR 0.3 billion in additional Tier 1 capital remaining. The Bank's solvency ratios remain strong. The Common Equity Tier 1 ratio is 43% and the Tier 1 ratio is 46%. The Common Equity Tier 1 ratio is higher than in 2022, when it was 35%. This increase was caused by an important decrease in the risk-weighted assets from EUR 11.4 billion to EUR 9.6 billion. The leverage ratio at year-end 2023 was 13.5%, slightly higher than the 13.0% at year-end 2022. Both the CET 1-, the Tier 1- and the leverage ratio are well above our minimum levels.

Liquidity ratios are also as strong as ever with a net stable funding ratio of 119% in 2023 (125% in 2022) and a liquidity coverage ratio of 143% (189% in 2022). These ratios are also well above the minimum levels and reflect the bank's prudent risk management of the bank.

Dividend

A dividend of EUR 120 million for 2023 will be proposed to the Annual General Meeting. In line with our policy, this is 50% of net income, adjusted for the distribution on additional Tier 1 capital.

Financial results

Lending

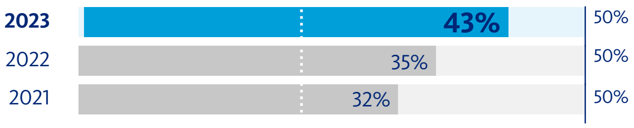
Long-term loans 2023

€ 11.3 billion

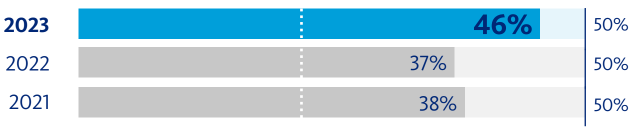
AAA

External ratings by Moody's, S&P and Fitch are in line with the ratings of the Dutch State

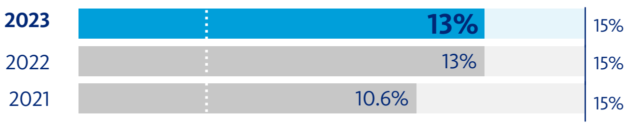
Common equity Tier 1 ratio



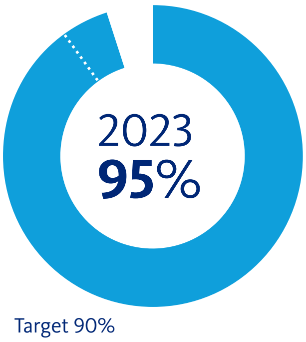
Tier-1 ratio



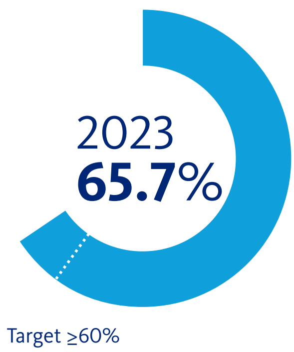
Leverage ratio



Share of promotional loans in portfolio



At least 90% of the long-term loans on the balance sheet should qualify



Scoring percentage for lending volume exceeds 60%

Net profit decreased in 2023

Net profit 2023

€ 254 million

Net profit 2022

€ 300 million

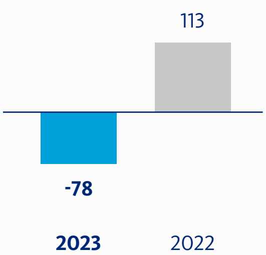
Return on equity

Return on equity is above return benchmark of the Ministry of Finance:

Return benchmark set by the Ministry of Finance: 3.7%

Factors that influence net profit:

Lower result financial transactions

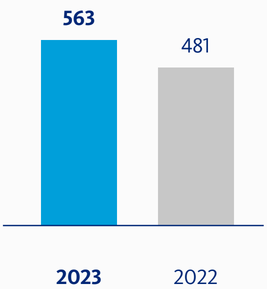


(in EUR million)

Cause

- Spread development
- Lower realised derecognition results

Higher interest results

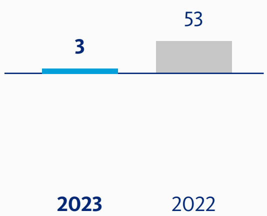


(in EUR million)

Cause

- Higher interest rates
- Longer terms for provided loans

Changes in allowance for credit losses

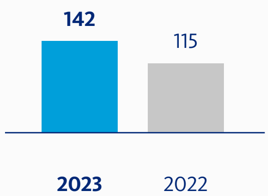


(in EUR million)

Cause

- Stable, slightly increased portfolio

Increase in operational expenses



(in EUR million)

Cause

- Major projects to strengthen data and IT systems
- Expansion of number of (internal and external) employees

2.2 Financial outlook

The 2023 figures show that BNG Bank is in a strong financial position. A strong capitalization, healthy profitability combined with a high market share and good funding conditions also provides a solid financial foundation for the future.

As in previous years, BNG Bank's funding policy will continue to be focused on ensuring permanent access to the money and capital markets for the maturities and volumes required and at the lowest possible rates. BNG Bank expects to raise approximately EUR 19 billion in funding in 2024. In the coming year, the bank intends to raise a substantial part of its long-term funding from ESG bonds.

As for the tax burden, the nominal corporate income tax rate for 2024 remains unchanged at 25.8%. Due to an increase in the rates, the bank levy will increase by about 30% increase. This means that the bank levy in 2024 will amount to EUR 29 million. However, BNG Bank however, does not expect to pay any contribution to the Single Resolution Fund in 2024. In 2023, the bank still contributed EUR 14 million to the fund. The relevant authority has indicated that the fund has enough resources for now and in principle in 2024 does not need to be replenished by the banks. This fund was established after the financial crisis to contribute contribute to the stability of the European financial sector in the event that a bank goes bankrupt.

Furthermore, the result of financial transactions can fluctuate significantly depending on market developments. As a consequence, the bank does not consider it justified to make a reliable statement on the expected net profit in 2024.

'We're getting better at satisfying investors' hunger for information'

Sydney Siahaija & Michiel Matthijssen

Investors are vitally important to BNG Bank. They provide the long-term funding the bank needs to offer the public sector competitive loans. The Funding & Treasury team therefore has a great responsibility. This team not only brings in investors, but also maintains the relationships with them and ensures their information needs are promptly met.

'Within our Funding & Treasury team, there are different responsibilities and specialisations,' explains Michiel Matthijssen, Senior Funding Officer at BNG Bank. 'Like managing the interest rate risk and making sure there's enough short-term liquidity. My own focus is on long-term funding. We raise that funding by issuing bonds to investors, usually with maturities of several years. This ensures we always have enough money to lend to our public clients.'

Safe and stable

For BNG Bank, maintaining and strengthening relationships with investors is very important. 'We attend conferences, take part in panels and visit our investors,' explains Sydney Siahaija, Funding Officer at BNG Bank. 'It helps us build up our reputation. Investors know that creditworthiness and stability are our top priorities; we are the third-safest bank in the world. Investors value that. They can rest assured that they are investing in a stable institution, and that they will get their money back when the bond matures.'

It isn't possible for Matthijssen and Siahaija to approach every potential investor individually. 'For that reason, contacts with investors often take place through commercial banks, who are in touch with investors on a daily basis,' Matthijssen explains. 'These commercial banks approach us and liaise between us and the investor. If we're planning a major bond issue, we'll communicate that through the commercial banks. They then sound out investors and assess their interest.'

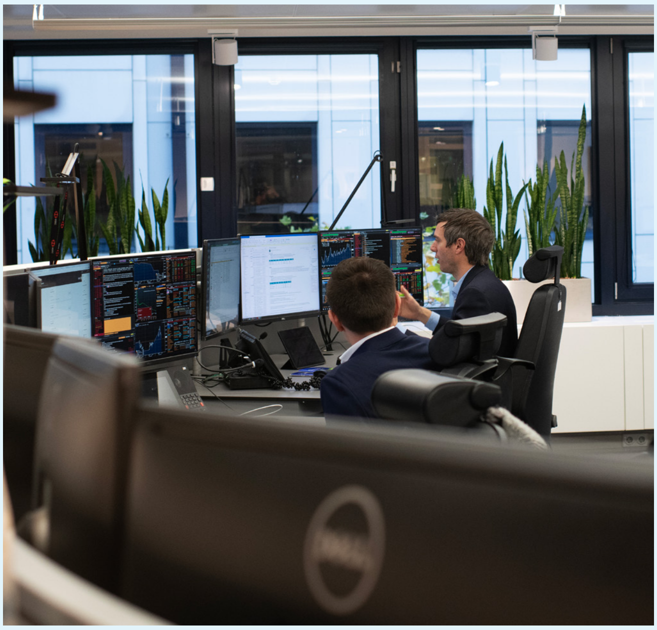
Development and the future

Investors have a growing hunger for information. 'We're getting better at satisfying it,' says Siahaija. 'In the past, it was mainly about the maturity and conditions of a bond. Now, investors also want to know how BNG Bank is developing as an institution and how we're looking to the future.' How the bank approaches ESG objectives is also becoming increasingly important. ESG stands for Environment, Social and Governance. In other words: how and to what extent you take factors relating to the environment, society and good governance into account in your decision-making.

In 2023, BNG Bank gave extra attention to making its results transparent. Matthijssen: 'We've started making improvements to our website. We're getting better at providing investors with information about our ESG results, our sustainability and general strategies and our funding programmes. Standardisation and uniformity are also important, because they make it easier to compare our data with data from other financial institutions.'

Digitalising bond issues

Providing information was not the only area where Matthijssen and Siahaija saw their team improve its performance in 2023. 'This year, we for the first time carried out a bond issue where the administrative process was digitalised,' says Siahaija. 'We used to use old-fashioned, manual methods. This digitalisation is a promising development, because it enables you to operate faster and reduces the scope for error. It's an example of how we continually invest in our investors and thus in an ever more stable and future-proof BNG Bank.'



3 Internal business operations

3.1 Employees

In order to be successful, it is crucial to attract the right people and to deploy the right competences, knowledge and skills in the right positions. In 2023, we achieved this despite the tight labour market. In 2023, we recruited 119 new people to realise the bank's ambitions. Knowledge and skills are continuously updated and developed through the broad range of learning and development opportunities that the bank offers employees.

Organisational development

Attracting and retaining talent requires being an attractive employer. As BNG Bank, we need to be able to engage and connect with people. This requires more than just a attractive employer's proposition or good terms of employment. It is about the culture we build together. The core competences are collaborating and being results-oriented and client-oriented. Leadership plays an important role in realising the strategy, achieving performance and developing employees and the organisation. We also expect our employees to strive for personal growth and development and we ask them to annually formulate development goals in addition to performance goals.

Besides formulating performance and development goals, it is also important to enter into dialogue on how we work together, in order to optimise collaboration and to be open to new and different perspectives. We work together to achieve a development-oriented and open culture. This is how we are an attractive employer for employees who have been with us for years and for newcomers.

In 2022, we updated our code of conduct and brought it closer to our employees. Besides the theme of integrity, the code of conduct also focuses on how we want to work together, and what we want to avoid. We updated the 'Irregularities Reporting Scheme' in consultation with our Works Council, and we highlighted the availability of both internal and external confidential advisers.

Leadership profile

Leaders at BNG Bank are responsible for implementing the organisational strategy and promoting the desired organisational culture

We are BNG Bank – a bank with a heart.
Our employees make an impact on society all day, every day.

We work with respect for each other, together and on the basis of trust.
Our focus is on simply doing our job well.
We are always driven by social impact.
Although the work we do is special, we remain modest.
This is something we are proud of.
We challenge ourselves to keep developing continuously.
We do this by working together and keeping in close contact with our clients.
This way, we contribute to making the Netherlands a better place.

Leadership with impact

Leaders at BNG Bank

> implement the strategy
- prioritize the goals of the bank
- organize innovation
- search for opportunities
- promote cooperation throughout the organisation

> help others to be successful
- empower employees
- lead by example
- are focused on growth and development of our staff
- create the right conditions for ongoing feedback
- appreciate different perspectives
- facilitate efficient working methods

> stimulate performance
- set clear targets, priorities and expectations
- concentrate on output and encourage progress
- assume and claim ownership
- are focused on future-proof solutions
- build high-performance teams

Leaders at BNG Bank possess/promote the following competencies

> a focus on results
Converting strategic targets into tactical and operational targets. Pursuing and following up on results with energy and passion. Spotting and seizing opportunities for improvement.

> decisiveness
Being able to make clear and timely decisions. Making decisions even when faced with uncertainty and ambiguity and making a decision is difficult.

> systems thinking
Being able to think, act and solve problems based on a helicopter view of the system as a whole.

> the ability to learn
Working actively and with the ability to reflect on increasing self-awareness, knowledge, insight and wisdom.

> interpersonal intelligence
Dealing effectively with conflicts and opposing views. Processing your own emotions as well as those of others. Being genuinely able to listen and ask questions.

> teamwork and cooperation
Creating a positive environment for cooperation between and within teams. Inspiring trust. Involving others in such a way as to establish a common ground and let people work on common goals in an enjoyable way.

Together we work

sustainably
We make impact, both now and in the long term. We know what is happening in society and focus on solutions and relationships.

reliably
Our actions are transparent, we communicate clearly and honestly about what we can do and we keep our promises.

professionally
We work effectively and keep developing. We show respect for others, listen carefully and address and learn from mistakes.

Working at BNG Bank – making impact together

Leadership

Leadership is an important factor in realising our goals and ambitions and developing the desired culture. In 2022, we started our ‘Leadership with Impact’ leadership development programme, at the time with our senior management. In 2023, all other managers also participated in this programme, based on our own BNG Bank leadership profile. The programme involves a two-day training course with fellow managers, followed by facilitated collaborative peer review meetings. All managers participated in this Development programme in 2023.

Strengthening our internal organisation

We once again saw our workforce grow further in 2023. In order to meet our increased recruitment needs, we worked to further professionalise our recruitment and selection process. We successfully made more use of social media with targeted campaigns, focused more on own recruitment instead of using recruitment agencies, and partly automated the recruitment process. In a tight labour market in 2023, we managed to fill 123 vacancies, of which 58 through own recruitment. 11% of the new employees were brought in by our own employees through the referral programme. In this way, we work together to enable the growth and development of BNG Bank.

The professionalisation of our recruitment and selection activities is key to shortening the ‘Time to Hire’, which is one of the two key performance indicators (KPIs) we have defined in the context of our strategic objective of ‘attracting and retaining talent’. With this KPI, we measure long it takes to fill a vacancy from the moment it is posted. (KPI: 68 days). We measure the Time to Hire every quarter.

For new employees (both employees with a permanent contract and staff not on the bank’s payroll), a good start is essential. The managers play an important role in this, but new employees are also offered an Onboarding programme, which starts with an Onboarding day. On this day, new employees get to know BNG Bank, our purpose, strategy and objectives. They meet other new colleagues, get to know a member of our Executive Committee, take the Banker’s Oath and receive their mobile devices. They also learn about the Code of Conduct and the Regulations governing Private Investment Transactions. When they are hired, new staff state their ancillary activities, which are assessed for potential conflicts of interest. Employees on the bank’s payroll are annually asked to provide a statement listing their ancillary activities.

The Onboarding programme on the first day is followed by a so-called 30-60-90 days programme, through which we ensure a proper introduction within the bank. The onboarding day takes place twice a month, at the beginning of the month and in the middle of the month.

In 2023, we saw a significant growth in both the number of employees and external parties involved in our bank. The number of employees at BNG Bank and its subsidiaries increased to 474 employees (474.72 FTEs). As of 31-12-2023, 171 external employees (152.5 FTEs) are mainly working on the basis of hiring. Most of these external employees work on the security and future-proofing of the IT systems. In 2023, 23 employees changed positions, 119 new employees joined and 45 employees left the bank. One of the Key Performance Indicators that we have set as part of the strategic objective is the so-called 'regretted loss’. Employees who, for various organisational reasons, we deeply regret having left the bank, are expressed as a percentage. The determination of whether there is a 'regretted loss' is done in consultation with the manager and HR. Eight criteria have been drawn up as guidelines.

Retaining talent

Retaining talent requires room for personal development. Every employee defines and discusses their performance and development goals with their manager during the year. In order to offer as much space as possible for personal growth and development, BNG Bank has the ‘Unlimited Learning’ concept. Numerous training courses (individual, group, e-learning) are available on a so-called development platform which employees can make unlimited use of. In 2023, employees followed 523 courses through this platform. In addition, employees also follow mandatory e-learning courses (in the areas of security and the GDPR), which ensures they have the necessary level of knowledge about these areas.

Offering training options is part of our Talent Management Cycle. This cycle assumes a continuous dialogue on performance and development between manager and employee. The necessary competences, knowledge and skills are defined based on the objectives and ambitions within the teams. As part of the Strategic Personnel Planning (SPP), teams work towards an optimal team composition in terms of competences, knowledge and skills by means of with a Dream Team Story. The SPP offers scope for courses of action at various levels: at the individual level, the team level or at the level of BNG Bank. The SPP also provides the basis for the succession policy for key positions and for managerial or other roles.

Talent management

Strategic workforce planning

- Context analysis
- Dream team story
- Set of knowledge, capabilities and competences

HR potential portfolio

- Strategic Workforce review
- High Potential Review
- Underperformance management

Succession planning policy

- Key positions
- Succession planning
- Management development

Learning & development

- Individual interventions
- Collective training programmes
- Leadership development

Performance management

- Performance and development goals
- Continuous performance dialogue
- Self-assessment and final assessment
- Ambitions & career

Tools
The tools employees are provided with by the organisation make an important contribution to their job satisfaction. In this context, we provided all employees with a laptop in 2023. We also offer opportunities to work from home under our working-from-home policy, and we provide a home workspace allowance to enable employees to properly set up their workspace at home. To help boost the vitality and health of employees, BNG Bank has raised the sports budget, expanded the bicycle scheme and once again started organising the weekly Bootcamp. In addition, chair massages are offered at the office on a weekly basis, which are provided by massage therapists with a visual impairment.

Location
In November 2023, we moved to a temporary location elsewhere in The Hague for a period of one and a half years, because the building at the Koninginnegracht is being renovated. In 2023, we created a number of different focus groups (hospitality, work environment, art, sustainability, management & operation, and security) so that employees could contribute to the future design of the building at the Koninginnegracht. We expect the renovation to be completed in 2025 and that we will then move back again.

Sickness absence
BNG Bank's working conditions policy is focused on maintaining a healthy work environment for employees and preventing sickness absence. The sickness absence rate was 3.3% in 2023, which is lower than in 2022 (3.7%). The sickness absence rate for BNG Bank was therefore above the internal norm of 3.0%. The (long termin) absenteeism is largely medically related and not or hardly work-related. In December of 2023, we saw a high percentage of short-term absenteeism due to the flu virus.The marker for frequent sickness absence was set at three or more sickness absences in the past 12 months to enable early detection. In the event of frequent sickness absence, managers will speak directly with employees.

Incidents
In 2023, no reports of incidents of discrimination were received. The internal confidential advisers were consulted in eight cases. The content of seven of the eight conversations concerned undesirable behaviour, particularly in the area of intimidating behaviour by a colleague/manager. One case involved sexually harassing behavior. One case led to a formal report to HR and, by extension, to a disciplinary measure. The procedure for reporting incidents is set out in the incident reporting scheme, which was updated in 2023.

Works Council
In 2023, many meetings were held with the Works Council. Besides addressing various requests for advice and approval, the meetings regularly devoted attention to subjects such as the monitoring policy and privacy, the standby arrangement, the impending temporary relocation and the incident reporting scheme. The subjects were discussed in regular consultation meetings and meetings between specific Works Council committees and delegates from the HR department.

Employee satisfaction
In 2023, we determined in our employee survey that BNG Bank has passionate employees (score of 36% compared with 28% in 2022). Employees are also satisfied with the development opportunities offered within the bank (score of 7.6), while they are critical about the collaboration between teams (score of 5.9). The so-called Net Promoter Score still did not reach the desired level in 2023 (score of -7). This score of -7 means that the percentage of employees that would not recommend BNG Bank as an employer (29%) is 7% higher than the percentage that would recommend BNG Bank as an employer (22%).

Diversity and inclusion
In 2023, we updated the Diversity and Inclusion Policy. For BNG Bank, the importance of diversity and inclusion is self-evident. It is fair and social to offer everyone opportunities, and to foster a work environment with a diverse group of employees, where employees feel free to be themselves. This is appropriate for a bank that serves the public interest. Besides being fair and social, valuing diversity and inclusion is also common sense. Because we can only achieve our ambitions if we can draw from all the available talent and make optimal use of the different perspectives and insights. Therefore,

diversity and inclusion are building blocks for the achievement of our ambitions. We have formulated the following objectives.

Gender

- Balanced ratio for Supervisory Board, Executive Committee and Direct Reports: minimum 40% men or women.
- Balanced ratio for the organisation: minimum 40% men or women.
- KPI: Direct Reports: from 32% to 40% women.
- KPI for organisation: from 35% to 40% women.

Age

- Balanced ratio of aged 45 and over / aged under 45: 50/50
- KPI: from 41% to 50% aged under 45.

Cultural background

- For cultural background there is no target, as this information is not recorded. However, we have established that this can only improve, as we believe there is still insufficient cultural diversity at the bank.

Capacity for work

- KPI: at minimum 2% of the workforce consists of people with poor employment prospects.

Key figures HR

474 colleagues

162 female

312 male

45 left the organization

119 commenced employment

23 changed position internally

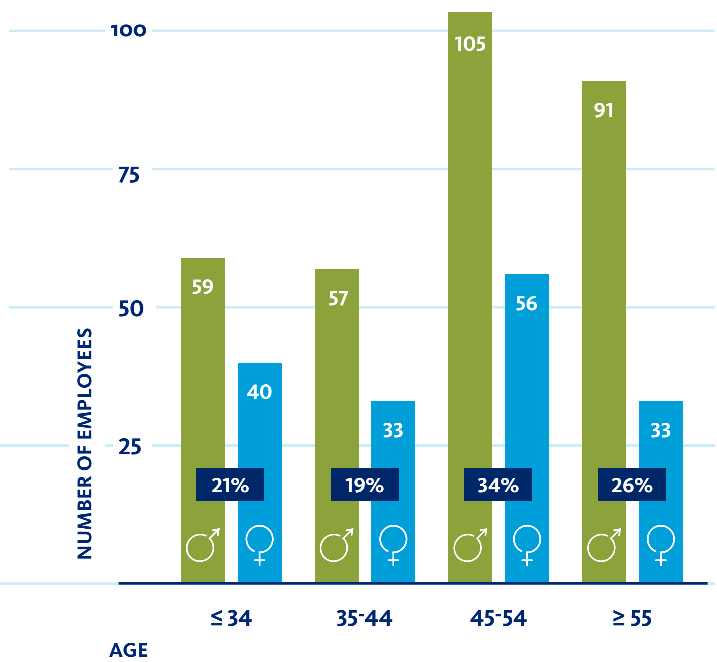
46 years is the average age

50 work part-time
‹ 32 hours

424 work full-time
› 36 hours

24 years is the youngest employee

67 is the eldest employee



Remuneration policy

Of all BNG Bank employees, 95% are covered by the Collective Labour Agreement for the Banking Industry. Based on this collective labour agreement, the salaries and salary scales were raised on 1 January (3.5%) and 1 July (1%). Besides many other schemes, the collective labour agreement also includes a parental leave scheme that can be further detailed by the organisation. BNG Bank has a parental leave scheme where the first four weeks of the partly paid parental leave (a total of nine weeks can be taken) can be topped up to a maximum of 100% of the salary. The scheme was used by 15 employees (6 men and 9 women). Of the employees whose parental leave ended, 12 returned to their position. All employees participate in the pension scheme. As the employer, BNG Bank contributes 70% to pensions, while the employee contributes 30%. All figures mentioned are as of the end of 2023.

BNG Bank aims for a restrained remuneration policy that corresponds with our identity and strategy. BNG Bank wants to ensure that the remuneration policy does not encourage people to take more risks than are deemed acceptable. The remuneration policy must also not lead to incentives for unethical behaviour. Accordingly, employees and members of the Executive Committee and Supervisory Board do not receive variable remuneration. In situations of outstanding performance, employees may receive a one-off bonus or gift.

The Supervisory Board monitors the bank's remuneration policy. The general principles of the remuneration policy for Executive Committee members and employees have been approved by the Supervisory Board. Each year, the implementation of the remuneration policy is reported to the Supervisory Board and the Supervisory Board assesses whether the policy meets the principles for a restrained remuneration policy. For the purposes of this report, Risk Management carries out a risk analysis for various components of the remuneration policy. There is also an annual consultation meeting between the Supervisory Board and the Works Council about the pay ratios at the bank.

The Annual General Meeting of Shareholders adopts the remuneration policy for the statutory members of the Executive Committee and the remuneration scheme for members of the Supervisory Board. In 2023, the salary of the highest-earning member of the Executive Committee was 4.07 times the median salary of employees at BNG Bank (4.15 in 2022). The average salary (wage bill) increased by 0.5% compared with 2022. The remuneration policy and the remuneration report are published on the website. The remuneration of Executive Committee and Supervisory Board members in 2023 is reported in the financial statements.

3.2 CO_2 emissions from business operations

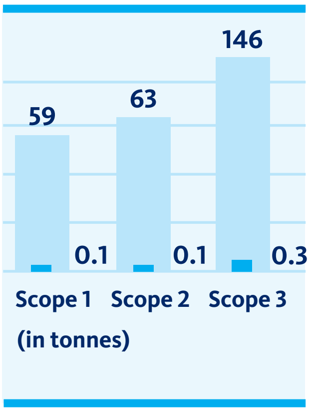
CO_2 emissions from the company's own operations are reported annually on the basis of Scope 1, 2 and 3 of the Greenhouse Gas Protocol (GHG). The Accounting principles section explains the calculation of CO_2 emissions from internal operations.

In 2023, an extensive renovation of the office building on the Koninginnegracht started. To make this possible, the organization moved to a temporary location in the last quarter. This is located in the immediate vicinity of a train station and other public transport. The rental property has different energy usage characteristics and uses gas to generate heat (+33% scope 3 emissions). The electricity supply will continue tobe based on green energy. In addition, in 2023, after the COVID-19 pandemic, the office facilities were used again for the full year and there has been a growth in visits to our overseas (potential) investors (+12% scope 3 issue). In mid-2025, the company will return to the renovated and more sustainable office building on the Koninginnegracht.

Emissions

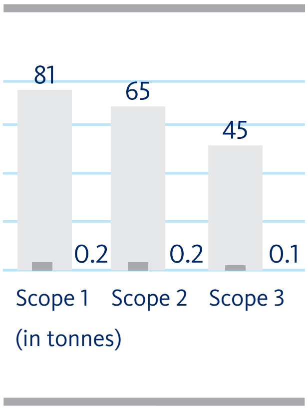
2023

Total **268** **tons** **(0.6 per fte)**



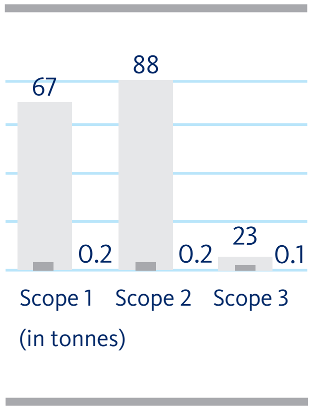
2022

Total 191 tons (0.5 per fte)



2021

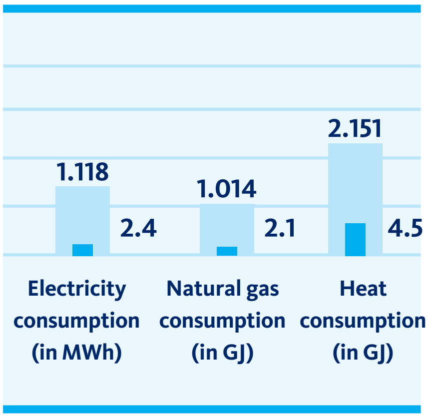
Total 178 tons (0.5 per fte)



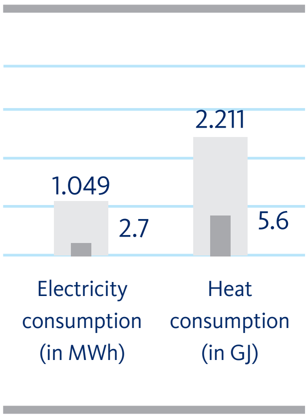
Absolute
Per fte

Energy and heat consumption

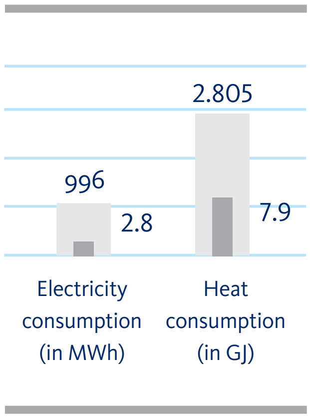
2023



2022



2021



Absolute
Per fte

3.3 Compliance

Ethical conduct is an important fundamental principle for BNG Bank. BNG Bank considers it self-evident that we need to comply with relevant regulations and take social responsibility, and this is seamlessly connected with our social ambitions.

Risk appetite

BNG Bank has drawn up a risk appetite for integrity and compliance. BNG Bank strives for an excellent integrity profile and expects its employees, clients, counterparties and relevant third parties to comply with its integrity standards. With regard to legislation and regulations, the BNG aims for controlled and ethical business operations that comply with both relevant laws and regulations and the criteria set by regulators and internal regulations.

Governance

Managing compliance risk is a responsibility for all departments within the bank. An independent compliance function supports the organisation in carrying out the Systematic Integrity Risk Analysis (SIRA), in developing and advising on compliance policy, and with the process of identifying and analysing the impact of new regulations. It advises, monitors and reports on integrity-related and regulatory compliance risks.

In its Compliance Charter, the bank defines the target and scope of its second-line compliance function; the compliance cycle forms the basis for its activities. The Compliance Charter can be found on the website.

The following are the key tools to detect significant situations where BNG Bank is operating outside of its risk appetite for integrity or is not compliant with legislation and regulations:
- Identifying risks and monitoring in annual SIRA workshops and Risk Control Self Assessments and associated measures to mitigate the key risks identified.
- Execution of risk-based monitoring programmes by first- and second-line departments to monitor the effectiveness of controls.
- Procedures for incident management.

Additional assurance is obtained by means of internal and external audits and frequent contacts with regulatory authorities.

The quarterly integrated risk reports provide the Executive Committee and the Supervisory Board with information on the current state of affairs for compliance risks. In addition, detailed quarterly compliance reports are discussed in the Non-Financial Risk Committee.

Developments in 2023

In 2023, the process for anticipating changes in regulations in good time was strengthened by means of structural follow-up of actions. In terms of existing regulations, the Compliance department has put in a considerable effort together with experts from the first and second line to map existing regulations and their relevance. This offers BNG Bank a better overview of the broad range of the complex regulations with which it must comply as a significant bank. In 2023, the GRC tooling (Governance, Risk and Compliance) for the SIRA was taken into further use. This allows for better steering, monitoring and follow-up of actions.

The number of employees carrying out compliance-related activities in the first line has increased; 2023 saw an expansion of the departments focused on first-line risk management, which includes meeting the compliance requirements for CDD, privacy, IT and security. The number of internal employees in the Compliance department remained the same in 2023, while the number of external employees temporarily supporting the department in professionalisation activities decreased.

Risk appetite

In 2023, the Compliance department established that BNG Bank was not operating fully within its risk appetite for compliance risks. This specifically pertained to the robust operationalisation of the privacy policy, the challenges from the regulatory landscape and delays in relation to the technical support needed to fully take up the gatekeeper role. However, no significant integrity risks materialised.

BNG Bank reported three incidents to the regulatory authority. Two related to temporary omissions in transaction monitoring and filtering; this was immediately resolved and it was found that no signals had been missed. One incident related to a technical data leak which was reported to the Dutch Data Protection Authority as a precaution, but which did not cause any damage or losses. In its compliance reports, Compliance advises the Executive Committee and the management team on improvements to the areas mentioned to safeguard that BNG operates within its risk appetite.

Financial and economic crime

Counterparties in the international money and capital markets and clients in the Dutch public sector are both subject to the Customer Due Diligence (CDD) policy. This policy is based on BNG Bank's high integrity standards and its role as the gatekeeper of the financial system. As part of this effort, BNG Bank has put in place a transaction monitoring programme to identify suspicious transactions.

The first-line Client Integrity department focuses on onboarding clients and reviewing CDD analyses, as a result of which the bank operated within the norm for backlogs after the first quarter of 2023. In 2023, the department focused on further improving the quality of dossiers and setting up quality controls. The automation projects for the further development of technologies for transaction monitoring, client identification and verification and addressing adverse media reports experienced various delays due to technological limitations at the supplier as well as the prioritisation of IT solutions. Consequently, BNG Bank has not yet achieved the desired level of efficiency. No breaches of the sanction lists were identified.

Conduct risk

In order to safeguard the integrity of its employees, clients, counterparties and other third parties and to supply fair products and services, BNG Bank applies internal policy and internal rules of conduct, including its code of conduct.

To ensure continued awareness of this code of conduct, the HR and Compliance departments organised a large play about integrity for the entire organisation in 2023. About 450 colleagues attended this interactive play, in which case studies tailored to the bank were presented. The aim of the play was to promote dialogue and to make it easier to discuss integrity issues.

The policy is published internally and accessible to all employees, while maintenance and raising awareness of the applicable policy is a responsibility of both managers and the Compliance department.

New employees are informed on this policy as soon as they start their work, and are offered deep-dive training sessions after they have started. The Banker's Oath is taken immediately during onboarding and comes with an interactive introduction on integrity and compliance.

If employees want advice on compliance policy, they can approach their manager or the Compliance or HR department. There is also a scheme for reporting irregularities and there is a complaints schemes for employees. Advisers are available if employees want to express concerns about conduct in the context of business operations. A complaints scheme for clients and other parties has been published on the website. No reports with a significant impact were submitted under these schemes.

At BNG Bank, employees follow a mandatory e-learning course on privacy. Improvements in the security of personal data are initiated by BNG Bank's privacy organisation. In 2023, this organisation determined with the Compliance department that a number of activities still need to be completed to operationalise a robust privacy framework. A few incidents pertained to breaches in security or insufficient security for confidential information. These incidents did not lead to complaints from clients about privacy breaches.

There were no incidents relating to corruption or other unacceptable conduct. As with other integrity risks, the risk of (indirect) involvement in corruption is part of the annual SIRA cycle. In this cycle, all process owners annually assess the corruption-related risks. Inherent risks of corruption have been identified in the commercial processes, but these risk are considered to be limited due to the bank's strict policy and code of conduct. As a result of this estimation, there was no specific anti-corruption training in 2023.

Fraud risk

Identifying and mitigating fraud risks is a top priority, as these risks can have a direct financial impact on BNG Bank or its clients. These risks can also have an impact on the bank's reputation as a trustworthy financial institution. Because of this, fraud risks are analysed in the annual SIRA together with other integrity risks. Workshops are organised for all processes to discuss what fraud scenarios may occur. Measures to mitigate these scenarios are identified. The residual risks are compared with the risk appetite to determine whether or not additional measures are needed.

BNG Bank did not identify any internal cases of fraud and there were no internal investigations into fraud in 2023. BNG Bank did not receive any signals of external cases of fraud relating to causes attributable to BNG Bank. The name BNG Bank was misused in early 2023 by fraudsters who offered share packages in France in the name of BNG Bank. BNG Bank obviously finds this very regrettable, but we did not incur any damage or losses as a result.

Regulatory compliance risk

Regulatory requirements are demanding and require a continuous intensive effort from the organisation. It is also important that these requirements are demonstrably complied with. The processes to deal with constantly changing regulations are part of the Regulatory Change Framework (RCF), consisting of policies, working methods, roles and responsibilities. This is to guarantee that any new or changed regulations are identified, analysed and implemented in a timely manner. BNG Bank also has a process for monitoring existing regulations, as part of which we continuously update the Legislation Map introduced in 2023, which indicates the relevance of specific legislation and regulations for processes and priorities. This approach for both existing and new regulations is outlined in the policy for Regulatory Compliance Risk Management, which was updated in 2023.

Based on internal monitoring activities, requests from regulatory authorities, changes in rules and incidents, we identified a number of areas with room for improvement in terms of timely and full compliance. In a few cases, the deficiencies are closely monitored by regulatory authorities, while in others they are managed exclusively internally. Most cases relate to BNG Bank's role as the gatekeeper for the financial system, its processes to manage IT and risks associated with privacy and external reporting options. In 2023, there were no cases where BNG Bank was fined or sanctioned or a party to legal proceedings due to non-compliance with laws and regulations. There were no outstanding fines or sanctions from previous years relating to non-compliance.

3.4 Risk Management

Risk management focuses on maintaining a safe risk profile for BNG Bank by performing our activities within the stipulated risk appetite.

The process of accepting and managing risks is inherent in the day-to-day activities of BNG Bank. BNG Bank must accept certain risks in order to perform its activities. BNG Bank has established a low appetite for accepting risks.

The risk appetite is evaluated annually and adjusted if necessary, to keep it in line with current developments and BNG Bank's strategic objectives. When deciding on its risk appetite, BNG Bank applies the following principles:

- **Risk appetite:** BNG Bank wants to serve its stakeholders as best it can, now and in the future. The return required by the shareholder is based on a prudent long-term risk profile. This means that the required return will not lead the bank to take risks that could jeopardise its credit rating or funding position.
- **Competitive terms:** Offering financing on competitive terms is a priority for BNG Bank. Besides the inherent risks associated with lending, the bank selectively accepts additional risks that support its lending to clients, such as portfolio hedging. These activities are considered carefully on the basis of their risk and return characteristics.
- **Restriction on activities subject to solvency requirements:** The solvency ratio shows the ratio of equity to total assets. It is one of the indicators that shows whether debts can be repaid in the long term. The majority of lending to the public sector consists of zero risk weighted loans. To enable lending on the most favourable terms, it is essential that the bank's high credit rating and competitive funding position are maintained. We do this by placing restrictions on lending that is subject to solvency requirements.

Three Lines of Defence model (3LoD)

BNG Bank uses the 3LoD methodology to give shape to its internal governance. This methodology is based on three 'lines', each with its own roles and tasks in the area of risk management.

The first line (line management) is the risk owner and has final responsibility for identifying risks and developing and implementing measures to manage these risks.

The second line consists of the departments that report directly to the Chief Risk Officer (CRO). These departments support the Executive Committee in implementing BNG Bank's risk management policy. These are:

- **Risk Management:** The Risk Management department supports BNG Bank in identifying, classifying and quantifying risks. To properly manage these risks, the Risk Management department plays an important role in drafting the risk policy. This department also manages the Risk Management Framework (RMF), and has responsibility for risk management activities that transcend individual risk categories, such as determining the risk appetite, updating risk definitions, and coordinating the ICAAP and ILAAP processes (including stress testing) and the recovery plan. Risk Management is also the central point of contact for all requests from supervisory authorities. The purpose and powers of the department are documented in the Risk Management Charter. The Risk Management department is represented in the risk-oriented Executive Committee subcommittees and attends meetings of the Supervisory Board's Risk Committee. The head of the department reports to the Executive Committee and has a reporting line to the Supervisory Board.
- **Credit Risk Assessment:** The Credit Risk Assessment department performs independent assessments and provides independent advice on risks relating to individual loan proposals and loan reviews for clients and financial counterparties. This also includes non-performing loans and loans with an increased credit risk. The department support the drafting of the credit risk policy. As part of

the operational lending process, the department is represented on the credit risk-oriented Executive Committee subcommittees.

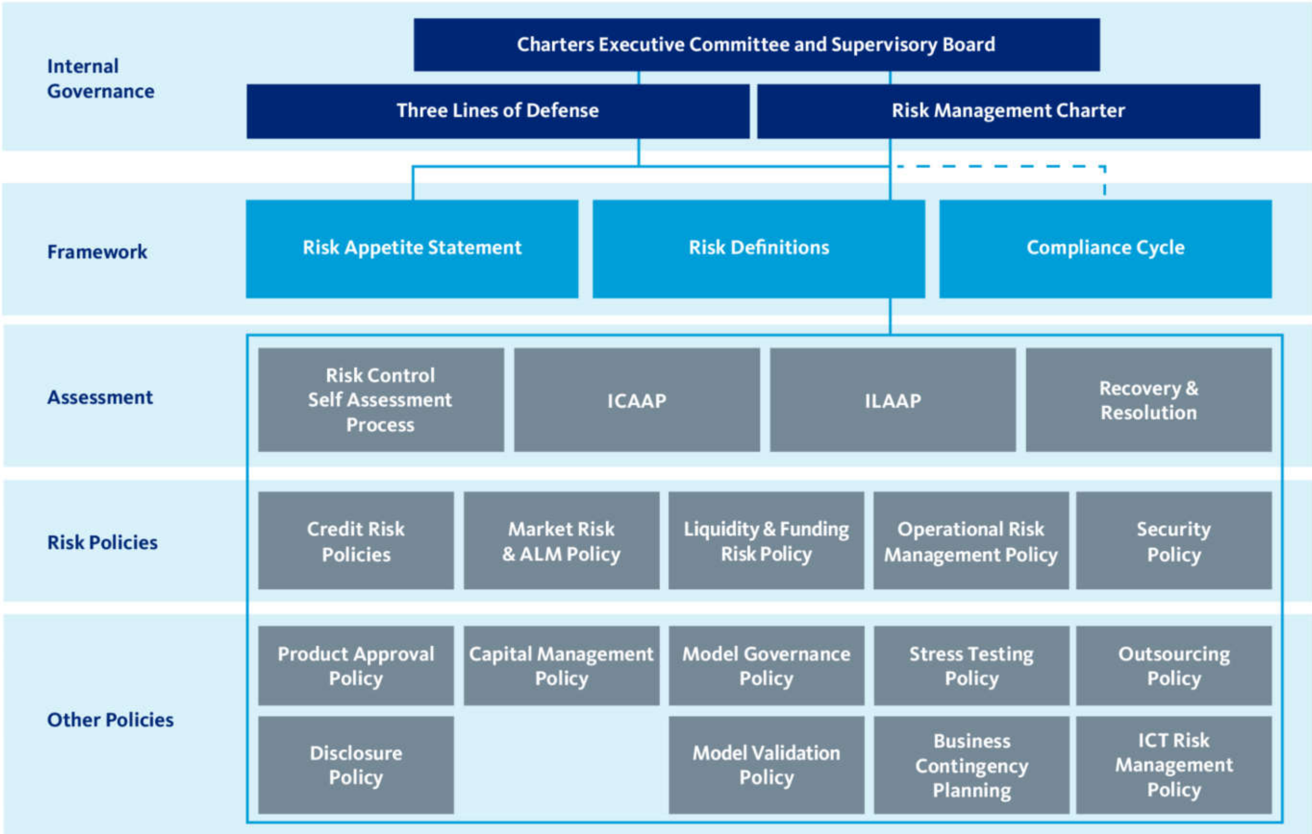
- **Compliance:** The Compliance department promotes the integrity of the organisation, its clients, its staff and the markets in which BNG Bank operates, and monitors compliance with rules, laws and internal standards. The head of the department reports to the Executive Committee and has a reporting line to the Supervisory Board. This is documented in the Compliance Charter. For more details, see the Compliance section (3.3).
- **Security:** The Security department facilitates the business and monitors the reliability (confidentiality, integrity and availability) of information, IT, the physical infrastructure and business processes by protecting these against cyber and other threats. The department is responsible for drafting and maintaining the information security policy and continuity policy and for drafting and implementing the security awareness programme. The department is also responsible for reporting on security risks. As part of its responsibilities, the Security department ensures that BNG Bank operates within its risk appetite in terms of security. The purpose and powers of the Security department are documented in the Security Charter.

The 'third line' is the Internal Audit department (IAD). The IAD periodically conducts operational audits to evaluate the design and operational effectiveness of the bank's risk management systems, and to assess whether current laws and regulations are being properly complied with. Hierarchically, the head of IAD reports to the CEO. The IAD reports to the ExCo, the Audit Committee and the Supervisory Board. the Head of IAD has unlimited access to the Chairman of the Supervisory Board at all times. The ExCo submits the appointment and dismissal of the head of IAD, together with an opinion from the Audit Committee, to the Supervisory Board for approval in advance. The purpose and powers of the IAD are documented in the Internal Audit Charter.

Risk Management Framework (RMF)

The Internal Governance Framework (IGF) formalises the design of the internal organisation and BNG Bank's decision-making structure. The Risk Management Framework (RMF) is the set of policy documents that outline the risk management principles at BNG. The RMF is shown in the figure below.

Risk Management Framework (RMF)



Risk Appetite Statement

The Risk Appetite Statement (RAS) describes the risk appetite, which establishes the overall level and types of risks BNG Bank is prepared to accept in order to achieve its strategic objectives and business plan.

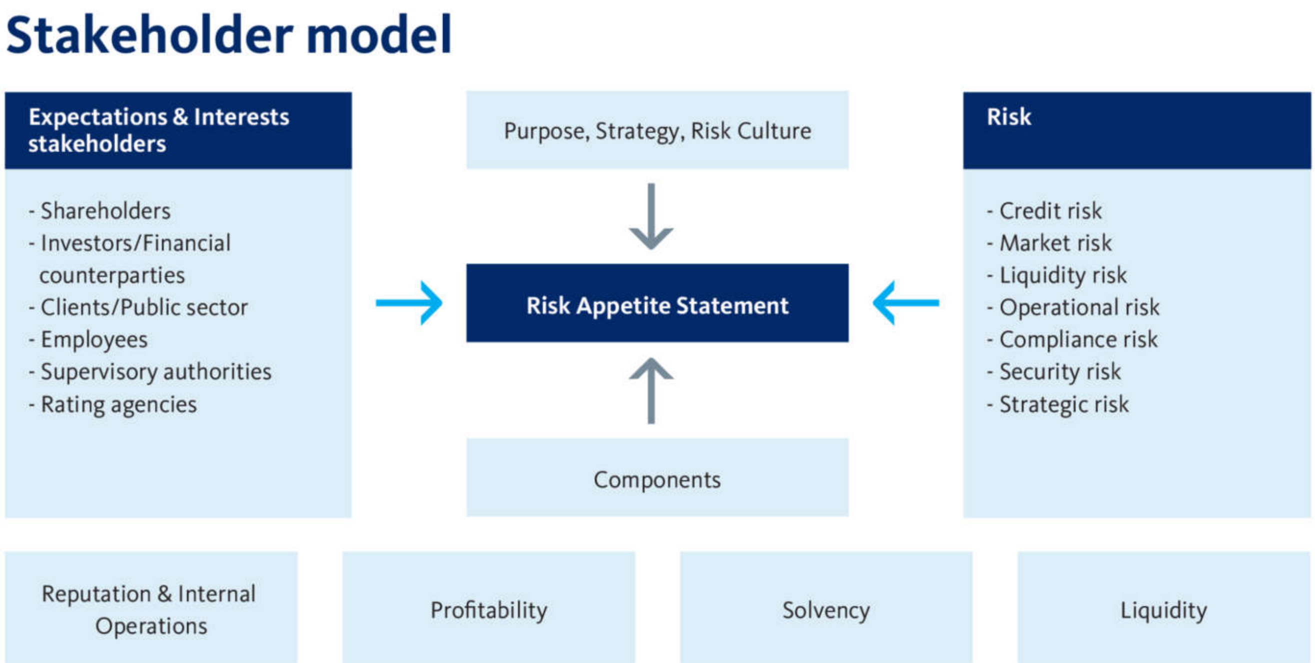
The RAS is updated annually on the basis of internal and external developments. The risk appetite is translated into limits and targets for the various types of risk. These are monitored on a quarterly basis to establish whether the bank is operating within the limits of its risk appetite. The results are reported to the relevant committees, and then included in an integrated report to the Executive Committee and the Supervisory Board. These integrated risk reports also include an overview of the current and future risks facing the bank.

The Executive Committee is responsible for drawing up the RAS and ensuring the bank's operational activities are carried out within the risk parameters of the risk appetite.

The RAS is drawn up on the basis of the Risk Appetite Framework (RAF). At BNG Bank, an effective RAF is defined as follows:

'The general approach, including policies, processes, controls and systems used to determine, communicate and monitor the risk appetite. It includes a risk appetite declaration, risk limits and an overview of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF. The RAF must consider the material risks facing the financial institution, as well as the risks to the reputation of the institution among policyholders, depositors, investors and clients. The RAF is in line with the strategy of the institution.'

Based on the mission and strategic objectives of BNG Bank, it is determined what priorities will be set to ensure the continuity of business operations. Making this determination requires taking into account the interests and expectations of the various stakeholders (such as clients, shareholders, credit rating agencies and staff). The diagram below provides an illustration of the stakeholder model of BNG Bank in relation to the RAS.



The following components are included in the RAS to determine the key risks from financial and non-financial elements:

- **Reputation and internal operations:** The position of BNG Bank as a bank of and for local authorities and public institutions is the basis for the implementation of our purpose, ‘Driven by social impact’, the business model, and the perception and confidence of our stakeholders. Having the confidence of our stakeholders is essential, and is reflected in the quality of our internal risk management, integrity safeguards, compliance with laws and regulations and many other qualitative aspects.
- **Profitability:** One of the priorities of BNG Bank is to maximise the social impact of activities at rates that cover our costs. The bank aims to achieve a reasonable and stable return for its shareholders.
- **Solvency:** BNG Bank aims to remain solvent, and to maintain a high likelihood that its capital position will be sufficient to cover unexpected losses. This is required to safeguard the continuity of business operations. A strong capital position is the basis for favourable financing rates. The credit ratings awarded by external credit rating agencies are largely based on our solvency position, combined with our public ownership.
- **Liquidity:** Given our key role in financing the public sector, BNG Bank aims to be a sustainable and stable presence on the financial markets and to continue to meet the demand for loans under both normal and stressed conditions. To achieve this aim, adequate liquidity buffers are required. The long-term liquidity/refinancing risk relates to the ability to fund the current liquidity mismatch at acceptable prices. Even with a solid investor base, this mismatch must be limited in order to limit this risk.

In 2023, BNG Bank remained within the risk appetite for financial risks. With regard to credit risk, the bank closely monitors the sectors that are susceptible to a relatively large impact due to rising energy prices, cost increases driven by inflation and higher interest rates. The bank remains well capitalised and maintains a prudent liquidity position, in line with our desired level for external credit ratings.

Improving the operational risk profile is a multi-year programme that was also a strategic spearhead for the ExCo in 2023. This is partly due to the risk profile in the operational area that is not yet in line with the bank's risk appetite. The strategic objectives that have been formulated for 2023 have been formulated in relation to the various operational risk categories, in particular in the areas of process control, IT, data management and HR risk. Progress on the targets has a positive impact on the operational risk profile has become significant progress in 2023.

Risk definition

The risk definitions are also included in the RMF. They describe the risk management system at BNG Bank. A distinction is made between financial, non-financial and reputational risks. Within these categories, main risks (Level 1) and sub-risks (Level 2) have been defined. Only the risk types that are relevant to BNG Bank have been included. The diagram below shows the relevant risk types, without indicating the scale of the risk for each type. It shows that reputational risk is always a consequence of a failure to properly manage other risks.

ESG risks are classified as direct or indirect financial loss or reputational damage for the bank as a consequence of ESG factors or of falling short of public expectations:

- Environmental risks: Acute or chronic physical factors for environmental risks, or the role of the bank itself or of associated third parties in the transition to an environmentally sustainable economy;
- Social risks: Violations of human rights, employee rights, poverty or client relationships committed by the bank itself or by related third parties;
- Governance risks: Inadequate corporate governance, unethical management or a lack of transparency by the bank itself or by related third parties.

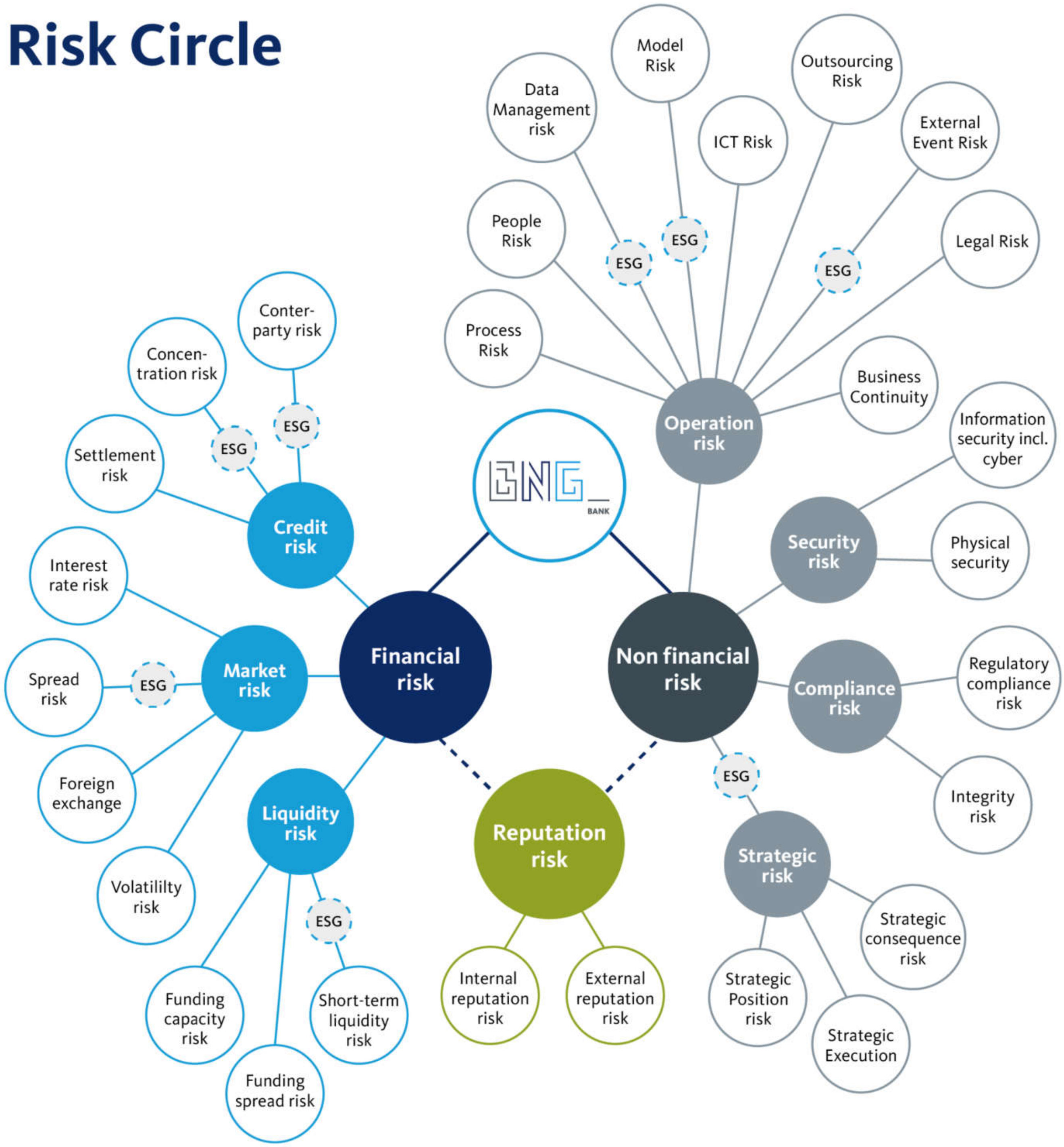
BNG Bank performs Risk Materiality Assessments (RMAs) to determine the short, medium and long-term ESG objectives that apply to the various client sectors of BNG Bank. An RMA consists of identifying the impact of ESG factors on the financial performance or solvency of an entity, state or individual. These factors are then used to determine how risks may manifest. Once the indicators for the ESG factors have been specified, various transmission channels are identified to determine how these factors could impact on the bank’s counterparties. A distinction is made between transition and physical risks. Transition risks are any negative financial consequences for an institution resulting from the current or future consequences for our counterparties or invested assets of the transition to an environmentally sustainable economy. A physical risk is any negative financial impact on the institution resulting from the current or future impact on our counterparties or invested assets of the physical effects of environmental factors.

BNG Bank has carried out ESG Risk Materiality Assessments (RMAs) with regard to credit, market, liquidity, strategic and operational risks. These RMAs show that the ‘environmental’ component of ESG, specifically in relation to transition risks, is considered the most material for the loan portfolio. The next most material aspect is physical risks. The impact of social and governance factors is currently considered limited, due to the bank’s business model and the geographic area in which it operates. The critical and material results of the RMAs will be used for current and future decisions and approaches around the integration of ESG risks in risk management processes.

In the medium term, the RMA results relating to credit risks show a more significant material impact than the other types of risks. BNG Bank will therefore continue to monitor developments in each sector and analyse the impact.

The reference to ‘ESG’ in the diagram below means that during a risk materiality assessment ESG factors were identified that have a potential negative impact for BNG Bank in an existing risk category.

Risk Circle



Financial risk

This section provides a more detailed explanation of the financial risks.

Credit risk

Credit risk is defined as the risk of loss of profit or capital due to the possibility that a borrower or counterparty fails to meet its obligations in accordance with the agreed terms. The potential credit risks are divided into sub-risks:

- Counterparty risk: The risk of loss of income and capital due to a party failing to make payments arising from a financial transaction when those payments are due.

- Concentration risk: The risk of additional credit losses being incurred due to the exposure of outstanding loans to a common factor.
- Settlement risk: The risk of loss of income and capital loss due to a party failing to comply with the terms of a contract (or group of contracts) with another party at the time of settlement.

Within the credit risk, as far as ESG factors are concerned, BNG Bank focuses on the transition risks and physical risks within the counterparty and concentration risks. The key material ESG credit factors per sector for the medium term are as follows:

Risk type	Sector/portfolio/sub-risk		Material ESG factors
Credit risk (counterparty and concentration risk) – creditworthiness	Housing associations		Emissions Energy efficiency
	Healthcare		Emissions Energy efficiency
	Education		Emissions Energy efficiency
	Local authorities		Emissions Energy efficiency Biodiversity and ecosystems
	Networks	Energy networks	Emissions Energy efficiency
		Heating networks	Emissions Energy efficiency
		Water networks	N/A
	Environment	Municipal cleaning companies	N/A
		Waste processing companies	Emissions Energy efficiency
	Mobility	Infrastructure	Emissions Energy efficiency Sustainable raw material procurement Biodiversity and ecosystems
		Public transport	Emissions Energy efficiency

			Sustainable raw material sourcing
	Energy	Solar	N/A
		Wind	Biodiversity and ecosystems
		Biomass	Sustainable raw material sourcing
		Geothermal	N/A
Credit risk (counterparty and concentration risk) – Collateral value	Real estate		N/A
	Equipment		N/A
	Amounts receivable		N/A

Risk appetite

BNG Bank has counterparty risks with public sector entities (loans and advances), financial counterparties (derivatives, nostro accounts and money market transactions) and issuers of interest-bearing securities in which the bank has invested. Credit risks are generally mitigated by government credit guarantees and by the Social Housing Guarantee Fund (WSW) and the Healthcare Guarantee Fund (WfZ). BNG Bank's portfolio therefore largely consists of zero risk weighted loans and receivables. The guarantee funds are guaranteed by the Dutch Government through backstops.

These guarantees give rise to concentration risk with regard to government authorities and guarantee funds, as well as a significant degree of concentration risk in the Netherlands. The concentration risk relating to the Dutch public sector is high, but is considered to be inherent in the business model. A considerable portion of the associated exposure relates to real estate in the public sector. This risk is largely mitigated by the Social Housing Guarantee Fund (WSW) and the Healthcare Guarantee Fund (WfZ), with a residual risk for the bank in respect of the Dutch Government.

The exposure to settlement risk is limited to transactions with financial counterparties. For these parties, the settlement risk is potentially high, due to the relatively large size of the bank's transactions in foreign currencies. The agreed arrangements with these parties should limit the settlement risk resulting from the reciprocal settlement of payments. BNG Bank also applies a limit for settlement risk. Settlements with specific counterparties are spread out over a certain period to prevent unnecessary concentrations at a given moment.

Credit risk is determined on the basis of internal or external credit ratings. Internal credit ratings are used for clients of BNG Bank. For financial counterparties and investments, external credit ratings are also used. The credit ratings we use have been approved within the euro system (S&P, Moody's, Fitch and DBRS).

The commercial departments perform active portfolio management. For both parties not subject to solvency requirements and those subject to solvency requirements, internal limits on exposures apply. Each limit is based on an individual assessment of the relevant party. In addition, various portfolios are monitored, as well as the forbearance exposure and the non-performing exposures.

Organisational structure

The first line of defence is comprised by Lending, Relationship Banking and Treasury and Capital Markets. These departments are responsible for the day-to-day management of credit risks. The Lending department and the Relationship Banking department are primarily responsible for managing credit risks arising from commercial activities. The Treasury and Capital Markets department is primarily responsible for managing the bank's credit risks from financial counterparties and investments.

The Credit Risk Assessment department (at the individual client level) and the Risk Management department (at the portfolio level) share responsibility as the second line of defence for assessing, quantifying, monitoring and reporting on credit risks. These departments operate independently of the commercial departments, which are the risk owners of the credit risk.

The Credit Risk Assessment department produces an independent opinion on every credit proposal. The decision-making process is based on the proposed internal credit assessment, the rating resulting from the assessment and the size of the loan. BNG Bank's risk appetite determines the maximum level of credit risk the bank is prepared to accept for a client with a specific internal credit rating or score. The credit proposal must be in line with this maximum risk. Depending on the size of the exposure and the risk profile, the Credit Committee (CC) decides whether the risk is acceptable. For loans and advances with a limited risk, the credit decision is delegated within the organisation. The CC is chaired by the Chief Risk Officer (CRO), and comprises of the Chief Commercial Officer (CCO) and representatives of the Credit Risk Assessment department and – where applicable – the Treasury department.

The creditworthiness of counterparties is assessed at least once a year. This involves updating the internal credit rating. Each credit rating is based on the assessment criteria for credit risk laid down in the BNG Bank's credit risk policy. The CC evaluates these assessments. A delegation model applies here as well. Loans and advances of which the credit quality has fallen below a certain level are subject to stricter supervision by management and, if necessary, are transferred to the Financial Restructuring and Recovery department.

Credit risk instruments

BNG Bank uses the following mitigating measures for credit risk:

- Credit limits and targets: the limits and targets in the RAS are translated into limits that apply at the level of individual counterparties.
- Periodic reassessment of creditworthiness (credit review process).
- Guarantees from a central or local government authority or from the Social Housing Guarantee Fund or Healthcare Guarantee Fund. Because loans are often granted under partial or full guarantees or sureties, the loan extended by BNG Bank's ultimately becomes fully or partly zero risk weighted.
- Other forms of security such as rights of pledge and mortgages are used to minimise possible losses resulting from credit risks. However, this potential risk-mitigating effect is not applied when calculating the required capital.

Specifically for financial counterparties:

- To mitigate value fluctuations, BNG Bank exchanges collateral on a daily basis, both via a clearing house and bilaterally.
- Risk mitigation measures for resolution risk are working with smaller settlements and/or having the counterpart pay us first, after which we follow.

Developments in 2023

External developments – In 2023, a number of noteworthy developments occurred in relation to credit risk. These developments primarily related to market conditions, such as high inflation and energy prices, labour market shortages and rising interest rates. Clients of BNG Bank and financial counterparties were affected by these developments. For this reason, the bank closely monitors the client sectors in which it operates, as well as our individual clients and financial counterparties. BNG Bank proactively implements appropriate measures to manage or reduce credit risks. Additional attention was given to the healthcare and energy sectors in particular.

In the first quarter of 2023, a potential banking crisis arose in the US (failure of regional banks Silicon Valley and Signature Bank) and in Europe due to ongoing problems at the Swiss systemic bank Credit Suisse. The Risk Management department, together with Treasury, has closely followed developments in the banking sector. In view of the increased credit risk at Credit Suisse, a direct credit committee decided to immediately reduce the majority of the derivative position with Credit Suisse. This action was initiated by BNG Bank before Credit Suisse was taken over by UBS - under the direction of the Swiss authorities - as of 19 March 2023. In addition, as a result of Credit Suisse's reduced creditworthiness, BNG Bank had already negotiated an additional buffer of EUR 100 million for its existing position, which further mitigated the credit risk. Following the acquisition by UBS, the credit risk - relevant for the relatively small residual position derivatives - has decreased considerably, as UBS has taken over these liabilities from Credit Suisse.

Partly as a result of the above, frequent monitoring of market developments and the creditworthiness of BNG's financial counterparts relevant to BNG took place during 2023.

Internal developments – In 2023, BNG Bank improved its credit risk management processes in relation to governance and monitoring. The framework of governance and limits was adjusted to reflect the latest developments. In this context, ESG factors with an impact on credit risks were more fully implemented in the bank's internal control and risk management framework. The bank identified the ESG credit risks that are material in the sectors in which it operates. This identification process was performed for short, medium and long-term horizons. Limits and targets were identified for the most material ESG credit risks. As a result, absolute and relative emissions were monitored on a quarterly basis for the various sectors in which the bank operates and for the individual clients of the bank.

The bank aims to continue the analyses and expand the impact on the credit assessment and review process in 2024.

Market risk

Market risk is defined as the risk of loss of profit or capital due to market price fluctuations. There are various forms of market risk: interest rate risk, currency risk, fluctuations in credit and liquidity spreads, and volatility risk.

- Interest rate risk: the risk of loss of profit or capital due to unfavourable movements in interest rates.
- Currency risk: the risk of loss of profit or capital due to unfavourable fluctuations in exchange rates.
- Credit and liquidity spread risk: the risk of loss of profit or capital due unfavourable spread fluctuations.
- Volatility risk: the risk of loss of profit or capital due to unfavourable movements in the implied volatility of market interest rates or exchange rates. This risk applies only to interest rate instruments that operate under a similar principle as options (e.g. with caps and floors).

Within the market risk, as far as ESG factors are concerned, BNG Bank focuses on the transition risks and physical risks within the credit and liquidity spreads risk. The key material ESG factors for each sector for the medium term are:

Risk type	Sector/portfolio/sub-risk	Material ESG factors
Market risk (credit and liquidity spreads risk)	Governments	Emissions
		Energy efficiency
	Financials	Emissions
		Energy efficiency
	Covered bonds	N/A
	RMBSs	N/A

Risk appetite

BNG Bank applies a prudent approach to managing market risks:

- All of BNG Bank's interest rate risk positions in the banking book are either externally hedged (through micro-hedging) or transferred to the Treasury Book by means of internal swaps. The resulting active interest rate position is managed by Treasury within a limited range through macro-hedging, which enables efficient hedging and flexibility for clients. In addition, the equity is modelled in such a way as to achieve the shareholders' required return,[2] being an ongoing investment in ten-year Dutch government bonds. BNG Bank closely monitors the transition from Interbank Offered Rates (IBORs) to the euro short-term rate (€STR). At present, BNG Bank's interest rate risk is mainly hedged using the 6-month IBOR. This IBOR transition risk is capitalised. With regard to the tenor basis risk, the bank accepts a limited position arising from regular financing and lending.

- Optionality is generally covered and accepted only if explicitly permitted by the risk policy or product approval documents.
- Risk caused by unfavourable fluctuations in the credit spreads is accepted provided that this risk is explicitly covered by sufficient allocated capital.
- Risks resulting from adjustments in the value of financial instruments that may arise due to a change in an index, such as inflation, are fully hedged.
- BNG Bank is not prepared to accept substantial exposures with a currency risk. Therefore, currency risks are in principle hedged for nominal amounts.

Moreover, as BNG Bank does not have a trading book, it is not exposed to the market risk resulting from trading books.

Organisational structure

The Treasury and Capital Markets department forms the first line of defence and is responsible for the day-to-day management of market risk, especially the market risks arising from commercial activities.

Risk Management is the second line of defence, and is tasked with independent monitoring of the market risk. It performs daily assessments to ensure that the risk positions lie within the limits set out in the RAS. Risk Management produces independent reports for the Asset and Liability Committee (ALCO) and Treasury, supports the first line and provides risk analysis and advice, both proactively and on request. It also periodically updates the assumptions used, enforces all policies, frameworks, procedures and reports, and incorporates new regulations when reviewing these documents. By taking part in the product approval process, it plays an important role in identifying and assessing market risks caused by new activities.

The ALCO makes decisions on the market risk policy and limit adjustments and is responsible for decision-making within the limits laid down in the policy.

Market risk instruments

In a number of market risk areas, BNG Bank applies risk standards and limits:

- The Treasury department has the mandate to maintain an unhedged interest rate risk position within predefined limits. Economic value limits have been set for the Treasury Book for the total delta and for the outcomes of the interest rate stress tests. The latter are calculated for a number of internal parallel and non-parallel interest rate shocks and are compared daily with the capital used for the interest rate risk. In addition, early warning levels are set for the internal Earnings at Risk scenarios, to strike a balance between the economic value and the profit prospects.
- The bank ensures that the outlier criterion is not exceeded. The outlier criterion is used to express the maximum impact of market risk on equity. The outlier criterion is a sensitivity analysis for both the Economic Value of Equity (EVE) and Earnings at Risk (EAR). It involves measuring the interest rate risk under externally prescribed shock scenarios, including the immediate plus or minus 200 basis points parallel scenario.
- For cross-currency swaps, the basis spread risk is reported daily. Because financing continues until the end of the term of the financing contracts, the basis spread risk remains present. In the event of fluctuations, the Tier 1 capital may be affected by costs of hedging, but this risk falls within the risk appetite.
- Economic capital is allocated for the interest rate risk, spread risk, IBOR transition risk and Credit Value Adjustment (CVA) risk. Monitoring is performed on a regular basis (monthly/quarterly).

These interest-rate risk standards are complementary and ensure the transparency and manageability of risks. Any breach of a limit must be reported to the ALCO. The ALCO will then decide whether immediate action must be taken to adjust the position to one that falls within the limit, or whether to allow a continuation of the breach of the limit for a specific period. Levels for early detection are in place in order to start a dialogue about certain events which do not require immediate action by the ALCO.

Developments in 2023

In anticipation of the upcoming IBOR transition, BNG Bank made further preparations in 2023 to facilitate euro short-term rate (€STR) hedging in its systems. In addition, we also started implementing this change to ensure sufficient liquid maturities.

Liquidity risk

Liquidity risk is defined as the risk of loss of profit or capital due to the possibility that BNG Bank is at any time unable meet its payment obligations without incurring unacceptable costs or losses. Liquidity risk can be broken down into various subcategories (short and long term):

- Short-term risk: the risk that the bank will not be able to raise sufficient funds to meet its payment obligations.
- Funding capacity risk: the risk that, as a consequence of its funding capacity, the bank will not be able to raise sufficient funds to meet its funding requirement over the long term, which would jeopardise the continuity of its business operations.
- Refinancing risk: the risk that, as a consequence of its creditworthiness, the bank will have to raise financing or refinancing on the basis of unfavourable financing spreads that will jeopardise future profits.

Risk appetite

To ensure we are able to meet our payment obligations at all times, liquidity risks are accepted in the short term only when this is counterbalanced by adequate liquidity buffers. To this end, BNG Bank has prudent liquidity limits and a substantial liquidity buffer.

The public sector largely consists of institutions with a long-term investment horizon. This means that loans often have long maturities; up to several decades in some cases. Because BNG Bank cannot raise financing for these maturities, a financing mismatch is accepted, but only if adequate buffers are in place to ensure refinancing can be secured at acceptable prices even in times of stress.

Organisational structure

The Treasury and Capital Markets department forms the first line of defence and is responsible for the day-to-day management of liquidity and financing risk. In this role, the department is also responsible for raising financing. The Treasury department is tasked with taking up a liquidity risk position within the limits and limit values laid down in the RAS. Treasury operates within the liquidity and funding risk policy and on the basis of its annual funding plan. This plan is subject to the approval of the ALCO, which also makes decisions on any significant deviations during the year.

The Risk Management department forms the second line of defence and is responsible for independent monitoring of the liquidity risk. It also performs daily checks to ensure the bank remains within the limits and limit values set by the ALCO. It performs monthly assessments based on stress scenarios to check that liquidity and funding are sufficient. Part of the role of the Risk Management department is to challenge the first line and make independent reports to the ALCO and Treasury department about the use of the specified limits. It also performs risk analyses and gives advice, both proactively and on request. Risk Management periodically tests the assumptions used, enforces policies, frameworks, procedures and reports and incorporates new regulations. By taking part in the product approval process, it plays an important role in assessing the liquidity and funding risks arising from new or modified activities.

The Contingency Funding Plan (CFP) can be activated when there is a potential need to provide liquidity due to a breach of the limits or limit values, or if this is deemed necessary by Treasury and Capital Markets, Risk Management or the ALCO. Temporary procedures for more intensive liquidity management and temporary control of liquidity management by the liquidity continuity team form the key elements of this plan.

The Treasury and Capital Markets department is also responsible for managing the long-term liquidity position of the bank. This position is less volatile and results from the credit policy as well as the funding policy. Due to the low variability of the maturity schedules and the stability of the new loan production, the need for long-term funding can be estimated with reasonable accuracy.

The liquidity position is monitored over the long term through a liquidity gap profile (made available daily) and associated limits. The limits are conservatively chosen to ensure that BNG Bank's funding capacity is sufficient to mitigate future refinancing risks. The liquidity position is also managed using an Earnings at Risk standard linked to a scenario of rising funding spreads with a one-year horizon. In this scenario, the risk is limited by a specified maximum fluctuation in the annual interest result, as stated in the RAS. The risk is also measured on the basis of the potential loss resulting from a stressed financing spread for all future years, compared with the capital allocated to this risk.

Liquidity risk instruments

Limits or early warning levels apply for various liquidity and funding risk measures, such as liquidity gap analysis. The post-stress liquidity buffer measures the liquidity remaining after the stress period and is determined under various stress scenarios. In the cascading of the risk appetite, a limit or limit values are established for the liquidity buffer for all stress scenarios.

The analysis of liquidity shortages is monitored daily and reported to the ALCO and the Treasury and Capital Markets department. Each month, all measures are summarised in a dashboard, which is discussed in ALCO meetings. The key outcomes of these measures and any other developments are summarised in the quarterly risk report, which is presented to and discussed by the Executive Committee, the Risk Committee of the Supervisory Board and the Supervisory Board itself.

Developments in 2023

For much of 2023, the financial markets remained volatile as a consequence of geopolitical developments and rising inflation (and inflation forecasts). As a result, throughout 2023, interest rates continued the rising trend from the second half of 2022. This led to BNG Bank receiving a considerable amount of cash collateral. As a consequence, less short and medium-term funding was required.

In spite of the market volatility, BNG Bank's funding position remained robust and the bank had good access to both the money market and the capital market. The desired average maturity of funding on the regular capital markets remained high in response to the persistently high average maturity of newly granted loans. On balance, the long-term liquidity risk increased, while remaining in compliance with the risk appetite.

Non-financial risks

Non-financial risks are a threat to business operations. For BNG Bank, these risks include operational, security, compliance and strategic risks. This section provides a more detailed explanation of these risks.

Operational risk

Operational risk is defined as the risk of loss of income or capital resulting from deficiencies of internal processes, people and systems, or from external events. Operational risk includes the following Level 2 risks:

- Process risk: the risk of failure or shortcomings of internal processes that support all activities linked to products, services, clients and transactions (change risk, legal reporting and tax risk).
- HR risk: the risk of unintended human actions and deficiencies in capacity and personnel management.
- Model risk: the potential loss the institution may suffer as a result of decisions that are primarily based on the output of internal models, due to errors in the development, implementation or use of such models.
- ICT risk: the risk of the failure of hardware, software or the network used to support the activities in the business processes (ICT availability risk).
- Data management risk: the risk of incomplete, inaccurate or inconsistent saving or processing of data, affecting the ability of the institution to provide services and produce timely and accurate (risk) management and financial information.
- Outsourcing risk: the risk that the continuity, integrity and/or quality of activities outsourced to third parties or the equipment or staff provided by these third parties is adversely affected.
- Legal risk: the risk arising from the possibility that contractual provisions prove to be unenforceable or are incorrectly documented.
- Business continuity risk: the risk of unplanned and negative operational, financial, legal, reputational or other material consequences arising from the complete or partial inability to continue to supply services within acceptable time frames and using the predefined capacity during a disruption resulting from the complete or partial failure of ICT (including cloud and communication systems),

buildings, sites, key personnel or chain partners (ICT continuity risk).
- External event risk: the risk of events beyond the direct or indirect control of the bank that could have an impact on the activities of the bank.

Within the operational risk, as far as ESG factors are concerned, BNG Bank focuses on the transition and physical risks within the process and model risk. The key material ESG factors for each sector for the medium term are:

Risk type	Sector/portfolio/sub-risk	Material ESG factors
Operational risk	Process risk	Impact of ESG laws and regulations on embedding in processes
	Model risk	Development of an ESG rating model to be able to rate clients in the field of ESG
	Data management risk	providing ESG-related data
	External event risk	Impact of climate aspects on businessoperations

Risk appetite

Operational risks are inherently linked to the business operations of BNG Bank. Although BNG Bank strives to ensure efficient and effective business operations, the mitigation of operational risks is based on the balancing of costs and economic benefits. However, inherent risks relating to compliance with laws and regulations and integrity issues are mitigated as much as possible.

Organisational structure

The first line is primarily responsible for the management of the operational risks in the products, processes, people and systems for which they are responsible. As a result, it is also responsible for implementing a management system, on the basis of which it can report on the (management of) operational risks. The first line thus includes all process owners, the most important of which are the following departments:
- Lending and Relationship Banking;
- Client Services and Payments;
- Treasury and Capital Markets;
- Back Office;
- Information Management;
- Finance & Control;
- Human Recources.

The Risk Management department monitors all operational risks. It reports on a quarterly basis on the extent to which BNG Bank is exposed to operational risks, based on the bank's risk appetite. The reports are discussed in the Non-Financial Risk Committee (NFRC). The NFRC also discusses policies and developments relating to the system of internal control and management of non-financial risks, from the perspective of both the first and the second line of defence. This includes the outcomes of risk control self-assessments on processes, the results of the testing of the effectiveness of key internal controls and incident management. A summary of the report is included in the quarterly integrated risk report to the Executive Committee and Supervisory Board.

The first line bears final responsibility for managing operational risks in day-to-day business operations. This is in line with policies, guidelines and internal process design. Internal processes are designed by process owners in collaboration with the managers of the departments concerned. All recurring processes are documented in process flows with triggers, actors, activities, systems used, documents and results. Although operational risks cannot (and do not have to) be fully mitigated, they must obviously be made transparent and manageable.

The second line of defence supports the first line in the area of managing operational risks. This includes monitoring the first line's risk activities. The second line is also involved in material projects, process changes and documentation, as well as in product assessment and approval processes.

Operational risk management instruments

BNG Bank uses various instruments for operational risk management:
- The cascading of the bank's risk appetite for operational risk results in a risk tolerance that is primarily focused on reputation and internal business operations. The bank's exposure to operational risk is measured using Key Risk Indicators (KRIs), including limit, target and

information figures. The KRIs relate to all categories of operational risk. The measured KRIs are compared with the risk appetite and reported to the NFRC on a quarterly basis in the operational risk report.
- RCSAs are performed on first-line processes, with the second line having a facilitating and supporting role. The inherent and residual risks identified and the corresponding management measures are assessed annually, based on probability and impact scales. RCSAs are used as input for BNG Bank's monitoring programmes, to test the effectiveness of the key controls.
- BNG Bank records all operational incidents with an actual or potential impact of EUR 5,000 or more. Process owners must analyse the root cause and initiate remedial actions. To prevent similar incidents in the future, the second line investigates whether adjustments are required to the process, systems and/or working method. Significant incidents are reported to the NFRC, the Executive Committee and the Supervisory Board's Risk Committee.
- A scenario analysis of operational risks is performed annually. Based on these scenarios, BNG Bank accounts for its economic capital allocation for operational risk.
- Annual in control cycle: The various risks involved in BNG Bank's activities are listed in the annual report. In the 'In Control' statement, the department heads report directly to the Executive Committee with an emphasis on risk management in relation to the bank's risk appetite.

Developments in 2023

The implementation of the GRC tool has enabled more effective and efficient management of operational, compliance and security risks. In 2023, the GRC tool was rolled out further across all primary processes and the key support processes. In 2024, the tool will be rolled out to all remaining processes and the implementation project will be completed. The tool makes it easier to demonstrate process control.

Other developments in 2023 relating to the operational risk profile concern process risk (including changes) and HR, data management, ICT/outsourcing and business continuity risks. These are explained in more detail below.

Process risk (including changes): Changes in BNG Bank's commercial and IT organisation have given rise to an increased process risk. To support these changes, the methodology of integrated portfolio management is used, and the Integrated Portfolio Committee has been set up as a related governance body. The Integrated Portfolio Committee is tasked with maintaining oversight and insight and monitoring the manageability of BNG Bank's overall change portfolio. This has a positive impact on the process risk. In addition, the project management office has been strengthened, which ensures more and better insight into the level of process control. This has improved the monitoring of internal control and its demonstrability throughout the bank.

HR risk: The bank has increased its capacity and skills through an expansion of internal training and through the temporary hiring of external personnel. This is necessary in order to implement the change agenda. The bank is increasingly successful in hiring suitable staff for internal positions within reasonable time frames. However, the tight labour market, particularly in the IT area, remains a challenge. BNG Bank uses a personal development training portal to strengthen the knowledge and experience of its in-house staff.

Data management risk: The Data Insight 2.0 project to improve the central data warehouse is progressing at a steady pace, as are the initiatives to make data measurable. The expectation is that data quality and the monitoring thereof will improve and the number of manual interventions will decrease.

ICT/outsourcing/Business Continuity Management (BCM) risk: The dependence on outsourcing partners has had a negative impact on the risk profile relating to IT performance, due to developments involving a key partner. A business continuity risk in this area was also identified, and suitable actions and measures were taken accordingly. BNG Bank's dependence on this partner was reduced over the course of 2023. The attention given to ensuring adequate IT-related controls was intensified. Relationship management for outsourcing parties and management of outsourcing risks were further centralised in 2023. This will lead to better management of outsourcing risks. Attention will also be paid to a better cohesion in the Business and IT landscape by means of predefined architecture.

Security risk

Security risk is the risk of data or ICT systems being compromised and/or damage or harm to sites, buildings, equipment, personnel or visitors. It includes various sub-risks:

- Information security (including cyber risk): the risk of data loss/breach, unauthorised obtaining of data, or unauthorised access, use, disclosure, disruption, modification or destruction of data, ICT systems, endpoints or media.
- Physical security risk: the risk of unauthorised access to or use of sites or buildings, unauthorised obtaining of equipment or physical damage or harm to equipment, personnel or visitors.

Risk appetite

Security risks are inherent in the day-to-day business operations of BNG Bank. BNG Bank manages security risks prudently and does not accept any security risks with a major or critical impact.

Organisational structure

The Security function provides support to the Executive Committee and management to safeguard the reliability and continuity of the business processes and ensure control of security risks. The first-line Security department is positioned in the COO column, with a direct reporting obligation to the COO. The second-line Security department is positioned in the CRO column, with a direct reporting line to the Executive Committee and Risk Committee. The purpose, position and powers of the Security function are documented in the Security Charter.

The first line is responsible for identifying, analysing and mitigating security risks (including cybersecurity risks) and for reporting on the effectiveness of security safeguards.

The second-line department is responsible for developing and maintaining the security policy and implementing the security awareness programme. It is also responsible for monitoring, facilitating, supporting and challenging the input from other departments to safeguard the reliability of data, IT infrastructure, physical infrastructure and critical business processes against cybersecurity and other threats. In addition, the second-line Security department is responsible for reporting on security risks to ensure that BNG Bank is operating within its risk appetite.

Developments in 2023

In early August 2023, BNG Bank suffered a DDOS attack from a hacktivist group. As a consequence of the cyber attack, access to several BNG websites was disrupted for a day. Security measures enabled the bank to counter the attack. An investigation showed that no assets of BNG or its clients had been compromised. Since then, a number of other attempts to carry out a DDOS attack have been detected. All were countered within a short period of time. BNG's Cyber Defence Centre conducts stringent 24/7 monitoring of the digital security of the organisation and its clients.

To increase security awareness among staff, each quarter phishing tests were performed and 'serious gaming sessions' were organised. Security awareness was also included in the onboarding programme for new staff, and presentations on information security awareness were given.

Both the first-line and the second-line Security function were significantly strengthened. The second-line Security department supports the IT Security department with security matters.

Security assessments and ethical hacks were performed to improve the management of cybersecurity and other security risks. The findings were addressed to ensure that the bank continues to operate within its security risk appetite.

Compliance risk

Compliance risk is the risk of insufficient compliance with or recognition of corporate values, codes of conduct, generally accepted social standards and values, laws and regulations, and supervisory requirements. Compliance risk includes the following risks:

- Integrity risk: the risk of unethical or unprofessional conduct on the part of the organisation, its staff or third parties that can be directly or indirectly attributed to the bank, and which conflicts with social or institutional norms and/or applicable laws and regulations (conduct risk, risk of financial crime, internal fraud risk and external fraud risk);
- Compliance with regulations: the risk of a breach of applicable laws, regulations (including codes and covenants) or supervisory requirements, an inadequate response to changes in regulations or ineffective relationships with supervisory authorities.

Risk appetite
As part of its risk appetite, BNG Bank has defined an integrity and compliance risk appetite. The bank strives to maintain an outstanding integrity profile and expects its staff, clients, counterparties and third parties relevant to the bank to comply with the integrity requirements. In the area of laws and regulations, the bank aims for ethical conduct, ethical business dealings and compliance with the relevant laws and regulations and with the criteria set by the supervisory authorities.

Organisational structure
Management of compliance risks is the responsibility of all departments in the bank. An independent Compliance function supports the organisation in performing the Systematic Integrity Risk Analysis (SIRA), developing and providing advice on compliance policy, organising the process of identification and impact assessment for regulatory developments, and advising, monitoring and reporting on integrity and compliance risks.

In the Compliance Charter (see the website), the bank has defined the objective and scope of the second-line Compliance function, as well as the compliance cycle that forms the basis for all of the Compliance department's activities.

The key instruments to detect significant cases where BNG Bank operates outside its risk appetite for integrity, or is not compliant with laws and regulations, are:

- Identification of risks and controls in annual SIRA workshops, Risk Control Self-Assessments and associated controls to mitigate the identified key risks.
- Implementation of risk-based monitoring programmes by both first and second-line departments to monitor the effectiveness of the controls.
- Procedures to manage incidents.

Each quarter, the integrated risk report provides information to both the Executive Committee and the Supervisory Board on the state of affairs with regard to these risks. The quarterly compliance report provides further details on compliance risks and is discussed each quarter by the Executive Committee, the NFRC and the Risk Committee.

Developments in 2023
More information can be found in the Compliance section (2.3).

Strategic risk
Strategic risk is defined as risks that have an impact on or are created by the organisation's business strategy and strategic objectives.

Within strategic risk, a distinction is made between strategic positioning risk, strategic execution risk and strategic consequence risk.

Risk appetite
BNG Bank has established a risk appetite for integrity and compliance. The bank strives to maintain an outstanding integrity profile and expects its staff, clients, counterparties and third parties relevant to the bank to comply with its integrity standards. With regard to laws and regulations, the bank has set itself the goal of maintaining ethical and controlled business operations that comply with relevant laws and regulations, the criteria set by the supervisory authorities and internal regulations.

Organisational structure

Strategic risks arise both as a result of strategic plans and from external factors. These strategic risks are usually closely related to other risk types. How BNG Bank deals with strategic risks is detailed in its annual plan and in the business plans of the individual departments. This matter is also addressed in the stress test programme and is covered in the Capital Management Plan (as part of the mandatory Internal Capital Adequacy Assessment Process (ICAAP)).

Decisions about strategic risks fall under the direct responsibility of the Executive Committee. Depending on their nature, strategic risks may also be discussed in specific Executive Committee subcommittees.

The identification of strategic risks is part of the strategic decision-making process. The monitoring of measures and actions to mitigate strategic risks is part of the planning and budget cycle. Reporting on strategic risks is part of the risk management cycle.

Developments in 2023

Government-guaranteed credit exposures are subject to the backstop rules for non-performing entities (NPEs). These rules set requirements for the recognition of impairment losses on NPEs after a specified period, even there is a full credit guarantee. An upcoming change in the details of the rules will prevent this from having consequences for the way in which the bank finances clients covered by a guarantee.

The volume of newly granted long-term loans was in line with the target for 2023. The volume was lower in the Local Authorities market segment, but this was offset by a higher volume in the Public Housing segment.

In 2023, a decision was made to increase the bank levy. This will result in a slight competitive disadvantage in relation to non-bank lenders, but BNG Bank's business model is robust enough to withstand an increase in competition. The moderate return requirement of the bank's shareholders forms an important part of this model.

With regard to strategic risk, the potential for an ESG controversy has been classified as material. Examples of such controversies include allegations of greenwashing or an accusation of a negative ESG impact resulting from business operations. The likelihood of such a controversy occurring is not considered high, but the impact could be significant. Another strategic risk is having an inadequate ESG policy, or inadequate implementation of the ESG policy. As part of the strategic process, continuous monitoring take place. The sustainability policy was recalibrated and republished in 2023.

Reputational risk

Reputational risk is the risk that BNG Bank's market position could deteriorate due to a negative reputation among stakeholders:

- Internally caused reputational risk: the risk that BNG Bank's reputation could be adversely affected by the impact of other risks (particularly where these risks are poorly managed).
- Externally caused reputational risk: the risk that BNG Bank's reputation could be adversely affected by altered external expectations that are not well managed in the strategic process (strategic positioning risk).

Risk appetite

It is the ambition of BNG Bank to be seen as a semi-public institution with excellent creditworthiness and an outstanding profile with regard to reputation and integrity. The bank's risk appetite in relation to our reputation is therefore minimal. See also the Compliance section in this annual report.

Organisational structure

The instruments used to manage reputational risk include engaging in dialogue with interested parties to align expectations. It is essential that the products and services which the bank supplies to clients support their role in the Dutch public sector. To a large extent, the product offering is tailored to the wishes of the client. However, the bank is cautious when it is not sufficiently clear whether a particular product serves the client's interests. This particularly applies to smaller organisations where the bank has reason to believe they may lack sufficient in-house expertise to manage the risks of that product. The product offering is subject to the bank's Product Approval and Review Process (PARP). In addition, for the benefit of other stakeholders of the bank, such as investors and shareholders, attention is given to the consequences of risks not being managed. Mitigating the various risks indirectly protects the bank's reputation, so mitigation forms an integral part of all aspects of the bank's risk policy.

Developments in 2023

In 2023, no major events occurred that harmed the reputation of the bank.

Compliance cycle

The final component of the RMF, alongside the RAS and risk definitions, is the compliance cycle. The Compliance department promotes the integrity of the organisation, its clients, its staff and the markets in which BNG Bank operates, and monitors compliance with rules, laws and internal standards. The head of the department reports to the Executive Committee and has a reporting line to the Supervisory Board. This is documented in the Compliance Charter. See the Compliance section for more details.

The compliance cycle forms the basis for all the activities of the Compliance function and focuses on giving advice on and detecting situations in which BNG Bank is outside its risk appetite in the area of integrity.

Risk culture

BNG Bank recognises the importance of ensuring a strong risk culture and aims to embed it in the internal control and risk management system. The RAS is an important instrument for increasing risk awareness and promoting the desired risk behaviour.

This is expressed through the monitoring by the risk-oriented committees of the responsibilities, limits and targets relating to the risk appetite. This development is aimed at increasing risk awareness at the operational level. It is anticipated that the implementation of the 'Governance, Risk and Compliance' (GRC) tool to support the internal control and risk management process will lead to improved efficiency and separation of duties. The GRC tool will also contribute to further strengthening of the risk culture, and will thus increase the maturity of the non-financial risk management process.

BNG Bank is convinced of the importance of the 'soft' component known as 'culture'. Increasing risk awareness requires the involvement of a broadly representative group from throughout the organisation.

'We want to contribute to addressing social issues'

Vita Huliselan-Haryanto,
Jeroen Tebbens & Laurens Schadee

Showing genuine commitment. Actively sharing ideas and expertise. These are some of the ways in which the account managers and financing specialists of BNG Bank give substance to client partnerships. By adapting to client needs – by providing customised financing, for example – they help the public sector meet the challenges of today.

‘We have a dedicated team of account managers for each of BNG Bank’s client groups,’ explains account manager Jeroen Tebbens. The Housing team, which I’m part of, serves the bank’s largest client group with only twelve people. It’s quite extraordinary! I often visit housing associations to talk with them about their needs. I bring my findings back to my team so we can work on solutions. We liaise between clients and the bank.’

Spider at the centre of the web

The Housing team has existed for only eighteen months in its current form. ‘We are still frequently introducing ourselves to clients,’ says Laurens Schadee, Internal Account Manager at BNG Bank. ‘It means they know exactly who to call, depending on the problem. In practice, they often call me; as an Internal Account Manager, I’m their first point of contact; I’m the spider at the centre of the web. If a client has a request, I make sure it gets handled by the bank.’

Such requests include financing requests, says financing specialist Vita Huliselan-Haryanto. ‘I assess the risks and feasibility of these requests. To this end, I make sure I get the annual figures and other relevant client information. I also conduct “reviews” of housing associations. That involves using a wide range of data to report on clients’ creditworthiness. We obviously also need to safeguard the continuity of our own business.’

Personal attention works

The team receives a wide range of questions and requests from clients. ‘For example, they might want help with organising their loan portfolio,’ says Schadee, ‘or they request us to resend an invoice. We always help as best we can. Because although clients mainly make financing decisions based on price, we’ve noticed that clients value our personal attention.’

That relationship is also about providing customised financing. Tebbens: ‘We improved our performance in that area in 2023. Housing associations are now also investing in mid-market rental housing, even though loans for this type of housing are not guaranteed by the Social Housing Guarantee Fund. These loans are slightly more risky.’ That’s not a problem in itself, adds Huliselan-Haryanto: ‘But it means we’re more critical in the annual review, to make sure the loan is secure. It’s a time investment we’re happy to make for our clients.’

Political spotlight

The housing sector is important to BNG Bank’s turnover. At the same time, the bank is the biggest lender to the sector. ‘There is therefore a high degree of mutual dependence,’ says Schadee. ‘So good relationships are especially important.’ Tebbens: ‘Housing associations are very much in the political spotlight. The housing crisis, the energy crisis, inflation, staff shortages, rising construction costs, rising interest rates – our clients are going from crisis to crisis. We are very proud of the fact that we can make a contribution to resolving these issues through our work.’

4 Governance

4.1 Corporate structure

BNG Bank N.V. is a statutory two-tier public limited company. The only shareholders of BNG Bank are Dutch public authorities. BNG Bank provides financing to the public sector on competitive terms and for all maturities. As all shares in BNG Bank are held by the Dutch government and Dutch public authorities and its lending largely consists of zero risk weighted loans, the bank is seen as a safe bank.

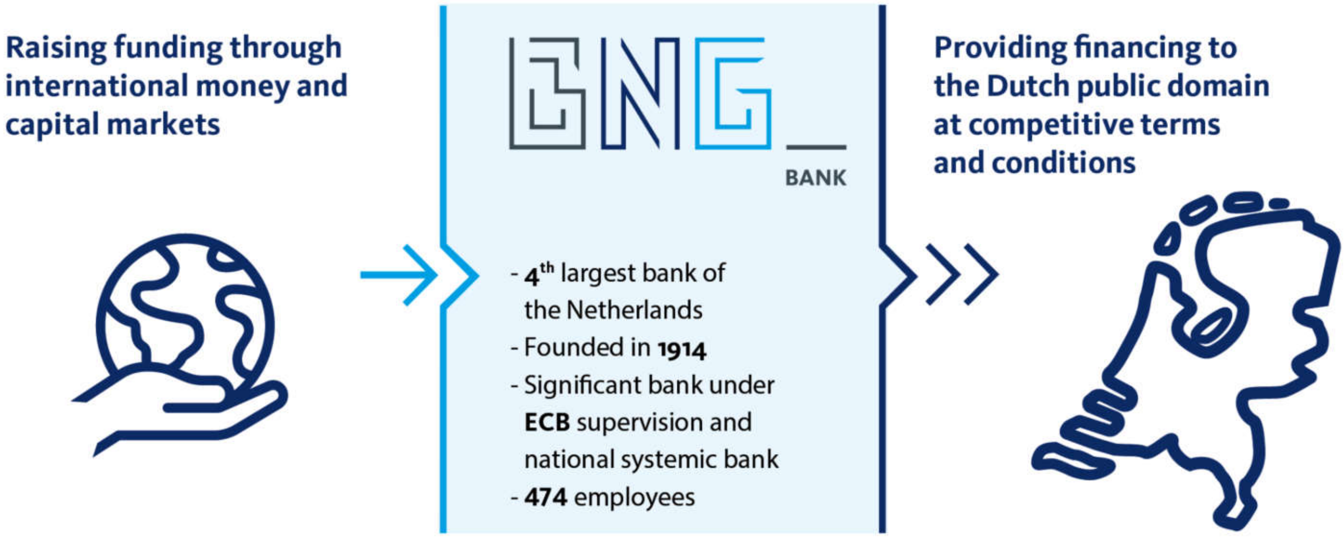
Business model

BNG Bank N.V. is a statutory two-tier public limited company under Dutch law. The Bank provides all its services under this name. BNG Bank's shares are exclusively held by Dutch public authorities. Half of the bank's share capital is held by municipal authorities, provincial authorities and one water board. The other half is held by the Dutch government. The bank receives no financial assistance or other benefits from the government. BNG Bank is a bank of national systemic importance under the direct supervision of the ECB, and its balance sheet total makes it the fourth-largest bank in the Netherlands. BNG Bank has one branch in The Hague, where it conducts all its business. There were no significant changes in the bank's size, structure, ownership or chain in 2023.

History

The history of BNG Bank begins in the early 20th century, during a period of significant poverty when social issues dominated the public discourse. It was during this period that the Association of Dutch Municipalities (Vereniging van Nederlandsche Gemeenten, VNG) was founded, which in turn established the Gemeentelijke Credietbank in 1914.
The Gemeentelijke Credietbank provided municipalities with financial support, thereby contributing to the resolution of social issues. The Gemeentelijke Credietbank is now called BNG Bank, and it serves the same purpose as its predecessor.

Business model



BNG Bank provides financing to the public sector on competitive terms and for all maturities. The bank aims to support its clients, even when times are difficult. To date, it has always succeeded in doing so. The majority of the loans the bank provides (more than 90%) are granted to or guaranteed by public authorities. These are so-called zero risk weighted loans, which are deemed risk-free under the solvency requirements and therefore have a risk weight of 0%. BNG Bank also manages payment transactions for clients.

As all shares in BNG Bank are held by the Dutch government and Dutch public authorities and its lending largely consists of zero risk weighted loans, the bank is seen as a safe bank. BNG Bank holds the highest external credit ratings (Moody's: Aaa; Fitch Ratings: AAA; S&P Global: AAA). This provides the bank with a strong funding position on the international money and capital markets. Short- and long-term funding in various currencies can be secured at low prices. This allows BNG Bank to provide loans to clients at low rates.

Governance structure

BNG Bank's two-tier governance structure comprises a Supervisory Board (SB) and an Executive Committee (ExCo). The Executive Committee consists of five directors, three of whom who form the Management Board under the Articles of Association. The members of the Management Board under the Articles of Association are appointed and dismissed by the Supervisory Board. The Executive Committee constitutes the management body in its executive function as referred to in the Capital Requirements Directive (2013/36/EU). The ExCo is responsible for the day-to-day management, the general state of affairs and the continuity of BNG Bank. The ExCo has established a number of committees that advise the ExCo or to which specific decision-making tasks are mandated. These are: the Asset & Liability Committee, the Credit Policy Committee STMP, the Credit Committee STMP, the Treasury Credit Committee, the Non-Financial Risk Committee, the Integral Portfolio Committee and the Sustainable Banking Committee. The charters of the Executive Committee / Management Board and the Executive Committee's subcommittees are available on the website.

The Supervisory Board constitutes the management body in its the supervisory function as referred to in the Capital Requirements Directive. The task of the Supervisory Board is to oversee the policies of the Executive Committee and the general state of affairs in the company and its affiliated enterprise. The members of the Supervisory Board are appointed and dismissed by the General Meeting. The Supervisory Board has four committees: the Audit Committee, the Risk Committee, the HR Committee and the Remuneration Committee. The committees carry out preparatory work for the decision-making by the Supervisory Board. The charters of the Supervisory Board and its subcommittees are available on the website.

ESG policy governance

The CEO is responsible for setting the strategy, including the strategy on ESG; the management team is responsible for implementing the strategy. Proposals for amending the bank's purpose, strategy, ESG policy and ESG goals are prepared by the Strategy and Sustainability department and presented to the Executive Committee for a decision. The Strategy and Sustainability department reports to the Executive Committee each quarter on the progress of the strategy, including the material topics.

Measurement of the impact that BNG Bank makes through its clients is part of the ESG policy and is the responsibility of the Strategy department. The method for measuring this impact has been approved by the Executive Committee. Once a year, the bank reports in its annual report on the impact it has on society through its clients; see section 1.1 of this report.

Stakeholders

BNG Bank's principal stakeholders are clients, investors, shareholders and employees. BNG Bank invests in long-term relationships with its stakeholders by engaging in regular consultation, attending regional and sector-based meetings and carrying out surveys. This dialogue provides the bank with a clear picture of their expectations and the value the bank can create for them. Stakeholders' responses are used to improve products, services and processes.

BNG Bank also consults with the Client Council, a permanent committee of around ten board members from various client groups. The Bank exchanges ideas with them on strategic issues that are important to both the bank and clients. For its municipal authority clients, BNG Bank organises annual meetings where topical issues are discussed. BNG Bank also makes substantive contributions to meetings concerning real estate in the healthcare, education, municipal and housing association sectors.

BNG Bank is a member of the Dutch Banking Association (NVB), the European Association of Public Banks (EAPB) and the International Capital Market Association (ICMA).

Subsidiaries and associates

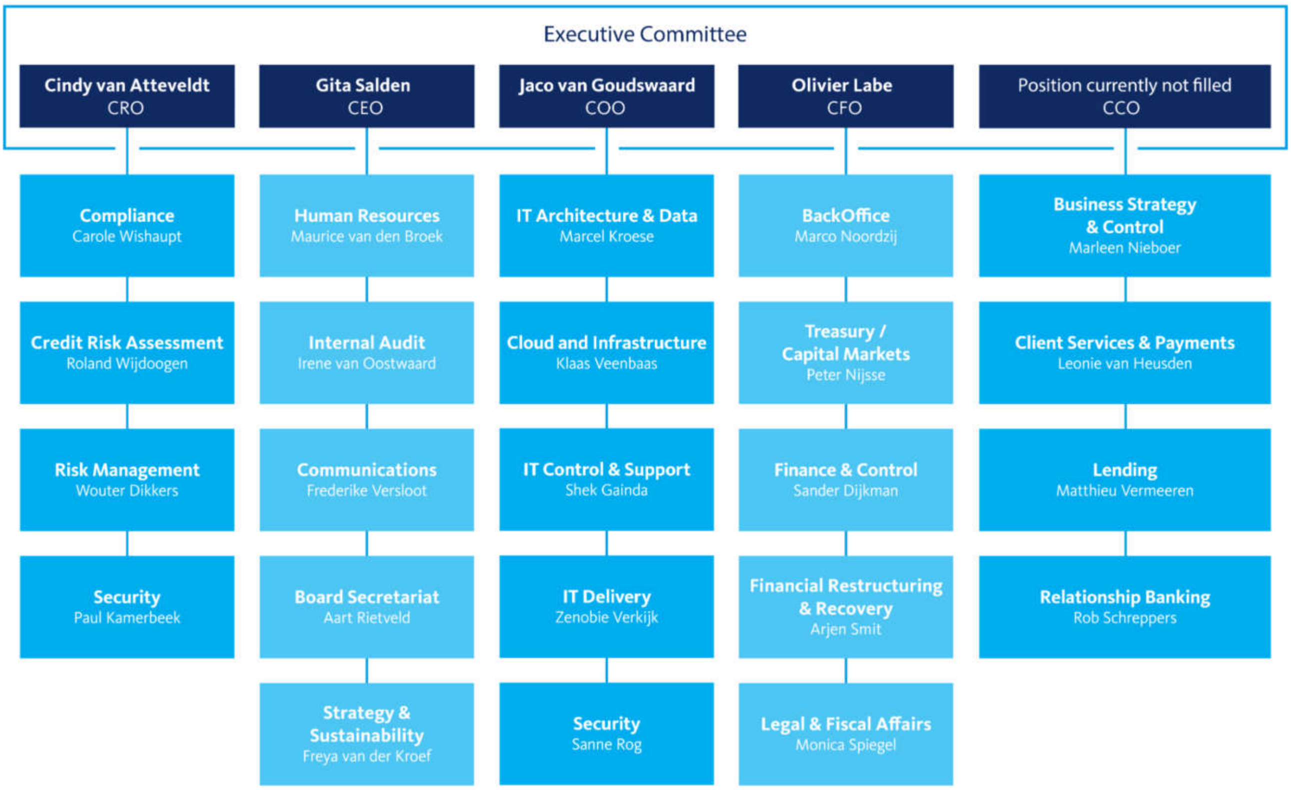
BNG Gebiedsontwikkeling B.V. is a BNG Bank subsidiary specialising in risk-based participation in land development, process design and process guidance for municipalities and other public or semi-public organisations. In March 2018, the Supervisory Board of BNG Gebiedsontwikkeling and the Executive Board of BNG Bank jointly decided to hold off on initiating any new activities or projects within BNG Gebiedsontwikkeling, in order to complete the projects in the existing portfolio over the coming years.

Subsidiary Hypotheekfonds voor Overheidspersoneel B.V. (HvO) was liquidated in 2023, after the portfolio had already been sold to Nationale Nederlanden N.V. in 2022.

4.2 Composition of the management body and organisation

BNG Bank is managed by a five-member Executive Committee. The portfolios of Executive Committee members have been allocated in such a way that the Three Lines of Defence model can be fully implemented.

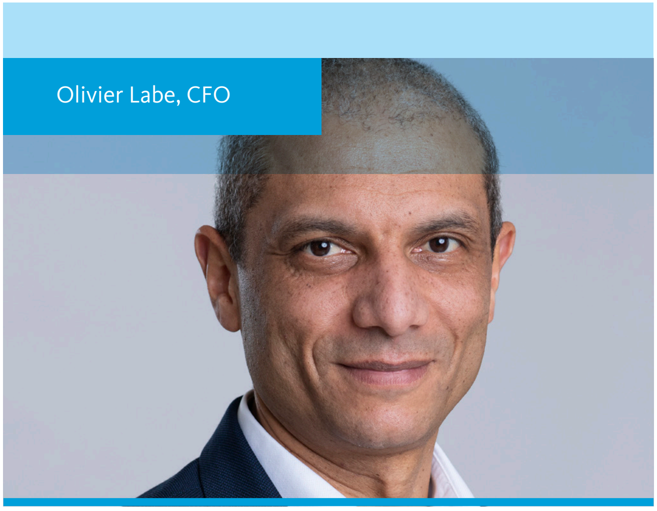
Name	Gender	Year of birth	Nationality	Date of first appointment	Date of reappointment	Date of second reappointment
Gita Salden, CEO	F	1968	NL	1 January 2018	1 January 2022	
Olivier Labe, CFO	M	1969	F/NL	1 May 2015	1 May 2019	1 May 2023
Cindy van Atteveldt, CRO	F	1972	NL	15 February 2021	-	
Jaco van Goudswaard, COO	M	1967	NL	22 June 2021	-	
Vacancy CCO						



Composition of Executive Committee

Gita Salden, CEO, is responsible for strategy and sustainability, communication, organisational and personnel policy development, internal audit and the board secretariat. She is also responsible for general coordination and stakeholder relations. She is Chair of the Non-Financial Risk Committee and the Sustainable Banking Committee

In relation to her position at BNG Bank, she is a board member of the Dutch Banking Association (NVB). She is also a member of the Supervisory Board of Invest International.



Olivier Labe, CFO, is responsible for financial reporting, funding and treasury, asset and liability management, capital management, investor relations, and legal and tax matters. He is also responsible for the back office and financial restructuring and recovery (special management). He chairs the Asset & Liability Committee.

In relation to his position at BNG Bank, he is Chair of the Supervisory Board of the subsidiary BNG Gebiedsontwikkeling B.V., Chair of the Supervisory Board of the Stichting BNG Duurzaamheidsfonds and member of the Investment Committee BOEI B.V. He is also a member of the Supervisory Board of ASR Vermogensbeheer N.V. He is a member of the Advisory Board of the Faculty of Economics and Business Administration at the University of Amsterdam and is a member of the Steering Committee of the Public Sector Issuer Forum of the International Capital Market Association (ICMA).

Cindy van Atteveldt-Machielsen, CRO, is responsible for risk management, compliance, credit risk assessment and security. She is Chair of the Credit Policy Committee STMP, the Credit Committee STMP and the Credit Committee Treasury.

In relation to her position at BNG Bank, she is a member of the Supervisory Affairs Committee of the Dutch Banking Association (NVB). She is also a member of the Supervisory Board and chairman of the Audit Committee of N.V. Exploitatiemaatschappij De Krim.

The CCO is responsible for relationship banking, lending, client services and payments and business strategy & control.

In relation to his or her position at BNG Bank, the CCO is a member of the Supervisory Board of BNG Gebiedsontwikkeling B.V.

In the ExCo, the role of the CCO is temporarily fulfilled by the CEO.

Jaco van Goudswaard, COO, is responsible for operations, processing, datagovernance and IT. He is chair of the Integral Portfolio Committee.

5 CORPORATE GOVERNANCE STATEMENT

The internal risk management and control systems are an important point of attention within BNG Bank. The Risk Governance Framework forms the basis for all risk management activities within BNG Bank. It clarifies the principles behind the internal control and risk management system. The Risk Appetite Statement describes the risks the bank wishes to accept in order to achieve its objectives. The various risks posed by the bank's activities are discussed each year in BNG Bank's annual report. The process owners or, as applicable, department heads responsible for the primary and key supporting processes annually issue an 'In Control Statement' to the Executive Committee, in which they highlight the risks in relation to the risk appetite, the management of risks and any deficiencies in this respect. All process owners or department heads provide in control information in their quarterly reports. In addition, in the annual plans they explain how they aim to fulfil their responsibility to comply with BNG Bank's risk policy. The second line reports on the compliance with the risk appetite to the Executive Committee during the year. This overall framework is closely linked to the bank's Capital Management Policy, which is periodically reviewed and discussed with the regulator.

Audits by the Internal Audit Department (IAD) are aimed at independently determining the design and operating effectiveness of the internal risk management and control systems. The external auditor audits the financial statements and evaluates internal control in respect of the financial reporting insofar as relevant to an efficient and effective audit of the financial statements. The findings of the IAD and the external auditor are reported to the Executive Committee and to the Supervisory Board. The head of the IAD and the external auditor attend the meetings of the Supervisory Board's Audit Committee where the financial statements are discussed.

The annual report provides sufficient insight into deficiencies in the operating effectiveness of BNG Bank's internal risk management and control systems. The aforementioned systems provide a reasonable degree of assurance that the financial reporting contains no material misstatements. These systems alone are of course incapable of providing absolute assurance as to the achievement of the company's objectives and the prevention of all misstatements, instances of fraud and non-compliance with laws and regulations. A detailed explanation is provided in the 'Risk' section of the notes to the financial statements. The consolidated financial statements have been prepared on the basis of the going-concern principle. No material risks and uncertainties have been identified which are relevant to the expectation that the company will be able to continue as a going concern for a period of twelve months after the preparation of the report.

Declaration of Responsibility

In the opinion of the Management Board under the Articles of Association, the financial statements provide a true and fair view of the assets, liabilities, financial position and profit or loss for the year of BNG Bank and its consolidated subsidiaries. The annual report provides a true and fair view of the position as at the balance sheet date, the state of affairs during the reporting year and the expected developments in respect of BNG Bank and its consolidated subsidiaries, whose figures are included in the consolidated financial statements. The annual report also describes the material risks facing BNG Bank.

The Hague, 22 March 2024

Statutary Board

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

'With BNG Bank as our partner, we can focus on what we do best'

Rik Verkerk

The Municipal Health Service (GGD) plays a vital role in keeping the Netherlands healthy. To do so, they need reliable, smart, future-proof buildings. So when the building of the Utrecht Region Municipal Health Service was in need of renovation, they didn't settle for half-measures. They needed a solid loan – and BNG Bank provided a solution.

Sturdy but outdated, with lots of individual offices, modular ceilings and standard fittings. That's how Rik Verkerk, Group Controller for the Utrecht Region Municipal Health Service, described the old building. 'Obviously, it didn't meet current requirements, including in the area of sustainability. After all, we had been using it intensively for nearly twenty years.'

Doing the renovation themselves

'When we started this major renovation project, we had three options,' says Verkerk. 'We could sell our building and lease a different building. Or sell the building and then lease it back from the new owner after a renovation, which is known as a "sale-and-leaseback". The third option was to stay in the building and do the renovation ourselves. It quickly became clear that option three was the best choice for us. Once we'd reached this decision, we brought in an external project leader and architect to help us clarify what we wanted and work out the details.'

It was clear that the renovated building would have to be energy neutral. 'That was necessary to achieve our sustainability ambitions and our goal to make the building future-proof,' Verkerk explains. A new, more modern way of working was also on the wish list. This included flexible workspaces and more options to facilitate collaboration with colleagues as well as partners in the chain. Verkerk: 'That wish suddenly became a far more urgent priority when the pandemic forced us to think differently about where and how we work.'

More expensive building materials

The pandemic was not the only challenge encountered by the Utrecht Region Municipal Health Service. The cost estimate for the renovation project had just been completed when war broke out in Ukraine. That had all kinds of consequences; for example, building materials became much more expensive. So they needed a financial partner who inspired confidence. BNG Bank certainly did that and also offered the best conditions of all the parties with which enquiries were made. Not only did BNG Bank offer the best deal in terms of interest rates and loan term, but it also offered excellent process guidance.

Fast forward to 2024, and the Utrecht Region Municipal Health Service has been occupying its renovated building for almost a year. Verkerk: 'Working in this building has given us new energy. We now have gas-free heating and modern climate control systems and we can collaborate in a way that suits today's needs. For example, thanks to smart, sound-absorbing materials, we can stay focused while collaborating in our open-plan offices.'

Covering risks

Verkerk is pleased with how the process to take out the loan has gone so far. 'BNG staff are competent, reliable and patient; they take the time to help you. When you take out such a large loan, you're spending a lot of public money, so you really want to make sure the risks are covered as much as possible, down to the smallest detail. As Group Controller, I now have nothing to worry about in terms of how risks are being covered. That leaves us free to focus on what we do best: making sure the residents of the Utrecht region can live safe and healthy lives.'

6 Report of the Supervisory Board

6.1 Foreword

2023 was a year of highs and lows, not only for the world, but also for BNG Bank. The death of Thomas Eterman, who had served as CCO of BNG Bank since March 2021, was a terrible loss that deeply affected the organisation. In Thomas, we have lost a wonderful, enthusiastic and dedicated colleague. In the more than two years he was involved with BNG Bank, he gave a major boost to the commercial side of the business. We will continue to reap the benefits of his work for a long time to come. It was good to see that colleagues gave each other lots of room to share their grief over his death. Thomas will remain in our thoughts.

The Supervisory Board is satisfied with the performance of BNG Bank in 2023. The bank's solvency, liquidity and profitability remained good throughout the reporting year. Its solid financial position enabled the bank to continue in its role of lender to the public sector in 2023. The stakeholder survey we conducted in 2023 showed that client satisfaction remains high, something of which we are very proud.

In 2023, BNG Bank recalibrated its strategy, 'Our Road to Impact', and established its direction and overall objectives for the period 2024-2026. The Supervisory Board discussed the strategy update with the Executive Committee in multiple meetings. The Supervisory Board endorses the choices made and the strategic objectives formulated for the period 2024-2026.

By providing our clients with financing at competitive rates, we enable them to achieve their objectives. The Supervisory Board considers it vital to understand clients' goals and to discussing these with them. To this end, we organise meetings with individual clients and client groups several times a year. In the past year, we conducted two sessions with clients where we discussed clients' activities and dilemmas, as well as points for attention in BNG Bank's services. Our stakeholder survey produced valuable insights and gave direction to these discussions. The Supervisory Board finds these client meetings extremely helpful for the performance of its duties.

BNG Bank has outsourced most of its IT systems and processes to an external service provider. In 2023, BNG Bank reviewed the decision-making behind the outsourcing and decided to re-insource the processes around payment transactions. This will safeguard the continuity of a process that is crucial for clients. The Supervisory Board was closely involved in the decision-making process that preceded this decision. IT security is essential for the proper functioning of BNG Bank. In the past year, BNG Bank gave this matter a great deal of attention again. In the reporting year, IT security was strengthened and the Supervisory Board was closely involved in the relevant decisions.

ESG and sustainability receive a great deal of public attention. Stakeholders, including supervisory authorities, are (rightly) setting high standards for the bank in this area. The full weight of new laws and regulations, particularly in the area of ESG, will impact the sector in the near future. Some of these regulations still need to be fleshed out in greater detail. BNG Bank is making thorough preparations for the new laws and regulations to ensure it meets the requirements by the deadline. This is a complex matter, as it has implications for both the bank's own internal organisation and the activities of our clients. The Supervisory Board has also been intensively involved and is closely monitoring developments.

The size and composition of the Supervisory Board remained unchanged during the reporting year. The Supervisory Board's self-evaluation was conducted internally in 2023. In general, the Supervisory Board is satisfied with the composition of and collaboration within the Supervisory Board and collaboration with the Executive Committee. The evaluation highlighted a number of points for attention, which have been addressed. These related, among other matters, to the connection between committee meetings and full Supervisory Board meetings, the composition of the committees, and the need for a more systematic approach to scheduling bilateral meetings between Supervisory Board and Executive Committee members.

At the Annual General Meeting on 24 April 2024, we will say goodbye to Johan Conijn and Jan van Rutte, who are retiring from the Supervisory Board after eight years in accordance with the regulations. Johan and Jan have used their specific expertise to make valuable contributions to the development of BNG Bank. Their input will be greatly missed. We are enormously grateful to Johan and Jan for their commitment, collegiality and expertise over the past eight years. At the same meeting, we will nominate two new people to fill the vacancies left by the departure of Johan and Jan. We look forward to working with them.

In 2023, staff were moved to a temporary location because BNG Bank's office was urgently in need of renovation. The bank has been very successful in attracting and retaining staff in the current labour market. The bank's staff accomplished a great deal during the reporting year.

On behalf of the Supervisory Board, I would like to thank the Executive Committee and our staff for their hard work and the great commitment they have shown in 2023. The Supervisory Board has every confidence that they will implement the recalibrated strategy with enthusiasm from 2024.

On behalf of the Supervisory Board,

Huub Arendse
Chair of the Supervisory Board

The Hague, 22 March 2024

Composition of the Supervisory Board

Name	Gender	Year of birth	Nationality	Date of first appointment	End of first term	End of second term
Huub Arendse Chair	M	1958	NL	18 - 04 - 2019	2023	2027
Jan van Rutte Vice-Chair	M	1950	NL	23 - 11 - 2015	2020	2024
Karin Bergstein	F	1967	NL	22 - 04 - 2015	2025	
Johan Conijn	M	1950	NL	01 - 01 - 2016	2020	2024
Marlies van Elst	F	1966	NL	19 - 04 - 2018	2022	2026
Leonard Geluk	M	1970	NL	22 - 04 - 2021	2025	
Femke de Vries	F	1972	NL	22 - 04 - 2021	2025	

Huub Arendse, Chair

Huub Arendse was CFO and member of the Executive Board of Achmea. He is Chair of the Supervisory Board of Achmea Bank.

Jan van Rutte, Vice-Chair

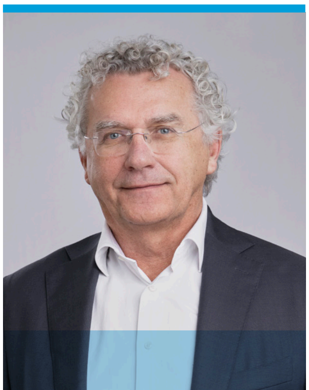
Jan van Rutte was CFO in the Executive Board of ABN AMRO Group. He is member of the Supervisory Board of PGGM.

Karin Bergstein

Karin Bergstein was member of the Executive Board of a.s.r. She is member of the Supervisory Board of Van Lanschot Kempen, Non Executive Director at Chesnara and member of the Supervisory Board of UMC Groningen.

Composition of the Supervisory Board Committees and attendance

Supervisory Board member	Supervisory Board meetings	Audit Committee meetings	Risk Committee meetings	HR Committee meetings	Remuneration Committee meetings	%
Huub Arendse	100%			100%	100%	100%
Karin Bergstein	100%	100%	100%			100%
Johan Conijn	100%	60%	80%			82%
Marlies van Elst	100%		80%			92%
Leonard Geluk	100%	100%		100%	50%	95%
Jan van Rutte	100%	100%				100%
Femke de Vries	100%		80%	100%	100%	95%
Total	**100%**	**88%**	**85%**	**100%**	**83%**	**95%**



Johan Conijn

Johan Conijn is director and senior advisor of housing corporations at Finance Ideas. He is member of the Investment Committee of Amvest Residential Core Fund.

Marlies van Elst

Marlies van Elst was COO of ING Bank in Belgium and Poland and member of the Operations & IT Management Team of ING Group. She is member of the Supervisory Board of Bank Mendes Gans and member of the Supervisory board of Ctac.

Leonard Geluk

Leonard Geluk is general director of the Association of Netherlands Municipalities (VNG). Formerly he was Councilor Youth & Education at the municipality of Rotterdam.

Femke de Vries

Femke de Vries is professor by special appointment of Supervision at the University of Groningen and a consultant in behavior, culture and leadership.

6.2 Composition of the Supervisory Board and committees

At the Annual General Meeting 2023, Huub Arendse was reappointed as a member of the Supervisory Board for a second four-year term. The composition of the Supervisory Board as of 31 December 2023 is shown in the table below. As the table shows, two vacancies will arise on the Supervisory Board in 2024. The Supervisory Board will nominate two people to fill these positions at the Annual General Meeting 2024.

The Supervisory Board has ample knowledge of and experience with the relevant business units of BNG Bank, the markets within which the bank operates and the specific characteristics of public stakeholders. The current or most recent principal position held by each member of the Supervisory Board is stated on the following pages. Ancillary positions held by Supervisory Board members are mentioned in this annual report only where relevant. A register of all reported ancillary positions is published on the website. All Supervisory Board members are independent within the meaning of the best practice provisions of the Dutch Corporate Governance Code.

The Supervisory Board monitors the policies of the Executive Committee and its implementation of the strategy, as well as the general state of affairs in the company. In doing so, the Supervisory Board focuses on long-term sustainable value creation for BNG Bank's clients and for society. The Supervisory Board also monitors the effectiveness of the internal risk management and control systems as well as the integrity and quality of the financial and non-financial reporting. Depending on the situation, the Supervisory Board performs the role of supervisor, employer or adviser to the Executive Committee.

The Supervisory Board has four committees: the Audit Committee, the Risk Committee, the HR Committee and the Remuneration Committee, which carry out preparatory work for decision-making by the Supervisory Board. In principle, meetings of Supervisory Board committees take place one week prior to full Supervisory Board meetings. The committees present written and verbal reports at Supervisory Board meetings. If the approval of the Supervisory Board is required, the committee concerned gives advice to the Supervisory Board.

In 2023, the attendance rate was 100% for Supervisory Board meetings (2022: 98%) and 90% for committee meetings (2022: 96%). The attendance rate for all meetings combined was 95% (2022: 96%).

6.3 Activities of the Supervisory Board

Meetings and topics of discussion

The Supervisory Board met seven times in 2023. Regular meetings of the Supervisory Board are attended by the members of the Executive Committee, and by the external auditor by invitation. Prior to meetings of the Supervisory Board, a private session is held in which only members of the Supervisory Board may participate. At the start of every meeting of the Supervisory Board, it is established whether there are any conflicts of interest.

In 2023, the Supervisory Board was kept informed through quarterly reports of the progress of the ongoing strategic programme and of relevant internal developments. Throughout the year, the Supervisory Board and the Executive Committee regularly discussed prioritisation and the need for decisive action.

The Supervisory Board was closely involved in the process that led to the decision to re-insource the core processes around payment transactions. A delegation from the Supervisory Board closely examined specific issues, such as the applicable security requirements, the risk analysis, the phasing of the project, the embedding of the payment transactions within BNG Bank and the criteria for the ultimate go/no-go decision. These topics were also discussed in the full Supervisory Board meetings.

Client groups and client segmentation not only received attention in meetings, but the Supervisory Board also met with clients directly to discuss their activities and dilemmas, as well as the services provided by BNG Bank. A stakeholder survey was performed, which gave the Supervisory Board valuable insights into the positioning of BNG Bank in the eyes of its clients and other stakeholders.

The period of the ‘Our Road to Impact 2021-2023’ strategy expired in 2023. In 2023, the Supervisory Board was regularly informed about the progress made on the strategy, as a result of which the reporting on this topic was further refined in 2023. The success of and experiences with the first period of ‘Our Road to Impact’ formed the basis for a further recalibration of the strategy for the period 2023-2026, which is reported on in more detail elsewhere in this annual report. The Supervisory Board is very pleased with the recalibrated strategy and will monitor its implementation in the same way as before.

In relation to the strategy, the Supervisory Board was informed about how BNG Bank implements ESG and the associated laws and regulations in the provision of its services and in its business operations. The progress made by BNG Bank in the ESG area is regularly discussed by the full Supervisory Board.

Throughout the year, the Supervisory Board was updated on commercial and financial performance developments. The Supervisory Board looks back with satisfaction on the commercial results achieved in an increasingly competitive market. The financial results are also a source of satisfaction. The development of interest rates certainly made a positive contribution to those results.

The Supervisory Board discussed the progress of the 2023 funding programme, including the issue of ESG bonds. In those discussions, special attention was given to the impact of particular developments in the market, such as the rapid rise of interest rates.

In 2023, the Supervisory Board devoted a great deal of attention to the further development of the COO and CCO organisation within BNG Bank. It also closely monitored the progress of the projects launched to improve the lending process, further automate transaction monitoring and complete the KYC project. The Supervisory Board is pleased with the progress made.

In its meetings, the Supervisory Board regularly discussed developments in the IT area within BNG Bank, such as IT security and developments at Centric FSS, an important outsourcing party of the bank.

Finally, the Supervisory Board discussed and approved the annual report 2023, and discussed issues and developments arising from external supervision, capital and liquidity planning and dividend policy.

Professional development

In the context of their professional development (PD), the members of the Supervisory Board and the Executive Committee keep themselves informed on specific topics and developments, both in and outside of meetings. In 2023, they discussed ESG, Climate and Environmental Risks and the Corporate Sustainability Reporting Directive (CSRD). Each year, in separate meetings with clients, the Supervisory Board and the Executive Committee devote attention to the clients of BNG Bank, the challenges they face and the role BNG Bank can play in tackling those challenges. In that context, meetings were held in 2023 with clients from the Public Housing, Housing and Healthcare sectors.

Evaluation of Supervisory Board and Executive Committee

In 2022, in accordance with the Supervisory Board Regulations and under the supervision of an external party, the Supervisory Board conducted a self-evaluation. The Supervisory Board discussed the outcome of this self-evaluation in 2023 in a private session. The general picture that emerged from the self-evaluation was positive and encouraged the Supervisory Board to continue on its current path. Points for attention included the wish of the Supervisory Board to focus more explicitly on the detailing of the strategy and on the progress of projects. The Supervisory Board stated that to increase its added value, it will continue to systematically hold bilateral meetings with individual members of the Executive Committee, including in relation to feedback from the Supervisory Board. With respect to the HR Committee, the Supervisory Board requested the Executive Committee to give greater attention to succession planning and the performance of a full management review and to add cultural and conduct-related elements to the HR Committee's agenda where possible.

The Supervisory Board is responsible for evaluating the functioning of the Executive Committee and assessing the performance of the members of the Executive Committee. It does so on the basis of individual performance and development targets for each Executive Committee member. These individual targets were discussed with all Executive Committee members in 2023.

Contacts with stakeholders

The Supervisory Board maintains contacts with stakeholders such as the Works Council, clients, shareholders, the supervisory authority, the external auditor and managers. Members of the Supervisory Board attended two consultative meetings with the Works Council in 2023. The Supervisory Board finds these meetings with the Works Council to be constructive, and appreciates the transparent and effective communication between the Supervisory Board, Executive Committee and Works Council.

The Supervisory Board's contacts with the shareholders are conducted, among other things, through the Annual General Meeting, in which the Supervisory Board renders account for its supervision. The Annual General Meeting was held on 20 April 2023. Items on the agenda included the approval of the financial statements 2022, approval of the proposed dividend, granting of discharge to the members of the Executive Committee and Supervisory Board for the performance of their duties in 2022, and the reappointment of Supervisory Board member Huub Arendse. The Annual General Meeting agreed to all the resolutions on the agenda.

In 2023, two meetings were held between the Ministry of Finance, BNG Bank's primary shareholder, and two members of the Supervisory Board. One meeting was attended by the Chair and Vice-Chair of the Supervisory Board, while the other was attended by the Chairs of the Supervisory Board and the Audit Committee. The Supervisory Board also holds annual consultation meetings with the supervisory authority, and regular meetings take place between the Chair and Vice-Chair of the Supervisory Board and the Chairs of the Audit Committee and Risk Committee. In addition, members of the Supervisory Board keep in touch with the managers of BNG Bank. Where relevant, managers attend meetings of the Supervisory Board and its committees when specific agenda items are discussed. Managers also give presentations when required. Lastly, the Supervisory Board maintains regular contacts with both the external auditor and the Internal Audit department (IAD), and oversees the performance of the external and internal auditors.

In the Supervisory Board's opinion, no situations involving conflicting interests on the part of Executive Committee members, Supervisory Board members, shareholders and/or the external auditor occurred in 2023 that were of material significance to the company and/or the relevant Executive Committee members, Supervisory Board members, shareholders and/or the external auditor.

6.4 Audit Committee

Composition and remit

The Audit Committee consists of Karin Bergstein (Chair), Jan van Rutte, Johan Conijn and Leonard Geluk. The Audit Committee supports and advises the Supervisory Board on the design op operating effectiveness of the internal risk management and control systems, the internal and external audit process, material considerations relating to financial reporting, and material risks and uncertainties for the company and its affiliate enterprise.

Working method

In addition to the Audit Committee members, the CEO and CFO, the head of the Internal Audit department (IAD), the head of Finance & Control and the external auditor participate in meetings of the Audit Committee. The Chair of the Risk Committee is also a member of the Audit Committee. The Chair of the Supervisory Board is always present during discussions concerning the annual report and half-year report. The Audit Committee holds a private session with the external auditor and the head of the IAD prior to some of its meetings. The Chair of the Audit Committee meets separately with the head of the IAD and the external auditor prior to regular Audit Committee meetings. The Audit Committee met six times in 2023, including one joint meeting with the Risk Committee.

Recurring topics

In preparation for the discussion by the full Supervisory Board, the Committee dealt with the following recurring topics.

- The Committee discussed the financial statements and annual report 2022, and gave a positive recommendation to the Supervisory Board with regard to approval of the financial statements and of the corporate governance statement included in the annual report.
- The Committee gave a positive recommendation on the proposal to make a dividend of 50% of the net profit for 2022 available for distribution.
- The Committee also gave a positive recommendation to the Supervisory Board in respect of the half-year report 2023, after discussing the findings of the external auditor.
- The Committee was kept up to date during the reporting year through quarterly reports on key figures, developments and forecasts concerning commercial aspects, profitability, solvency, capital, liquidity and funding. In discussions about the quarterly reports, the Committee gave special attention to developments in turnover, the interest result, costs and the result on financial transactions.
- The Committee specifically advised the Supervisory Board on BNG Bank's annual plan and budget for 2024, which included giving advice on the information about the principles for the multi-year forecasts, as well as on the bank's funding plan for 2024.
- The Audit Committee monitors the work of the IAD in every meeting. This involves discussing the key findings of the IAD and the follow-up given to these findings.
- the Committee advised the Supervisory Board on the periodic updating of the Audit Charter and the Tax Policy.

Key points for attention

- Prior to the discussion of the annual report and financial statements by the full Supervisory Board, the Audit Committee discussed the external auditor's board report on the financial statements 2022 with the external auditor. Key topics included the audit scope, materiality and the key audit issues: the provisions for loans and incurred losses and the valuation of financial instruments.
- The determination of the provisions for loans and incurred losses qualifies as a key audit matter, as BNG Bank's loan portfolio contains both guaranteed and non-guaranteed loans. The calculation of the provisions is complex and involves making judgments. The Audit Committee was informed about the calculation methods used for this and the outcomes, as well as how the external auditor formed an opinion on the provisions. The reported provisions give a true and fair view of the credit risks in the loan portfolio.

- The valuation of financial instruments is a key audit matter, because market information is not available for all instruments or because the models used are complex. For the first category of instruments, the Audit Committee discussed with the external auditor how the latter had challenged and assessed the assumptions and the method used. For the second category, the external auditor provided the Audit Committee with an explanation of the auditor's independent valuation of a number of positions. No major differences were identified as a result of this.
- With a view to the audit of the financial statements, the Committee also focused on the reliability and continuity of the automated data processing. During the reporting year, the Audit Committee gave specific attention to logical access security, change management and the KPIs for the multi-year Data Insight programme, which focuses on data warehousing, data governance and data quality.
- For the first time, BNG Bank must report on the year 2025 in accordance with the Corporate Sustainability Reporting Directive (CSRD). The Audit Committee discussed the action plan for the implementation of the CSRD, including the implementation of the double materiality analysis. It concluded that there was still a great deal of preparatory work to be done. The committee has asked for more detailed information about the planning.
- Following discussions with the external auditor about the audit plan 2023, the Audit Committee advised the Supervisory Board to approve the audit engagement set out in the external auditor's engagement letter. In the audit plan 2023, the design and effectiveness of the IT general controls have been added to the key audit matters that have already been identified.
- On two occasions, the Audit Committee received detailed information about the content of the funding plan, the progress of the funding programme and the controls at Treasury.
- The Pillar 3 Disclosure Report was another topic of discussion. The Committee concluded that the report provides an accurate, transparent and consistent picture of BNG Bank's risk profile.
- The Audit Committee assessed the updated Internal Audit Charter and presented it to the Supervisory Board for approval with a positive recommendation.
- In a joint meeting with the Risk Committee, the two committees discussed the outcomes of an on-site inspection by the supervisory authority of the bank's internal governance and risk management and the planned follow-up to the recommendations received.

6.5 Risk Committee

Composition and remit

The Risk Committee comprises Johan Conijn (Chair), Marlies van Elst, Karin Bergstein and Femke de Vries. The Risk Committee supports the Supervisory Board in its role as 'sparring partner' and in supervising the activities of the Executive Committee with regard to risk management and control of the various risks and corresponding risk areas. The Risk Committee periodically discusses the design and operating effectiveness of the internal risk management systems aimed at controlling financial and non-financial risks.

Working method

In addition to the members of the Risk Committee, the CRO and CEO, the head of the IAD, the head of Risk Management and the head of Compliance participate in meetings of the Risk Committee. Depending on the topics under discussion, the Chair of the Supervisory Board may also take part in meetings. The Chair of the Risk Committee meets at least once a year with the head of Risk Management, and at least once a year with the head of Compliance. In addition, prior to Risk Committee meetings, the Chair of the Risk Committee meets with the CRO or the head of Compliance. The Risk Committee met five times in the reporting year, including one joint meeting with the Audit Committee.

Recurring topics

In preparation for the discussion by the full Supervisory Board, the Committee dealt with the following recurring topics.

- The Committee discussed the annual plans for 2023 and 2024 of the Risk Management, Compliance and Security departments.
- Each quarter, the Risk Committee discussed the Integrated Risk Report, which a joint report by Risk Management, Compliance and Security, followed by recommendations to the Executive Committee from the second line. In the Integrated Risk Report, Risk Management reports on the bank's risk profile in relation to the risk appetite approved by the Supervisory Board. This concerns developments in the bank's credit, market, liquidity, operational and strategic risks. The Compliance department reports on integrity risks, compliance with existing laws and regulations, and preparations for and the implementation of new laws and regulations. The third pillar of the Integrated Risk Report is the report from the Security department.
- The Risk Committee received extensive information about the cascading of the Risk Appetite Statement (RAS): the system of limits, targets and reference figures that forms the basis for the Risk Report. In response, the Committee discussed the creation of standards, the effectiveness of key controls and the wish to tighten up the wording used for the definition of operational risks. The Committee handled the preparations for the adoption by the Supervisory Board of the RAS 2024 and discussed the updated Recovery Plan, giving the Board positive recommendations for both documents.
- The Committee discussed the Risk section of the annual report 2022 and presented it to the Supervisory Board for approval with a positive recommendation.
- The Risk Committee discussed the outcome of the Systematic Integrity Risk Analysis (SIRA) 2022 and observed that the SIRA is becoming better embedded in the organisation. Where possible, actions to be taken in response to the SIRA were included in existing plans. It is important not to lose sight of any action points and to ensure they are implemented as planned.
- The Committee handled the preparations for the discussion by the full Supervisory Board of the final letter from the supervisory authority on the Supervisory Review and Evaluation Process (SREP) 2023. It acknowledged the validity of the observations and recommendations of the supervisory authority.
- Finally, the Risk Committee discussed the updated Recovery Plan and associated Playbook and gave the Supervisory Board a positive recommendation.

Key points for attention

- The Risk Committee discussed the compliance risk with regard to laws and regulations, particularly in relation to the outcomes of the Regulatory Compliance Framework, the system of internal

measures used by the bank to ensure timely implementation of new laws and regulations.
- In the discussion on the bank's strategic risk profile, the Committee considered the question of how, with its standard prices for lending, the bank could maintain a balance between achieving a particular market share and achieving a return.
- The Risk Committee gave special attention to the European legislation on non-performing exposures (NPEs), particularly a provision in this legislation that required BNG Bank to recognise provisions for guaranteed loans in certain circumstances. The legislation was ultimately amended on this point.
- In the discussion on the operational risk profile, the Committee paid specific attention to the operational risks arising from outsourcing.
- The Committee was informed in detail about how BNG Bank implements ESG principles and the associated laws and regulations in its service provision and business operations. Special attention was given to managing climate and environmental risks and to the bank's preparations for the introduction of the CSRD. Given the importance of these points, they were discussed in a meeting of the full Supervisory Board, and the Risk Committee was given responsibility for monitoring progress in relation to the risks.
- The Committee gave a great deal of attention to IT security, a topic that requires and receives ongoing attention from the bank. The strengthening of first and second-line security and the design and operating effectiveness of the IT general controls were discussed.
- The strategic decision by the bank to re-insource the core processes around payment transactions provided an added reason to pay close attention to IT security. In separate sessions, several members of the Committee examined specific aspects of this major project in depth, such as the applicable security requirements, the risk analysis, the phasing of the project, the embedding of the payment transactions within BNG Bank and the criteria for the ultimate go/no-go decision.
- BNG Bank conducted a deep dive into the development of the risk profile of the healthcare sector and shared the outcomes with the Risk Committee. The Committee agreed with the conclusion that the uncertainties the healthcare sector is facing are no reason for the bank to change its sector policy.
- The Committee looked closely at the outcomes of the on-site inspection by the supervisory authority of the bank's internal governance and risk management and the planned follow-up to the recommendations received. The Committee sees the outcomes as a good benchmark for the maturity level of the bank's operational risk management. The action plan for strengthening operational risk management and the progress of its implementation were discussed in a combined meeting with the Audit Committee.

6.6 HR Committee

Composition and remit

The HR Committee consists of Huub Arendse (Chair), Femke de Vries and Leonard Geluk. The responsibilities of the HR Committee include the recruitment and selection of Supervisory Board members and of Executive Committee members under the Articles of Association, the periodic evaluation of the performance of the Supervisory Board and the Executive Committee as a whole, and the assessment of the performance of individual Supervisory Board members and Executive Committee members under the Articles of Association. The HR Committee also oversees BNG Bank's broader HR policy. The committee prepares the Supervisory Board's decision-making in this regard and thus supports the Supervisory Board in its role as an employer.

Working method

In addition to the members of the HR Committee, the CEO and the head of HR participate in the meetings of the HR Committee. The HR Committee met five times in 2023.

Recurring topics

- A recurring topic in meetings was the progress of the HR strategy, which BNG Bank reports on each quarter in the HR Dashboard. In response to these reports, the Committee discussed changes in the workforce, including regretted losses, and the time it takes to fill vacancies. The HR Committee found that the recruitment tool designed in 2023 resulted in vacancies being filled more quickly.
- The HR Committee had extensive discussions on the outcomes from the regular staff survey, particularly the reported eNPS score and the development of this score and management's role in addressing points for attention.
- In the reporting year, the Committee handled the preparations for the Supervisory Board's decision to reappoint Huub Arendse as a Supervisory Board member and for the nominations for the vacancies that will arise in 2024 following the departure of Johan Conijn and Jan van Rutte.
- The HR Committee discussed succession planning and the process and outcomes of the annual strategic personnel planning
- Finally, the Committee carried out preparatory work for the annual self-evaluation of the Supervisory Board.

Special topics

A great deal of attention was given to the outcome of a governance study conducted by the IAD, which focusing on the following question: what are the 'soft controls' in the culture of BNG Bank that support or impede the implementation of the bank's strategic programme? The HR Committee established that the Executive Committee had acknowledged the outcomes of the IAD's study and had taken steps to tackle the soft controls impeding the implementation, such as by strengthening the roles and responsibilities of direct reports in the strategy process and by sharing the outcomes of the study with the entire organisation.

6.7 Remuneration Committee

Composition and remit
The Remuneration Committee consists of Femke de Vries (Chair), Huub Arendse and Leonard Geluk. The Remuneration Committee handles the preparations for the decision-making by the full Supervisory Board on the remuneration of the Supervisory Board, the Executive Committee and senior management, including decisions on remuneration that have consequences for risks and risk management within the company. As with the activities of the HR Committee, this work primarily relates to the Supervisory Board's role as an employer.

Working method
In addition to the members of the Remuneration Committee, the CEO and the head of HR participate in the meetings of the Remuneration Committee. The Remuneration Committee met twice in 2023.

Recurring topics
- The Committee discussed the implementation of the remuneration policy for the Executive Committee and staff in 2022 and recommended that the Supervisory Board approve the policy.
- The Committee gave specific attention to the remuneration of employees who could have a material impact on the bank's risk profile (Identified Staff). In connection with this, the Executive Committee was requested to provide the HR Committee with more in-depth insight into the differences in remuneration among the Identified Staff.
- The Committee also took note of the outcomes of the annual risk analysis with respect to the restrained remuneration policy. The analysis did not identify any points for attention where a decision by the Supervisory Board was necessary or desirable; the remuneration policy contributes to effective risk management and does not provide an incentive to take more risk than is acceptable.
- The Committee advised to the Supervisory Board on the Remuneration Report (published on the website). In this report, the Supervisory Board reports on the remuneration policy for the Executive Committee and staff, and on the implementation of the remuneration scheme for the Supervisory Board.

Special topics
- The Remuneration Committee gave a positive recommendation to the Supervisory Board on the proposal to shareholders to update the remuneration policy for the Executive Committee and on a number of minor changes to the remuneration policy for staff.

7 Supplementary Information

7.1 Reporting principles

In its annual report 2023, BNG Bank accounts for its activities during the financial year 2023. The annual report represents a balanced and complete analysis of the situation on the balance sheet date and the development and results during the financial year, and it contains financial and non-financial performance indicators.

Guidelines used and scope of reporting

Legislation and reporting guidelines

BNG Bank prepares the annual report in accordance with Article 2:391 of the Dutch Civil Code (BW) and the EU guidelines 'Annual financial statements, consolidated financial statements and related reports of certain types of companies' (2013/34/EU) and is in accordance with the GRI Standardaarden (Sustainability Reporting Guidelines of the Global Reporting Initiative). The annual report provides an overview of BNG Bank's most important developments and performance in 2023 and shows how the bank deals with opportunities, risks and uncertainties. The annual report is based on the topics identified as material by the ExCo and stakeholders.

Scope of the annual report

The annual report includes non-financial information for the calendar year 2023. In this way, stakeholders are informed about BNG Bank's social role, which is related to its mission, strategy and objectives. The information in this report relates to BNG Bank N.V., including its subsidiaries. In 2023, (potential) acquisitions were not discussed. In 2023, the subsidiary Hypotheekfonds voor overheidspersoneel was liquidated. The performance of suppliers, funding sources, customers and other parties in the chain is not included in the figures.

Data collection

The quantitative and qualitative information in this annual report was collected through desk research and interviews. Sources of data include personnel files, financial reports, incident records and records of reports from internal confidential advisers and the Compliance Officer. Information was provided by the Compliance, Finance & Control, HR, Risk Management, Security and Treasury and Capital Markets departments. Interviews were conducted with staff from the Business Strategy & Control, Relationship Banking and Lending departments, among others. BNG Bank follows the GRI Standards to ensure the quality of the data included in this annual report. The non-financial data in this report relates to 2023. Where possible, data and results from previous years are also reported.

Codes and guidelines observed

BNG Bank endorses a number of codes of conduct and international conventions and guidelines. BNG Bank has undertaken to comply with the Dutch Banking Sector Agreement on international responsible business conduct regarding human rights (2016). Pursuant to this agreement, since 2020 BNG Bank has applied the Equator Principles, a risk management framework for determining, assessing and managing environmental and social risk in projects. Along with other financial institutions, BNG Bank committed to the Climate Agreement in 2019. BNG Bank endorses the future-oriented banking package of the Dutch Banking Association (NVB), which includes the Social Charter, the Dutch Banking Code and a set of rules of conduct associated with the banker's oath. Through this package, the banking sector explicitly states how it strives for service-oriented and sustainable banking. BNG Bank adheres to the recommendations of the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, and has implemented these recommendations in its relevant procedures. BNG Bank complies with the provisions of the Dutch Corporate Governance Code (revised version 2022), including by ensuring that its working methods align as closely as possible with the Code. An overview of compliance with the principles and best practice provisions of the Dutch Corporate Governance Code can be found on BNG Bank's website.

Management cycle

The Executive Committee is responsible for strategy and company objectives as well as the content and implementation of policies. Senior management, who report directly to the Executive Committee, are responsible for achieving the objectives in accordance with the policy frameworks and for measuring performance. The Executive Committee monitors policy implementation and achievement of the objectives on the basis of monthly or quarterly reports prepared by senior management, heads of department and control functions. Where necessary, adjustments are made based on the progress against the objectives. Performance against the set objectives is externally reported in the annual report. In preparation for the annual management cycle, the Executive Committee and senior management evaluate the policies and set objectives. The lessons drawn from the evaluation are incorporated into the subsequent management cycle and reported to the Supervisory Board. New policies and procedures are assessed for consistency with existing policies and procedures, and implemented through staff meetings and publication on the intranet. The policies, procedures and support systems of BNG Bank and its subsidiary are subject to internal audits.

Sustainability reporting

Promoting the financing of sustainable activities is an important goal of the European Commission under the European Green Deal. To this end, laws and regulations have been published which financial institutions are increasingly required to comply with. These include the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy, both of which will apply to BNG Bank from 2025. Companies within scope of the CSRD are required to include sustainability information in the annual report accompanying their financial statements. In 2023, BNG Bank began implementing the steps required to comply with this Directive. As part of this implementation, a double materiality analysis was introduced, and processes and IT systems were created to support the collection and processing of data to enable the publication of sustainability information required from 2025.

The EU Taxonomy was drawn up to create a uniform definition of sustainable activities. BNG Bank endorses the objective of the EU Taxonomy. Because of its public character, BNG Bank plays an important role in the transition to a more sustainable society. However, the EU Taxonomy does not appear to be readily applicable to the business model of BNG Bank as a public bank. The clients of BNG Bank are mainly government or government-affiliated institutions (such as housing associations) to which we provide balance sheet financing. The vast majority of these clients are not within scope of the CSRD or EU Taxonomy and are thus outside the scope of the activities that can be regarded as 'green' for the purpose of determining the Green Asset Ratio (GAR). BNG Bank's GAR for the financial year 2025 is therefore expected to be extremely low (< 2%).

To be able to voluntarily report with respect to the EU Taxonomy, BNG Bank is dependent on the willingness and ability of borrowers to provide information voluntarily. Many clients and client sectors will have little to no ability to do so by 2025. BNG Bank is discussing with the various sectors how and to what extent they may be able to provide the required information in the future.

Principles and methods used to determine loan portfolio CO_2e-emissions

Methodology

To calculate the greenhouse gas emissions caused by our loan portfolio, we use the PCAF methodology. BNG Bank has been using this methodology since its annual report 2019, in which it calculated the financed emissions of its lending in 2018. Of the asset classes listed in the PCAF methodology, 'Mortgages', 'Commercial Real Estate' and 'Project Finance' are relevant for BNG Bank. Based on the general principles of PCAF, BNG Bank applies the following principles in its working method:

- Where possible, the seven greenhouse gases from the Kyoto Protocol are included in the calculation and converted to their CO_2 equivalents;
- Absolute emissions are expressed in metric tonnes of CO_2 equivalent (tCO_2e);
- Relative emissions are expressed in metric tonnes of CO_2 equivalent per million euros (tCO_2e/M€);
- The attribution method is applied. This means that BNG Bank reports only its own share of a client's emissions. This share is determined by comparing the financing provided by BNG Bank to the balance sheet total of the client or project. This share is also known as the 'attribution factor'. The client emissions attributable to BNG Bank are calculated by multiplying the attribution factor of that client (or project) by the client's total emissions. To calculate the attribution factor, all types of financing provided (both shares and loans) must be taken into account in the calculation. Any deviations must be explained;
- In principle, Scope 1, Scope 2 and the relevant parts of Scope 3 activities are taken into account in calculating emissions. When this approach is deviated from, the reasons for this must be explained.
- To enable monitoring of the development of financed emissions, it's important that the annually reported emissions data are consistent and comparable. The methodology for calculating emissions is still being developed. As a result of continuous improvements in the availability of data and/or advances in methodology, more accurate calculations will be possible in the future. If a change in methodology occurs due to which emissions from different years are longer comparable, BNG Bank will recalculate the emissions for both the previous reporting year and the reference year 2018 based on the new methodology;
- The follow-the-money principle is applied in measuring the CO_2e emissions of financial assets. Financing must be traced as far as possible along the chain in order to understand the consequences of CO_2e emissions for the economy. This means BNG Bank also attempts to calculate the Scope 3 emissions of clients and other assets.

Data used

Due to the timing of data availability, reported CO_2e emissions are based on data for the year preceding the bank's reporting year. The emissions calculations for the reporting year 2023 are therefore based on the bank's outstanding loans at year-end 2022. To calculate the emissions associated with these loans, data from 2022 is used, and in some cases data from 2021.

Emissions have been calculated for 90% of the loan portfolio. The table 'CO_2e emissions associated with the loan portfolio in 2022' shows for each segment what percentage of the portfolio was included in the emissions calculations. BNG Bank aims for 100% coverage of the loan portfolio in the near future.

The financed emissions of BNG Bank are calculated by the research firm Het PON & Telos. Our clients' emissions are derived from or calculated using public data, including data from three energy suppliers (Enexis, Liander and Stedin), Statistics Netherlands (CBS), the Dutch Land Registry Office, the Human Environment and Transport Inspectorate (ILT), the CBIG (implementing body of the Ministry of Health, Welfare and Sport), the Education Executive Agency (DUO), and sustainability reports from the financed institutions. The emission factors used come from www.CO2emissiefactoren.nl.

Every year, BNG Bank and Het Pon & Telos try to improve the methodology, for example by changing the calculation method or using alternative data sources. The following changes were made for the reporting year 2023:

- Housing associations: In contrast to the previous year, emissions are no longer calculated on the basis of energy data from Statistics Netherlands; instead, calculations are based on energy data obtained from energy suppliers. This has not led to increase of the PCAF data score, but it has generated more recent data. In the case of the reporting year 2023, calculations are now based on energy data from 2022 rather than 2021.
- Municipalities: The new calculation method no longer looks only at the real estate owned by municipalities as an organisation; instead, it looks at all real estate owned by municipalities. This also includes sports centres and cultural institutions, for example. This expansion resulted in an increase of Scope 1 and 2 emissions compared with the methodology used for the reporting year 2022.
- Education: In previous years, the Scope 1 and 2 emissions of educational institutions were calculated on the basis of the costs incurred by each institution for water and energy. Based on assumptions, these costs were converted into estimates for natural gas and electricity consumption. Under the new approach, the energy consumption of educational institutions is obtained from energy suppliers based on the parcels of land owned by each institution as registered by the Dutch Land Registry Office. This new method has led to a more accurate estimate of the emissions resulting from gas and electricity consumption.

To enable an assessment of the development of emissions over the years, the emissions from the relevant segments were recalculated for 2018 (the reference year) and 2021 based on the new methodology. In most cases, this recalculation resulted in a drop in the calculated CO_2e emissions for 2021 and 2018. For more details on the data used for each client segment and the effects of the change in methodology, please refer to BNG Bank's PCAF report 2023 on our website.

Data quality

For each asset class, the PCAF platform has created a framework to assess the quality of the data and assign a score based on this assessment. These scores range from 1 to 5, with 1 being the highest. BNG Bank's PCAF report 2023 gives the PCAF data quality score for each element of each emissions calculation. The data quality for each segment may be different for Scope 1, 2 and 3 emissions calculations. Using a weighted average, these different quality scores are combined into a single PCAF data quality score for each segment.

Due to the changes in the method for calculating the Scope 1 and 2 emissions of municipalities and educational institutions, the PCAF data quality score for these calculations has improved. Both segments have seen their scores change from 4 to 3. The PCAF data quality score for housing associations has remained the same. Although the data used is now more accurate and recent, the PCAF data quality score remains at 2. The score can improve to 1 only if audited emissions data from the client is used, or energy data for the current reporting year, in this case 2023.

For more detailed information on the PCAF data quality score for each element of the emissions calculations, please refer to Section 3.2 of BNG Bank's PCAF Report 2023.

Calculation of CO2e-emissions of internal business operations

To monitor progress, BNG Bank reports the CO2e-emissions of its own business operations each year on the basis of Scope 1, Scope 2 and Scope 3 of the Greenhouse Gas (GHG) Protocol. BNG Bank uses 2010 as the baseline year for its CO2e-emissions. Since that year, BNG Bank has registered its CO2e-emissions on an annual basis. CO2e-emissions are calculated for all business units that fall within BNG Bank's operational control. Up to and including 2012, BNG Bank applied the international conversion factors stated in the GHG Protocol, those of the Department for Environment, Food and Rural Affairs (Defra) in the UK, and those set out in the EC IPPC (Industrial Emissions) Directive. Because BNG Bank is active in the Dutch market, in 2013 the bank transitioned from applying the international conversion factors to using the standard conversion factors generally accepted in the Netherlands, in accordance with the CO2e-performance ladder. The Scope 1 emissions currently only include the emissions of petrol and diesel lease cars from BNG Bank. Scope 2 emissions are location based, in conformity with the GHG Protocol. Green power is extrapolated as climate-neutral (0 grams CO2/kWh). The CO2 emissions generated by district heating are calculated using an STEG emissions factor of 29.42 kg/GJ, in line with the most recent statement from the supplier. In contrast to the CO2e-performance ladder, business flights are attributed to Scope 3.

7.2 Glossary

Attractive and future-proof work environment : BNG Bank has a working environment in which talent can develop and with which new talent can be attracted.

Asset & Liability Committee (ALCO): The Asset & Liability Committee manages and monitors the bank's liquidity, market, refinancing and solvency risks.

Attracting and retaining talent - Regretted Loss: Based on 8 criteria, the outflow of personnel is assessed whether this is a regretted loss. This is calculated as the number of regretted losses identified as divided by the total number of internal employees who have left the company.

Attract and retain talent - Time to hire: We are able to attract qualified staff within 68 days. This is calculated for all vacancies with the exception of vacancies for the Executive Committee and senior management, as this is done through a separate process.

Bond: Tradable proof of participation in a loan, with a fixed nominal value on which interest (usually fixed interest) is paid. The loan is repaid after the term expires. A bond is sustainable if the funds obtained from issuing the bond are used solely for sustainable projects.

CDD timely finished: This KPI is calculated by dividing the number of customers with an expired KYC date by the total number of customers with a CDD obligation

CEO: Chief Executive Officer, chair of the ExCo and the statutory board

CCO: Chief Commercial Officer, member of the ExCo

CFO: Chief Financial Officer, member of the ExCo and the statutory board

Compliance: Complying with laws and regulations and working according to the standards and rules that an institution has drawn up itself.

Compliance Risk: The risk of insufficient compliance with or recognition of companyvalues, codes of conduct, generally accepted social norms and values, laws and regulations, and supervisory requirements. Compliance risk includes integrity risk and regulatory compliance risk.

Compliance Management Framework: Policies, working conditions, roles and responsibilities to ensure that BNG Bank properly complies with applicable laws and regulations, thereby reducing and manageable the risk of financial or reputational loss due to insufficient compliance with laws and regulations.

COO: Chief Operating Officer, member of the ExCo

Corporate governance: Corporate governance is the system of principles and best-practice provisions regulating relations between the Executive Committee, the Supervisory Board and the General Meeting of Shareholders. The Dutch corporate governance model is characterised by the two-tier board structure, which provides for a Supervisory Board with supervisory duties and a managing body with executive management duties.

Credit Committee STMP: The Credit Committee for statutory market partners is tasked with taking individual credit decisions within the Credit Committee's mandate.

Credit Committee Treasury: The Credit Committee Treasury is mandated to set and manage the credit policy of financial counterparties and to approve individual agreements with financial counterparties.

Credit Policy Committee STMP: The Credit Policy Committee for statutory market partners is mandated to establish and manage the credit risk policy for statutory market partners and to monitor the implementation of this policy.

CRO: Chief Risk Officer, member of the ExCo and the statutory board

Customer Due Diligence Policy (CDD): A policy to ensure that banks know and monitor their clients well in order to prevent and combat financial and economic crime. This policy enables banks to fulfil their important gatekeeper function, the aim of which is to prevent funds obtained through financial and economic crime from gaining access to the financial banking system.

Data security and high-quality data - Change: Data lineage of the in-scope reports must be realized and available. We have identified a number of internal reporting areas. This KPI is used to measure the extent to which the reports in question contain all the key information attributes.

Data security and high-quality data - Process: Delivery reliability and predictability of the teams is between 80% and 120%. This percentage is calculated by dividing the realized backlog items on the initially planned backlog items.

Data security and high-quality data - Run: Reliability of Data Warehouse. By means of the number of reported incidents (with some impact and high impact) we measure quality and stability with this indicator.

Services of general economic interest (SGEI): Economic activities which serve a public interest and which cannot normally be carried out in a profitable manner. As a result, undertakings entrusted with an SGEI may be compensated.

Efficient organisation: Control of processes within the risk appetite. This control is measured on the basis of 7 indicators for 8 main departments.

ESG bond: A bond issued in line with BNG Bank's Sustainable Finance Framework.

Executive Committee (ExCo): BNG Bank's management body in its executive function

Full-time equivalent (FTE): A unit to measure the scope of an employment contract or the workforce. Within BNG Bank, one FTE represents one employee with a full-time working week of 36 hours.

Funding: Raising short-term and long-term capital in various currencies in international money and capital markets.

Global Reporting Initiative (GRI): Sustainability guidelines for reporting on economic, social and environmental performance.

Integral Portfolio Committee: The Integral Portfolio Committee's task is to maintain an overview, insight into and to monitor the manageability of BNG Bank's total change portfolio.

Integrated Reporting: Reporting framework originating from the International Integrated Reporting Council (IIRC) resulting in an integrated report covering value creation: the external environment influencing the organisation, the incoming and outgoing resources and the way that the organisation interacts with the external environment. The value creation model is used to record the results.

Internal Governance Framework (IGF): Overview of the internal governance organisation that forms the basis for internal decision-making. The IGF describes the Three Lines of Defence model and the position of risk management within this model.

Laws and Regulations: Timely completion of more than 95% of Customer Due Diligence investigations. This KPI is calculated by dividing the number of customers with an expired KYC date as of 12/31/2023 by the total number of customers with a CDD obligation.

Leverage ratio: The ratio between a bank's Tier 1 capital and the adjusted balance sheet total.

Liquidity risk: The risk of losses to earnings and capital due to the possibility, at any given time, that the bank will not be able to fulfil its payment obligations without incurring unacceptable costs or losses. Liquidity risk comprises of short-term liquidity risk and long-term liquidity risk (or refinancing risk).

Loans subject to solvency: Loans for which regulations require a certain amount of equity to be held as a buffer against the risk of non-repayment.

Long-term lending: The provision of loans with a term of more than one year.

Market leader in the public domain : BNG Bank wants to be market leader in the public domain by financing governments and public/social organisations. As an indicator the scoring percentage for new long-term loans is used. This is calculated as the volume of actually concluded long-term loans divided by the volume of loans that clients requested a quotation for.

Market risk: The risk of losses to earnings and capital due to the fluctuation of market prices. Market risk includes the interest rate risk, exchange risk and fluctuations in credit spreads and liquidity spreads.

Material topics: Topics identified using the 'materiality analysis' which are sufficiently important to be reported on in the annual report.

Materiality analysis: Process in which it is determined with input from stakeholders which topics, known as 'material topics', are sufficiently important to be reported on in the Annual Report.

Net promoter score (NPS): In order to calculate the NPS, BNG Bank asks how likely it is that a client recommends the bank to a colleague or relation. Clients can answer with a score on a 0-10 scale, with the following distribution: promoters (9 or 10); passives (7 or 8); detractors (0-6). NPS is calculated as the percentage promoters minus the percentage detractors.

Non-Financial Risk Committee: The Non-Financial Risk Committee (NFRC) supports the ExCo on issues that fall under operational, compliance and security risks, including the impact that ESG factors may have on this risk.

Operational risk: The risk of losses of earnings or capital due to shortcomings of internal processes, people and systems, or as a result of external events. Operational risk comprises process risk, people risk, model risk, IT risk, data management risk, outsourcing risk, legal risk, business continuity risk and external event risk.

Partnerships and social impact of customers on five SDGs: Reduction of CO2 emissions by customers greater than 0%.

Promotional loan: A loan granted directly or via an intermediary credit institution, by a credit institution under public law or an entity established by the central, regional or local government of a member state, on a non-competitive, not-for-profit basis, in order to promote the policy objectives of the central, regional or local government of a member state of the European Union.

Rating: Rating of the creditworthiness of banks, the ability of banks to meet their obligations. The assessment is carried out by independent credit rating agencies, such as the recognised credit rating agencies Moody's, Fitch and Standard & Poor's.

Reduction of CO_2 emissions: The Greenhouse Gas Protocol (GHG protocol) forms the basis for the CO2-registratie.In compliance with Partnership for Carbon Accounting Financials (PCAF) uses a methodology that operates according to the basic accounting principles of completeness, consistency, transparency, prudence, balance, and accuracy.

Return on equity (ROE): Calculated by dividing the net profit minus the distributed dividend on additional Tier 1 capital divided by the aggregate of the equity minus the additional Tier 1 capital and the unrealised reserves at the start of the financial year. The unrealised reserves are the revaluation reserve, the cash-flow hedge reserve, the own credit adjustment and the cost of hedging reserve.

Risk Appetite Framework (RAF): Includes policy, processes, controls and systems used to determine, communicate and monitor the bank's risk appetite, including the Risk Appetite Statement, risk limits and an overview of the roles and responsibilities of those who supervise the implementation and monitoring of the framework.

Risk Appetite Statement (RAS): Description of the risks that the bank wishes to accept in order to achieve its objectives.

Risk management and risk control: Identifying and controlling potential risks in an institution's business operations.

Risk Management Framework (RMF): Consists of overarching policy on general and specific risk-related topics: risk governance, risk appetite framework and specific risks, and is tailored to the specific company profile. The framework forms part of the Internal Governance Framework.

Scope 1: Direct CO_2 emissions caused by fuels that the institution itself purchases and consumes. This concerns emissions from the institution's own buildings and transport and production-related activities.

Scope 2: Indirect CO_2 emissions in the business operations of the institution. This concerns the consumption of electricity and heat, physically generated elsewhere.

Scope 3: Other indirect CO_2emissions for which the institution does not itself handle procurement, as well as direct emissions beyond the institution's direct control. This includes, among other things, the commuting by employees of the institution without lease cars and the consumption by external parties from which the institution procures services (such as air travel).

Scoring percentage: The volume of actually concluded long-term loans divided by the volume of loans that clients requested a quotation for.

Services of general economic interest: Economic activities that serve the public interest but could not typically be carried out profitably (DAEB: Diensten van Algemeen Economisch Belang). This allows companies assessed with a DAEB to be compensated.

Social impact: BNG Bank's impact on social issues, translated into SDGs.

Social Return On Investment (SROI): Agreement between the contracting authority (government) and the contractor regarding the provision of a social contribution as part of the contract. An SROI obligation can be met by deploying people who are at a disadvantage on the labour market in the execution of the contract, or by making a social contribution by purchasing from a social enterprise or by carrying out a social activity.

Solvency-free loans: Loans for which no equity is required because they are considered to be (virtually) free of credit risk. Loans to or under guarantee from the Dutch government are considered to be (nearly) free of credit risk.

Stakeholders: Groups or individuals who can reasonably be expected to be significantly affected by the institution's activities, products or services and/or whose actions affect the ability of the institution to implement its strategies or achieve its objectives.

Strategic risk: The risk that an organization's strategic decisions result in losses of earnings and capital due to changes beyond its control with regard to political climate, regulatory developments, reputation, business climate and ESG.

Supervisory Board (SB): BNG Bank's management body in its supervisory function.

Sustainability anchored in business processes: In 2023, we will be building an integrated Sustainability policy. The KPI is made up of four milestones:
1. Embedding in the strategy: longlist of material themes for strategic decision-making,
2. Embedding in the strategy: shortlisted material themes for strategic decision-making,
3. Developed sustainability ambition and strategy and
4. Sustainability policy ready.

Sustainable Banking Committee (SBC): The SBC's mission is to ensure that BNG Bank has, implements and reports on an integrated sustainability policy.

Sustainable Development Goals (SDGs): 17 sustainability goals aimed at ensuring peace and prosperity for people and the planet, now and in the future. These goals are endorsed by all member states of the United Nations in 2015.

Sustainable Finance Framework: Framework in line with which various types of sustainable financial instruments can be issued, such as bonds, loans, commercial papers and deposits.

Three Lines of Defence: Risk management framework that spreads responsibility for operational risk management across three roles. Line management in the first line is the owner of and directly manages risks. The second line supervises the first line, determines policy, defines risk tolerance limits and ensures that these are observed. The third line, consisting of internal audit, provides independent assurance of the first two lines.

Tier 1 Capital ratio: Ratio between the core Tier 1 capital of a bank (equity and reserves) and total risk-weighted assets. The Tier 1 capital ratio is an important measure of the financial strength of a bank.

Value creation and the value creation model: Value creation models in integrated reporting provide stakeholders with an understanding how the business model of a company create value on the short-, medium- and long term.

7.3 CO_2 Emissions associated with the loan portfolio

CO2e-emissions related to the loan portfolio

Segment	Subsegment	Amounts outstanding as of 31-12-2022 (EUR mln)	Portion of outstanding amounts with emission calculation (%)	CO2e-emissions, scope 1, 2 en 3 (kton CO2e)	Emission-intensity, scope 1, 2 en 3 (ton CO2e/ EUR mln)	PCAF data quality score (1 = highest score)
Housing	Housing associations	44,815	95.3%	492	11.5	2.0
	Other	33	-	-	-	-
Public sector	Municipalities	27,061	100.0%	1,884	69.7	3.9
	Provinces	421	100.0%	13	30.8	3.9
	Water boards	197	100.0%	19	97.0	2.7
	Joint arrangements	1,933	-	-	-	-
	Other	1,299	-	-	-	-
Healthcare	Healthcare	6,708	95.9%	208	32.3	3.3
Education	Education	1,057	62.2%	13	19.6	3.0
Networks	Networks	634	-	-	-	-
	Water companies	548	94.3%	20	39.4	2.2
Mobility	Mobility	1,235	90.1%	17	15.1	4.0
Other	Various	206	28.2%	0	3.7	4.0
	Energy	914	-	-	-	-
	Credit institutions	218	-	-	-	-
	Environment	679	-	-	-	-
Total		**87,958**	**90.0%**	**2,667**	**33.7**	**2.8**

Development of CO2e-emissions related to the loan portfolio

		Portion of outstanding amounts with emission calculation (%)			CO2e-emissions, scope 1, 2 en 3 (kton CO2e)			Emission-intensity, scope 1, 2 en 3 (ton CO2e/ EUR mln)		
Segment	**Subsegment**	**2022**	**2021**	**2018**	**2022**	**2021**	**2018**	**2022**	**2021**	**2018**
Housing	Housing associations	95.3%	95.1%	94.5%	492	514	635	11.5	12.5	17.3
	Other	-	-	-	-	-	-	-	-	-
Public sector	Municipalities	100.0%	99.9%	99.8%	1,884	1,887	2,010	69.7	69.3	77.4
	Provinces	100.0%	100.0%	100.0%	13	11	5	30.8	31.4	39.8
	Water boards	100.0%	100.0%	100.0%	19	19	39	97.0	93.8	169.0
	Joint arrangements	-	35.6%	-	-	0	-	-	0.0	-
	Other	-	-	-	-	-	-	-	-	-
Healthcare	Healthcare	95.9%	92.9%	88.4%	208	234	285	32.3	36.7	46.3
Education	Education	62.2%	64.6%	55.6%	13	16	16	19.6	24.3	30.0
Networks	Networks	-	-	-		-	-	-	-	-
	Water companies	94.3%	87.7%	-	20	26	-	39.4	44.3	-
Mobility	Mobility	90.1%	86.1%	58.5%	17	17	14	15.1	16.0	15.8
Other	Various	28.2%	19.0%	-	0	0	-	3.7	3.4	-
	Energy	-	-	-	-	-	-	-	-	-
	Credit institutions	-	-	-	-	-	-	-	-	-
	Environment	-	-	-	-	-	-	-	-	-
Total		**90.0%**	**90.0%**	**86.4%**	**2,667**	**2,724**	**3,005**	**33.7**	**34.7**	**42.6**

Emission intensity (tonnes CO_2e / EUR million) of scope 1 and 2 activities related to the loan portfolio

Segment	Subsegment	Scope 1 en 2 activities	Emission-intensity scope 1 and 2 (ton CO2e/EUR mln)		
			2022	**2021**	**2018**
Housing	Housing associations	Gas consumption, electricity consumption, district heating	11.5	12.5	17.3
	Other		-	-	-
Public sector	Municipalities	Gas consumption, own vehicle fleet, electricity consumption	8.4	10.2	11.2
	Provinces	Gas consumption, own vehicle fleet, electricity consumption	1.9	2.2	3.3
	Water boards	Gas consumption, own vehicle fleet, electricity consumption, purchase of heat	88.4	86.0	154.9
	Joint arrangements	Gas consumption, own vehicle fleet, electricity consumption real estate, purchased heat and electricity consumption of electric cars	-	0.0	-
	Other		-	-	-
Healthcare	Healthcare	Gas and electricity consumption	28.0	31.7	37.6
Education	Education	Gas and electricity consumption	19.6	24.3	30.0
Networks	Networks		-	-	-
	Water companies	Extraction and treatment of groundwater, gas consumption, fuel for the use of generators, own vehicle fleet, electricity consumption	30.9	34.5	-
Mobility	Mobility	Breakdown not transparent	15.1	16.0	15.8
Other	Various	Breakdown not transparent	3.7	3.4	-
	Energy		-	-	-
	Credit institutions		-	-	-
	Environment		-	-	-
Total			**12.2**	**13.6**	**17.4**

Emission intensity (tonnes CO2e / EUR million) of scope 3 activities linked to the loan portfolio

Segment	Subsegment	Scope 3 activity	Emission-intensity scope 3 (ton CO2e/EUR mln)		
			2022	**2021**	**2018**
Housing	Housing associations		-	-	-
	Other		-	-	-
Public sector	Municipalities	Purchased goods and services	61.2	59.1	66.2
	Provinces	Purchased goods and services	28.9	29.1	36.5
	Water boards	Commuting, purchased transport and maintenance, (raw) materials	8.8	7.8	14.3
	Joint arrangements		-	-	-
	Other		-	-	-
Healthcare	Healthcare	Commuting	4.3	5.0	8.6
Education	Education		-	-	-
Networks	Networks		-	-	-
	Water companies	Commuting, air traffic, chemicals, transport (suppliers, disposal residues)	8.5	9.8	-
Mobility	Mobility		-	-	-
Other	Various		-	-	-
	Energy		-	-	-
	Credit institutions		-	-	-
	Environment		-	-	-
Total			**21.5**	**21.1**	**25.2**

8 Financial statements

8.1 Consolidated financial statements

Consolidated balance sheet

Amounts in millions of euros	NOTE	31-12-2023	31-12-2022
Assets			
Cash and balances held with central banks	1	1,617	6,821
Amounts due from banks	2, 34	622	346
Cash collateral posted	3, 34	4,751	4,144
Financial assets at fair value through the income statement	4	911	901
Derivatives	5	3,011	3,737
Financial assets at fair value through other comprehensive income	6, 34	10,193	7,398
Interest-bearing securities at amortised cost	7, 34	8,829	7,636
Loans and advances at amortised costs	8, 34	90,497	89,624
Value adjustments on loans in portfolio hedge accounting	9	-5,037	-8,679
Associates and joint ventures	10	22	24
Property & equipment	11	15	13
Other assets	12, 35	89	109
Current tax assets	20	18	-
Assets held for sale	10	2	-
Total assets		**115,540**	**112,074**
Liabilities			
Amounts due to banks	13	905	4,012
Cash collateral received	14	656	1,173
Financial liabilities at fair value through the income statement	15	260	185
Derivatives	16	6,363	6,129
Debt securities	17	96,344	90,774
Funds entrusted	18	5,997	4,785
Subordinated debts	19	18	38
Current tax liabilities	20	-	11
Deferred tax liabilities	20	19	14
Other liabilities	21	257	338
Total liabilities		**110,819**	**107,459**
Equity			
Share capital		139	139
Share premium reserve		6	6
Retained earnings		3,970	3,824
Revaluation reserve		-8	4
Cash flow hedge reserve		6	14
Own credit adjustment		4	2
Cost of hedging reserve		41	17
Net profit		254	300
Equity attributable to shareholders	22	**4,412**	**4,306**
Additional Tier 1 capital	22	309	309
Total equity	22	**4,721**	**4,615**
Total liabilities and equity		**115,540**	**112,074**

Consolidated income statement

Amounts in millions of euros	NOTE	2023		2022	
Interest revenue calculated using the effective interest method		6,051		3,759	
Other interest revenue		425		403	
Total interest revenue		6,476		4,162	
Interest expenses calculated using the effective interest method		5,848		3,607	
Other interest expenses		65		74	
Total interest expenses		5,913		3,681	
Interest result	23		563		481
Commission income		29		23	
Commission expenses		3		4	
Commission result	24		26		19
Result on financial transactions	25		-78		113
Results from associates and joint ventures	26		4		12
Other results	27		1		1
Total income			**516**		**626**
Staff costs	28		91		75
Other administrative expenses	29		48		38
Depreciation	30		3		2
Other operating expenses			0		0
Total operating expenses			**142**		**115**
Net impairment losses on financial assets	31		-8		52
Net impairment losses on associates and joint ventures	32		-1		0
Contribution to resolution fund	33		14		20
Bank levy	33		23		32
Total other expenses			**28**		**104**
Profit before tax			**346**		**407**
Income tax expense	20		92		107
Net profit			**254**		**300**
of which attributable to the holders of Additional Tier 1 capital			14		21
of which attributable to shareholders			240		279

The references refer to the notes to the consolidated financial statements. The notes to the consolidated financial statements are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

Amounts in millions of euros. All figures in the statement are after taxation.			**2023**			2022
Net profit			**254**			**300**
Recyclable results recognised directly in equity						
Changes in cash flow hedge reserve:						
- Unrealised value changes	-8			13		
- Realised value changes transferred to the income statement	0			0		
		-8			13	
Changes in cost of hedging reserve:						
- Unrealised value changes	30			-109		
- Realised value changes transferred to the income statement	-6			1		
		24			-108	
Changes in the revaluation reserve for financial assets at fair value through other comprehensive income:						
- Unrealised value changes	-35			-36		
- Realised value changes transferred to the income statement	23			-43		
		-12			-79	
Total recyclable results		**4**			**-174**	
Non-recyclable results recognised directly in equity:						
Change in fair value attributable to change in credit risk of financial liabilities designated at FVTPL	2			-1		
Total non-recyclable results		**2**			**-1**	
Results recognised directly in equity			**6**			**-175**
Total			**260**			**125**
- of which attributable to the holders of Additional Tier 1 capital			14			21
- of which attributable to shareholders			246			104

Consolidated cash flow statement

Amounts in millions of euros	2023	2022
Cash flow from operating activities		
Profit before tax	346	407
Adjusted for:		
Depreciation	3	2
Impairments	-8	52
Unrealised results through the income statement	49	-73
Changes in operating assets and liabilities:		
Changes in Amounts due from and due to banks (not due on demand)	-3,573	-830
Changes in Cash collateral posted and received	-1,551	11,731
Changes in Loans and advances	1,076	1,783
Changes in Funds entrusted	910	264
Changes in Derivatives	663	1,782
Corporate income tax paid	-118	-127
Other changes from operating activities	386	-421
Net cash flow from operating activities	**-1,817**	**14,570**
Cash flow from investing activities		
Investments and acquisitions pertaining to:		
Financial assets at fair value through the income statement	-19	-108
Financial assets at fair value through other comprehensive income	-5,823	-5,407
Interest-bearing securities at amortised cost	-2,714	-1,544
Property and equipment	-5	-
Disposals and redemptions pertaining to:		
Financial assets at fair value through the income statement	150	195
Financial assets at fair value through other comprehensive income	3,630	5,192
Interest-bearing securities at amortised cost	1,955	1,011
Investments in associates and joint ventures	3	3
Net cash flow from investing activities	**-2,823**	**-658**
Cash flow from financing activities		
Amounts received on account of:		
Debt securities	473,761	474,163
Financial liabilities at fair value through the income statement	74	
Amounts paid on account of:		
Central bank financing (TLTRO)	-	-14,787
Financial liabilities at fair value through the income statement	-1	-105
Debt securities	-474,225	-475,071

Amounts in millions of euros	2023	2022
Subordinated debt	-21	-
Compensation on Additional Tier 1 capital	-14	-23
Dividend distribution to shareholders	-140	-127
Repayments on Additional Tier 1 capital	-	-424
Net cash flow from financing activities	**-566**	**-16,374**
Net change in cash and cash equivalents	**-5,206**	**-2,462**
Cash and cash equivalents as at 1 January	6,824	9,286
Cash and cash equivalents as at 31 december	**1,618**	**6,824**
Cash and cash equivalents as at 31 December:		
Cash and balances held with central banks	1,617	6,821
Cash equivalents in the Amount due from banks item	2	4
Cash equivalents in the Amount due to banks item	-1	-1
	1,618	**6,824**
Notes to cash flow from operating activities		
Interest income received	6,399	4,292
Interest expenses paid	-4,991	-3,754
	1,408	**538**

Consolidated statement of changes in equity

Amounts in millions of euros. All figures in the statement are after taxation.	Share capital	Share premium reserve	Revaluation reserve	Cashflow hedge reserve	Own credit adjustment	Cost of hedging reserve	Retained earnings	Unappropriated profit	Equity attributable to shareholders	Additional Tier 1 capital	Total
Balance as at 01/01/2022	**139**	**6**	**83**	**1**	**3**	**125**	**3,736**	**236**	**4,329**	**733**	**5,062**
Total comprehensive income	**-**	**-**	**-79**	**13**	**-1**	**-108**	**-**	**300**	**125**	**-**	**125**
Redemption of Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	-424	**-424**
Dividend distribution to the bank's shareholders	-	-	-	-	-	-	-127	-	-127	-	**-127**
Compensation to holders of Additional Tier 1 capital	-	-	-	-	-	-	-21	-	-21	-	**-21**
Appropriation from previous year's profit	-	-	-	-	-	-	236	-236	0	-	**0**
Balance as at 31/12/2022	**139**	**6**	**4**	**14**	**2**	**17**	**3,824**	**300**	**4,306**	**309**	**4,615**
Total comprehensive income	**-**	**-**	**-12**	**-8**	**2**	**24**	**-**	**254**	**260**	**-**	**260**
Redemption of Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	-	**-**
Dividend distribution to the bank's shareholders	-	-	-	-	-	-	-140	-	-140	-	**-140**
Compensation to holders of Additional Tier 1 capital	-	-	-	-	-	-	-14	-	-14	-	**-14**
Appropriation from previous year's profit	-	-	-	-	-	-	300	-300	0	-	**0**
Balance as at 31/12/2023	**139**	**6**	**-8**	**6**	**4**	**41**	**3,970**	**254**	**4,412**	**309**	**4,721**

BNG Bank has not recognised any results from minority interests in the consolidated equity which is attributable to third parties. With the exception of Additional Tier 1 capital, the entire equity is attributable to the shareholders.

General company information

BNG Bank, based in The Hague in The Netherlands, is a statutory two-tier board company under Dutch law, that is driven by social impact. Our focus is on the public domain and increasing our social impact. Half of the Bank's share capital is held by the Dutch State and the other half by municipal authorities, provincial authorities and a district water board. BNG Bank N.V. is a public limited company and has its office address at Bordewijklaan 18, 2591 XR, The Hague (listed under Chamber of Commerce number 27008387) in the Netherlands and has no branch offices. The principal place of business is the Netherlands. The name of the ultimate parent of the group is BNG Bank N.V..

The consolidated financial statements were prepared and issued for publication by the Executive Board on 22 March 2024 and will be presented to the General Meeting of Shareholders for adoption on 25 April 2024.

Applicable laws and regulations

The consolidated financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB) and adopted throughout the European Union (EU), and with Part 9, Book 2 of the Dutch Civil Code.

Critical accounting principles applied for valuation and the determination of the result

Going concern

The consolidated financial statements are prepared on the basis of the going-concern principle. The Executive Board consider this to be appropriate considering that the bank is liquid, has a high quality loan portfolio with impairments that are limited in size and number and proven track record of stability. This is supported by the triple A rating of the bank, the high Core Equity Tier 1 capital and Liquidity Coverage Ratio. No substantial changes are expected based on the outcome of BNG Banks funding plan, forecast and budget process.

Valuation of balance sheet items

Most balance sheet items are valued at amortised cost. The balance sheet items Financial assets at fair value through the income statement (FVPL), Financial assets at fair value through other comprehensive income (FVOCI), Derivatives and Financial liabilities at fair value through the income statement (FVPL) are recognised at fair value. The balance sheet item Associates and joint ventures is stated according to the equity method. The balance sheet item Property and equipment is stated at cost less accumulated depreciation.

Accounting principles for determining the result

Income is recognised if it is likely that the economic benefits will accrue to BNG Bank and the income can be reliably determined. Expenses are allocated where possible to the period in which the services were provided or to the related income counterbalancing these expenses. For a detailed description, please refer to the accounting principles for the individual balance sheet items.

Reporting currency

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

Accounting principles for consolidation

Each year, BNG Bank prepares, as the parent company, the consolidated financial statements for the company and its subsidiaries. The financial statements of the parent company and its subsidiaries which are used to prepare the consolidated financial statements are drawn up at the same reporting date, and are based on uniform principles.

All intra-group transactions and balances, including income, expenses and dividends, have been fully eliminated in the consolidated financial statements. The consolidated financial statements comprise all subsidiaries over which BNG Bank has control. The consolidation base subject to prudential regulation(CRR/CRD IV) is identical to the consolidation base under International Financial Reporting Standards (IFRS). Section 'Other information' of this document contains a list of BNG Bank's consolidated subsidiaries.

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

Impact of events on Financial Statements

Thanks to our excellent capital and liquidity position, BNG Bank was able to continue providing the public domain clients with funding at competitive rates, despite high interest rate and market volatility in 2023. The result on financial transactions is lower than previous year due to higher (credit)spreads and high interest rates and to novation of derivatives exposure. The bank monitors whether clients are experiencing financial difficulties due to high interest rates, construction costs and personnel costs. Taking the above mentioned factors into consideration we remain wary of creditworthiness developments for example in the Healthcare sector. The creditworthiness of BNG Bank's portfolio remains high. We refer to the directors' report for a further description of the consequences for clients of BNG Bank.

If relevant, further details of the impact on significant estimates and methods used is provided in the relevant notes.

Involvement in non-consolidated structured entities

BNG Bank assesses involvement in non-consolidated structured entities on a case-by-case basis, with due regard for the nature, purpose, size and activities of those entities. Investments in investment funds through participating interests or in securitisation positions and covered bond programmes (issued by 'special-purpose entities') are non-consolidated structured entities for BNG Bank. Due to its involvement in these entities, BNG Bank is exposed to variable returns, partly based on their performance. These structured entities have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, but rather control is determined by contractual provisions. As a result, BNG Bank does not have control over these non-consolidated entities, in which it only acts as an investor.

Accounting estimates and judgements

The most significant accounting estimates and judgements applied in these consolidated financial statements relate to fair value measurement of financial instruments and impairment of financial assets. The most important methods and estimates relate to the fair value measurement of financial instruments for which there is no active market (for a more detailed description, see section 'Fair value of Financial Instruments').
BNG Bank uses generally accepted valuation models to measure the fair value of these financial instruments. For level 2 instruments, BNG Bank uses observable inputs to determine forward curves, discounting curves, volatility curves, inflation curves and spread curves. For level 3 instruments, the main unobservable inputs relate to recovery rates and correlation factors for bonds with credit and liquidity spreads.

The results of these models are based on various assumptions, including the discount rate and the future expected cash flows. Differences in the assumptions may have an effect on the reported values.

For the estimates and judgements to determine the impairment of financial assets we use internal estimation techniques to determine forward-looking information, Probability of Default (PD), Loss Given Default (LGD), Exposure At Default (EAD) and Significant Increase Credit Risk (SICR). Furthermore, for non-performing assets the bank assesses the net present value of expected future cash flows (including the valuation of underlying collateral) for three probability weighted scenarios. For further details please refer to 'Impairment of financial assets'.

For a detailed description of the methods and assumptions used, please refer to the accounting principles for the individual balance sheet items or topics. BNG Bank periodically evaluates the estimates and assumptions that it applies. Any revisions are reported in the year in which the estimate is revised.

Balance sheet netting

Financial assets and financial liabilities are only netted on the balance sheet if and insofar it is certain that the net and simultaneous settlement of the amount receivable and the amount payable can be legally enforced under normal circumstances as well as in the event of default, insolvency and liquidation, and if there is a distinct intention to settle either the net amount as such, or both items simultaneously. Balance sheet item 'Amounts due from Banks' include a netted amount of repos. These items only netted when there is an enforceable master agreement. For derivatives and taxes, please refer to the specific additional netting rules for the relevant balance sheet items.

Foreign currency

Foreign currency transactions are translated into functional currency on initial recognition at the exchange rate applicable on the transaction date. At the balance sheet date, foreign currency monetary assets and liabilities are translated into functional currency at the closing rate. Exchange rate results are recognised at the balance sheet date in the income statement, under the Result on financial transactions item, with the exception of (the effective portion of) the foreign currency transactions that were designated in a cash flow hedge accounting relationship. These exchange rate differences are recognised in the cash flow hedge reserve.

Segmented information

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

New and Amended Standards Issued by the International Accounting Standards Board (IASB)

Applied accounting standards adopted by the EU effective on or after 1 January 2023

BNG Bank applied the mandatory IFRS standards, amendments and interpretations stated below, as issued by the IASB and adopted by the European Union effective 1 January 2023, to our 2023 financial statements.
- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative information: issued by the IASB on 9 December 2021 and endorsed on 8 September 2022. These amendments will become effective as per 1 January 2023. The Bank does not have any insurance contracts with clients, therefore no impact on the financial statements.
- Amendments to IFRS 8 Accounting policies, Changes in Accounting Estimates and Erros: definition of Accounting Estimates: issued by the IASB on 12 February 2021 and is endorsed by the EU on 2 March 2022.

These amendments will become effective as per 1 January 2023. This only contains a change in a definition and therefore no impact on the financial statements is expected.
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies: issued by the IASB on 12 February 2021 and is endorsed by the EU on 2 March 2022. These amendments will become effective as per 1 January 2023. This will impact the internal process regarding compiling the consolidated financial statement, but the impact on the financial statements is expected to be limited.
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction: issued by the IASB on 7 May 2021 and is endorsed by the EU on 11 August 2022. No impact on the financial statements is expected because BNG Bank does not have any exemptions based on IAS 12.15(b) or IAS 12.24.

Accounting standards endorsed by the EU effective on or after 1 January 2024

BNG Bank does not apply new or amended standards and interpretations issued by the IASB if they have not been endorsed by the EU. BNG Bank has also decided against early application of amended standards and interpretations endorsed by the EU whose application is mandatory for the financial years after 1 January 2024.

Application of the following new or amended standards, interpretations and improvements might have led to limited adjustments in the 2023 financial statements in respect of valuation, the determination of the result and the disclosures of the bank.
- Amendments to IFRS 16 Leases: Lease Liability in as Sale and Leaseback: issued by the IASB on 22 september 2022 and is endorsed by the EU on 20 November 2023. These amendments will become effective as per 1 January 2024. No impact on the financial statements is expected because BNG Bank does not have any sale and leaseback constructions.
- Amendments to IAS 1 Presentation of Financial Statements: issued by the IASB on 31 Oktober 2022 and is endorsed by the EU on 19 December 2023. These amendments will become effective as per 1 January 2024. The impact on the financial statements is expected to be limited.

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

BNG Bank does not apply new or amended standards and interpretations issued by the IASB if they have not been adopted by the EU. BNG Bank has also decided against early application of amended standards and interpretations adopted by the EU whose application is mandatory for the financial years on or after 1 January 2024.
Application of the following new or amended standards, interpretations and improvements might led to limited adjustments in the financial statements in the future. This in respect of valuation, the determination of the result and the disclosures of the bank.
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangebility: issued by the IASB on 15 August 2023 and is not endorsed by the EU yet. These amendments will become effective as per 1 January 2025.
- Amendments to IAS 7 Statements of Cash Flows and IFRS 7 Financial Instruments: issued by the IASB on 25 May 2023 and is not endorsed by the EU yet. The impact on the financial statements is expected to be limited.

Interest Rate Benchmark Reform ("IBOR reform")

The Interest Rate Benchmark Reform ("IBOR reform") consist of 2 phases. The execution of phase 1 started in 2020. Except the USD Libor all other benchmarks were allready reformed in 2022. The USD Libor reform is finalised in the first half of 2023.

For Phase 2, BNG Bank is since 2021 closely monitoring the market and the output from the various industry working groups managing the transition of the benchmark interest rates.

The Banks comes to the conclusion that the transition is managed properly and no further future impact is expected as a result of the IBOR-reform.

Summary of material accounting policies

Classification and measurement of financial instruments

BNG Bank classifies its financial assets into the following measurement categories:
- those to be measured at fair value (either through other comprehensive income, or through the income statement); and
- those to be measured at amortised cost.

The classification depends on BNG Bank's business model for managing financial assets and the contractual terms of the financial assets' cash flows.

BNG Bank classifies its financial liabilities at amortised cost, unless it has designated liabilities at fair value through the income statement or it is required to measure liabilities at fair value through the income statement, such as derivative liabilities.

Financial assets measured at amortised cost

Financial instruments are measured at amortised cost where they:
- have contractual terms that give rise to cash flows on specified dates, which represent solely payments of principal and interest (SPPI test) on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. The measurement of credit impairment is based on the three-stage expected credit loss model described below under Impairment of financial assets. Financial assets measured at amortised cost are included in the balance sheet items Cash and balances held with central banks, Amounts due from banks, Cash collateral posted, Interest-bearing securities at amortised cost and Loans and advances at amortised cost. Interest revenue from these financial assets is included in Interest revenue calculated using the effective interest method.

Financial assets measured at fair value through other comprehensive income

Investments in debt instruments are measured at fair value through other comprehensive income where they:
- have contractual terms that give rise to cash flows on specified dates, which represent solely payments of principal and interest (SPPI test) on the principal amount outstanding; and
- are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity, except for the recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses. Interest revenue from these financial assets is included in Interest revenue calculated using the effective interest method. Impairment losses or reversals and foreign exchange gains and losses are also recognised in the income statement.

Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement. The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortised cost. The expected credit loss model is described below under Impairment of financial assets.

Financial assets or liabilities at fair value through the income statement

Items at fair value through the income statement comprise:
- debt instruments with contractual terms that do not represent solely payments of principal and interest (mandatory);
- items specifically designated at fair value through the income statement on initial recognition;
- derivatives; and
- equity instruments.

Financial instruments held at fair value through the income statement are initially recognised at fair value, with transaction costs recognised in the income statement as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the income statement within result on financial transactions as they arise. Interest revenue or expenses from these financial assets and liabilities (except for derivatives involved in hedge accounting) are included in Other interest revenue or Other interest expenses. Interest revenue or expenses from derivatives involved in hedge accounting are included in Interest revenue using the effective interest method or Interest expenses using the effective interest method.
Derivatives are measured at fair value, including market value changes due to the counterparty credit risk (Credit Valuation Adjustment) and due to own credit risk (Debit Valuation Adjustment) for derivative transactions without a daily or limited exchange of collateral.

Financial instruments designated as measured at fair value through the income statement

Upon initial recognition, financial instruments may be designated as measured at fair value through the income statement. A financial asset may only be designated at fair value through the income statement if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. it eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.

A financial liability may be designated at fair value through the income statement if it eliminates or significantly reduces an accounting mismatch or:
- if a host contract contains one or more embedded derivatives; or
- if a group of financial assets and liabilities are both managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through the income statement, the movement in fair value attributable to changes in the Bank's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is recognised separately in other comprehensive income within equity.

Equity instruments
BNG Bank does not make use of the option under the standard to measure equity instruments at fair value through other comprehensive income. As a result, investments in equity instruments are measured at fair value through the income statement.

Derecognition of financial instruments
A financial asset is derecognised if:
- the contractual right to receive cash flows from the asset has expired; or
- BNG Bank has retained the right to receive cash flows from the asset but has assumed a contractual obligation to pass on these cash flows, in full and without material delay, to a third party pursuant to a special arrangement; or
- the contractual rights to receive cash flows from the asset and virtually all the risks and benefits of this asset have been transferred, i.e. when control over the asset has been transferred.

A write-off is regarded as a derecognition event and is recognised when BNG Bank has no reasonable expectations of recovering (a portion of) the contractual cash flows on a financial asset. In case of a write-off, BNG Bank will directly reduce the gross carrying amount of the financial asset.

If the terms of a financial asset are modified, BNG Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

BNG Bank derecognises a financial liability when its terms are modified and the cash flows of the modified financial liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit and loss. A financial liability is also derecognised when the obligation specified in the contract has been discharged or cancelled or has expired.

In case of partial derecognition of financial instruments, BNG Bank applies the First In, First Out (FIFO) principle. The difference between the amount settled and the carrying amount of the asset or liability is immediately and fully recognised in the income statement. If an existing financial asset or liability is contractually exchanged for another contract with the same counterparty on substantially the same terms, the new asset or liability is treated as a continuation of the existing asset or liability. No result is recognised in this case.

Collateral (bonds) furnished by BNG Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because BNG Bank retains all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

Transfer of financial assets
BNG Bank retains the financial assets transferred on its balance sheet if all or most of the risks and benefits attached to (components of) the financial assets transferred are retained. For example, the Bank may transfer financial assets while retaining all or nearly all of the risks and benefits in the context of repurchase transactions.

Impairment of financial assets

BNG Bank has assessed the current loan portfolio with regards to the macro economic factors. These macro economic factors are used to translate historical PDs into forward looking PDs, as required per IFRS 9 standard. These factors are determined on a portfolio basis. The economic situation of our clients present in the healthcare sector concerns us, due to low margins, shortage of staff, high energy and construction prices. As a result we have maintained an overlay on the Healthcare portfolio. Hence, the Healthcare portfolio has been subjected to a two notches downgrade of the internal rating. The choice for two notches is based on internal analyses and was formally approved by the Credit Committee (KBC).

BNG Bank assesses whether the credit risk on an exposure has increased significantly on an individual basis. The expected credit losses (ECL) is calculated for the following categories of financial assets that are not measured at fair value through the income statement:
- debt instruments measured at amortised cost;
- debt instruments measured at fair value through other comprehensive income;
- loan commitments; and
- financial guarantee contracts.

Financial assets migrate through the following three stages based on the change in credit risk since initial recognition. When a modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified asset, the date of modification shall be regarded as the date of initial recognition.

Stage 1: 12-month ECL

BNG Bank recognises an ECL allowance reflecting default events that are possible within the next 12 months for exposures without a significant increase in credit risk (SICR) since initial recognition. In addition, BNG Bank makes use of the Low Credit Risk Exemption (LCRE). This avoids exposures with a low credit risk to move to Stage 2 even when there is a SICR, provided that the increase is such that the total credit risk is still low. In both cases, a 30-day past due period acts as a backstop indicator for movement to Stage 2. The 12-month ECL allowance is calculated for all individual exposures as a function of the Exposure At Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) and incorporates forward-looking information.

Stage 2: lifetime ECL – performing exposures

BNG Bank recognises an ECL allowance reflecting default events that are possible during the remaining lifetime of the financial assets for exposures which have had a significant increase in credit risk since initial recognition, but which are not considered credit-impaired. This mainly includes exposures with a credit rating that is not considered to be investment grade and for which the credit rating dropped at least one notch since initial recognition.

In addition, it also includes exposures with payment arrears between 30 and 90 days, as well as exposures subject to forbearance measures. Other qualitative factors considered are significant adverse changes in business, financial and/or economic conditions in which the borrower operates and actual or expected significant adverse change in operating results of the borrower.

The Stage 2 lifetime ECL is calculated for all individual exposures as a function of the Exposure At Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) and incorporates forward-looking information.

Stage 3: lifetime ECL – non-performing exposures
BNG Bank assesses on an individual exposure level whether exposures are non-performing which is fully aligned with the definition of default. This assessment is based on whether one or more events have occurred that have a detrimental impact on the estimated future cash flows of that asset. This includes, but is not limited to, exposures with payment arrears exceeding 90 days. In the event that BNG Bank determines that a counterparty is in default, all related financial assets are considered to be in Stage 3. For exposures that have become non-performing, the Bank recognises a lifetime ECL that is determined by taking into account all relevant information, including any collateral or guarantees that apply to the exposure at hand. An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria. This will be assessed for each instrument individually.

Determining the stage for impairment
At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The Bank considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information, as well as forward-looking analysis. BNG Bank also makes use of the Low Credit Risk Exemption (LCRE) in order to avoid exposures to move to Stage 2 even when there is a significant increase in credit risk, as long as the total credit risk is still low. An exposure will always migrate to a higher probability of default as asset quality deteriorates.

If asset quality improves up to a point that there is no longer any question of SICR since origination, the ECL allowance reverts from lifetime ECL to 12-month ECL. The allowance for these financial assets is based on a 12-month ECL. When an asset is uncollectible, it is written off against the related provision.
Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statement.

Classification of ECL
The classification of the ECL depends on the type of instrument and is as follows:
- Financial assets that are performing at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to BNG Bank in accordance with the contract and the cash flows that the Bank expects to receive.
- Financial assets that are non-performing at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.
- Financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

ECLs are recognised using a net impairment of financial assets account in the income statement. In the case of debt instruments measured at fair value through other comprehensive income, the measurement of ECLs is based on the three-stage approach as applied to financial assets at amortised cost. The Bank recognises the impairment charge in the income statement, with the corresponding amount recognised in other comprehensive income, with no reduction in the carrying amount of the asset in the balance sheet.

Hedge accounting
The Bank's derivative instruments used to manage interest rate and currency risk are recognised on a trade-date basis at fair value as derivative either on the asset or on the liability side of the balance sheet. The goal is to achieve stability of the annual result, in particular the interest result and to manage the unrealised gains and losses. BNG Bank applies micro hedge accounting in accordance with IFRS 9 and portfolio hedging in accordance with IAS 39 when the conditions set out by the standard are met. Hedge accounting is based on a clearly documented relationship between the item hedged and the hedging instrument. When there is a high (negative) correlation between the hedging instrument on the one hand and the value change of the hedged item or the cash flows generated by the hedged item on the other hand, the hedge is regarded as effective. The hedging relationship is documented at the time that the hedge transaction is entered into. The hedging relationship is then continually tested in order to assess whether it meets the hedge accounting requirements.

In principle, BNG Bank only uses derivatives as hedging instruments. They are mandatorily measured at fair value in the balance sheet. The counterpart in the hedging relationship is the hedged item, which is generally recognised at amortised cost. Insofar as the hedge accounting relationship is effective, hedge accounting enables the Bank to neutralise the difference in measurement and result recognition between the hedging instruments and the hedged items. BNG Bank applies both fair value and cash flow hedge accounting.

Fair value hedge accounting
BNG Bank applies two types of fair value hedge accounting: micro hedge accounting and portfolio hedge accounting.

Micro hedge accounting
When a derivative is designated as the hedging instrument in a hedging relationship, the changes in the fair value of the derivative are recognised immediately in the income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk. Sometimes, a derivative may be a component of a hybrid financial instrument that includes both the derivative and a host contract. Such embedded derivative instruments are part of a structured financing transaction that is hedged against changes in fair value by means of matching swap contracts. In such cases, both the hedged transaction and the hedging derivative instrument are recognised at fair value with changes in fair value in the statement of comprehensive income or as a value adjustment of the hedged transaction (item). Currently the Bank's fair value hedges mainly relate to swapping fixed to floating rate transactions. The balance sheet items Financial assets measured at fair value through other comprehensive income, Financial assets measured at amortised cost, Funds entrusted and Debt securities are involved.

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or BNG Bank decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively. If the relationship does not meet the hedge effectiveness criteria, BNG Bank discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated.

Portfolio hedge accounting
Portfolio hedge accounting concerns a group of transactions in euros that are hedged for interest rate risk using a portfolio of derivatives. BNG Bank applies portfolio hedge accounting to the majority of long-term fixed rate loans (Loans and advances item) and a limited number of fixed rate securities. There is no direct relationship between individual hedged items and hedging instruments, but it is shown at the portfolio level that the derivatives involved offset the value changes in the related assets arising from interest rate movements.

Due to the lack of a direct relationship between the assets and the derivatives used for hedging, the value adjustments of the hedged interest rate risk are recognised in the Value adjustments on loans in portfolio hedge accounting balance sheet item.

Cash flow hedge accounting

When a derivative is designated as the hedging instrument in a cash flow hedge relationship, the effective portion of changes in the fair value of the derivative is recognised directly in other comprehensive income and presented in the cash flow hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.
The amount recognised in the cash flow hedge reserve is reclassified to the income statement as a reclassification adjustment in the same period as the hedged cash flows affect the income statement. BNG Bank applies cash flow hedge accounting on floating foreign currency transactions and the credit spread of fixed foreign currency transactions. The balance sheet line items Funds entrusted and Debt securities are involved. If the hedge accounting relationship is terminated, the accumulated fair value hedge adjustment is amortised over the remaining term of the financial instrument. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

Foreign currency basis spread

Following the adoption of IFRS 9 the forward component of a hedging instrument is no longer part of the hedge relationship. The foreign currency basis spread of a cross-currency interest rate swap is accounted for the same way as the forward element of a forward contract. The change in the foreign currency basis spread of this derivative that relates to the hedged item is recognised in the cost of hedging reserve within equity. The amount accumulated in the cost of hedging reserve is reclassified to the income statement at the same time as the hedged item affects the income statement.

Discontinuance of hedge accounting

The hedge accounting relationship is discontinued when it no longer meets the conditions for hedge accounting, or when the hedged item or hedging instrument is sold or matures. The difference between the preceding balance sheet value and the amortised cost of the hedged item is amortised over the remaining period of the hedged item, to the extent that it is retained on the balance sheet. If all or part of a hedged item is sold or purchased, the relevant portion of the cumulative fair value changes is taken into account in the income statement when determining the result on sales.

Recognition and accounting of financial assets and liabilities

Financial assets and liabilities are recognised at settlement date. This means that they are recognised from the moment that the Bank is entitled to the benefits or is liable for the obligations arising from the contractual provisions of the financial instrument. This includes both traditional financial instruments (loans, interest-bearing securities and debt securities) and derivatives. Financial assets and liabilities are initially recognised at the transaction price, in other words the fair value plus the transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of the financial liability, with the exception of the transactions recognised at fair value. The transactions included in the latter balance sheet item are measured at fair value without taking into account the transaction costs.

If the value of transactions recognised at fair value differs from the transaction price on initial recognition, the profit or loss is included as follows:

- For fair value level 1 or 2 transactions, the difference is recognised directly in the Result on financial transactions item of the income statement.

- For fair value level 3 transactions, the difference is included in the balance sheet as a transitory item, and amortised over the term of the transaction.

After initial recognition, financial assets and liabilities are measured at either amortised cost or fair value, depending on the classification of the transaction. In addition to the notional amount, the amortised cost consists of accrued interest, settled transaction costs and/or premiums or discounts distributed in accordance with the effective interest method over the interest rate maturity of the transaction.

Recognition and accounting of derivative financial instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying prices, indexes or other variables, and typically comprise of instruments such as swaps, forward rate agreements, futures and options. From initial recognition, derivatives are in principle carried at fair value and classified as held for trading. The carrying value of a derivative is remeasured at fair value throughout the life of the contract and any fair value movements are recognised under the Result on financial transactions item in the income statement. Derivatives are included under assets if they have a net positive fair value or under liabilities for a net negative fair value, with the exception of derivative transactions entered under a 'central clearing house'. For these derivatives, netting takes place of the fair value of all derivatives with a financial counterparty that acts as an intermediary between the Bank and the 'central clearing house'. If the derivative transactions are entered under a central clearing house and are also part of a Settle to Market (STM) derivative contract the derivative position is also netted with the collateral posted/received.

Separated derivatives embedded in financial liabilities

Derivatives embedded in financial liabilities are classified and valued separately if all of the following conditions have been met:

- There is no close relationship between the economic characteristics and risks of the embedded derivative on the one hand and those of the financial instrument.
- The financial instrument is not carried at fair value, with value movements recognised through the income statement.
- A separate derivative instrument on the same terms would match the definition of a derivative.

Derivatives that meet these conditions are recognised in the Derivatives balance sheet item and carried at fair value. Contracts are only reassessed if there is a change in the contractual terms which materially affects the expected cash flows.

Non-separated derivatives embedded in financial liabilities

Derivatives that do not meet the conditions to be separated are included in the balance sheet item where the financial instrument is recognised. This usually concerns options relating to early redemption. The measurement of these derivatives follows the measurement of the financial instrument. If this is the amortised cost, the option is in principle measured at zero. In all other cases, the option is measured at fair value.

Fair value of financial instruments

The fair value is the price (not adjusted for transaction costs) which, regardless of the company's intention or capability, would be received if a financial asset was sold, or the price that would be paid if a financial liability was transferred in an orderly transaction between market participants as at the measurement date under the current market conditions. The starting point is that the valuation must be viewed from the perspective of market parties, for which only the specific characteristics and limitations of the financial instrument may be taken into consideration. Fair value is based on quoted market prices in active markets or, if unavailable, on modelled valuation techniques.

Valuation techniques are generally used to determine the fair value of unlisted assets and liabilities and OTC derivatives. This concerns generally accepted techniques and methods such as option pricing models, discounted cash flows, forward pricing and credit and liquidity spreads. Contractual conditions are taken into account and available objective market data are used, such as market-based yield curves for discounting, correlations, volatilities, cross-currency basis spreads, credit spreads, valuation adjustments and other factors, estimates and assumptions which market parties would use to determine the price. Fair value 'level 3' valuations are based in part on assumptions that are not observable in the market. For a detailed description of how the fair value measurement is determined, please refer to section 'Fair value of financial instruments' in the consolidated financial statements.

Value adjustments on loans in portfolio hedge accounting

This balance sheet item includes value adjustments resulting from the fair value portfolio hedge accounting. This refers to the effective portion of movements in market value resulting from hedging the interest rate risk in financial assets at the portfolio level. The value adjustments recognised are amortised over the maturity period of the hedged financial assets in the income statement.

Amounts due to banks, cash collateral received, debt securities, funds entrusted and subordinated debts

Borrowings (including repurchase transactions) and debt securities are carried in the balance sheet at amortised cost unless the liabilities are measured at fair value through the income statement. As regards transactions in Debt securities and Funds entrusted that are involved in a micro fair value hedge accounting relationship, the amortised cost is adjusted for the effective portion of the movements in fair value arising from interest rate risk. Any repurchased obligations are removed from the balance sheet, and the difference between the carrying amount and the transaction value is recognised in the income statement.

With regard to TLTRO III funding, as per november 2022 the interest rate is equal to the market based interest rate on deposits which results in interestcosts rather than interest income. In 2022 the non-market based interest rate including the expected bonus rate was used to calculate the interest result of the TLTRO transactions.

Associates and joint ventures

Associates and joint ventures are stated according to the equity method. Associates are companies over which BNG Bank has significant influence on operational and financial policy but no control. In general, significant influence is assumed when BNG Bank holds between 20% and 50% of the shares or voting rights. Joint ventures are collaborations in which BNG Bank and other parties with joint control over the contractual agreements have contractual entitlements to the net assets. These contractual agreements are structured by means of separate legal entities. The joint control of the arrangement is contractually agreed and only exists if the relevant activities under the arrangement require the unanimous consent of the parties sharing control. For a description of the Bank's associates and joint ventures, please refer to section 'Other information' of this document.

Property and equipment

All property and equipment owned by the Bank is valued at cost less accumulated depreciation. Property relates to land, buildings and technical installations. Equipment relates to office machinery, inventory, furniture, hardware, software and artworks. Right-of-use asset are presented under property and equipment and represents the right to use the underlying leased asset.

The depreciation period is determined on the basis of the estimated useful life of the assets (see note 11 to the consolidated financial statements). The estimated useful life and residual value are reviewed annually.

Depreciation is calculated on a straight-line basis and charged to the income statement. The right-of-use assets are depreciated over the lease term on a straight-line basis. Land is not depreciated.

Estimated useful life

Buildings	33 ⅓ years
Technical installations	15 years
Machinery and inventory	5 years
Right-of-use asset	1-5 years
Hardware and software	3 years

Impairment of non-financial assets
The carrying amount of BNG Bank's non-financial assets (property and equipment, investments in associates and joint ventures), with the exception of deferred tax assets, is assessed when there is an objective indication of impairment. To determine impairments, an estimate is made of the realisable value and individual assets are divided into groups at the lowest level at which future cash flows can be identified (cash flow generating units). BNG Bank has not recognised any goodwill. The realisable value of an asset or cash flow generating unit is equal to the higher of the value in use and the fair value minus selling costs.

In determining the value in use, the present value of the estimated future cash flows is calculated using a discount rate before tax which reflects both the current market appraisals of the time value of money and the specific risks relating to the asset. Impairments recognised in respect of cash flow generating units are first offset against the carrying amount of any goodwill allocated to the units and subsequently offset pro rata against the carrying amount of the other assets of the unit (or group of units). Non-financial assets which were subject to impairment are reassessed at each balance sheet date. Impairment of a non-financial asset, with the exception of goodwill included in non-financial assets, is reversed through the income statement (Impairments item) if it is possible to establish reliably that the negative effects of the indication for the impairment recognised earlier are mitigated. An impairment is only reversed to the extent that the carrying amount of the asset does not exceed the carrying amount minus depreciation or amortisation, which would have been determined if no impairment had been recognised.

Employee pensions
The Bank classifies its multi-employer pension plan as a defined contribution plan. Under this plan, the members bear almost all of the actuarial and investment risks, while the employer members of the plan are under no obligation to make any supplementary contributions if a deficit occurs in the fund. The obligation consists of payment of the contribution determined by the pension fund. The pension fund determines the contribution each year based on the information contained in its own dataset, taking account of the parameters and requirements specified by the regulatory authority. The obligation to pay a contribution takes effect upon becoming a pension fund member in the relevant year, and not from membership in previous years. The employer's share of the pension contribution and any supplementary amounts are charged to the result in the year to which the contribution relates.

Other employee benefits
Other employee benefits are classified as defined benefit plans for which separate provisions have been formed. These other employee benefits include the future costs of interest rate discounts on mortgage loans for the benefit of both active and retired BNG Bank employees.

The level of the provision is determined on the basis of calculations using the Projected Unit Credit Method (PUCM). The provision associated with the mortgage interest rate discount is stated under the Other liabilities balance sheet item. The costs relating to the employee benefits are recognised as staff costs in the income statement. All actuarial results are recognised directly through equity and cannot be recycled to the income statement in subsequent periods. This item also includes a provision for a vitality leave scheme. Under this scheme, active employees with seven or more years of service can take two consecutive months of leave once every seven years while retaining part of their monthly income. The vitality leave scheme is recognised as a defined benefit plan and the costs are recognised as staff costs in the income statement.

Taxes

The nominal tax amount is calculated on the basis of the statutory nominal tax rates and the tax legislation in force. Tax rate adjustments relating to previous years, participation exemptions and non-deductible costs are also applied when determining the effective tax amount in the income statement. Group companies that form part of the fiscal unit use the applicable nominal tax rate.

Deferred tax assets and deferred tax liabilities are both carried at nominal value. All deferred tax assets and liabilities are stated in the accounts of the parent company of the fiscal unit. Deferred tax assets and liabilities are recognised as temporary differences between the carrying amounts on the one hand and the tax bases of assets and liabilities on the other. The bank has registered deferred tax assets and liabilities for the actuarial results for the employee benefits provision, for the revaluation reserve, for own credit adjustments and for the cash flow hedge reserve.

These deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods in which they are expected to be realised. Differences in deferred tax assets and liabilities resulting from a change in tax rates are recognised in the income statement. Deferred tax assets are recognised only to the extent to which taxable profits are expected to be available in the near future to compensate for these temporary differences. Tax assets and liabilities, both current and deferred separately, are netted if they concern the same tax authority and the same type of tax and if netting of these assets and liabilities is permitted by law.

Global minimum top-up tax

BNG Bank operates in the Netherlands, which enacted new legislation to implement the global minimum top-up tax. The bank does not expect a top-up tax because the effective tax rate is above the minimum tax rate. Also BNG bank has not any operations in other countries.

Equity

The balance sheet is drawn up before profit appropriation. This means that the total net result for the financial year is presented in equity. The revaluation reserve for financial assets at fair value through other comprehensive income and the cash flow hedge reserve are adjusted by recognising a deferred tax liability.

Additional Tier 1 capital

Additional Tier 1 capital concerns perpetual loans involving an annual non-cumulative discretionary payment on the outstanding principal amount, subject to temporary write-down in the event that the CET1 ratio falls below 5.125%. In case of write-down, this amount will be transferred to the Retained earnings. Write-down from the Retained earnings can be reversed (write-up) under certain conditions at the moment that the trigger ratio is back above 5.125% again. BNG Bank is entitled to distribute the interest payment on a discretionary basis in the form of a compensation charged to the Other reserves. The compensation is determined on the basis of the prevailing principal amount.

BNG Bank has the unilateral contractual option to call the Additional Tier 1 capital issued. As from May 2022, the tranches issued in 2016 (a nominal amount of EUR 309 million) can be redeemed every year in May.

Revaluation reserve

Equity includes a revaluation reserve in which the unrealised changes in fair value of Financial assets at fair value through other comprehensive income, net of tax, are recognised. In the event of a sale of a financial instrument, the cumulative revaluation is recognised in Results on financial transactions. The effective portion of fair value changes in transactions involved in hedge accounting is either credited or charged to the income statement during the period in which the transactions are involved in a hedge accounting relationship.

Own credit adjustment

Financial liabilities at fair value through the income statement are recognised at the relevant funding curve, including the spread for 'own credit risk'. The Bank recognises the amount related to changes in fair value attributable to change in credit risk of financial liabilities designated at fair value through the income statement as Own Credit Adjustment (net of deferred tax assets and liabilities) in Other Comprehensive income within equity.

Cost of hedging reserve

Under IFRS 9, the foreign currency basis spread of a hedging instrument is no longer part of a hedge relationship. The cost of hedging reserve records movements in foreign currency basis spreads in cross-currency (interest rate) swaps involved in hedge accounting. The amount accumulated in the cost of hedging reserve is reclassified to the income statement at the same time as the hedged item affects the income statement.

Cash flow hedge reserve

Furthermore, equity includes a cash flow hedge reserve, in which the effective portion of the unrealised changes in the fair value of derivatives in cash flow hedge accounting, net of taxes, resulting from changes in the foreign exchange rates and the credit spread component is recognised. The ineffective portion of the hedged risk for cash flow hedge accounting is recognised under Results on financial transactions.

Interest revenue and interest expenses

Interest revenue and Interest expenses for all interest-bearing instruments included in the balance sheet are calculated on the basis of the effective interest rate. This method is used for calculating the amortised cost of a financial asset or a financial liability and for allocating the interest income or interest expense to the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For creditimpaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). If a transaction measured at amortised cost is sold, the difference between the carrying amount and the net proceeds of the sale is recognised under Interest result.

Commission income and commission expenses

In this item, the commission and fees paid or received are recognised in the period in which the services were provided.

Result on financial transactions

This item comprises unrealised market value changes in:

- all financial instruments due to foreign exchange rate fluctuations;
- derivatives measured at fair value, including market value changes due to the counterparty credit risk (Credit Valuation Adjustment) and due to own credit risk (Debit Valuation Adjustment) for derivative transactions without a daily or limited exchange of collateral;

- financial instruments measured at fair value, with changes in fair value recognised through the income statement;
- effective portions of the hedged interest rate risk in financial assets involved in a fair value hedge accounting relationship;
- the amortisation of changes in value to loans and advances in the hedge accounting portfolio; and
- the ineffective portion of the hedged risk for cash flow hedge accounting.

This item also includes sales and buy-out results for financial instruments measured at fair value. These realised results consist of the difference between the net proceeds of the sale and the carrying amount, including the release of value movements accumulated in equity. Returns from the participating interests (equity instruments) measured at fair value are also recognised under this item. Finally, differences between the fair value on initial recognition and the transaction price regarding to level 1 and 2 financial instruments measured at fair value are also included.

Results from associates and joint ventures
This item includes the results from associates and joint ventures, valued in accordance with the equity method. Dividend payments are recognised in the income statement when they are received.

Other results
The other results includes the results not relating to BNG Bank's core operational activities. This mainly consists of income from consultancy services provided by BNG Gebiedsontwikkeling.

Depreciation
Please refer to the Property and equipment section.

Contribution to resolution fund
The European resolution regime is based on the EU Bank Recovery and Resolution Directive (BRRD). The full amount payable will be charged to the income statement in the month of payment. The annual contribution to the European resolution fund is recognised in the income statement under the item Contribution to resolution fund.

Bank levy
In accordance with the Banking Tax Act, banks are required to pay a bank levy in October each year. The full amount payable will be charged to the income statement in the month of payment. The annual levy is recognised in the income statement under the item Bank levy.

Consolidated statement of comprehensive income
The consolidated statement of comprehensive income presents the aggregate net result of the reporting period and the direct changes in equity, net of taxes where applicable. In the statement, the amounts net of taxes are presented in groups of items that can be reclassified from equity to the income statement in the future on the one hand and items that can never be reclassified on the other.

Consolidated cash flow statement
The consolidated cash flow statement has been drawn up in accordance with the indirect method. The cash flows are categorised as cash flows from operating, investing and financing activities. Cash and cash equivalents include cash at hand, the available balances with banks and central banks and overnight interbank loans. These funds have less than three months' maturity from the date of acquisition, are readily convertible into a known amount of cash and are subject to a negligible risk of changes in value. The changes in loans and advances, funds entrusted, derivatives and amounts due from and due to banks are included in the cash flow from operating activities.

Investing activities comprise purchases, sales and redemptions in the investment portfolio, purchases and sales of associates and joint ventures as well as property and equipment. Drawdowns and repayments of subordinated debt and bond loans, as well as the dividend paid, are presented as financing activities.

Amounts in millions of euros.

Note 34 includes a breakdown of balance sheet values by remaining contractual maturity (due on demand and not due on demand).

Notes 31 and 37 provide an overview of the breakdown of financial assets subject to impairment into impairment stages, as well as details on the movement in the allowance for expected credit losses in 2023.

1 Cash and balances held with central banks

	31-12-2023	31-12-2022
Cash on hand	0	0
Current account balances with the central bank (due on demand)	1,617	6,821
Total	**1,617**	**6,821**

2 Amounts due from banks

The amounts due from banks item includes all receivables from banks measured at amortised cost.

	31-12-2023	31-12-2022
Short-term loans and current account balances	2	4
Long-term lending	620	342
Repos	0	0
Total	**622**	**346**

We refer to section 'Credit Risk' for a detailed overview of repos under netting conditions.

3 Cash collateral posted

The cash collateral amounts to EUR 4,751 million (2022: EUR 4,144 million) and is posted with third parties under netting agreements and as such is not freely available to BNG Bank.

As from June 2020, a discounting switch from EONIA to €STR has taken place at clearinghouses as part of the Interest Rate Benchmark Reform. To compensate the lower return on cash collateral cash payments have been received. This amount is stated as part of 'Other liabilities' and amounts to EUR 164 million as per 31 December 2023 (2022: EUR 178 million). This amount will be amortised over the weighted average of underlying derivatives at the moment of the switch.

4 Financial assets at fair value through the income statement

This item includes:
- Financial assets mandatorily measured at fair value through profit or loss. This concerns financial assets that have failed to pass the SPPI test;
- Financial assets designated as measured at fair value through profit or loss.

	31-12-2023	31-12-2022
Mandatorily measured at FVTPL		
Loans and advances	32	33
Designated as measured at FVTPL		
Loans and advances	235	238
Interest-bearing securities	644	630
Total	**911**	**901**

The total redemption value of these loans and advances and interest-bearing securities at year-end 2023 is EUR 894 million (2022: EUR 877 million). Note 25 explains the changes in fair value recognised through the income statement.

5 Derivatives

This balance sheet item includes the positive fair value of derivatives settled and not settled-to-market.

Note 25 explains the changes in fair value recognised through the income statement.

	31-12-2023	31-12-2022
Derivatives not involved in a hedge accounting relationship	96	77
Derivatives involved in a portfolio hedge accounting relationship	1,385	1,763
Derivatives involved in a micro hedge accounting relationship	1,239	1,721
Receivables related to STM derivative contracts	291	176
Total	**3,011**	**3,737**

Almost all derivatives are part of an economic hedge, the bank does not have a trading book.

6 Financial assets at fair value through other comprehensive income

This includes purchased interest-bearing securities that are held within the Hold to Collect and Sell business model and for which the bank has not used the fair value option.

	31-12-2023	31-12-2022
Governments	4,782	3,852
Supranational organisations	2,244	1,405
Credit institutions	3,167	2,131
Other institutions	-	10
Total	**10,193**	**7,398**

Transfers without derecognition

At year-end 2023, BNG Bank had transferred EUR 269 million (2022: EUR 332 million) of financial assets at fair value through other comprehensive income without derecognition in repurchase transactions.

7 Interest-bearing securities at amortised cost

This includes purchased interest-bearing securities that are held within the Hold-to-Collect business model and for which the bank has not used the fair value option.

	31-12-2023	31-12-2022
Governments	1,578	1,314
Supranational organisations	1,936	-
Other financial corporations	4,682	5,615
Non-financial corporations	634	709
Allowance for credit losses	-1	-2
Total	**8,829**	**7,636**

At year-end 2023, BNG Bank had transferred EUR 1.062 million (2022: EUR 333 million) of interest-bearing securities at amortised cost without derecognition in repurchase transactions.

8 Loans and advances at amortised costs

The Loans and advances item includes short-term and long-term loans to clients insofar as they pass the SPPI test, as well as current account debit balances held by clients. All positions are held within the Hold-to-Collect business model.

	31-12-2023	31-12-2022
Short-term loans and current account balances	1,173	1,481
Long-term lending	89,423	88,301
Total loans and advances	**90,596**	**89,782**
Allowance for credit losses	-99	-158
Total	**90,497**	**89,624**

9 Value adjustments on loans in portfolio hedge accounting

This refers to the value adjustments of the effective portion of the hedged interest rate risk of loans and advances involved in a portfolio hedge accounting relationship.

	2023	2022
Movements of value adjustments on loans in portfolio hedge accounting		
Opening balance	-8,679	13,555
Movements in the unrealised portion in the financial year	3,059	-22,154
Amortisation in the financial year	583	-61
Realisation from sales in the financial year	-	-19
Closing balance	**-5,037**	**-8,679**

10 Associates and joint ventures

	31-12-2023	31-12-2022
	Balance sheet value	
Joint ventures		
BNG Gebiedsontwikkeling BV, various immaterial participations	22	24
Total	**22**	**24**

BNG Gebiedsontwikkeling B.V. is, as a 100% subsidiary, part of the consolidated financial statements. The joint ventures referred to are held by BNG Gebiedsontwikkeling B.V.

The amount presented as "held for sale"relate to a participation held by BNG gebiedsontwikkeling which is likely to be sold within a year from balance sheet date

For summarised financial information on associates and joint ventures, please refer to 'Related parties'-section of the consolidated financial statements.

11 Property and equipment

	2023	2022	2023	2022	2023	2022	2023	2022
	Property		Equipment		Right-of-use-asset		Total	
Historical cost								
Opening balance	**49**	**49**	**27**	**27**	**2**	**2**	**78**	**78**
Investments	1	-	2	0	2	-	5	0
Value as at 31 December	**50**	**49**	**29**	**27**	**4**	**2**	**83**	**78**
Depreciation								
Accumulated depreciation as at 1 January	39	39	25	24	1	0	65	63
Depreciation during the year	1	0	1	1	1	1	3	2
Accumulated depreciation as at 31 December	**40**	**39**	**26**	**25**	**2**	**1**	**68**	**65**
Total	**10**	**10**	**3**	**2**	**2**	**1**	**15**	**13**

Renovation of our headoffice

As per November 2023, the headoffice is temporary moved to another location in The Hague. Our headoffice on Koninginnegracht 2 will be renovated for the next and a half year. The building itself will remain mostly as is, the renovation focuses mostly on the inside of the building. That is why only equipment has been impaired for EUR 0.6 million in 2023.

No property or equipment is pledged as security of liabilities.

12 Other assets

The other assets at year-end 2023 of EUR 89 million (2022: EUR 109 million) primarily comprise amounts receivable from lending to clients.

13 Amounts due to banks

	31-12-2023	31-12-2022
Current account balances	1	1
Central bank funding (TLTRO)	-	3,471
Deposits	174	140
Private loans	730	400
Repos	0	-
Total	**905**	**4,012**

As per year-end 2023, there are no transactions under ECB's third Targeted Longer-Term Refinancing Operation (TLTRO). As per year-end 2022, the TLTRO consists of two transactions which were redeemed in respectively June 2023 and December 2023.

14 Cash collateral received

The cash collateral at year-end 2023 of EUR 656 million (2022: EUR 1.173 million) is received from third parties under netting agreements and as such is not freely available to BNG Bank.

15 Financial liabilities at fair value through the income statement

This item includes debt securities designated as measured at fair value with changes in fair value recognised through the income statement.

	31-12-2023	31-12-2022
Publicly placed debt securities	243	169
Privately placed debt securities	17	16
Total	**260**	**185**

The total redemption value of the debt securities at year-end 2023 is EUR 232 million (2022: EUR 168 million). The difference between the financial liability's carrying amount and the redemption value at year-end 2023 is EUR 28 million (2022: EUR 17 million). Financial liabilities are measured at fair value through the income statement on the relevant funding curve including a mark-up for 'own credit risk'. The total change in value (before tax) was EUR 5 million positive (2022: EUR 3 million positive). Changes in fair value due to own credit risk are recognised through other comprehensive income. These changes are determined by comparing the valuation using the relevant funding curve including a mark-up for 'own credit risk' and the valuation using the relevant funding curve without this mark-up. Note 25 explains the changes in value recognised through the income statement.

16 Derivatives

This balance sheet item includes the negative fair value of derivatives not settled-to-market and the fair value of payables related to settle-to-market derivatives. Note 25 explains the changes in fair value recognised through the income statement.

	31-12-2023	31-12-2022
Derivatives not involved in a hedge accounting relationship	407	390
Derivatives involved in a portfolio hedge accounting relationship	3,603	3,341
Derivatives involved in a micro hedge accounting relationship	2,353	2,398
Total	**6,363**	**6,129**

17 Debt securities

This includes bonds and other issued debt securities with either fixed or variable interest rates. Any sold portion of an issue is deducted from the relevant bond.

	31-12-2023	31-12-2022
Bond loans	86,579	81,970
Commercial Paper	5,017	3,729
Privately placed debt securities	4,748	5,075
Total	**96,344**	**90,774**

18 Funds entrusted

	31-12-2023	31-12-2022
Current account balances	3,693	3,472
Short-term deposits	1,229	51
Long-term deposits	1,075	1,262
Total	**5,997**	**4,785**

19 Subordinated debt

	31-12-2023	31-12-2022
Subordinated debt	18	38
Total	**18**	**38**

20 Taxes

The bank has registered deferred tax liabilities for the actuarial results for the employee benefits provision, the revaluation reserve, the own credit adjustment, the compensation on additional Tier 1 capital and for the cash flow hedge reserve, which all directly change into equity.

	31-12-2023	31-12-2022
Current tax assets	18	-
Current tax liability	-	-11
Deferred tax liabilities	-19	-14
Total	**-1**	**-25**

BNG Bank and the Dutch tax authorities have concluded a bilateral agreement ('vaststellingsovereenkomst') on 11 november 2021 in accordance with IFRS 9, for the period 2021-2023. This agreement is likely to be extended. The bilateral agreement applies to the BNG Bank fiscal unit. Pursuant to the agreement, all financial instruments are stated – for both reporting and tax purposes – in accordance with the IFRS principles of valuation, with the exception of transactions classified as Financial assets at fair value through other comprehensive income. All transactions within this category are valued for tax purposes at the lower of either the cost price or the market value. The result for tax purposes differs from the result for reporting purposes if, on balance, unrealised gains have arisen.

The reconciliation between the effective tax rate and the nominal tax rate is as follows:

	2023	2022
Nominal and effective tax rate		
Profit before tax	346	407
Tax levied at the nominal tax rate	-89	-105
Tax adjustment from previous years	0	0
Participation exemption	0	2
Deductible interest on Additional Tier 1 capital	4	4
Non-deductible costs (bank levy and thin cap)	-6	-8
Effective tax	**-91**	**-107**
Nominal tax rate	25.8%	25.8%
Effective tax rate	26.4%	26.3%

In 2023 there is no change in tax rates, in 2022 the upper tax rate increased to 25.8%.

The deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

2023

	Opening balance	Changes through equity	Changes through the income statement	Closing balance
Changes in deferred taxes				
Financial assets at fair value through other comprehensive income	-1	1	-	0
Cash flow hedge reserve	-12	-5	-	-17
Own Credit Adjustment	0	-1	-	-1
Additional Tier 1 capital	-2	0	-	-2
Employee benefits provision	1	-	-1	0
Property	-	1	-	1
Total	**-14**	**-4**	**-1**	**-19**

2022

	Opening balance	Changes through equity	Changes through the income statement	Closing balance
Changes in deferred taxes				
Financial assets at fair value through other comprehensive income	-28	27	-	-1
Cash flow hedge reserve	-45	33	-	-12
Own Credit Adjustment	-1	1	-	0
Additional Tier 1 capital	-4	2	-	-2
Employee benefits provision	1	0	-	1
Total	**-77**	**63**	**-**	**-14**

21 Other liabilities

	31-12-2023	31-12-2022
Employee benefits provision	3	2
Other provisions	10	21
Other liabilities	244	315
Total	**257**	**338**

The employee benefits provision is made up of two parts, a provision for the interest rate discount on mortgage loans to both active and retired employees of EUR 2 million (2022: EUR 1 million) and a provision for vitality leave of EUR 1 million (2022: EUR 1 million). Both provisions have a long-term character. The bank no longer offers mortgages to employees.

Lease liability for right-of-use assets

The following amounts represent the future lease liabilites for the right-of-use assets:

in thousands	2023		2022	
Maturity	**Property-lease**	**Car-lease**	**Property-lease**	**Car-lease**
within 1 year	1,049	81	-	138
1 to 2 years	-	268	-	328
2 to 3 years	-	306	-	338
3 to 4 years	-	428	-	152
4 to 5 years	-	59	-	35
More than 5 years	-	-	-	-
Total right-of-use assets	**1,049**	**1,142**	**-**	**991**

The other provisions are the result of a claim on collateral received by BNG Bank.

The movements in the present value of the net liability in relation to the defined benefits relating to the mortgage interest rate discount and the provision for vitality leave are as follows:

	2023	2022
Employee benefits provision		
Net liability as at 1 January	2	2
Movements in the provision	1	0
Net liability as at 31 december	**3**	**2**

The other liabilities are mainly composed of amounts payable related to derivatives and other financial transactions which are settled in the next period.

22 Group equity

Since BNG Bank has no minority interests after consolidation, the entire consolidated equity, excluding Additional Tier 1 capital, is attributable to shareholders. The items included in equity are explained in note 22 of the company financial statements.

	31-12-2023	31-12-2022
Share capital	139	139
Share premium reserve	6	6
Revaluation reserve	-8	4
Cash flow hedge reserve	6	14
Own Credit Adjustment	4	2
Cost of hedging	41	17
Retained earnings	3,970	3,824
Unappropriated profit	254	300
Equity attributable to shareholders	**4,412**	**4,306**
Additional Tier 1 capital	309	309
Total	**4,721**	**4,615**

	2023	2022
Number of paid-up shares outstanding	55,690,720	55,690,720
Proposed dividend per share in euros	2.16	2.50
Proposed dividend pursuant to the Articles of Association	120	139

The proposed dividend distribution for 2023 is EUR 2.16 per share (2022: EUR 2.50 per share). For 2023, this takes into account the EUR 14 million (2022: EUR 21 million) compensation (before tax) that has already been paid on the Addtional Tier 1 capital in 2023. The payments are charged to the Retained earnings.

Share capital

The authorised capital is divided into 100 million shares with a nominal value of EUR 2.50 each, of which 55,690,720 shares have been issued and fully paid up. The number of shares in circulation remained unchanged during the financial year. BNG Bank and its subsidiaries hold no company shares. None of the shares carry preferential rights, nor are they subject to restrictions. There are no options that can be exercised to obtain entitlement to the issue of shares.

Share premium reserve

There were no movements in 2023 and 2022.

Revaluation reserve

At year-end 2023, the revaluation reserve includes EUR 125 million in unrealised value changes, excluding the value of the hedged part of the interest-rate risk of interest-bearing securities involved in hedge accounting, which is a part of the Financial assets at fair value through other comprehensive income. The revaluation reserve has been adjusted for taxes. Upon the sale of these assets, the associated cumulative result recognised in equity is transferred to the income statement.

Cash flow hedge reserve

The effective portion of the unrealised changes in the value of derivatives involved in a cash flow hedge relationship, resulting from changes in the foreign exchange rates, are recognised in the cash flow hedge reserve. The cash flow hedge reserve is adjusted for taxes.

Own Credit Adjustment

The Own Credit Adjustment amounts to EUR 5 million net of taxes (2022: EUR 2 million). This adjustment relates to changes in credit risk of financial liabilities measured at fair value through the income statement.

Cost of hedging reserve

The cost of hedging reserve records movements in foreign currency basis spreads in cross currency swaps involved in hedge accounting and is amortised over the life of the hedge. The cumulative movements will reduce to nil by maturity of the hedging instrument.

Retained earnings

After determination of the appropriations of the distributable profit pursuant to the Articles of Association, the General Meeting of Shareholders decides which portion of the remaining profit is added to the Retained earnings. In 2023, payment of dividend of EUR 139 million for 2022 to the bank's shareholders were scheduled. Payments took place in April 2023 and an amount of EUR 14 million (before tax) was distributed to the holders of the Additional Tier 1 capital in 2023 (2022: EUR 23 million) and charged to the Retained earnings.

Unappropriated profit

The balance sheet is prepared prior to profit appropriation. This item represents the total result achieved after deduction of corporate income tax.

Addtional Tier 1 capital

As per 31 December 2023 the bank's Addtional Tier 1 capital amounts to EUR 309 million. The instruments are structured in line with CRR requirements and the EBA guidelines and qualifies as additional Tier 1 capital. Addtional Tier 1 capital concerns perpetual loans involving an annual non-cumulative discretionary payment on the outstanding principal amount, subject to temporary write-down in the event that the CET1 ratio falls below 5.125%. In case of write-down, this amount will be transferred to the Retained earnings. Write-down from the Retained earnings can be reversed (write-up) under certain conditions at the moment that the trigger ratio is back above 5.125% again. BNG Bank is entitled to distribute the interest payment on a discretionary basis in the form of a compensation charged to the Other reserves. The compensation is determined on the basis of the prevailing principal amount. The distributed compensation is deductible for corporate income tax. BNG Bank has the unilateral contractual option to call the Additional Tier 1 capital issued. The tranches issued in 2016 (a nominal amount of EUR 309 million) can be redeemed every year from May 2022. The bank chose not to redeem the tranche in 2023.

23 Interest result

Interest revenue calculated by using the effective interest method includes all positive interest results from both financial instruments and derivatives involved in hedge accounting, including negative interest expenses on financial liabilities. In addition, other credit-related income received is included in this item. Interest revenues on assets that were subject to impairment are recognised on the original effective interest percentage, as long as the expected interest cash flows are received.

Interest expenses calculated by using the effective interest method include all negative interest results from both traditional financial instruments and derivatives involved in hedge accounting, including negative interest revenue on financial assets. The costs of borrowing as well as other interest-related charges are also recognised.

Other interest revenue and expenses consist mainly of interest results of derivatives not involved in hedge accounting and interest results of financial assets and liabilities measured at fair value.

	2023		2022	
Interest revenue				
Interest revenue calculated by using the effective interest method:				
- Financial assets at amortised cost	3,395		1,943	
- Financial assets at fair value through other comprehensive income	163		64	
- Derivatives involved in hedge accounting	2,472		1,611	
- Negative interest expenses on financial liabilities	21		141	
		6,051		3,759
Other interest revenue:				
- Financial assets designated at fair value through the income statement	38		61	
- Financial assets mandatory at fair value through the income statement	1		1	
- Derivatives not involved in hedge accounting	366		327	
- Other	20		14	
		425		403
Total interest revenue		**6,476**		**4,162**
Interest expenses				
Interest expenses calculated by using the effective interest method:				
- Financial liabilities at amortised cost	3,082		1,628	
- Derivatives involved in hedge accounting	2,680		1,832	
- Interest expenses on financial assets	86		147	
		5,848		3,607
Other interest expenses				
- Financial liabilities designated at fair value through the income statement	9		8	
- Derivatives not involved in hedge accounting	47		59	
- Other	9		7	
		65		74
Total interest expenses		**5,913**		**3,681**
Total interest result		**563**		**481**

The interest revenue in 2023 includes EUR 24 million (2022: EUR 22 million) in interest revenue for financial assets, relating to Financial assets at amortised cost (notes 7 and 8) and Financial assets at fair value through other comprehensive income (note 6), which were subject to impairment.

As per November 2022 the interest rates regarding TLTRO-III positions changed, which led to interest expenses instead of interest revenue. The interest expenses on the TLTRO-III position amounts to EUR 75 million in 2023 (2022: EUR 91 million revenue). Due to early redemption, there are no TLTRO-III positions as per year-end 2023.

24 Commission result

Commission income

This item includes income from services provided to third parties.

	2023	2022
Income from loans and credit facilities	19	13
Income from payment services	10	10
Total	**29**	**23**

Commission expenses

This item comprises expenses totalling EUR 3 million (2022: EUR 4 million) relating to services rendered by third parties in relation to loans, credit facilities and payment services.

25 Result on financial transactions

This item includes the result on financial transactions broken down into realised and unrealised market value adjustments.

		2023		2022
Market value changes in financial assets at fair value through the income statement resulting from changes in credit and liquidity spreads, consisting of:				
- Interest-bearing securities	-7		-25	
- Structured loans	-6		-5	
		-13		-30
Result on hedge accounting				
- Portfolio fair value hedge accounting	85		-32	
- Micro fair value hedge accounting	-131		62	
- Micro cash flow hedge accounting	-2		0	
		-48		30
Change in counterparty credit risk of derivatives (CVA/DVA)		3		16
Realised sales and buy-out results		-25		47
Other market value changes		5		50
Total		**-78**		**113**

The realised results of EUR 25 million negative (2022: 47 million positive) are mainly due to a lower realised result from sale of interest bearing securities from the bank's liquidity portfolio.

The unrealised results of EUR 53 million negative (2022: 66 million positive) are mainly due to the volatility of interest rates which had impact on the result on hedge accounting of EUR 58 million negative (2023: 30 million positive) and the decrease of the other market value changes to EUR 5 million positive (2022: 50 million positive).

The volatility of the interest rate in the reporting period had a positive impact of the result from Portfolio hedging. Portfolio hedging consist of assets hedged by using paying fixed interest rate swaps (IRS). Although portfolio hedging is almost 100% effective during the reporting period a positive result occurred as a result of the increase of interest rates. The positive result is mitigated by the results from Micro hedging. This is mainly hedging of liabilities by using IRS en cross-currency interest rate swaps (CCIRS). The impact on the results are therefore opposite from the results from portfolio hedging.

The higher credit and liquidity risk spreads of most interest-bearing securities recorded under Financial assets at fair value through the income statement had less impact but led still to negative result of market value changes compared to 2022. In 2023 the result amounted to EUR 7 million negative (2022: 25 million negative).

26 Results from associates and joint ventures

	2023	2022
Associates	-	6
Joint ventures	4	6
Total	**4**	**12**

BNG Bank sold its participating interest in Data B Mailservice Holding B.V. in 2022, therefore no further results from associates are expected.

For a description of the bank’s associates and joint ventures, please refer to item 'Related parties' of the consolidated financial statements.

27 Other results

The other results of EUR 1 million (2022: EUR 1 million) consist mainly of income from consultancy services provided by BNG Gebiedsontwikkeling.

28 Staff costs

	2023	2022
Wages and salaries	42	35
Pension costs	6	6
Social security costs	4	3
Additions to the employee benefits provision	0	0
External employees	32	27
Other staff costs	7	4
Total	**91**	**75**

The increase in staff costs is mainly due to the increase in the number of internal and external employees.

Expressed in FTEs, the number of employees with a fixed or indefinite contract at year-end 2023 is 474.7 FTE (2022: 392.0 FTEs).

There was no variable remuneration of individual staff members in 2023 and 2022. We refer to section 'Related parties' for the remuneration of the Executive Committee.

29 Other administrative expenses

These expenses include, among other things, outsourcing costs, maintenance costs of property and equipment, consultancy costs, training expenses and IT expenses. The total other administrative expenses for 2023 amounted to EUR 48 million (2022: EUR 38 million), the increase is mainly due to IT expenses.

The fees paid to independent auditors are also included in Other administrative expenses.

In conformity with Section 382a of Part 9, Book 2 of the Dutch Civil Code, a breakdown of the fees paid to the independent auditors for audits and audit-related and non-audit-related services is given in note 34 to the consolidated financial statements.

30 Depreciation

A breakdown of this item is included in the note on Property and equipment (note 11). In total, the depreciation charges amounted to EUR 3 million in 2023 (2022: EUR 2 million).

31 Net impairment results on financial assets

The impairments in 2023 amounted to an income of EUR 8 million in the income statement (2022: EUR 52 million loss). The decrease of impairments are due to the transfer of items to Stage 3 in previous year. Also the economic outlook is less negative which results in a switch of items from Stage 2 to Stage 1. The management overlay for the healthcare sector is still included. The ECL for this sector is EUR 18 million.

2023

	Stage 1	Stage 2	Stage 3	Total
Impairment results due to movements in allowances:				
- Increases in allowances due to origination and acquisition	1	0	6	7
- Decreases in allowances due to derecognition	-3	-1	-5	-9
- Changes in allowances due to changes in credit risk (net)	-1	-7	13	5
	-3	**-8**	**14**	**3**
Impairment results not due to movements in allowances:				
- Reversal of impairment due to cash flows received from past write-offs	-	-	-11	-11
- Impairments due to write-offs	-	-	-	-
	-	**-**	**-11**	**-11**
Net impairment result on financial assets	**-3**	**-8**	**3**	**-8**

2022

	Stage 1	Stage 2	Stage 3	Total
Impairment results due to movements in allowances:				
- Increases in allowances due to origination and acquisition	2	2	3	7
- Decreases in allowances due to derecognition	-2	-3	0	-5
- Changes in allowances due to changes in credit risk (net)	3	13	35	51
	3	**12**	**38**	**53**
Impairment results not due to movements in allowances:				
- Reversal of impairment due to cash flows received from past write-offs	-	-	-1	-1
- Impairments due to write-offs	-	-	0	0
	-	**-**	**-1**	**-1**
Net impairment result on financial assets	**3**	**12**	**37**	**52**

Movement in allowances for expected credit losses

2023

	Stage 1	Stage 2	Stage 3	Total
Movements in allowances taken through the income statement:				
- Increases in allowances due to origination and acquisition	1	0	6	7
- Decreases in allowances due to derecognition	-3	-1	-5	-9
- Changes in allowances due to changes in credit risk (net)	-1	-7	13	5
	-3	**-8**	**14**	**3**
Movements in allowances not taken through the income statement:				
- Decreases in allowance due to write-offs	-	-	-60	-60
	-	**-**	**-60**	**-60**
Total movements in allowances	**-3**	**-8**	**-46**	**-57**

2022

	Stage 1	Stage 2	Stage 3	Total
Movements in allowances taken through the income statement:				
- Increases in allowances due to origination and acquisition	2	2	3	7
- Decreases in allowances due to derecognition	-2	-3	0	-5
- Changes in allowances due to changes in credit risk (net)	3	13	35	51
	3	**12**	**38**	**53**
Movements in allowances not taken through the income statement:				
- Decreases in allowance due to write-offs	-	-	-131	-131
	-	**-**	**-131**	**-131**
Total movements in allowances	**3**	**12**	**-93**	**-78**

Note 37 provides an overview of the breakdown of financial assets subject to impairment into impairment stages.

32 Net impairment losses on associates and joint ventures

	2023	2022
Impairment of associates and joint ventures	0	0
Reversal of impairment of associates and joint ventures	-1	0
Total	**-1**	**0**

In 2023, no impairments on BNG Gebiedsontwikkeling participations occured. In 2023, there was a reversal of impairments on participations of EUR 1 million (2022: nil). All participations are valued on a going concern basis.

33 Contribution to resolution fund and bank levy

Contribution to resolution fund

The European resolution regime arising from the Bank Recovery and Resolution Directive entered into force on 1 January 2015. The expenses for the resolution fund are deductible for corporate income tax purposes. The EUR 14 million payable for 2023 (2022: EUR 20 million) was paid in June 2023 and charged to the income statement. The lower contribution was partly due to the significantly lower balance sheet values as of 31 December 2022. Contributions are paid in cash, not in irrevocable Payment Commitments (IPCs).

Bank levy

The expenses concerning the bank levy are not deductible for corporate income tax purposes. As a consequence, the effective tax burden exceeds the nominal tax rate in 2023 and 2022. BNG Bank is due to pay the bank levy in October of every year, which for 2023 amounted to EUR 23 million (2022: EUR 32 million). The decrease is caused by lower balance sheet total as at 31 December 2022. The calculation of the levy is stated in note 31 of the Company financial statements.

34 Fees of independent auditors

The following audit fees were reported in the income statement:

	2023	2022
Audit of the financial statements	613	486
Other audit services	77	165
Tax services	-	0
Other non-audit services	123	107
Total	**813**	**758**

The fees listed above relate to the procedures applied to the Company and its consolidated group entities by accounting firms and external independent auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act (‘Wet toezicht accountantsorganisaties – Wta’).
In the case of BNG Bank this is only applicable to Dutch based accounting firms (PwC the Netherlands accountants (‘PwC NL’), including its tax services and advisory groups) as BNG Bank does not make use of foreign based

accounting firms. The audit fees relate to the audit of the 2023 financial statements, regardless of whether the work was performed during the financial year.

Summary of services rendered by the independent auditor, in addition to the audit of the financial statements

Our independent auditor, PwC NL, has rendered, for the period to which our statutory audit relates, in addition to the audit of the statutory financial statements the following services to the company and its controlled entities:

Other audit services required by law or regulatory requirements

- Statutory audits of controlled entities;
- Review of interim financial statements;
- Audit of the regulatory returns for the Dutch Central Bank;
- Assurance engagement credit claims for the Dutch Central Bank.

Other audit services

- Assurance engagement on the sustainability report;
- Comfort letters on annual update of debt issuance prospectus and drawdowns under the debt issuance programme;
- Assurance engagement on the Deposito Garantee Scheme requirements.

Other non-audit services

- Agreed-upon procedure on the financial information for the Single Resolution Board.

35 Breakdown of balance sheet value by remaining contractual maturity of financial instruments

31-12-2023

	Due on demand	up to 3 months	3 - 12 months	1 - 5 years	over 5 years	Total
Cash and balances held with central banks	217	1,400	-	-	-	1,617
Amounts due from banks	2	19	31	251	319	622
Cash collateral posted	-	4,751	-	-	-	4,751
Financial assets at fair value through the income statement	-	-	49	90	772	911
Derivatives	-	322	119	678	1,892	3,011
Financial assets at fair value through other comprehensive income	-	188	347	3,400	6,258	10,193
Interest-bearing securities at amortised cost	-	-	49	807	7,973	8,829
Loans and advances	464	997	5,629	23,011	60,396	90,497
Value adjustments on loans in portfolio hedge accounting	-	-5	-8	-362	-4,662	-5,037
Current tax assets	-	0	18	-	-	18
Other assets	-	89	-	-	-	89
Total assets	**683**	**7,761**	**6,234**	**27,875**	**72,948**	**115,501**
Amounts due to banks	1	174	-	148	582	905
Cash collateral received	-	656	-	-	-	656
Financial liabilities at fair value through the income statement	-	-	-	138	122	260
Derivatives	-	53	370	953	4,987	6,363
Debt securities	-	7,999	11,403	32,926	44,016	96,344
Funds entrusted	3,693	873	421	814	196	5,997
Subordinated debt	-	-	-	18	-	18
Current tax liabilities	-	-	-	-	-	-
Deferred tax liabilities	-	-	1	4	14	19
Other liabilities	-	97	11	34	115	257
Total liabilities	**3,694**	**9,852**	**12,206**	**35,035**	**50,032**	**110,819**

31-12-2022

	Due on demand	up to 3 months	3 - 12 months	1 - 5 years	over 5 years	Total
Cash and balances held with central banks	420	6,401	-	-	-	6,821
Amounts due from banks	4	1	23	125	193	346
Cash collateral posted	-	4,144	-	-	-	4,144
Financial assets at fair value through the income statement	-	-	-	148	753	901
Derivatives	-	473	250	855	2,159	3,737
Financial assets at fair value through other comprehensive income	-	71	164	2,594	4,569	7,398
Interest-bearing securities at amortised cost	-	-	54	469	7,113	7,636
Loans and advances	589	1,932	6,005	23,749	57,349	89,624
Value adjustments on loans in portfolio hedge accounting	-	-2	-39	-755	-7,883	-8,679
Current tax assets	-	-	-	-	-	-
Other assets	-	109	-	-	-	109
Total assets	**1,013**	**13,129**	**6,457**	**27,185**	**64,253**	**112,037**
Amounts due to banks	1	81	59	3,471	400	4,012
Cash collateral received	-	1,173	-	-	-	1,173
Financial liabilities at fair value through the income statement	-	-	-	20	165	185
Derivatives	-	91	68	994	4,976	6,129
Debt securities	-	4,618	12,917	36,572	36,667	90,774
Funds entrusted	3,483	78	137	857	230	4,785
Subordinated debt	-	11	8	19	-	38
Current tax liabilities	-	-	11	-	-	11
Deferred tax liabilities	-	-	1	3	10	14
Other liabilities	-	168	10	35	125	338
Total liabilities	**3,484**	**6,220**	**13,211**	**41,971**	**42,573**	**107,459**

36 Breakdown of financial instruments by category

31-12-2023

	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Cash and balances held with central banks	1,617	-	-	**1,617**
Amounts due from banks	622	-	-	**622**
Cash collateral posted	4,751	-	-	**4,751**
Financial assets at fair value through the income statement	-	911	-	**911**
Derivatives	-	3,011	-	**3,011**
Financial assets at fair value through other comprehensive income	-	-	10,193	**10,193**
Interest-bearing securities at amortised cost	8,829	-	-	**8,829**
Loans and advances	90,497	-	-	**90,497**
Value adjustments on loans in portfolio hedge accounting	-5,037	-	-	**-5,037**
Total assets	**101,279**	**3,922**	**10,193**	**115,394**
Amounts due to banks	905	-	-	**905**
Cash collateral received	656	-	-	**656**
Financial liabilities at fair value through the income statement	-	260	-	**260**
Derivatives	-	6,363	-	**6,363**
Debt securities	96,344	-	-	**96,344**
Funds entrusted	5,997	-	-	**5,997**
Subordinated debt	18	-	-	**18**
Total liabilities	**103,920**	**6,623**	**-**	**110,543**

31-12-2022

	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Cash and balances held with central banks	6,821	-	-	6,821
Amounts due from banks	346	-	-	346
Cash collateral posted	4,144	-	-	4,144
Financial assets at fair value through the income statement	-	901	-	901
Derivatives	-	3,737	-	3,737
Financial assets at fair value through other comprehensive income	-	-	7,398	7,398
Interest-bearing securities at amortised cost	7,636	-	-	7,636
Loans and advances	89,624	-	-	89,624
Value adjustments on loans in portfolio hedge accounting	-8,679	-	-	-8,679
Total assets	**99,892**	**4,638**	**7,398**	**111,928**
Amounts due to banks	4,012	-	-	4,012
Cash collateral received	1,173	-	-	1,173
Financial liabilities at fair value through the income statement	-	185	-	185
Derivatives	-	6,129	-	6,129
Debt securities	90,774	-	-	90,774
Funds entrusted	4,785	-	-	4,785
Subordinated debt	38	-	-	38
Total liabilities	**100,782**	**6,314**	**-**	**107,096**

37 Reconciliation of movements of liabilities to cash flows arising from financing activities

2023

	Financial liabilities at fair value through the income statement	Debt securities	Subordinated debt	Additional Tier 1 capital	Total
Balance at 1 January 2023	**185**	**90,774**	**38**	**309**	**91,306**
Cash flows from financing activities					
- Proceeds from financing activities	63	473,737	0	0	473,800
- Repayments on financing activities	0	-471,717	-20	0	-471,737
- Interest and other cash flows	10	-2,484	-1	0	-2,475
- Compensation on Additional Tier 1 capital	0	0	0	-15	-15
	73	**-464**	**-21**	**-15**	**-427**
Non-cash changes					
Unrealised results:					
- Foreign exchange movement	-5	-635	0	0	-640
- Fair value changes	-2	4,059	0	0	4,057
Realised results	9	2,553	1	0	2,563
Movement to Other liabilities (derecognised but not yet repaid)	0	57	0	0	57
	2	**6,034**	**1**	**-**	**6,037**
Compensation distributed from Retained earnings				15	15
Balance at 31 December 2023	**260**	**96,344**	**18**	**309**	**96,931**

2022

	Financial liabilities at fair value through the income statement	Debt securities	Subordinated debt	Additional Tier 1 capital	Total
Balance at 1 January 2022	**310**	**101,355**	**36**	**733**	**102,434**
Cash flows from financing activities					
- Proceeds from financing activities	-	474,082	-	-	474,082
- Repayments on financing activities	-100	-473,084	-	-424	-473,608
- Interest and other cash flows	-5	-1,906	0	-	-1,911
- Compensation on Additional Tier 1 capital	-	-	-	-23	-23
	-105	**-908**	0	**-447**	**-1,460**
Non-cash changes					
Unrealised results:					
- Foreign exchange movement	-4	1,924	-		1,920
- Fair value changes	-24	-13,061	-		-13,085
Realised results	8	1,521	2		1,531
Movement to Other liabilities (derecognised but not yet repaid)		-57			-57
	-20	**-9,673**	**2**	**-**	**-9,691**
Compensation distributed from Retained earnings				23	23
Balance at 31 December 2022	**185**	**90,774**	**38**	**309**	**91,306**

38 Impairment of financial assets and off-balance sheet commitments

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

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

31-12-2023

	Gross carrying amount				Allowance for credit loss		
	Carrying amount	Performing		Non-performing	Performing		Non-performing
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets subject to impairment							
Cash and balances held with central banks	1,617	1,617	-	-	-	-	-
Amounts due from banks	622	622	0	0	0	-	-
Cash collateral posted	4,751	4,751	-	-	-	-	-
Financial assets at fair value through OCI[1]	10,193	10,193	0	-	0	-	-
Interest-bearing securities at amortised cost	8,829	8,769	61	-	0	-1	-
Loans and advances	90,497	88,802	1,195	599	-6	-13	-80
Total	**116,509**	**114,754**	**1,256**	**599**	**-6**	**-14**	**-80**

31-12-2022

	Gross carrying amount				Allowance for credit loss		
	Carrying amount	Performing		Non-performing	Performing		Non-performing
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets subject to impairment							
Cash and balances held with central banks	6,821	6,821	-	-	-	-	-
Amounts due from banks	346	346	0	0	0	0	0
Cash collateral posted	4,144	4,144	-	-	-	-	-
Financial assets at fair value through OCI[1]	7,398	7,398	0	-	0	0	0
Interest-bearing securities at amortised cost	7,636	7,552	86	-	0	-2	0
Loans and advances	89,624	86,885	2,049	848	-8	-21	-129
Total	**115,969**	**113,146**	**2,135**	**848**	**-8**	**-23**	**-129**

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

31-12-2023

	Nominal amount			Provision		
	Performing		Non-performing	Performing		Non-performing
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Off-balance sheet commitments						
Contingent liabilities	474	3	1	-	-	-1
Revocable facilities	5,892	147	78	-	-	-2
Irrevocable facilities	3,937	10	12	-	-1	-2
Total	**10,303**	**160**	**91**	**-**	**-1**	**-5**

31-12-2022

	Nominal amount			Provision		
	Performing		Non-performing	Performing		Non-performing
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Off-balance sheet commitments						
Contingent liabilities	485	3	1	0	0	-1
Revocable facilities	5,781	228	239	-	-	-
Irrevocable facilities	4,341	43	42	0	-1	-1
Total	**10,607**	**274**	**282**	**0**	**-1**	**-2**

Movements in allowances and provisions for expected credit losses

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

2023

	Opening balance	Increases due to origination and acquisition	Decrease due to derecognition repayments and disposals	Changes due to change in credit risk (net)	Decrease in allowance account due to write-offs	Closing balance
Allowances						
Cash and balances held with central banks	-	-	-	-	-	-
Amounts due from banks	0	0	0	0	-	0
Financial assets at fair value through OCI	0	0	0	0	-	0
Interest-bearing securities at amortised cost	2	0	0	-1	-	1
Loans and advances	158	7	-70	4	-	99
	160	**7**	**-70**	**3**	**-**	**100**
Provision						
Off-balance sheet commitments	3	1	0	2	-	6

2022

	Opening balance	Increases due to origination and acquisition	Decrease due to derecognition repayments and disposals	Changes due to change in credit risk (net)	Decrease in allowance account due to write-offs	Closing balance
Allowances						
Cash and balances held with central banks	-	-	-	-	-	-
Amounts due from banks	0	-	-	0	-	0
Financial assets at fair value through OCI	0	0	0	0	-	0
Interest-bearing securities at amortised cost	2	0	0	0	-	2
Loans and advances	237	7	-4	50	-132	158
	239	**7**	**-4**	**50**	**-132**	**160**
Provision						
Off-balance sheet commitments	1	0	0	2	-	3

Modifications of contractual cash flows

There were no financial assets for which the contractual cash flows have been modified during 2023 while they had a loss allowance measured at an amount equal to lifetime expected credit loss (i.e. stage 2 or 3). No financial assets which were modified in previous reporting periods while they had a loss allowance measured at an amount equal to lifetime expected credit loss (stage 2 or 3) have been moved back to stage 1 during 2023.

Key inputs and assumptions

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

Probability of default

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

Loss given default

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

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

Exposure at default

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

Significant increase in credit risk

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

BNG Bank applies an expert judgement approach when determining the stage 3 impairment figures. The approach is performed on an instrument level by the Financial Restructuring & Recovery department.

Management overlay

In 2023 the management overlay for the healthcare sector is still applied. For all exposures in this sector the rating is downgraded with 2-notches. As a result an exposure at default of almost EUR 150 million was transferred from Stage 1 to Stage 2. The total ECL for all items in the Healthcare sector is EUR 17.8 million. If the calculation was based on the actual rating and staging this would result in an ECL of EUR 8.9 million.

Forward-looking macroeconomic information

Historical analysis are performed to identify the key macroeconomic variables, which are provided by the bank's economist on a quarterly basis. Expert judgement is applied. In 2023 the macroeconomic factors applied in determining the probability of default for non-securitisations are the nominal GDP, the unemployment rate, and the employment rate. For securitisations the applied macroeconomic factors are the house price index, the long term interest rate, and debt.

Impact of inflation

The impact of high inflation and increased economic uncertainty is reflected in the decrease of domestic spending and use of consumable goods. In 2023 there were no significant events related to inflation in the sectors in which the bank operates or to individual clients relating to BNG Bank's client portfolio. However, the bank closely monitors the impact of inflation, in particular the healthcare and energy sectors receive additional attention.

Impact of climate-related matters

BNG Bank has started to incorporate ESG credit risks in the internal control and risk management framework. To identify the material sectors for monitoring purposes, the bank is conducting an analysis per sector in which it operates, to define the material ESG-related credit risks. So far, the analysis demonstrates that most ESG-related credit risks are related to emissions and energy. BNG Bank has not identified material impairment indications with respect to ESG risks. However, the bank will continue with the analysis in the first quarter of 2024 will work work on improving the modelling, amongst others the modelling for accouting ECL calculation, to include climate-related matters.

Non-securitisations

Macro economic variable	Horizon as per 31-12-2023	Horizon as per 31-12-2022
Gross Domestic Product (GDP) for The Netherlands	3 years	3 years
Unemployment rate for The Netherlands	3 years	3 years
Employment rate	3 years	3 years

Scenario	Weight as per 31-12-2023	Weight as per 31-12-2022
Base scenario	75%	50%
Upward scenario	10%	10%
Downward scenario	15%	40%

Securitisations

Macro economic variable	Horizon as per 31-12-2023	Horizon as per 31-12-2022
House price indices in the Euro area (17 countries)	3 years	3 years
Long-term interest rates in the Euro area (19 countries)	3 years	3 years
Debt (Credit to households and NPISHs) in the Euro area[1]	3 years	3 years

Scenario	Weight as per 31-12-2023	Weight as per 31-12-2022
Base scenario	75%	50%
Upward scenario	10%	10%
Downward scenario	15%	40%

1 Non-profit institutions serving households

Non-performing exposures

BNG Bank applies the following criteria to designate exposures as non-performing:

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

The bank employs the following indicators for ‘Unlikeliness to pay’:

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

Sensitivity analysis of credit loss allowances

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

Scenario A:

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

Scenario B:

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

Scenario C:

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

As per 31 December 2023 three different scenarios are used to calculate the sensitivity (in millions of euros) of the total credit loss allowances and are stated below.

31-12-2023

	Actual Balance	Scenario A (1 notch down)	Scenario B (LGD from 0% to 10%)	Scenario C (through-the-cycle PDs)
Allowances				
Cash and balances held with central banks	-	-	-	-
Amounts due from banks	0	0	0	0
Financial assets at fair value through OCI	0	0	0	0
Interest-bearing securities at amortised cost	1	2	1	1
Loans and advances	99	101	117	111
	100	**103**	**118**	**112**
Provision				
Off-balance sheet commitments	6	5	5	5

31-12-2022

	Actual Balance	Scenario A (1 notch down)	Scenario B (LGD from 0% to 10%)	Scenario C (through-the-cycle PDs)
Allowances				
Cash and balances held with central banks	-	-	-	-
Amounts due from banks	0	0	0	0
Financial assets at fair value through OCI	0	0	0	0
Interest-bearing securities at amortised cost	2	3	2	1
Loans and advances	158	165	182	159
	160	**168**	**184**	**160**
Provision				
Off-balance sheet commitments	3	3	3	3

Hedging of risks with derivatives

BNG Bank applies economic hedging in order to mitigate foreign exchange risks and keep interest rate risks at a desired level. To this end, the bank has put in place a system of limits and procedures that is strictly adhered to and is monitored on a daily basis. Foreign exchange and interest rate risks are hedged with derivatives. The treatment of derivatives and hedged items in the balance sheet and income statement is such that they are aligned as much as possible with the actual economic hedging. For accounting purposes, BNG Bank processes this hedging relationship under IFRS by applying micro and portfolio fair value hedging, as well as cash flow hedging. The Accounting principles for the consolidated financial statements section describes the conditions that need to be met before these forms of hedge accounting can be applied.

Micro fair value hedge accounting (MH) is applied to individual transactions involved in an economic hedge relationship to offset interest rate risks and foreign exchange risks when applicable. This form of hedging is applied to nearly all debt securities issued. The foreign exchange risks and interest rate risks are hedged by means of (cross-currency) interest rate swaps. The issues are fully offset against the derivatives so that, on a net basis, the fixed coupons of the issues are converted into variable interest amounts in euros. Both the issues and the accompanying derivatives can contain structures, such as options, which are also fully offset. The revaluation effect of hedged MH transactions with regard to fair value hedging is accounted for in the same balance sheet item as the hedged items.

BNG Bank applies (micro) cash flow hedge accounting to virtually all long-term funding transactions in foreign currencies with a floating coupon in order to protect the bank's result against possible variability in future cash flows due to exchange rate fluctuations.
The bank also applies cash flow hedge accounting to hedge the foreign currency risk of the credit spread of fixed foreign currency transactions. With the exception of voluntary early redemption of funding in foreign currencies or an immediate and complete withdrawal from the banking business, there are no circumstances under which these revaluations can lead to a realised result.

The cross currency basis swap spread is an important building block of the value of cross-currency (interest rate) swaps. The fluctuations of this basis spread can never be part of the hedge relationship. If micro hedging is applied the fluctuations of this basis spread are separated as 'cost of hedging' reserve within equity.

In portfolio fair value hedge accounting (PH), the interest rate risks of a group of transactions in euro are hedged by means of a group of derivatives. The hedging relationship is constructed and controlled at an aggregate level, thus precluding relationships with individual transactions. Within BNG Bank, portfolio hedging, like micro hedging, has been highly effective. Any ineffectiveness that occurs is recognised in the income statement.

The effective part of PH is accounted for in the balance sheet item Value adjustments on loans in portfolio hedge accounting.

Although BNG Bank uses derivatives for economic hedging purposes, it is not possible in all cases to include these in a hedge accounting relationship, as permitted by IFRS. In principal all derivatives that are not involved in a hedge accounting relationship are hedged economically with a financial instrument which is also recognised at fair value through the income statement. Consequently, in total, the volatility of the result due to interest rate and foreign exchange risks is limited.

The following table shows the maturity profile as at 31 December 2023 of all derivatives based on their notional amounts.

	31-12-2023				31-12-2022			
	Up to 1 year	1 to 5 years	Over 5 years	Total	Up to 1 year	1 to 5 years	Over 5 years	Total
Derivatives involved in portfolio hedge accounting								
Interest rate swaps	8,886	28,843	101,632	139,361	7,734	28,137	98,530	134,401
Derivatives involved in micro hedge accounting								
Interest rate swaps	6,321	24,620	57,659	88,600	6,654	23,341	44,533	74,528
Cross-currency swaps	8,765	15,097	6,573	30,435	6,378	17,721	6,063	30,162
Derivatives not involved in hedge accounting								
Interest rate swaps	8,168	225	501	8,894	6,369	251	388	7,008
Cross-currency swaps	35	179	316	530	-	100	428	528
FX-swaps	3,317	-	-	3,317	3,829	-	-	3,829
Other derivatives	48	3,133	428	3,609	10	-2,629	-200	-2,819
Total	**35,540**	**72,097**	**167,109**	**274,746**	**30,974**	**66,921**	**149,742**	**247,637**

The following table shows the total notional amounts of the derivatives in relation to the fair value.

	31-12-2023		31-12-2022	
	Notional amount	Fair value	Notional amount	Fair value
Derivatives involved in portfolio hedge accounting				
Interest rate swaps	118,292	13,504	110,204	-2,308
Derivatives involved in micro hedge accounting				
Interest rate swaps	81,100	-11,723	72,137	4,377
Cross-currency swaps	8,998	1,141	13,460	1,589
Derivatives not involved in hedge accounting				
Interest rate swaps	8,483	17	6,441	13
Cross-currency swaps	300	56	298	64
FX-swaps	719	3	34	1
Other derivatives	320	13	63	1
Total derivatives stated as assets	**218,212**	**3,011**	**202,637**	**3,737**
Derivatives involved in portfolio hedge accounting				
Interest rate swaps	21,069	3,603	24,197	3,341

	31-12-2023		31-12-2022	
Derivatives involved in micro hedge accounting				
Interest rate swaps	7,500	527	2,391	707
Cross-currency swaps	21,437	1,827	16,702	1,690
Derivatives not involved in hedge accounting				
Interest rate swaps	411	196	567	194
Cross-currency swaps	230	114	230	106
FX-swaps	2,598	41	3,795	54
Other derivatives	3,289	55	-2,882	37
Total derivatives stated as liabilities	**56,534**	**6,363**	**45,000**	**6,129**

BNG Bank receives collateral from counterparties with respect to credit risk on derivatives. As at 31 December 2023, this collateral amounted to EUR 656 million (2022: EUR 1,173 million), all in cash.

With regard to derivatives, BNG Bank provided EUR 8,658 million in collateral in 2023 (2022: EUR 4,950 million), of which EUR 3,704 million in cash (2022: EUR 2,008 million) and EUR 4,953 million in interest-bearing securities (2022: EUR 2,942 million).

Fair value hedge accounting

The following table shows the changes in fair value of the hedged items and the hedging instruments due to fair value hedge accounting in the reporting period, used as the basis for recognising ineffectiveness.

31-12-2023

	Gross carrying amount of hedged items	Accumulated amount of fair value adjustments on the hedged items or through OCI	Gains/Losses attributable to the hedged item	Gains/Losses attributable to the hedging instrument	Hedge ineffectiveness
Fair value hedges					
Micro fair value hedges (hedged items stated as assets)					
Fixed rate bonds in Financial assets at FVOCI	9,951	-119	478	-485	-7
Fixed rate bonds in Interest-bearing securities at AC	2,950	-256	95	-99	-4
	12,901	**-375**	**573**	**-584**	**-11**
Micro fair value hedges (hedged items stated as liabilities)					
Fixed rate loans in Amounts due to banks	-730	14	-46	46	0
Fixed rate bonds in Debt securities	-88,731	6,854	-3,530	3,408	-122
Fixed rate loans in Funds entrusted	-497	-2	4	-4	0
	-89,958	**6,866**	**-3,572**	**3,450**	**-122**
Total micro fair value hedges	**-77,057**	**6,491**	**-2,999**	**2,866**	**-133**
Portfolio fair value hedges (hedged items stated as assets)					
Fixed rate loans in Amounts due to banks	45	-3	2	-2	0
Fixed rate bonds in Financial assets at FVOCI	242	5	7	3	10
Fixed rate bonds in Interest-bearing securities at AC	1,328	-81	58	-57	1
Fixed rate loans in Loans and advances	85,066	-4,953	3,582	-3,519	63
Total portfolio fair value hedges	**86,681**	**-5,032**	**3,649**	**-3,575**	**74**
Total fair value hedges	**9,624**	**1,459**	**650**	**-709**	**-59**

31-12-2022

	Gross carrying amount of hedged items	Accumulated amount of fair value adjustments on the hedged items or through OCI	Gains/Losses attributable to the hedged item	Gains/Losses attributable to the hedging instrument	Hedge ineffectiveness
Fair value hedges					
Micro fair value hedges (hedged items stated as assets)					
Fixed rate bonds in Financial assets at FVOCI	7,089	-874	-1,328	1,320	-8
Fixed rate bonds in Interest-bearing securities at AC	880	-331	-592	588	-4
	7,969	**-1,205**	**-1,920**	**1,908**	**-12**
Micro fair value hedges (hedged items stated as liabilities)					
Fixed rate loans in Amounts due to banks	-399	61	89	0	89
Fixed rate bonds in Debt securities	-83,193	10,998	12,029	-11,955	74
Fixed rate loans in Funds entrusted	-38	-2	4	-93	-89
	-83,630	**11,057**	**12,122**	**-12,048**	**74**
Total micro fair value hedges	**-75,661**	**9,852**	**10,202**	**-10,140**	**62**
Portfolio fair value hedges (hedged items stated as assets)					
Fixed rate loans in Amounts due to banks	50	-4	-10	10	0
Fixed rate bonds in Financial assets at FVOCI	309	-13	-52	34	-18
Fixed rate bonds in Interest-bearing securities at AC	1,349	-141	-361	365	4
Fixed rate loans in Loans and advances	82,924	-8,535	-21,844	21,826	-18
Total portfolio fair value hedges	**84,632**	**-8,693**	**-22,267**	**22,235**	**-32**
Total fair value hedges	**8,971**	**1,159**	**-12,065**	**12,095**	**30**

Cash flow hedge accounting

The following table shows the notional amount and the changes in fair value of the hedging instruments, as well as the gross carrying amounts of the hedged items involved in micro cash flow hedge accounting in the reporting period, used as the basis for recognising ineffectiveness.

31-12-2023	Notional amount of hedging instruments	Gross carrying amount of hedging items		Changes in fair value of hedging		Reclassified as interest result calculated using the effective interest method
		Assets	Liabilities	Effective portion recognised in OCI	Hedge ineffectiveness recognised in profit or loss	
Cash flow hedges						
Micro cash flow hedges						
Cross currency swaps	962	16	-1,092	-15	-2	-31
Total cash flow hedges	**962**	**16**	**-1,092**	**-15**	**-2**	**-31**

31-12-2022	Notional amount of hedging instruments	Gross carrying amount of hedging items		Changes in fair value of hedging		Reclassified as interest result calculated using the effective interest method
		Assets	Liabilities	Effective portion recognised in OCI	Hedge ineffectiveness recognised in profit or loss	
Cash flow hedges						
Micro cash flow hedges						
Cross currency swaps	-931	19	-1,127	-20	0	-2
Total cash flow hedges	**-931**	**19**	**-1,127**	**-20**	**0**	**-2**

Foreign exchange rates

The following table shows the weighted average FX rates for the major currencies of the final exchange of cross-currency swaps involved in a micro cash flow hedge accounting relationship as at 31 December 2023.

31-12-2023

FX rate	up to 1 year	1 to 5 years	over 5 years	Total
USD to EUR	0.97391	1.03551	1.03233	1.00822
GBP to EUR	0.98355	0.97669	0.90774	0.99460
AUD to EUR	0.91506	0.98271	0.93716	0.95515
CHF to EUR	1.30908	1.48561	1.33290	1.39670

31-12-2022

FX rate	up to 1 year	1 to 5 years	over 5 years	Total
USD to EUR	1.10025	1.05856	1.08086	1.07434
GBP to EUR	0.00000	0.97398	0.97598	0.97370
AUD to EUR	0.93821	0.94792	1.00198	0.97377
CHF to EUR	1.24810	1.43913	1.44659	1.42363

Fair value of financial instruments

The fair value is the transfer price (not adjusted for transaction costs) which, regardless of the intention or capability, would be received if an asset was sold or the price which would be paid if a liability was transferred in an orderly transaction between market participants at the measurement date under the current market conditions. The assumption is that the valuation is viewed from the perspective of market participants, whereby only the specific characteristics and limitations of the financial instrument are taken into consideration.

A distinction is made between three levels of fair value, with the nature of the input factors and their significance for the total valuation being decisive for the correct classification in the hierarchy.

Fair value hierarchy

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

Where possible, BNG Bank uses quoted market prices (Level 1). Quoted market prices are based on bid prices (for financial assets) and ask prices (for financial liabilities). Using mid-market prices is permitted if the market risk of the financial assets and liabilities is offset. BNG Bank uses mid-market prices on the reporting date for valuation purposes.

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

In one case, the valuation of the bank's financial instrument is based to a significant extent on input data and management estimates which are not publicly observable in the market (Level 3).

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

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

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

	31-12-2023		31-12-2022	
	Balance sheet-value	Fair value	Balance sheet-value	Fair value
Cash and balances held with central banks	1,617	1,617	6,821	6,821
Amounts due from banks	622	635	346	346
Cash collateral posted	4,751	4,751	4,144	4,144
Financial assets at fair value through the income statement	911	911	901	901
Derivatives	3,011	3,011	3,737	3,737
Financial assets at fair value through other comprehensive income	10,193	10,193	7,398	7,398
Interest-bearing securities at amortised cost	8,829	8,709	7,636	7,462
Loans and advances	90,497	84,428	89,624	81,162
Total financial assets	**120,431**	**114,255**	**120,607**	**111,971**
Amounts due to banks	905	892	4,012	4,004
Cash collateral received	656	656	1,173	1,173
Financial liabilities at fair value through the income statement	260	260	185	185
Derivatives	6,363	6,363	6,129	6,129
Debt securities	96,344	95,501	90,774	90,662
Funds entrusted	5,997	6,043	4,785	4,826
Subordinated debt	18	20	38	40
Total financial liabilities	**110,543**	**109,735**	**107,096**	**107,019**

When effecting a transaction, the fair value hierarchy is determined on the basis of the relevant characteristics of the valuation, with the nature of the input factors and their significance for the total valuation being decisive for the classification. The classification takes place on the basis of the lowest input level that is significant for the fair value in the transaction as a whole.

Significance is assessed by determining the influence of non-observable input factors on the outcome of the total valuation, with due regard for the range of possible alternative assumptions concerning those non-observable input factors. Each quarter, the classification of each transaction is assessed and adjusted where necessary.

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

31-12-2023

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through the income statement	62	840	9	911
Derivatives	0	3,011	-	3,011
Financial assets at fair value through other comprehensive income	10,114	79	-	10,193
Total financial assets	**10,176**	**3,930**	**9**	**14,115**
Financial liabilities at fair value through the income statement	117	143	-	260
Derivatives	-	6,363	-	6,363
Total financial liabilities	**117**	**6,506**	**-**	**6,623**

31-12-2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through the income statement	58	834	9	901
Derivatives	-	3,737	-	3,737
Financial assets at fair value through other comprehensive income	7,322	76	-	7,398
Total financial assets	**7,380**	**4,647**	**9**	**12,036**
Financial liabilities at fair value through the income statement	-	185	-	185
Derivatives	-	6,129	-	6,129
Total financial liabilities	**0**	**6,314**	**0**	**6,314**

As per 31 december 2023 one asset is stated under Level 3, this is a subordinated loan where the interest rate risk has been hedged with a swap. This is a structured interest-bearing security that is rarely traded in the market. Therefore, the observable market data available for similar securities is not fully representative of the current fair value. The fair value of this transaction is determined on the basis of public market data that is adjusted using significant input variables not publicly observable in the market.

Fair value hierarchy of amortised cost transactions

The table below provides an overview of the way in which the fair value is determined for transactions recognised at amortised cost in the balance sheet on the basis of the hierarchical classification referred to above.

31-12-2023

	Level 1	Level 2	Level 3	Total
Cash and balances held with central banks	1,617	-	-	1,617
Amounts due from banks	2	631	2	635
Cash collateral posted	-	4,751	-	4,751
Interest-bearing securities at amortised cost	2,488	5,974	247	8,709
Loans and advances	463	76,609	7,356	84,428
Total financial assets	**4,570**	**87,965**	**7,605**	**100,140**
Amounts due to banks	1	891	-	892
Cash collateral received	-	656	-	656
Debt securities	81,782	13,719	-	95,501
Funds entrusted	3,708	1,915	420	6,043
Subordinated debt	-	20	-	20
Total financial liabilities	**85,491**	**17,201**	**420**	**103,112**

31-12-2022

	Level 1	Level 2	Level 3	Total
Cash and balances held with central banks	6,821	-	-	6,821
Amounts due from banks	4	339	3	346
Cash collateral posted	-	4,144	-	4,144
Interest-bearing securities at amortised cost	439	6,760	263	7,462
Loans and advances	590	74,086	6,486	81,162
Total financial assets	**7,854**	**85,329**	**6,752**	**99,935**
Amounts due to banks	1	4,003	-	4,004
Cash collateral received	-	1,173	-	1,173
Debt securities	79,599	11,063	-	90,662
Funds entrusted	3,484	792	550	4,826
Subordinated debt	-	40	-	40
Total financial liabilities	**83,084**	**17,071**	**550**	**100,705**

The financial assets at amortised cost under Level 3 mainly relate to loans and advances subject to solvency requirements to BNG Bank's statutory market parties. Loans and advances to statutory counterparties under government guarantees are included in Level 2, on account of the strong correlation with bonds issued by the

Dutch State. The financial liabilities at amortised cost under Level 1 mainly consist of tradable benchmark bonds issued by BNG Bank (Debt securities item).

Risk section

Institutional risk management approach

The process of accepting and controlling risks is inherent to the day-to-day operations of any bank. In order to conduct its operations, a bank must accept a certain amount of credit, market, liquidity and operational risk. This section provides an overview of the main characteristics of the risk profile of BNG Bank and only covers the risk management practices that directly impact the financial statements.

The BNG Bank is operating in an highly complex environment and is subject to national and international rules and regulations. Although the bank spends significant effort to ensure compliance to all relevant rules and regulations, the implementation process is prone to human errors that cannot be completely prevented.

Credit risk

Credit risk

Credit risk is defined as the risk of losses in earnings or capital resulting from the potential risk that a borrower or a counterparty will fail to meet its obligations in accordance with agreed terms. It includes counterparty risk, settlement risk and concentration risk. The bank is working on integrating climate-related risks within the credit risk framework. As this is stil in progress, no further consideration is given.

Total credit risk exposure

The total gross exposure value for credit risk consists of the total balance sheet value of the assets, adjusted for the balance sheet value of derivatives, cash collateral posted for either derivative transactions or secured financing transactions and receivables related to Settle to Market (STM) derivative contracts under the Amounts due from banks item. The gross exposure value for off-balance sheet commitments is included, as well as the exposure value for counterparty credit risk (divided into derivative and secured financing transactions). The table below provides insight into the total gross credit risk exposure value.

	31-12-2023	31-12-2022
Balance sheet total	115,540	112,074
-/- Derivatives	-3,011	-3,737
-/- Cash collateral posted	-4,751	-4,144
Total on-balance sheet exposure	**107,778**	**104,193**
Total off-balance sheet exposure	**10,550**	**11,164**
Exposure value for derivatives	2,416	3,090
Exposure value for secured financing transactions	306	87
Total counterparty credit risk exposure	**2,722**	**3,177**
Total gross exposure	**121,050**	**118,534**

As at 31 December 2023, the balance sheet value of the loans granted to or guaranteed by public authorities, the WSW Housing guarantee fund and the WfZ Healthcare guarantee fund in the Loans and advances balance sheet item totalled EUR 81.8 billion (2022: EUR 81.2 billion). The contingent liabilities and the irrevocable facilities are explained in the section ‘Off-balance sheet commitments’. Section 'Encumbered financial assets and liabilities' indicates which parts of the financial assets are not freely disposable.

The calculation of the market value of financial assets and financial liabilities at fair value through the income statement includes a credit and liquidity risk spread. Changes in value due to credit-risk and liquidity-risk fluctuations are derived from changes in these spreads. The risk profiles of individual customers and financial instruments are periodically assessed. If necessary, the credit-risk spread is adjusted for the purpose of valuation.

Cumulative changes in the market value of financial assets at fair value through the income statement as a result of adjusted credit and liquidity risk spreads totalled EUR 177 million negative (2022: EUR 164 million negative) and amounted to EUR 13 million negative over 2023 (2022: EUR 33 million negative). Cumulative changes in the market value of financial liabilities at fair value through the income statement as a result of adjusted credit and liquidity risk spreads totalled EUR 14 million positive (2022: EUR 11 million positive) and amounted to EUR 3 million positive for 2023 (2022: EUR 7 million negative). Financial liabilities at fair value through the income statement are recognised on the relevant funding curve including a mark-up for 'own credit risk' in the accounts.

Counterparty risk

The bank is exposed to counterparty risk in relation to public sector entities (loans and advances), financial counterparties (derivatives) and issuers of interest-bearing securities (IBS) in which the bank has invested. BNG Bank applies the following credit risk mitigation measures:

- Guarantees received from a central or local authority or by the guarantee funds WSW (Social Housing) and WfZ (Healthcare). Because loans subject to solvency requirements are often extended under partial of full guarantees or suretyships, the loan remains partly or fully zero-risk-weighted on balance for BNG Bank (see the section on statutory market parties).
- Other forms of security such as pledges and mortgages are used to minimise possible losses due to credit risks. The potential risk-reducing effect, however, is not used in the calculation of the regulatory capital requirement.
- Bilateral netting and collateral agreements based on a daily collateral exchange with financial counterparties, also the section on financial counterparties.

Statutory market parties

The bank's Articles of Association restrict lending to parties subject to some form of government involvement. As a result, the credit portfolio is largely comprised of zero-risk-weighted loans and advances provided to or guaranteed by the Dutch government.

Lending is subject to initial and periodic credit assessment. This contains a detailed assessment of the creditworthiness of the client concerned, based in part on the bank's own internal rating model. Additionally, the bank has an internal risk assessment process for tailored transactions that includes operational risk elements. Moreover, the bank uses extensive qualitative product descriptions, in which the appropriateness of the product for different types of clients is made explicit.

Credit risk models

Most of BNG Bank's clients are not rated by external rating agencies, such as Moody's, Fitch or S&P. The bank applies internally developed rating models to assess creditworthiness of clients. These expert models are sector specific and subject to periodic review and validation in accordance with the banks' model governance policy. These models are not applied for capital calculations under Pillar I, where the bank uses the Standardised approach.

The significance of the internal ratings is the following:

Internal rating	Description
0	Zero risk-weighted lending.
1 through 11	The credit risk is deemed acceptable. A regular annual review is performed.
12 through 13	Watch list: there is an increased credit risk. A review takes place at least twice a year.
14 through 16	Financial restructuring and recovering department: there is an increased credit risk. At least three times a year, a report on these debtors is submitted to the Executive Board.
17 through 19	Financial restructuring and recovering department: there is an increased credit risk and/or the debtor repeatedly fails to fulfil the payment obligations and/or there is no expectation of continuity. At least three times a year, a report on these debtors is submitted to the Executive Board.

Forborne exposures

Forbearance concerns credit agreements for which the credit conditions have been amended in the debtor's favour as a result of the debtor's precarious financial position, so as to enable it to fulfil its obligations.

31-12-2023

	Total exposure	Of which: Forborne		in % of total
		Gross of impairment	Net of impairment	
Financial assets (excl. derivatives)				
Cash and balances held with central banks	1,617	-	-	0.0%
Amounts due from banks	622	-	-	0.0%
Cash collateral posted	4,751	-	-	0.0%
Financial assets at fair value through the income statement	911	-	-	0.0%
Financial assets at fair value through other comprehensive income	3,011	-	-	0.0%
Interest-bearing securities at AC	10,193	-	-	0.0%
Loans and advances	90,497	262	227	0.3%
	111,602	**262**	**227**	**0.2%**
Off-balance sheet commitments				
Contingent liabilities	478	2	2	0.4%
Revocable facilities	6,118	29	29	0.5%
Irrevocable facilities	3,960	-	-	0.0%
	10,556	**31**	**31**	**0.3%**

31-12-2022

	Total exposure	Of which: Forborne		in % of total
		Gross of impairment	Net of impairment	
Financial assets (excl. derivatives)				
Cash and balances held with central banks	6,821	-	-	0.0%
Amounts due from banks	346	-	-	0.0%
Cash collateral posted	4,144	-	-	0.0%
Financial assets at fair value through the income statement	901	-	-	0.0%
Financial assets at fair value through other comprehensive income	7,398	-	-	0.0%
Interest-bearing securities at AC	7,636	-	-	0.0%
Loans and advances	89,624	353	302	0.4%
	116,870	**353**	**302**	**0.3%**
Off-balance sheet commitments				
Contingent liabilities	489	2	2	0.4%
Revocable facilities	6,248	35	35	0.6%
Irrevocable facilities	4,427	-	-	0.0%
	11,164	**37**	**37**	**0.3%**

The financial assets of which contractual terms have been changed as a result of the debtor's unfavourable financial position amounted to EUR 262 million as at 31 December 2023 (year-end 2022: EUR 353 million). The share of forborne exposure in the total portfolio is 0.2% (year-end 2022: 0.3%) and concerns 11 debtors (year-end 2022: 14 debtors). Forbearance is used as a backstop indicator in the impairment staging assessment, as a result of which all forborne exposures are classified in impairment stage 2.

Non-performing exposures

Please refer to Note 37 (Impairment of financial assets and off-balance sheet commitments) for disclosure of BNG Bank's definition of non-performing exposures. An exposure classified as non-performing can once again be regarded as performing if all of the following conditions are met:

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

The tables below provide insight into the total exposure in financial assets (excluding derivatives) and off-balance sheet commitments, indicating which portions have been classified as non-performing.

31-12-2023

	Total exposure	Of which: Non-performing		in % of total
		Gross of impairment	Net of impairment	
Financial assets (excl. derivatives)				
Cash and balances held with central banks	1,617	-	-	0.0%
Amounts due from banks	622	-	-	0.0%
Cash collateral posted	4,751	-	-	0.0%
Financial assets at fair value through the income statement	911	-	-	0.0%
Financial assets at fair value through other comprehensive income	3,011	-	-	0.0%
Interest-bearing securities at amortised cost	10,193	-	-	0.0%
Loans and advances	90,497	598	518	0.7%
	111,602	**598**	**518**	**0.5%**
Off-balance sheet commitments				
Contingent liabilities	478	1	0	0.2%
Revocable facilities	6,118	78	3	1.3%
Irrevocable facilities	3,960	12	2	0.3%
	10,556	**91**	**5**	**0.9%**

31-12-2022

	Total exposure	Of which: Non-performing		in % of total
		Gross of impairment	Net of impairment	
Financial assets (excl. derivatives)				
Cash and balances held with central banks	6,821	-	-	0.0%
Amounts due from banks	346	-	-	0.0%
Cash collateral posted	4,144	-	-	0.0%
Financial assets at fair value through the income statement	901	-	-	0.0%
Financial assets at fair value through other comprehensive income	7,398	-	-	0.0%
Interest-bearing securities at amortised cost	7,636	-	-	0.0%
Loans and advances	89,624	848	719	0.9%
	116,870	**848**	**719**	**0.8%**
Off-balance sheet commitments				
Contingent liabilities	489	1	0	0.2%
Revocable facilities	6,248	239	239	3.8%
Irrevocable facilities	4,427	42	41	0.9%
	11,164	**282**	**280**	**2.5%**

On-balance non-performing exposure totalled EUR 598 million as at 31 December 2023 (year-end 2022: EUR 848 million). The decrease of this exposure in 2023 is mainly caused by the settlement of two obligors to Stage 3. The total non-performing exposure is still low in relation to the total exposure of the portfolio of BNG Bank. At year-end 2023 the share of non-performing exposure in the total portfolio is 0.5% (year-end 2022: 0.8%) and concerns 26 debtors (year-end 2022: 28 debtors). BNG Bank received EUR 382 million of government guarantees (2022: EUR 391 million) with respect to non-performing exposures.

The following table shows the development of non-performing exposures.

	2023	2022
Total non-performing exposure as at 1 January	**848**	**549**
Change in existing non-performing exposures	10	10
Shift from performing to non-performing exposure	30	510
Shift from non-performing to performing exposure	-120	-
Repayments on and settlement of non-performing exposure	-170	-221
Total non-performing exposure as at 31 December	**598**	**848**

Maturity analysis of performing past due exposures

The following table comprises past due exposures that are not included in impairment stage 3 under IFRS 9.

	31-12-2023	31-12-2022
Less than 31 days	0	2
31 through 60 days	-	0
61 through 90 days	-	-
Over 90 days	-	-
Closing balance	**0**	**2**

Impairments

The impairments of financial assets are explained in note 31.

External rating

BNG Bank uses the external ratings awarded by rating agencies, specifically S&P, Moody's, Fitch and DBRS. In determining the capital requirement, the bank uses the ratings of these four agencies if such ratings are available. The ratings relate either to the counterparty or specifically to a securities purchased.

Financial counterparties

The market risks associated with loans to clients are mitigated primarily through derivative transactions with financial counterparties. The bank only conducts business with financial counterparties that have been rated by an external agency. Financial counterparties are periodically assessed for creditworthiness. If necessary, the limit on the maximum exposure to such a counterparty is re-adjusted accordingly.

	31-12-2023		31-12-2022	
Exposure values for derivatives by exposure class (SA)	**Exposure value**	**Risk-weighted exposure amount**	**Exposure value**	**Risk-weighted exposure amount**
Regional governments or local authorities	145	-	143	-
Public sector entities	1	0	4	1
Institutions	1,096	220	1,912	494
Corporates	1,173	462	1,031	600
Total	**2,415**	**682**	**3,090**	**1,095**

In order to reduce credit risk, netting agreements are in place with financial counterparties with which BNG Bank actively enters into derivatives transactions or (reverse) repos. In addition, collateral agreements are concluded. These ensure that market value developments are mitigated on a daily basis by collateral. The agreements are updated where necessary in response to changing market circumstances, market practices and regulatory changes. The table on the next page shows the gross positions before balance sheet netting and if the collateral agreements were taken into account.

31-12-2023

	Derivatives (states as assets)	Derivatives (states as liabilities)	Net
Netting of financial assets and financial liabilities (derivatives)			
Gross value of financial assets and liabilities before balance sheet netting	15,123	-18,475	**-3,352**
Gross value of the financial assets and liabilities to be netted	-12,112	12,112	**0**
Balance sheet value of financial assets and liabilities (after netting)	**3,011**	**-6,363**	**-3,352**
Value of financial netting instrument that does not comply with IAS 32 (netting of derivatives with the same counterparty) for netting purposes	-1,887	1,887	0
Exposure before collateral	**1,124**	**-4,476**	**-3,352**
Value of financial collateral that does not comply with IAS 32 for netting purposes	-656	4,751	**4,095**
Net exposure	**468**	**275**	**743**

31-12-2022

	Derivatives (states as assets)	Derivatives (states as liabilities)	Net
Netting of financial assets and financial liabilities (derivatives)			
Gross value of financial assets and liabilities before balance sheet netting	17,203	-19,595	**-2,392**
Gross value of the financial assets and liabilities to be netted	-13,466	13,466	**0**
Balance sheet value of financial assets and liabilities (after netting)	**3,737**	**-6,129**	**-2,392**
Value of financial netting instrument that does not comply with IAS 32 (netting of derivatives with the same counterparty) for netting purposes	-2,134	2,134	**0**
Exposure before collateral	**1,603**	**-3,995**	**-2,392**
Value of financial collateral that does not comply with IAS 32 for netting purposes	-1,173	4,144	**2,971**
Net exposure	**430**	**149**	**579**

At year-end 2023, the collateral posted for derivative transactions amounted to EUR 5.3 billion (2022: EUR 4.5 billion). The deterioration of BNG Bank's rating by three notches would not increase this amount (2022: EUR nil). The strength of the bank's liquidity position is sufficient to absorb fluctuations in collateral obligations.

	31-12-2023		31-12-2022	
	Reverse repos (assets)	Repos (liabilities)	Reverse repos (assets)	Repos (liabilities)
Netting of reverse repo and repo agreements subject to enforceable master netting agreements				
Gross balance sheet value before balance sheet netting	1,318	-1,318	857	-857
Balance sheet netting of reverse repo and repo agreements	-1,318	1,318	-857	857
Net balance sheet value of financial assets and liabilities	**0**	**0**	**0**	**0**

Investments in interest-bearing securities (IBS)

BNG Bank's IBS portfolio is held predominantly for liquidity management purposes. The portfolio is composed of high-quality bonds, the majority of which are accepted as collateral by the ECB. BNG Bank's total IBS portfolio can be subdivided into a liquidity portfolio and an Asset & Liability Management (ALM) portfolio. The liquidity portfolio consists exclusively of highly negotiable securities and is subdivided according to the various LCR levels. The ALM portfolio is subdivided according to type of security. Each month, the development of the portfolio is reported to and evaluated by the Investment Committee. Using factors such as external ratings and – in part – internal ratings, the bank monitors the development on an individual basis. All assets within these portfolios undergo an impairment analysis twice a year. Asset backed securities (including RMBS) are subject to a due diligence review process.

The amounts shown below per rating category are remaining principal amounts in millions of euros. The total balance sheet value is also shown in the final column.

31-12-2023

	AAA	AA	A	BBB	Non-investment grade	Total nominal value	Total balance sheet value
Liquidity portfolio							
Level I – Government/ Supranational	4,525	3,094	1,233	46	-	8,898	8,812
Level I B – Covered bonds	2,346	-	-	-	-	2,346	2,335
Level II A – Government/ Supranational	-	58	-	-	-	58	62
Level II A – Covered bonds	310	-	-	-	-	310	310
Level II B – Corporates	-	-	-	-	-	-	-
Level II B – RMBS	1,489	-	-	-	-	1,489	1,507
	8,670	**3,152**	**1,233**	**46**	**-**	**13,101**	**13,026**

31-12-2023

ALM portfolio							
RMBS	27	103	44	-	-	174	175
ABS	33	-	15	15	45	108	108
RMBS-NHG	2,618	41	89	-	-	2,748	2,762
Other	2,000	646	549	450	-	3,645	3,594
	4,678	**790**	**697**	**465**	**45**	**6,675**	**6,639**
Total	**13,348**	**3,942**	**1,930**	**511**	**45**	**19,776**	**19,665**

31-12-2022

	AAA	AA	A	BBB	Non-investment grade	Total nominal value	Total balance sheet value
Liquidity portfolio							
Level I – Government/ Supranational	3,844	2,739	1,083	46	-	7,712	7,018
Level I B – Covered bonds	1,517	-	-	-	-	1,517	1,422
Level II A – Government/ Supranational	-	56	-	-	-	56	58
Level II A – Covered bonds	275	-	-	-	-	275	266
Level II B – Corporates	-	-	-	-	-	-	-
Level II B – RMBS	1,492	-	-	-	-	1,492	1,509
	7,128	**2,795**	**1,083**	**46**	**0**	**11,052**	**10,273**
ALM portfolio							
RMBS	11	168	42	16	-	237	238
ABS	40	-	16	23	48	127	125
RMBS-NHG	3,375	48	101	-	-	3,524	3,536
Other	25	507	521	423	-	1,476	1,493
	3,451	**723**	**680**	**462**	**48**	**5,364**	**5,392**
Total	**10,579**	**3,518**	**1,763**	**508**	**48**	**16,416**	**15,665**

The liquidity portfolio improved in quality (AAA and AA) mainly due to investments in Government bonds with a better rating. The ALM portfolio also improved due to the purchase of high rated NHG securities.

Transfer of financial assets without derecognition

At year-end 2023 BNG Bank has transferred EUR 1.331 million in interest-bearing securities in repurchase transactions without derecognition (2022: EUR 665 million). At year-end 2023, BNG Bank has no financial assets in its portfolio that were transferred and derecognised and in which it has a continuing involvement. Financial assets are not removed from the balance sheet if BNG Bank retains the credit risks and the rights to the underlying cash flows.

Concentration risk

Regarding concentration risk, the bank differentiates between:
- country risk with a distinction between domestic and foreign risk;
- sector risk; and
- risk for individual parties with a distinction between clients and financial counterparties.

Sector specific policies, annual internal targets and maximum exposure amounts on individual counterparties are applied to manage the concentration risks on sectors and individual parties. A considerable portion of the total outstanding is indirectly related to public sector property. However, these risks are generally mitigated by government guarantees on lending and by the WSW and WfZ guarantee funds. These guarantees result in a concentration risk in relation to public authorities and guarantee funds. The guarantee funds are guaranteed by the central government via backstop constructions, which, in the end, creates an exposure to the Dutch State. The concentration of this risk is high, but inherent to BNG Bank's business model.

The bank is exposed to foreign country risk as a result of transactions with financial counterparties to hedge market risks arising from lending and funding activities, as a result of its liquidity portfolio and, to a limited extent, in the context of lending and investments in the public sector abroad.

The bank invests in foreign securities for its liquidity portfolio because the vast majority of its loan portfolio already relates to the Netherlands. Foreign lending is in most cases also directly or indirectly guaranteed by the relevant governments.

All foreign exposures fall within limits set for each country. These limits mainly depend on the perceived credit quality of the country in question. Moreover, a general limit of 15% of the balance sheet total applies to foreign exposures excluding derivatives, collateral and short term loans and current account balances due from banks. Because the creditworthiness of certain countries in the Eurozone deteriorated, the bank has gradually reduced its positions in these countries. This was mainly realised by expiration of exposures.

Long-term foreign exposure

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

31-12-2023

	AAA	AA	A	BBB	Non-investment grade	Total nominal value	Total balance sheet value
Supranational institutions	4,135	-	-	-	-	4,135	4,113
Austria	-	1,084	-	-	-	1,084	1,022
Belgium	-	446	-	73	-	519	560
Denmark	36	-	-	-	-	36	36
Finland	-	424	-	-	-	424	402
France	682	1,168	-	-	-	1,850	1,904
Germany	665	155	31	-	-	851	804
Italy	-	-	15	-	45	60	59
Luxembourg	539	-	-	-	-	539	499
Portugal	13	2	15	-	-	30	31
Singapore	-	-	109	-	-	109	109
Spain	14	101	107	46	-	268	292
United Kingdom	310	491	138	485	17	1,441	1,450
United States	73	-	-	-	-	73	75
Total	**6,467**	**3,871**	**415**	**604**	**62**	**11,419**	**11,356**

31-12-2022

	AAA	AA	A	BBB	Non-investment grade	Total nominal value	Total balance sheet value
Supranational institutions	1,554	-	-	-	-	1,554	1,405
Austria	-	896	-	-	-	896	754
Belgium	-	387	-	122	-	509	492
Denmark	36	-	-	-	-	36	34
Finland	-	260	-	-	-	260	210
France	418	1,210	-	5	-	1,633	1,573
Germany	581	130	16	-	-	727	641
Italy	-	1	16	-	48	65	63
Luxembourg	499	-	-	-	-	499	420
Portugal	-	18	19	-	30	67	66
Spain	11	150	101	66	-	328	349
United Kingdom	275	457	130	458	51	1,371	1,397
United States	73	-	-	-	-	73	61
Total	**3,447**	**3,509**	**282**	**651**	**129**	**8,018**	**7,465**

For a large part, the non-investment grade items (i.e. items with a rating below BBB-) consist of exposures in United Kingdom and Italy. This concerns interest-bearing securities, including Covered bonds and RMBS transactions. The non-investment grade exposure in the United Kingdom concerns a limited number of private project financing schemes in the areas of infrastructure, education, energy and healthcare. The total fair value of foreign non-investment grade exposures at 31 December 2023 amounted to EUR 56 million (year-end 2022: EUR 116 million).

Exposures divided to internal-/external rating

The following table provide an overview of all exposures subdivided to internal and external rating.

Loans and advances solvency-free	31-12-2023 On-balance exposures (gross carrying amount)				31-12-2022 On-balance exposures (gross carrying amount)			
	Performing		Non-performing	Total	Performing		Non-performing	Total
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
- Low risk	81,367	282	-	81,649	79,969	1,099	1	81,069
- Medium risk	30	259	-	289	71	169	-	240
- High risk	-	200	132	332	8	123	116	247
- Non-performing	-	-	250	250	-	-	276	276
- Not rated	-	-	-	-	-	-	-	-
Total	**81,397**	**741**	**382**	**82,520**	**80,048**	**1,391**	**393**	**81,832**

Loans and advances subject to capital requirements	On-balance exposures (gross carrying amount)				On-balance exposures (gross carrying amount)			
	Performing		Non-performing	Total	Performing		Non-performing	Total
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
- Low risk	7,257	150	-	7,407	6,706	303	-	7,009
- Medium risk	33	218	-	251	17	175	-	192
- High risk	-	77	-	77	30	156	-	186
- Non-performing	-	-	217	217	-	-	326	326
- Not rated	115	9	-	124	76	3	-	79
Total	**7,405**	**454**	**217**	**8,076**	**6,829**	**637**	**326**	**7,792**

Interest-bearing securities	31-12-2023 On-balance exposures (gross carrying amount)				31-12-2022 On-balance exposures (gross carrying amount)			
	Performing		Non-performing	Total	Performing		Non-performing	Total
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
- Low risk	18,962	61	-	19,023	14,950	85	-	15,035
- Medium risk	-	-	-	-	-	-	-	-
- High risk	-	-	-	-	-	-	-	-
- Non-performing	-	-	-	-	-	-	-	-
- Not rated	-	-	-	-	-	-	-	-
Total	**18,962**	**61**	**-**	**19,023**	**14,950**	**85**	**-**	**15,035**

Risk classes	Ratings based on	
	Internal ratings	External rating
- Low risk	1-11	AAA - BBB
- Medium risk	12-13	BB
- High risk	14-16	B or lower
- Non-performing	17-19	

Individual statutory market parties

For non-zero risk weighted parties, the exposures have to adhere to the Large Exposure Regulation under CRR. The bank has a significantly more conservative approach regarding the maximum size of individual exposures. This further limitation takes into account the degree to which sectors are anchored in the public sector. The party's individual rating is a further criterium for limit setting.

Individual financial counterparties

Transactions with financial counterparties primarily consist of interest rate and currency swaps undertaken to mitigate market risks. BNG Bank sets requirements for the minimum ratings of the financial counterparties with which it is willing to transact, taking into account the nature of the business conducted with that party. This limits the number of available parties. As a consequence, the number of transactions with approved parties is high. Daily exchange of collateral helps to mitigate the credit risk with respect to derivatives. A bankruptcy of a counterparty would result in market risks as the market is subject to fluctuations while the derivatives need to be rearranged with another party. The Financial Counterparties Committee limits and monitors positions with financial counterparties. BNG Bank clears parts of its derivatives centrally via clearing houses through clearing members. This results inevitably in a shift in concentration risk from individual financial counterparties to the clearing members and the clearing houses.

Due to Brexit, BNG Bank transferred all cleared derivatives from UK-based clearing members to EU-based clearing members. The London Clearing House (LCH) is temporarily being exempted from changes in regulations due to the Brexit. This means that cleared derivatives can remain with the LCH and that it is still possible to clear swaps at the LCH. However, both under the condition that the clearing members involved are EU entities. Nevertheless, BNG Bank onboarded Eurex as EU-based clearing house. This way continuity and flexibility with regard to central clearing is granted. Bilateral limits with UK-based individual financial counterparties have been withdrawn and replaced by limits with EU-based individual financial counterparties. The bilateral swaps with these UK-based individual financial counterparties are not yet fully transferred as this will trigger the clearing obligation. British clearing houses, despite Brexit, are allowed to serve EU customers until 30 June 2025.

Market risk

Definitions
Market risk is defined as an existing or future threat to the institution's capital and earnings as a result of market price fluctuations. It includes interest rate risk, foreign exchange risk, volatility risk, spread risk and index risk.

Interest rate risk
The bank's most important interest rate risk is the 'outright risk' to the interest rate swap curve, which is determined excluding the impact of spreads. This means that changes in spreads such as credit spreads, CVA/DVA and cross currency basis spreads do not influence the interest rate risk position and hedging. There is no material presence of early redemption options in BNG Bank's regular loan portfolio. Likewise, there is no material exposure in mortgages and the bank does not attract savings from private individuals. Consequently, client behaviour is not modelled in the bank's interest rate risk models.

The limits with respect to interest rate risk were not breached in 2023. In the bank's opinion, its interest rate risk management was adequate, compliant with the regulatory standards and within the limits as defined in the bank's risk appetite and risk policies. The table below outlines the Earnings at Risk (EaR) as per end of 2023 in a scenario with an instantaneous parallel shock of plus 116 basis points for the 1-year horizon. Internal steering takes place mainly on a 1-year horizon, which is why the 2-year figures are left out of the report. Usually, the most negative or least positive impact can be seen in the scenario with an instantaneous parallel shock of minus 126 basis points. The main reason for this switch is the end-of-year balance sheet management in combination with Euribor fixations in the banking book. The difference in EaR calculations, compared to last year, is mainly due to improved modelling of Estr exposure.

Earnings at risk (in millions of euros)	2023	2022
Horizon		
1 year	-45	-22
2 years	-	-45

Foreign exchange risk
The bank obtains a large portion of its funding in foreign currencies and is therefore exposed to foreign exchange fluctuations. However, according to the bank's policy, foreign exchange risks are hedged in terms of notional amounts. Incidentally, foreign exchange positions may occur in certain cases where it is not cost-efficient to hedge the risk. The foreign exchange risk of these minor positions is monitored on a daily basis, subject to limits. During 2023 and 2022, these limits were not breached.

Volatility risk
In order to be able to manage its interest rate risk exposure in a flexible and cost efficient way, the bank allows itself a limited range for assuming volatility risk to support the interest rate position in the Treasury book. This range is limited and is monitored by the Risk Management department.

During 2023, no additional volatility risk was assumed to support the active interest rate position. With regard to its other activities, BNG Bank's policy specifies that the volatility risks for new financial instruments should be hedged one-to-one. The resulting volatility risk is relatively small and is subject to monitoring by Risk Management.

Spread risk

The economic value of BNG Bank's equity is determined over its total portfolio of assets and liabilities. Both assets and liabilities are valued on the basis of an interest rate curve made up of market-based swap rates plus credit risk spreads. In case of interest rate swaps, the CVA risk (counterparty risk) and DVA risk (the bank's own default risk) are included. Spread risk is not hedged by the bank. The impact of changes in these spreads is measured and monitored on a daily basis. For the fair value instruments affecting profit and loss or regulatory capital, a warning level on the credit spread stress testing outcomes has been set.

Index risk

The bank has inflation-linked instruments in its portfolio. The bank's policy specifies that exposure to fluctuations in inflation risk should be hedged in full and it executes this policy. The inflation delta is monitored on a daily basis.

Liquidity and funding risk

Liquidity risk is defined as the existing or future threat to the institution's capital and earnings due to the possibility that it will not be able at any moment to fulfil its payment obligations, without incurring any unacceptable costs or losses. The public sector consists largely of institutions with a long-term investment horizon. This means that assets frequently have long maturities, which can be in excess of 25 years. As BNG Bank is not able to attract funding in large volumes for these maturities at acceptable prices, a limited funding mismatch is accepted. In order to manage this mismatch, also in times of stress, BNG holds sufficient liquidity and capital buffers.

Liquidity risk

BNG Bank wants to provide a stable presence in the capital markets, because the bank wants to continue to meet the demand for credit even in difficult times. It also pursues a prudent liquidity policy to ensure that it can meet its obligations at all times. In this context, ongoing access to the money and capital markets is essential, along with the ongoing maintenance of attractive, varied and sufficiently large issuance programmes for investors. In addition, buffers are required in order to have access to liquidity in times of stress. One such buffer is formed by assets held explicitly for liquidity purposes, known as the liquidity portfolio. The management of the size and composition of this portfolio is one of the liquidity measures to comply with the requirement under the CRR to have an LCR of at least 100%. BNG Bank also holds an ample quantity of collateral with the ECB, which enables it to obtain short-term funding immediately. Since most of the bank's assets could serve as collateral at the ECB, this collateral may be further extended in the event of prolonged stress. The size of both buffers is tested in the liquidity stress tests, which are monitored on a monthly basis. Furthermore, the funding plan and corresponding planned liquidity gap is tested in an adverse stress scenario for the LCR and NSFR ratios. The bank considers its liquidity management to have been adequate in 2023 and that the strength of the bank's liquidity position is both amply sufficient and in compliance with the regulatory standards and limits set by the ALCO. As at end of 2023, the LCR ratio amounted to 143% (2022: 189%) and the NSFR ratio amounted to 119% (2022: 125%).

Funding risk

BNG Bank distinguishes between short-term and long-term funding. The majority of funding is from international capital markets. The bank maintains a number of programmes that enables it to have access to funding at all times at competitive levels. The bank pursues proactive investor relations which supports these efforts. The bank has a funding plan, in which the desired funding mix is described in more detail. Part of the funding plan is the annual issuance in benchmark size to maintain a 'BNG curve' in the market. These large-scale issues ensure that the bank has a high profile among institutional investors, allowing it to retain access to investors even in times of market stress. The actual realisation of this funding mix is monitored and evaluated by the ALCO.

Maturity analysis of financial assets and liabilities on the basis of the remaining contractual period

The amounts featured in the table below represent the non-discounted future cash flows of financial assets and liabilities. Because these amounts are non-discounted, these are different to the amounts in the balance sheet. For the maturity analysis of issued guarantees and irrevocable commitments, see the 'Off-balance sheet commitments' section.

31-12-2023

	Up to 3 months	3 - 12 months	1 - 5 years	over 5 years	Total
Cash and balances held with central banks	1,646	0	0	0	1,646
Amounts due from banks	26	40	317	403	786
Cash collateral posted	4,751	0	0	0	4,751
Financial assets at fair value through the income statement	12	77	238	1,174	1,501
Financial assets at fair value through other comprehensive income	-88	482	4,126	7,990	12,510
Interest-bearing securities at amortised cost	456	586	4,839	6,338	12,219
Loans and advances	1,598	7,144	29,401	77,174	115,317
Current tax assets	0	18	0	0	18
Other assets	89	0	0	0	89
Total financial assets (excluding derivatives)	**8,490**	**8,347**	**38,921**	**93,079**	**148,837**
Amounts due to banks	-195	-19	-285	-566	-1,065
Cash collateral received	-656	0	0	0	-656
Financial liabilities at fair value through the income statement	0	0	-23	-200	-223
Debt securities	-7,528	-13,499	-38,973	-55,353	-115,353
Funds entrusted	-4,542	-469	-938	-196	-6,145
Subordinated debt	0	0	-22	0	-22
Other liabilities	-97	-8	-38	-107	-250
Current tax liabilities	-	-	-	-	-
Total financial liabilities (excluding derivatives)	**-13,018**	**-13,995**	**-40,279**	**-56,422**	**-123,714**
Gross balanced derivatives					
Assets amounts receivable	2,519	3,678	14,219	27,132	47,548
Assets amounts payable	-2,484	-3,487	-12,970	-21,488	-40,429
Derivatives stated as assets	**35**	**191**	**1,249**	**5,644**	**7,119**
Liabilities amounts receivable	348	5,807	10,935	12,783	29,873
Liabilities amounts payable	-449	-6,349	-8,500	-16,960	-32,258
Derivatives stated as liabilities	**-101**	**-542**	**2,435**	**-4,177**	**-2,385**
Grand total	**-4,594**	**-5,999**	**2,326**	**38,124**	**29,857**

31-12-2022

	Up to 3 months	3 - 12 months	1 - 5 years	over 5 years	Total
Cash and balances held with central banks	6,896	-	-	-	6,896
Amounts due from banks	4	27	155	239	425
Cash collateral posted	4,144	-	-	-	4,144
Financial assets at fair value through the income statement	96	21	304	1,195	1,616
Financial assets at fair value through other comprehensive income	-647	235	3,299	6,581	9,468
Interest-bearing securities at amortised cost	-833	1,478	4,521	5,246	10,412
Loans and advances	2,799	7,346	29,179	70,524	109,848
Current tax assets	-	-	-	-	-
Other assets	109	-	-	-	109
Total financial assets (excluding derivatives)	**12,568**	**9,107**	**37,458**	**83,785**	**142,918**
Amounts due to banks	-100	-70	-3,742	-373	-4,285
Cash collateral received	-1,173	-	-	-	-1,173
Financial liabilities at fair value through the income statement	0	0	-23	-200	-223
Debt securities	286	-15,517	-43,556	-54,174	-112,961
Funds entrusted	-10,695	-184	-4,751	-624	-16,254
Subordinated debt	-12	-9	-22	-	-43
Other liabilities	-87	-8	-41	-115	-251
Current tax liabilities	-	-11	-	-	-11
Total financial liabilities (excluding derivatives)	**-11,781**	**-15,799**	**-52,135**	**-55,486**	**-135,201**
Gross balanced derivatives					0
Assets amounts receivable	2,152	10,815	16,538	22,036	51,541
Assets amounts payable	-1,788	-10,659	-16,025	-18,813	-47,285
Derivatives stated as assets	**364**	**156**	**513**	**3,223**	**4,256**
Liabilities amounts receivable	703	3,708	15,329	14,284	34,024
Liabilities amounts payable	-916	-4,774	-16,906	-18,910	-41,506
Derivatives stated as liabilities	**-213**	**-1,066**	**-1,577**	**-4,626**	**-7,482**
Grand total	**938**	**-7,602**	**-15,741**	**26,896**	**4,491**

Encumbered and unencumbered financial assets

Encumbered financial assets are not freely disposable to meet liquidity needs in the short term. The following table shows the balance-sheet values of the assets, broken down into encumbered (not freely available) and unencumbered (freely available) assets.

31-12-2023

	Encumbered	Unencumbered	Total
Cash and balances held with central banks		1,617	1,617
Amounts due from banks		622	622
Cash collateral posted	4,751		4,751
Financial assets at fair value through the income statement		911	911
Derivatives		3,011	3,011
Financial assets at fair value through other comprehensive income	4,911	5,282	10,193
Interest-bearing at amortised cost	1,366	7,463	8,829
Loans and advances	3,726	86,771	90,497
Value adjustments on loans in portfolio hedge accounting		-5,037	-5,037
Non-financial assets		146	146
Total	**14,754**	**100,786**	**115,540**
Average (total) in 2023	**16,769**	**112,235**	**129,004**

31-12-2022

	Encumbered	Unencumbered	Total
Cash and balances held with central banks	-	6,821	6,821
Amounts due from banks	-	346	346
Cash collateral posted	4,144	-	4,144
Financial assets at fair value through the income statement	-	901	901
Derivatives	-	3,737	3,737
Financial assets at fair value through other comprehensive income	3,277	4,121	7,398
Interest-bearing at amortised cost	392	7,244	7,636
Loans and advances	8,552	81,072	89,624
Value adjustments on loans in portfolio hedge accounting	-	-8,679	-8,679
Non-financial assets	-	146	146
Total	**16,365**	**95,709**	**112,074**
Average (total) in 2022	**33,681**	**107,690**	**141,371**

Capital and solvency

Definitions

Regulatory capital relates to the minimum capital requirements under the Capital Requirements Regulations and Capital Requirements Directive IV. For regulatory purposes the capital requirement is based on the Pillar 1 requirement for the aggregated risk-weighted assets (RWA) for the three major risk types (credit, operational and market risk). This requirement is supplemented by the so-called combined buffer requirement (CBR) and a Pillar 2 requirement (P2R). The CBR consists of a capital conservation buffer, a systemic risk buffer, a countercyclical buffer and a systemic relevance buffer. The P2R is an institutional specific requirement stemming from the Supervisor Review and Evaluation Process (SREP) conducted by the supervisor. The P2R covers risks underestimated or not covered by Pillar 1. BNG Bank employs the 'Standardised Approach' to calculate the RWAs.

In addition to the regulatory required capital BNG Bank calculates economic capital (EC) for Pillar 2 purposes. Economic capital covers all risks in our risk taxonomy, for which capital is deemed to be the mitigating instrument to cover unexpected losses. It is used for internal risk measurement and management. It is the amount of capital the bank deems adequate to pursue its strategy and which achieve a sufficient level of protection against large unexpected losses that could result from extreme market conditions or events.

Governance

The Executive Board is responsible for determining the policy with respect to capital. This is laid down in a capital adequacy statement and management plan. The Executive Board is also responsible for the allocation of capital. Decision making is prepared by the Capital Committee. This committee comprises representatives of all relevant stakeholders: the Executive Board, Public Finance, Treasury, Capital Management, Risk Management and Finance and Control.

Developments

As at December 2023, the fully CRR/CRD IV Common Equity Tier 1 (CET1), Tier 1 and total capital ratios were respectively 43%, 46% and 46%. All capital ratios were well above regulatory minimum requirements.

BNG Bank is required in 2024 to meet a minimum CET1 ratio of 10%, composed of a SREP requirement of 10% (4.50% Pillar 1 requirement, 1.50% Pillar 1 Additional requirement, 2% Pillar 1 Tier 2 requirement and 2% Pillar 2 requirement), an Other Systemically Important Institution buffer (OSII) of 1.00% and a capital conservation buffer (CCB) of 2.50%. BNG Bank amply meets the requirements. The Overall Capital Requirement level for BNG Bank is 13.50%.

Since 2019 BNG Bank the dividend distribution policy is 50%. BNG Bank did not change this policy in 2023.

Capital management

The primary objective of the capital management strategy is to ensure that internal as well as external capital adequacy requirements are met at all times and sufficient capital is available to support the bank's strategy.

The capital management strategy builds on the bank's risk appetite and its business plans. Besides, expectations and requirements of external stakeholders (e.g. regulators, investors, rating agencies, shareholders), the bank's capitalization relative to other financial institutions, market developments and the feasibility of capital management actions are taken into account. The capitalization policy is incorporated in the so-called Internal Capital Adequacy Assessment Process (ICAAP).

Key to this policy is the capital management plan, which determines the level and composition of the capital based on the risks to be insured by that capital. In the ICAAP, regulatory as well as economic capital is taken into account. As part of the ICAAP a number of stress scenarios is executed in order to determine the adequacy and robustness of the capitalization. Next to the level of capitalization, the ICAAP determines the allocation per relevant type of risk.

On an ongoing basis, capital adequacy is measured and monitored against target capital ratios. These target levels are derived from the bank's risk appetite and strategy and quantified by the ICAAP. The allocation is derived from the ICAAP. This process ensures that the bank is operating in line with its risk appetite.

Capital structure

BNG Bank's capitalization is well above the capital requirements laid down in the Capital Requirement Regulations and Capital Requirements Directive IV (CRD IV). The capital structure consists mainly of common equity. The other part consists of Additional Tier 1 instruments.

The two tables on the next pages show the structure of the regulatory capital. The tables present the capital.

31-12-2023

	Capital	IFRS Equity
Paid-up capital	139	139
Share premium	6	6
Retained earnings from previous years	3,970	3,970
Unappropriated profit		254
Accumulated other comprehensive income		
- Cash flow hedge reserve	6	6
- Cost of hedging	41	41
- Own credit adjustment	4	4
- Revaluation reserve	-8	-8
Common equity Tier 1 (CET1) capital before regulatory adjustments	**4,158**	**4,412**
Adjustments to CET1 capital as a result of prudential filters:		
- Distributable dividend (previous year)		
- Cash flow hedge reserve	-6	
- Cumulative gains and losses arising from the bank's own credit risk related to derivatives liabilities	-1	
- Own credit risk for Financial liabilities at fair value through the income statement	-4	
- Value adjustments due to the prudential valuation requirements	-11	
- Intangible assets	-	
- Expected credit loss allowance of Financial assets at fair value through OCI	0	
- Insufficient coverage for non-performing exposures	-2	
Deduction of capital for securitisation positions eligible as alternatives for a risk weight of 1250%	-37	
CET1 capital	**4,097**	
Additional Tier 1 capital	309	309
Tier 1 capital	**4,406**	
Total equity	**4,406**	**4,721**

31-12-2022

	Capital	IFRS Equity
Paid-up capital	139	139
Share premium	6	6
Retained earnings from previous years	3,824	3,824
Unappropriated profit		300
Accumulated other comprehensive income		
- Cash flow hedge reserve	14	14
- Cost of hedging	17	17
- Own credit adjustment	2	2
- Revaluation reserve	4	4
Common equity Tier 1 (CET1) capital before regulatory adjustments	**4,006**	**4,306**
Adjustments to CET1 capital as a result of prudential filters:		
- Distributable dividend (previous year)		
- Cash flow hedge reserve	-14	
- Cumulative gains and losses arising from the bank's own credit risk related to derivatives liabilities	-2	
- Own credit risk for Financial liabilities at fair value through the income statement	-1	
- Value adjustments due to the prudential valuation requirements	-9	
- Intangible assets		
- Expected credit loss allowance of Financial assets at fair value through OCI		
- Insufficient coverage for non-performing exposures	-15	
Deduction of capital for securitisation positions eligible as alternatives for a risk weight of 1250%		
CET1 capital	**3,965**	
Additional Tier 1 capital	309	309
Tier 1 capital	**4,274**	
Total equity	**4,274**	**4,615**

Prudential filters

BNG Bank applies the following prudential filters to the CET1 capital:

- The cash flow hedge reserve is eliminated.
- The benefits arising from own credit risk (DVA) in derivatives transactions are eliminated.
- The benefits arising from 'own credit risk' in relation to obligations classified as Financial liabilities at fair value through the income statement are eliminated.
- Due to the regulations on prudent valuation, an adjustment is calculated in relation to the balance sheet valuation of assets and liabilities that are carried at fair value.

- The investments in the development of software is activated and amortised over three years. After a correction for ‘deferred tax’, the total of these intangible assets is deducted.
- The expected credit loss allowance of Financial assets at fair value through OCI.

Deductible items

In 2018, BNG Bank opted to reduce the CET1 capital by securitisation positions that are eligible for 1,250% solvency weighting. In 2023, there were no securitisation positions with a solvency rating of 1,250%.

Adjustments in CRD IV/CRR transition phase

The portion of the revaluation reserve related to Financial assets at fair value through OCI are fully included in the CET1 capital in 2023 and 2022.

Additional Tier 1 capital

For a clarification, please refer to note 22 of the Notes to items of the consolidated financial statements.

Other notes

Related parties

Transactions with related parties

Transactions with related parties were made on terms equivalent to those that prevail in arm's length.

	31-12-2023	31-12-2022
State of the Netherlands		
Direct exposure in the form of purchased government securities	1,093	860
Lending with direct guarantees from the State	633	632
Lending with indirect guarantees from the State (WSW/WFZ)	49,955	48,184
Subsidiaries		
Lending to subsidiaries	-	3
Credit balances held by subsidiaries	16	12
Off-balance sheet commitments to subsidiaries	-	-
Associates, joint ventures and joint operations		
Lending to associates, joint ventures and joint operations	30	30
Credit balances held by associates, joint ventures and joint operations	14	11
Off-balance sheet commitments to associates, joint ventures and joint operations	8	12

Entities with control, joint control or significant influence over BNG Bank

The State of the Netherlands owns 50% of the shares and voting rights of BNG Bank. As the other half of the shares is divided between a large number of shareholders, the State of the Netherlands has de facto control over BNG Bank. The holders of Additional Tier 1 capital do not fall within the definition of related parties, as they have no (joint) control or significant influence over BNG Bank. BNG Bank has direct exposure to the State of the Netherlands in the form of purchased, publicly tradable government securities. The bank also has a large portfolio of loans and advances with direct guarantees from the State, or with guarantees from the WSW (social housing) and WFZ (Healthcare) guarantee funds, for which the State of the Netherlands acts as a backstop.

Subsidiaries

This relates to the BNG Bank subsidiarie BNG Gebiedsontwikkeling which is included in the consolidation. Hypotheekfonds voor Overheidspersoneel has been liquidated in 2023 and therefore no longer included in the consolidation. BNG Bank has intercompany transactions with these parties, which consist of the issue of private loans and advances, credit balances held in current accounts and off-balance sheet commitments. All of these intercompany transactions are eliminated from the figures in and notes to the consolidated financial statements.

The mortgage portfolio of Hypotheekfonds voor Overheidspersoneel was sold in December 2022. In December 2023 the entity was liquidated which resulted in a loss of EUR 50.000.

Associates, joint ventures and joint operations

This relates to associates, as well as joint ventures and joint operations entered into by BNG Gebiedsontwikkeling. A list of these parties is provided in a separate note in these financial statements. Transactions with these contacts consist of loans and advances, credit balances held in current accounts and off-balance sheet commitments (the undrawn portions of credit facilities).

Executive Committee members of the bank

BNG Bank has not granted any loans, advance payments or guarantees to individual members of the Executive Committee or Supervisory Board of BNG Bank.

BNG Bank's principal decision-making bodies

The most important decisions and acts of management are taken and carried out by the Executive Board. The policy pursued is assessed and supervised by the Supervisory Board.

Remuneration

Since 2020, BNG Bank's remuneration policy consists solely of fixed remuneration components. The total fixed remuneration, granted to 'Identified Staff', i.e. individuals with direct influence on the bank's policy and risks, was EUR 6.9 million in 2023 (2022: EUR 6.8 million). The Identified Staff comprises of 44 individuals in 2023 (2022: 46).

The remuneration of the Identified Staff can be divided into three groups: Executive Committee, senior management directly reporting to Executive Board members and other Identified Staff.

(amounts in thousands of euros)	2023		2022	
	Fixed remuneration	One-off payment	Fixed remuneration	One-off payment
Executive Committee	1,451	68	1,454	-
Senior management	3,817	-	3,339	625
Other identified staff	1,614	-	2,000	-
Total	**6,882**	**68**	**6,793**	**625**

In addition, the bank pays a monthly employer's pension contribution. Since 1 January 2015, pension accrual over salary in excess of EUR 100,000 is no longer possible under the current ABP pension plan. As a consequence of this cap for tax purposes and the lower pension accrual, BNG Bank decided to compensate the employees concerned who were in the bank's employment on 1 January 2015 for lower pension accrual. The compensation is fixed as per 1 january 2015 and will not change over the years. In 2023 the one-off payments solely consisted of a end-of-life benefit for a member of the Executive Committee.

Remuneration of the Executive Committee

The remuneration of the Executive Committee is based on the principles formulated in the Remuneration Policy, the highlights of which are included in the Report of the Supervisory Board. The complete Remuneration Policy is published on bngbank.nl. Since 2002, the fixed remuneration component has only been adjusted by the percentages set out in the general Collective Labour Agreement for the banking industry. As per 2021 no deferred variable remuneration have occured. Management and staff do not own BNG Bank shares or options and receive no additional remuneration through subsidiaries of the bank.

Remuneration awarded to Executive Committee members

(amounts in thousands of euros)	2023	2022	2023	2022	2023	2022	2023	2022
	Fixed remuneration		One-off payment		Pension contributions		Compensation for pension accrual over salary >100K	
G.J. Salden **CEO**	348	332	-	-	34	30	-	-
O.J. Labe **CFO**	370	353	-	-	34	30	29	29
C.A.M. van Atteveldt **CRO**	313	303	-	-	34	28	-	-
T.M.P. Eterman **CCO** (till 21-09-2023)	176	233	68	-	24	26	-	-
J. van Goudswaard **COO**	244	233	-	-	34	26	-	-
Total	**1,451**	**1,454**	**68**	**-**	**160**	**140**	**29**	**29**

The Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Risk Officer (CRO) are also members of the Executive Board. The Chief Commercial Officer (CCO) and Chief Operational Officer (COO) are not.

The remuneration awarded in the reporting period is the remuneration which has been recognised as an expense in full in the income statement. The income statement for 2023 includes EUR 1.5 million (2022: EUR 1.6 million) in remuneration, one-off payments and pension costs. The total short-term remuneration comprises the fixed remuneration and the compensation for pension accrual over salary in excess of EUR 100,000.

The Chair of the Executive Committee received an allowance for business expenses of EUR 5,100 in 2023 (2022: EUR 5,100). The maximum allowance for the other statutory members of the Executive Committee is EUR 3,900 in 2023 (2022: EUR 3,900).

Remuneration of the Supervisory Board

Effective from 1 January 2017 the remuneration of the Supervisory Board can increase by the same percentage as the increases under the Collective Labour Agreement for the Banking Industry. The remuneration policy for the Supervisory Board is directed towards market compatible remuneration that is irrespective of the company's result. The total remuneration of the Supervisory Board increased with 2% in 2023 (2022: decrease of 2%). The remuneration of the supervisory board members reflects the nature of the company, the envisaged quality of the Supervisory Board members, the required availability for the task at hand, as well as the time required and aspects of responsibility and liability. Supervisory Board members do not own BNG Bank shares or options and receive no additional remuneration through subsidiaries of the bank.

Members of the Supervisory Board who were appointed or resigned during the financial year received pro rata remuneration. Members of the Audit Committee & Risk Committee, the Selection and Appointment Committee, the Remuneration Committee and the Market Strategy Committee received an additional allowance for these duties. Furthermore, the Chair of the Supervisory Board received an allowance in addition to the basic remuneration. These allowances are set out in the 'Remuneration of Supervisory Board members' statement. The Supervisory Board members received an expense allowance of EUR 1,128 (2022: EUR 1,128).

Members who served on one or more committees received an additional expense allowance per committee of EUR 513 (Audit Committee and Risk Committee) and EUR 308 (Remuneration Committee and Human Resource Committee), respectively.

The amounts presented below are in thousands of euros. These figures include additional payments and expense allowances and exclude VAT.

(amounts in thousands of euros)	**2023**	2022
H. Arendse, chair	46	48
J.C.M. van Rutte, Vice-chair	37	35
Ms K.T. Bergstein	44	39
C.J. Beuving (until 22 April 2022)	-	13
J.B.S. Conijn	44	39
Ms M.E.R. van Elst	37	35
L.K. Geluk	41	36
Ms. F. de Vries	41	38
Total	**290**	**283**

Off-balance sheet positions

Contingent assets
Due to an internal procedural error, DNB did not grant BNG Bank the TLTRO-III interest rate rebate related to the period from 24 June 2020 up to and including 23 June 2021 for an amount of EUR 57 million before taxes, despite rectifying measures. BNG Bank has initiated litigation against this DNB decision. In the first half of 2023 BNG Bank lost the court case and filed an appeal. A ruling is expected not earlier than Q4, 2024.

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

	31-12-2023	31-12-2022
Contingent liabilities	478	489

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

	31-12-2023	31-12-2022
Revocable facilities	6,118	6,248

Irrevocable facilities
This includes all irrevocable commitments which can lead to the granting of loans and advances, and is divided as follows:

	31-12-2023	31-12-2022
Outline agreements concerning the undrawn part of credit facilities	1,766	2,031
Contracted loans and advances to be distributed in the future	2,194	2,396
Total	**3,960**	**4,427**

According to contract, these contracted loans and advances will be distributed as follows:

	31-12-2023	31-12-2022
Up to 3 months	1,228	561
3 to 12 months	469	807
1 to 5 years	435	958
Over 5 years	62	70
Total	**2,194**	**2,396**

Nearly all these loans and advances have a contractual term to maturity of more than five years. The average interest rate is 2.43% (2022: 1.87%). BNG Bank states these obligations at the underlying, not yet recorded, principal amount.

Encumbered financial assets and liabilities

A part of the financial assets and liabilities is encumbered because these assets serve to secure and act as collateral for money market transactions and lending transactions. The following table shows the nominal sheet values and the collateral values.

	31-12-2023		31-12-2022	
	Nominal value	Collateral value	Nominal value	Collateral value
Type of collateral				
Collateral pledged to the central bank[1]	48,361	31,587	50,399	35,403
Securities provided in derivatives transactions	2,850	2,807	2,994	2,942
Cash deposited in relation to derivatives transactions	4,685	4,259	3,263	3,270
Given as collateral	**55,896**	**38,653**	**56,656**	**41,615**
Securities received in derivatives transactions	-	-	-	-
Cash received in relation to derivatives transactions	568	566	1,172	1,172
Received as collateral	**568**	**566**	**1,172**	**1,172**
Total	**55,328**	**38,087**	**55,484**	**40,443**

1 Of the total value of loans provided as collateral to the central bank, only a part has actually been used as collateral. At year-end 2023, the value of the collateral in use under the guarantee for clients' collection files amounted to EUR 2.372 million (year-end 2022: EUR 5.856 million).

Liability of Board members

Members of the Executive and Supervisory Boards of the company are indemnified by the company against any personal liability, except in the case of deliberate intent or gross negligence. In addition, the company has taken out a directors' liability insurance policy for members of the Executive and Supervisory Boards and employees acting on the company's behalf as members of the Executive Board or Supervisory Board of one or more of the company's associates.

Proposed profit appropriation

Amounts in millions of euros

	2023	2022
Net profit	**254**	**300**
Compensation on Additional Tier 1 capital	-14	-21
Profit attributable to shareholders	**240**	**279**
Appropriation of profit attributable to the bank's shareholders is as follows:		
Appropriation to the 'Retained earnings' pursuant to Article 20(3) of the BNG Bank Articles of Association	120	139
Dividend pursuant to Article 20(4) of the BNG Bank Articles of Association	120	140
	240	**279**

The profit appropriation is based on the total net profit for 2023. The proposed dividends have no consequences for tax purposes. The compensation takes into account the EUR 14 million already paid on the Additional Tier 1 capital in May 2023 charged to the Retained Earnings.

Associates and joint ventures

	31-12-2023	31-12-2022
Associates		
Dataland BV, Rotterdam	0%	30%
A municipal non-profit initiative that aims to make information on registered properties – as held by municipalities and/or other public entities – available to a wide audience.		

	31-12-2023	31-12-2022
Joint ventures entered into by BNG Gebiedsontwikkeling BV		
Joint development and allocation of land with public authorities, at own expense and risk. The parties involved in the joint ventures have an equal voting right, which means that no single party has control.		
CV Ontwikkelingsmaatschappij Zenkeldamshoek, Goor	80%	80%
Zenkeldamshoek Beheer BV, Goor	50%	50%
Development and allocation of land for industrial estates		
Ontwikkelingsmaatschappij Westergo BV, Harlingen	50%	50%
Development and allocation of land for industrial estates		
Ontwikkelingsmaatschappij 'Het Nieuwe Westland' CV, The Hague	50%	50%
Ontwikkelingsmaatschappij 'Het Nieuwe Westland' BV, The Hague	50%	50%
Development and allocation of land for residential construction		
Ontwikkelingsmaatschappij ROM-S CV (Schelluinen), The Hague	50%	50%
ROM-S Beheer BV (Schelluinen) te The Hague	50%	50%
Development and allocation of land for industrial estates and car parking facilities		
Project Suijssenwaerde CV, The Hague	80%	80%
Project Suijssenwaerde Beheer BV, The Hague	50%	50%
Development and allocation of land for residential construction and recreational housing		
CV Bedrijvenpark Oostflakkee, The Hague	80%	80%
Bedrijvenpark Oostflakkee Beheer BV, The Hague	50%	50%
Development and allocation of land for industrial estates		
SGN Bestaand Rijsenhout CV, The Hague	50%	50%
SGN Nieuw Rijsenhout CV, The Hague	50%	50%
SGN Advies CV, The Hague	43%	43%

	31-12-2023	31-12-2022
SGN Bestaand Rijsenhout Beheer BV, The Hague	50%	50%
SGN Nieuw Rijsenhout Beheer BV, The Hague	50%	50%
SGN Advies BV Beheer, The Hague	50%	50%
Stallingsbedrijf Glastuinbouw Nederland Groep BV, The Hague	50%	50%
Development and allocation of land for glasshouse horticulture locations		
Ontwikkelmaatschappij Meerburg CV, Zoeterwoude	50%	50%
Ontwikkelmaatschappij Meerburg Beheer BV, Zoeterwoude	50%	50%
Development and allocation of land for residential construction, sports fields and office buildings		
Ontwikkelcombinatie De Bongerd CV, Amsterdam	14%	14%
Ontwikkelcombinatie De Bongerd BV, Amsterdam	14%	14%
Real estate development for residential construction and parking facilities		
Wonen Werken Waterman BV, Rijsbergen	50%	50%
Wonen Werken Waterman CV, Rijsbergen	50%	50%
Development and allocation of land for residential construction and industrial estates		
De Jonge Voorn BV, Guisveld (Zaandam)	80%	80%
De Jonge Voorn CV, Guisveld (Zaandam)	80%	80%
Development and allocation of land for residential construction		

Summarised financial information

	2023	2022
Joint ventures entered into by BNG Gebiedsontwikkeling BV		
Balance sheet value of investment (note 10)	22	24
Value of the share in:		
Total assets	42	63
Total liabilities	28	33
Income	19	40
Result from continued operations	2	10
Equity	16	31
Comprehensive income	16	31

BNG Gebiedsontwikkeling (a wholly-owned BNG Bank subsidiary) invests in and develops land on its own account in collaboration with local authorities. This collaboration takes the form of a joint venture involving the use of limited partnerships. The risk incurred by BNG Bank is the total amount of capital invested in the participating interest, increased by further future payments obligations and retained profits. At year-end 2023, this risk amounted to EUR 22 million of joint ventures and EUR 2 million for one joint venture held for sale (2022: joint ventures of EUR 24 million and no joint ventures held for sale), none of this is related to future payment obligations (2022: EUR 0 million).

Involvement in non-consolidated structured entities

	2023	2022
Securitisations		
Scope	21,237	22,065
Involvement in entity (balance sheet value/size in %)	21%	25%
Balance sheet value of interest/investment:		
Interest-bearing securities at amortised cost (from note 7)	4,553	5,409
Total balance sheet value	**4,553**	**5,409**
Maximum exposure	4,553	5,409
Ratio of balance sheet value vs maximum exposures	1	1
Amount in revenue per type:		
Fund return	N/A	N/A
Management fee	N/A	N/A
Interest revenue	192	24
Results from sales	0	0
Total revenue	**192**	**24**

Involvement in non-consolidated securitisation and covered bond programmes via structured entities

BNG Bank has investments in securitised interest-bearing securities covered by additional security through non-consolidated structured entities. Mortgage portfolios serve as collateral for the securitisations and covered bonds. The funds funded by investors, including BNG Bank, serve to finance the underlying mortgages. The structured entities are independent entities that do not carry out any activities other than managing investments and the associated money flows. Apart from its interest as an investor in interest-bearing securities, BNG Bank has not financed these structured entities or supported them in any other way, nor does it have any intention to do so in the near future. The bank has not transferred any assets to these structured entities.

Events after the balance sheet date

There are no events after the balance sheet date to report that require adjustments to the figures or disclosure in the financial statements.

The Hague, 22 March 2024

Executive Board
Gita Salden (CEO), statutory director
Olivier Labe (CFO), statutory director
Cindy van Atteveldt-Machielsen (CRO), statutory director

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

8.2 Company financial statements

Company balance sheet before profit appropriation

Amounts in millions of euros	NOTE	31-12-2023	31-12-2022
Assets			
Cash and balances held with central banks	1	1,617	6,821
Amounts due from banks	2	622	346
Cash collateral posted	3	4,751	4,144
Financial assets at fair value through the income statement	4	911	901
Derivatives	5	3,011	3,737
Financial assets at fair value through other comprehensive income	6	10,193	7,398
Interest-bearing securities at amortised cost	7	8,829	7,636
Loans and advances	8	90,497	89,626
Value adjustments on loans in portfolio hedge accounting	9	-5,037	-8,679
Participating interests	10	38	34
Property & equipment	11	15	13
Current tax assets	17	19	-
Other assets	12	89	109
Total assets		**115,555**	**112,086**
Liabilities			
Amounts due to banks	13	905	4,012
Cash collateral received	14	656	1,173
Financial liabilities at fair value through the income statement	15	260	185
Derivatives	16	6,363	6,129
Debt securities	18	96,344	90,774
Funds entrusted	19	6,013	4,797
Subordinated debts	20	18	38
Current tax liabilities	17	-	11
Deferred tax liabilities	17	19	14
Other liabilities	21	256	338
Total liabilities		**110,834**	**107,471**
Equity			
Share capital		139	139
Share premium reserve		6	6
Legal reserves			
- Revaluation reserve		-8	4
- Cash flow hedge reserve		6	14
- Reserve for fair value increases		165	150
Retained earnings		3,805	3,674
Own credit adjustment		4	2
Cost of hedging reserve		41	17
Net profit		254	300
Equity attributable to shareholders	22	**4,412**	**4,306**
Additional Tier 1 capital	22	309	309
Total equity	22	**4,721**	**4,615**
Total liabilities and equity		**115,555**	**112,086**

Company income statement

Amounts in millions of euros	NOTE	2023	2023	2022	2022
- Interest revenue calculated using the effective interest method		6,051		3,767	
- Other interest revenue		424		403	
Total interest revenue		6,475		4,170	
- Interest expenses calculated using the effective interest method		5,848		3,607	
- Other interest expenses		64		74	
Total interest expenses		5,912		3,681	
Interest result	23		563		489
- Commission income		29		23	
- Commission expenses		3		4	
Commission result	24		26		19
Result on financial transactions	25		-78		113
Results from participating interests	26		4		3
Other results			0		0
Total income			**515**		**624**
Staff costs	27		90		73
Other administrative expenses	28		48		38
Depreciation	29		3		2
Other operating expenses			0		0
Total operating expenses			**141**		**113**
Net impairment losses on financial assets	30		-8		51
Net impairment losses on participating interests			-		0
Contribution to resolution fund	31		14		20
Bank Levy	31		23		32
Total other expenses			**29**		**103**
Profit before tax			**345**		**408**
Income tax expense			91		108
Net profit			**254**		**300**
- of which attributable to the holders of Additional Tier 1 capital			14		21
- of which attributable to shareholders			240		279

The references refer to the notes to the company financial statements. The notes to the company financial statements are an integral part of the company financial statements.

Company statement of comprehensive income

Amounts in millions of euros. All figures in the statement are after taxation.		2023		2022
Net profit		**254**		**300**
Recyclable results recognised directly in equity				
Changes in cash flow hedge reserve:				
- Unrealised value changes	-8		13	
- Realised value changes transferred to the income statement	-		0	
		-8		13
Changes in cost of hedging reserve				
- Unrealised value changes	30		-109	
- Realised value changes transferred to the income statement	-6		1	
		24		-108
Changes in the revaluation reserve for financial assets at fair value through other comprehensive income				
- Unrealised value changes	-35		-36	
- Realised value changes transferred to the income statement	23		-43	
		-12		-79
Total recyclable results		**4**		**-174**
Non-recyclable results recognised directly in equity:				
- Change in fair value attributable to change in credit risk of financial liabilities designated at FVTPL	2		-1	
Total non-recyclable results		**2**		**-1**
Results recognised directly in equity		**6**		**-175**
Total		**260**		**125**
- of which attributable to the holders of Additional Tier 1 capital		14		21
- of which attributable to shareholders		246		104

Company cash flow statement

Amounts in millions of euros	2023	2022
Cash flow from operating activities		
Profit before tax	345	408
Adjusted for:		
- Depreciation	3	2
- Impairments	-8	51
- Unrealised results through the income statement	49	-62
Changes in operating assets and liabilities:		
- Changes in Amounts due from and due to banks (not due on demand)	-3,573	-830
- Changes in Cash collateral posted and received	-1,551	11,731
- Changes in Loans and advances	1,078	1,754
- Changes in Funds entrusted	914	279
- Changes in Derivatives	663	1,782
- Corporate income tax paid	-118	-127
- Other changes from operating activities	385	-441
Net cash flow from operating activities	**-1,813**	**14,547**
Cash flow from investing activities		
Investments and acquisitions pertaining to:		
- Financial assets at fair value through the income statement	-19	-108
- Financial assets at fair value through other comprehensive income	-5,823	-5,407
- Interest-bearing securities at amortised cost	-2,714	-1,544
- Investments in subsidiaries, associates and joint ventures	-1	
- Property and equipment	-5	-
Disposals and redemptions pertaining to:		
- Financial assets at fair value through the income statement	150	195
- Financial assets at fair value through other comprehensive income	3,630	5,192
- Interest-bearing securities at amortised cost	1,955	1,011
- Investments in subsidiaries, associates and joint ventures		26
Net cash flow from investing activities	**-2,827**	**-635**
Cash flow from financing activities		
Amounts received on account of:		
- Debt securities	473,761	474,163
- Financial liabilities at fair value through the income statement	74	
Amounts paid on account of:		
- Central bank financing (TLTRO)	-	-14,787
- Financial liabilities at fair value through the income statement	-1	-105

Company cash flow statement

- Debt securities	-474,225	-475,071
- Subordinated debt	-21	-
- Compensation on Additional Tier 1 capital	-14	-23
- Dividend distribution to shareholders	-140	-127
- Repayments on Additional Tier 1 capital	-	-424
Net cash flow from financing activities	**-566**	**-16,374**
Net change in cash and cash equivalents	**-5,206**	**-2,462**
Cash and cash equivalents as at 1 January	6,824	9,286
Cash and cash equivalents as at 31 december	**1,618**	**6,824**
Cash and cash equivalents as at 31 December:		
- Cash and balances held with central banks	1,617	6,821
- Cash equivalents in the Amount due from banks item	2	4
- Cash equivalents in the Amount due to banks item	-1	-1
	1,618	**6,824**
Notes to cash flow from operating activities		
Interest income received	6,399	4,291
Interest expenses paid	-4,992	-3,745
	1,407	**546**

Company statement of changes in equity

Amounts in millions of euros. All figures in the statement are after taxation.	Share capital	Share premium reserve	Revaluation reserve	Cashflow hedge reserve	Reserve for fair value increase	Own credit adjustment	Cost of hedging reserve	Retained earnings	Unappropriated profit	Equity attributable to shareholders	Additional Tier 1 capital	**Total**
Balance as at 01/01/2022	**139**	**6**	**83**	**1**	**173**	**3**	**125**	**3,563**	**236**	**4,329**	**733**	**5,062**
Total comprehensive income	**-**	**-**	**-79**	**13**	**-**	**-1**	**-108**	**-**	**300**	**125**	**-**	**125**
Redemption of Additional Tier 1 capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-424**	**-424**
Transfer to reserve for fair value increases	-	-	-	-	-23	-	-	23	-	-	-	**0**
Dividend distribution to the bank's shareholders	-	-	-	-	-	-	-	-127	-	-127	-	**-127**
Compensation to holders of Additional Tier 1 capital	-	-	-	-	-	-	-	-21	-	-21	-	**-21**
Appropriation from previous year’s profit	-	-	-	-	-	-	-	236	-236		-	**0**
Balance as at 31/12/2022	**139**	**6**	**4**	**14**	**150**	**2**	**17**	**3,674**	**300**	**4,306**	**309**	**4,615**
Total comprehensive income	**-**	**-**	**-12**	**-8**	**-**	**2**	**24**	**-**	**254**	**260**	**-**	**260**
Transfer to reserve for fair value increases	**-**	**-**	-	**-**	15	**-**	-	-15	**-**	**-**	-	**-**
Dividend distribution to the bank's shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-140	**-**	**-140**	-	**-140**
Compensation to holders of Additional Tier 1 capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-14	**-**	**-14**	-	**-14**
Appropriation from previous year’s profit	-	-	-	-	-	-	-	300	-300	0	-	**0**
Balance as at 31/12/2023	**139**	**6**	**-8**	**6**	**165**	**4**	**41**	**3,805**	**254**	**4,412**	**309**	**4,721**

BNG Bank has not recognised any results from minority interests in the equity which is attributable to third parties. With the exception of Additional Tier 1 capital, the entire equity is attributable to the shareholders.

Accounting principles for the company financial statements

The company financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB) and adopted throughout the European Union (EU), and with Part 9, Book 2 of the Dutch Civil Code. The company financial statements are prepared in (millions of) euros, unless stated otherwise. The euro is used as the functional and reporting currency of BNG Bank. As far as the financial accounting principles are concerned, reference is made, with the exception of the accounting principles mentioned below, to the notes to the accounting principles for the consolidated financial statements.

Participating interests

The balance sheet item Participating interests is stated according to the equity method.

Statutory reserve for fair value increases

Pursuant to Section 2:390 sub 1 of the Dutch Civil Code, for capital protection purposes a statutory reserve must be maintained at the expense of the freely distributable reserves (other reserves) or freely distributable profit (unappropriated profit) in relation to fair value increases of financial instruments stated as assets in the balance sheet for which there is no regular market quotation.

Amounts in millions of euros.

Notes 30 and 33 provide an overview of the breakdown of financial assets subject to impairment into impairment stages, as well as details on the movement in the allowance for expected credit losses in 2023.

Note 34 to the consolidated financial statements includes a breakdown of balance sheet values by remaining contractual maturity (due on demand and not due on demand).

For the related party disclosures, please refer to the consolidated financial statements.

1 Cash and balances held with central banks

	31-12-2023	31-12-2022
Cash on hand	0	0
Current account balances with the central bank (due on demand)	1,617	6,821
Total	**1,617**	**6,821**

2 Amounts due from banks

The Amounts due from banks item includes all receivables from banks measured at amortised cost.

	31-12-2023	31-12-2022
Short-term loans and current account balances	2	4
Long-term lending	620	342
Total	**622**	**346**

3 Cash collateral posted

The cash collateral amounts to EUR 4,751 (2022: EUR 4,144) is posted with third parties under netting agreements and as such is not freely available to BNG Bank.

4 Financial assets at fair value through the income statement

This item includes:

- Financial assets mandatorily measured at fair value through profit or loss. This concerns financial assets that have failed to pass the SPPI test; and
- Financial assets designated as measured at fair value through profit or loss.

	31-12-2023	31-12-2022
Mandatorily measured at FVTPL		
Loans and advances	32	33
Designated as measured at FVTPL		
Loans and advances	235	238
Interest-bearing securities	644	630
Total	**911**	**901**

The total redemption value of these loans and advances and interest bearing securities at year-end 2023 is EUR 894 million (2022: EUR 877 million). Note 25 explains the changes in fair value recognised through the income statement.

5 Derivatives

This balance sheet item includes the positive fair value of derivatives not settled-to-market. Note 25 explains the changes in fair value recognised through the income statement.

	31-12-2023	31-12-2022
Derivatives not involved in a hedge accounting relationship	96	77
Derivatives involved in a portfolio hedge accounting relationship	1,385	1,763
Derivatives involved in a micro hedge accounting relationship	1,239	1,721
Receivables related to STM derivative contracts	291	176
Total	**3,011**	**3,737**

6 Financial assets at fair value through other comprehensive income

This includes purchased interest-bearing securities that are held within the Hold to Collect and Sell business model and for which the bank has not used the fair value option.

	31-12-2023	31-12-2022
Governments	4,782	3,852
Supranational organisations	2,244	1,405
Credit institutions	3,167	2,131
Other institutions	-	10
Total	**10,193**	**7,398**

Transfers without derecognition

At year-end 2023, BNG Bank had transferred EUR 269 million (2022: 332 million) of financial assets at fair value through other comprehensive income without derecognition in repurchase transactions.

7 Interest-bearing securities at amortised cost

This includes purchased interest-bearing securities that are held within the Hold-to-Collect business model and for which the bank has not used the fair value option.

	31-12-2023	31-12-2022
Governments	1,578	1,314
Supranational organisations	1,936	-
Other financial corporations	4,682	5,615
Non-financial corporations	634	709
Allowance for credit losses	-1	-2
Total	**8,829**	**7,636**

At year-end 2023, BNG Bank had transferred EUR 1.062 million (2022: 333 million) of interest-bearing securities at amortised cost without derecognition in repurchase transactions.

8 Loans and advances

The Loans and advances item includes short-term and long-term loans to clients insofar as they pass the SPPI test, as well as current account debit balances held by clients. All positions are held within the Hold-to-Collect business model.

	31-12-2023	31-12-2022
Short-term loans and current account balances	1,174	1,481
Long-term lending	89,412	88,293
	90,586	**89,774**
Allowance for credit losses	-89	-148
Total	**90,497**	**89,626**

9 Value adjustments on loans in portfolio hedge accounting

This refers to the value adjustments of the effective portion of the hedged interest rate risk of loans and advances involved in a portfolio hedge accounting relationship.

	2023	2022
Movements of value adjustments on loans in portfolio hedge accounting		
Opening balance	-8,679	13,555
Movements in the unrealised portion in the financial year	3,059	-22,154
Amortisation in the financial year	583	-61
Realisation from sales in the financial year	-	-19
Closing balance	**-5,037**	**-8,679**

10 Participating interests

	31-12-2023	31-12-2022	31-12-2023	31-12-2022
	Participating share		**Balance sheet value**	
Subsidiaries				
BNG Gebiedsontwikkeling BV, The Hague	100%	100%	38	35
Hypotheekfonds voor Overheidspersoneel BV, The Hague	0%	100%	-	-1
Subtotal			**38**	**34**
Associates				
Dataland BV, Rotterdam	0%	30%	0	0
Subtotal			**0**	**0**
Total			**38**	**34**

For a description of the bank's subsidiaries and associates, please refer to section 'Other information' of this document and to section 'Associates and joint ventures', respectively, of the consolidated financial statements. For summarised financial information on associates, refer to section ‘Summarised financial information’.

11 Property and equipment

	2023	2022	2023	2022	2023	2022	2023	2022
	Property		**Equipment**		**Right-of-use-asset**		**Total**	
Historical cost								
Opening balance	**49**	**49**	**27**	**27**	**2**	**2**	**78**	**78**
Investments	1	-	2	0	2	-	5	0
Value as at 31 December	**50**	**49**	**29**	**27**	**4**	**2**	**83**	**78**
Depreciation								
Accumulated depreciation as at 1 January	39	39	25	24	1	0	65	63
Depreciation during the year	1	0	1	1	1	1	3	2
Accumulated depreciation as at 31 December	**40**	**39**	**26**	**25**	**2**	**1**	**68**	**65**
Total	**10**	**10**	**3**	**2**	**2**	**1**	**15**	**13**

Estimated useful life

Buildings	33 ⅓ years
Technical installations	15 years
Machinery and inventory	5 years
Right-of-use asset	1-5 years
Hardware and software	3 years

No property or equipment is pledged as security of liabilities.

12 Other assets

The other assets at year-end 2023 of EUR 89 million (2022: EUR 109 million) primarily comprise of amounts receivable from lending to clients.

13 Amounts due to banks

	31-12-2023	31-12-2022
Current account balances	1	1
Central bank funding (TLTRO)	-	3,471
Deposits	174	140
Private loans	730	400
Repos	0	-
Total	**905**	**4,012**

14 Cash collateral received

The cash collateral at year-end 2023 of EUR 656 million (2022: EUR 1,173 million) is received from third parties under netting agreements and as such is not freely available to BNG Bank.

15 Financial liabilities at fair value through the income statement

This item includes debt securities designated as measured at fair value with changes in fair value recognised through the income statement.

	31-12-2023	31-12-2022
Publicly placed debt securities	243	169
Privately placed debt securities	17	16
Total	**260**	**185**

The total redemption value of the debt securities at year-end 2023 is EUR 232 million (2022: EUR 168 million). The difference between the financial liability's carrying amount and the redemption value at year-end 2023 is EUR 28 million (2022: EUR 17 million). Financial liabilities are measured at fair value through the income statement on the relevant funding curve including a mark-up for 'own credit risk'. The total change in value (before tax) was EUR 5 million positive (2022: EUR 3 million negative). Changes in fair value due to own credit risk are recognised through other comprehensive income. These changes are determined by comparing the valuation using the relevant funding curve including a mark-up for 'own credit risk' and the valuation using the relevant funding curve without this mark-up. Note 25 explains the changes in value recognised through the income statement.

16 Derivatives

This balance sheet item includes the negative fair value of derivatives not settled-to-market. Note 25 explains the changes in fair value recognised through the income statement.

	31-12-2023	31-12-2022
Derivatives not involved in a hedge accounting relationship	407	390
Derivatives involved in a portfolio hedge accounting relationship	3,603	3,341
Derivatives involved in a micro hedge accounting relationship	2,353	2,398
Total	**6,363**	**6,129**

17 Taxes

The bank has registered deferred tax liabilities for the actuarial results for the employee benefits provision, the revaluation reserve, the own credit adjustment, the compensation on Additional Tier 1 capital and for the cash flow hedge reserve, which all directly change into equity.

	31-12-2023	31-12-2022
Current tax assets	19	-
Current tax liability	-	-11
Deferred tax liabilities	-19	-14
Total	**0**	**-25**

BNG Bank and the Dutch tax authorities have concluded a bilateral agreement ('vaststellingsovereenkomst') in 2021 in accordance with IFRS 9, for the period 2021-2023. The bilateral agreement applies to the BNG Bank fiscal unit. Pursuant to the agreement, all financial instruments are stated – for both reporting and tax purposes – in accordance with the IFRS principles of valuation, with the exception of transactions classified as Financial assets at fair value through the income statement. All transactions within this category are valued for tax purposes at the lower of either the cost price or the market value. The result for tax purposes differs from the result for reporting purposes if, on balance, unrealised losses have arisen. If the revaluation reserve increases, the positive amount is added to the annual profit for tax purposes up to the level at which the cost price is reached.

The reconciliation between the effective tax rate and the nominal tax rate is as follows:

	2023	2022
Profit before tax	345	408
Tax levied at the nominal tax rate	-89	-105
Tax adjustment from previous years	0	0
Participation exemption	0	1
Deductible interest on Additional Tier 1 capital	4	4
Non-deductible costs (bank levy and thin cap)	-6	-8
Effective tax	**-91**	**-108**
Nominal tax rate	25.8%	25.8%
Effective tax rate	26.4%	26.5%

2023

	Opening balance	Changes through equity	Changes through the income statement	Closing balance
Changes in deferred taxes				
Financial assets at fair value through other comprehensive income	-1	1	-	0
Cash flow hedge reserve	-12	-5	-	-17
Own Credit Adjustment	0	-1	-	-1
Additional Tier 1 capital	-2	0	-	-2
Employee benefits provision	1	-	-1	0
Property	-	1	-	1
Total	**-14**	**-4**	**-1**	**-19**

2022

	Opening balance	Changes through equity	Changes through the income statement	Closing balance
Changes in deferred taxes				
Financial assets at fair value through other comprehensive income	-28	27	-	-1
Cash flow hedge reserve	-45	33	-	-12
Own Credit Adjustment	-1	1	-	0
Additional Tier 1 capital	-4	2	-	-2
Employee benefits provision	1	0	-	1
Total	**-77**	**63**	**-**	**-14**

18 Debt securities

This includes bonds and other issued debt securities with either fixed or variable interest rates. Any sold portion of an issue is deducted from the relevant bond.

	31-12-2023	31-12-2022
Bond loans	86,579	81,970
Commercial Paper	5,017	3,729
Privately placed debt securities	4,748	5,075
Total	**96,344**	**90,774**

19 Funds entrusted

	31-12-2023	31-12-2022
Current account balances	3,708	3,484
Short-term deposits	1,229	51
Long-term deposits	1,076	1,262
Total	**6,013**	**4,797**

20 Subordinated debt

	31-12-2023	31-12-2022
Subordinated debt	18	38
Total	**18**	**38**

21 Other liabilities

	31-12-2023	31-12-2022
Employee benefits provision	3	2
Other provisions	10	21
Other liabilities	243	315
Total	**256**	**338**

The employee benefits provision is made up of two parts, a provision for the interest rate discount on mortgage loans to both active and retired employees of EUR 2 million (2022: EUR 1 million) and a provision for vitality leave of EUR 1 million (2022: EUR 1 million). Both provisions have a long-term character.

The other provision are the result of a claim on collateral received by BNG Bank.

The movements in the present value of the net liability in relation to the defined benefits relating to the mortgage interest rate discount and the provision for vitality leave are as follows:

	2023	2022
Employee benefits provision		
Net liability as at 1 January	2	2
Movements in the provision	1	0
Net liability as at 31 december	**3**	**2**

The other liabilities are mainly composed of amounts payable related to derivatives and lending to clients.

22 Equity

Since BNG Bank has no minority interests after consolidation, the entire consolidated equity, excluding Addtional Tier 1 capital, is attributable to shareholders. The items included in equity are explained below.

	31-12-2023	31-12-2022
Share capital	139	139
Share premium reserve	6	6
Revaluation reserve	-8	4
Cash flow hedge reserve	6	14
Own credit adjustment	4	2
Cost of hedging	41	17
Reserve for fair value increases	165	150
Retained Earnings	3,805	3,674
Unappropriated profit	254	300
Equity attributable to shareholders	**4,412**	**4,306**
Additional Tier 1 capital	309	309
Total	**4,721**	**4,615**

	2023	2022
Number of paid-up shares outstanding	55,690,720	55,690,720
Proposed dividend per share in euros	2.16	2.50
Proposed dividend pursuant to the Articles of Association	120	139

The proposed dividend distribution for 2023 takes into account the EUR 14 million compensation (before tax) that has already been paid on the Additional Tier 1 capital in 2023. This payment was charged to the Retained earnings.

For the financial year 2022 a dividend of EUR 139 million was proposed to the General Meeting of Shareholders held in the first half of 2023 and is distributed to the bank's shareholders in April 2023.

Share capital
The authorised capital is divided into 100 million shares with a nominal value of EUR 2.50 each, of which 55,690,720 shares have been issued and fully paid up. The number of shares in circulation remained unchanged during the financial year. BNG Bank and its subsidiaries hold no company shares.

None of the shares carry preferential rights, nor are they subject to restrictions. There are no options that can be exercised to obtain entitlement to the issue of shares.

Share premium reserve
There were no movements in 2023 and 2022.

Revaluation reserve

At year-end 2023 the revaluation reserve of EUR 8 million negative includes EUR 125 million negative (2022: 883 million) in unrealised value changes, excluding the value of the hedged part of the interest-rate risk of interest-bearing securities involved in hedge accounting, which are recognised in the Financial assets at fair value through other comprehensive income. The revaluation reserve has been adjusted for taxes. Upon the sale of these assets, the associated cumulative result recognised in equity is transferred to the income statement.

Cash flow hedge reserve

The effective portion of the unrealised changes in the value of derivatives involved in a cash flow hedge relationship, resulting from changes in the foreign exchange rates, are recognised in the cash flow hedge reserve. The cash flow hedge reserve is adjusted for taxes.

Own credit adjustment

The Own Credit Adjustment amounts to EUR 5 million net of taxes (2022: EUR 2 million). This adjustment relates to changes in credit risk of financial liabilities measured at fair value through the income statement.

Cost of hedging reserve

The cost of hedging reserve records movements in foreign currency basis spreads in cross currency swaps involved in hedge accounting and is amortised over the life of the hedge. The cumulative movements will reduce to nil by maturity of the hedging instrument.

Retained earnings

After determination of the appropriations of the distributable profit pursuant to the Articles of Association, the General Meeting of Shareholders decides which portion of the remaining profit is added to the Retained earnings. In 2023, the payment of a dividend of EUR 139 million (2022: EUR 127 million) was scheduled. EUR 14 million (before tax) was distributed to the holders of the Additional Tier 1 capital in 2023 (2022: EUR 23 million), charged to the Retained earnings.

Unappropriated profit

The balance sheet is prepared prior to profit appropriation. This item represents the total result achieved after deduction of corporate income tax.

Additional Tier 1 capital

As per 31 December 2023 the bank's Additional Tier 1 capital amounts to EUR 309 million. The instruments are structured in line with CRR requirements and the EBA guidelines and qualifies as additional Tier 1 capital. Addtional Tier 1 capital concerns perpetual loans involving an annual non-cumulative discretionary payment on the outstanding principal amount, subject to temporary write-down in the event that the CET1 ratio falls below 5.125%. In case of write-down, this amount will be transferred to the Retained earnings. Write-down from the Retained earnings can be reversed (write-up) under certain conditions at the moment that the trigger ratio is back above 5.125% again. BNG Bank is entitled to distribute the interest payment on a discretionary basis in the form of a compensation charged to the Other reserves.

The compensation is determined on the basis of the prevailing principal amount. The distributed compensation is deductible for corporate income tax. BNG Bank has the unilateral contractual option to call the Addtional Tier 1 capital issued. The tranches issued in 2016 (a nominal amount of EUR 309 million) can be redeemed every year from May 2022, in 2023 the bank chose not to redeem the tranche this year.

23 Interest result

Interest revenue calculated by using the effective interest method includes all positive interest results from both traditional financial instruments and derivatives involved in hedge accounting, including negative interest expenses on financial liabilities. In addition, other credit-related income received is included in this item. Interest revenues on assets that were subject to impairment are recognised on the original effective interest percentage, as long as the expected interest cash flows are received.

Interest expenses calculated by using the effective interest method include all negative interest results from both traditional financial instruments and derivatives involved in hedge accounting, including negative interest revenue on financial assets. The costs of borrowing as well as other interest-related charges are also recognised.

Other interest revenue and expenses consist mainly of interest results of derivatives not involved in hedge accounting and interest results of financial assets and liabilities measured at fair value.

	2023		2022	
Interest revenue				
Interest revenue calculated by using the effective interest method:				
- Financial assets at amortised cost	3,395		1,950	
- Financial assets at fair value through other comprehensive income	163		65	
- Derivatives involved in hedge accounting	2,472		1,611	
- Negative interest expenses on financial liabilities	21		141	
		6,051		3,767
Other interest revenue:				
- Financial assets designated at fair value through the income statement	38		61	
- Financial assets mandatory at fair value through the income statement	1		2	
- Derivatives not involved in hedge accounting	366		327	
- Other	19		13	
		424		403
Total interest revenue		**6,475**		**4,170**
Interest expenses				
Interest expenses calculated by using the effective interest method:				
- Financial liabilities at amortised cost	3,082		1,628	
- Derivatives involved in hedge accounting	2,680		1,832	
- Negative interest expenses on financial assets	86		147	
		5,848		3,607
Other interest expenses				
- Financial liabilities designated at fair value through the income statement	9		8	
- Derivatives not involved in hedge accounting	47		59	
- Other	8		7	
		64		74
Total interest expenses		**5,912**		**3,681**
Total interest result		**563**		**489**

The interest revenue in 2023 includes EUR 24 million (2022: EUR 22 million) in interest revenue for financial assets, relating to Financial assets at amortised cost (notes 7 and 8) and Financial assets at fair value through other comprehensive income (note 6), which were subject to impairment.

24 Commission result

Commission income

This item includes income from services provided to third parties.

	2023	2022
Income from loans and credit facilities	19	13
Income from payment services	10	10
Total	**29**	**23**

Commission expenses

This item comprises expenses totalling EUR 3 million (2022: EUR 4 million) relating to services rendered by third parties in relation to loans, credit facilities and payment services.

25 Result on financial transactions

This item includes the result on financial transactions broken down into realised and unrealised market value adjustments.

		2023		2022
Market value changes in financial assets at fair value through the income statement resulting from changes in credit and liquidity spreads, consisting of:				
- Interest-bearing securities	-7		-25	
- Structured loans	-6		-5	
		-13		-30
Result on hedge accounting				
- Portfolio fair value hedge accounting	75		-32	
- Micro fair value hedge accounting	-131		62	
- Micro cash flow hedge accounting	-2		0	
		-58		30
Change in counterparty credit risk of derivatives (CVA/DVA)		13		16
Realised sales and buy-out results		-25		47
Other market value changes		5		50
Total		**-78**		**113**

In 2023, the result on financial transactions was positively affected by high other market value changes. The realised sales and buy-out results of EUR 25 million negative (2022: 47 million positive) are mainly due to on balance results on the sales of interest-bearing securities from the liquidity portfolio of the bank.

The unrealised results amounted to EUR 53 million negative (2022: 66 million positive), mainly due to the volatility of interest rates which had impact on the result on hedge accounting of EUR 58 million negative (2023: 30 million positive) and the decrease of the other market value changes to EUR 5 million positive (2022: 50 million positive). The higher credit and liquidity risk spreads of most interest-bearing securities recorded under Financial assets at fair value through the income statement had less impact but led still to negative result of market value changes compared to 2022. In 2023 the result amounted to EUR 7 million negative (2022: 25 million negative).

26 Results from participating interests

	2023	2022
Associates	4	6
Subsidiaries	-4	-3
Total	**0**	**3**

For a description of the bank's associates and joint ventures, please refer to section 'Associates and joint ventures' in the consolidated financial statements.

27 Staff costs

	2023	2022
Wages and salaries	41	34
Pension costs	6	6
Social security costs	4	3
Additions to the employee benefits provision	0	0
External employees	32	27
Other staff costs	7	3
Total	**90**	**73**

There was no variable remuneration of individual staff members in 2023 and 2022.

The increase in staff costs is mainly due to the increase in the number of internal and external employees.

28 Other administrative expenses

These expenses include, among other things, outsourcing costs, maintenance costs of property and equipment, consultancy costs, training expenses and IT expenses. The total other administrative expenses for 2023 amounted to EUR 48 million (2022: EUR 38 million).

In conformity with Section 382a of Part 9, Book 2 of the Dutch Civil Code, a breakdown of the fees paid to the independent auditors for audits and audit-related and non-audit-related services is given in note 34 to the consolidated financial statements.

29 Depreciation

A breakdown of this item is included in the note on Property and equipment (note 11). In total, the depreciation charges amounted to EUR 3 million in 2023 (2022: EUR 2 million).

30 Impairments

The impairments in 2023 amounted to a profit of EUR 8 million in the income statement (2022: EUR 51 million loss).

2023

	Stage 1	Stage 2	Stage 3	Total
Impairment results due to movements in allowances:				
- Increases in allowances due to origination and acquisition	1	0	6	7
- Decreases in allowances due to derecognition	-3	-1	-5	-9
- Changes in allowances due to changes in credit risk (net)	-1	-7	13	5
	-3	**-8**	**14**	**3**
Impairment results not due to movements in allowances:				
- Reversal of impairment due to cash flows received from past write-offs	-	-	-11	-11
- Impairments due to write-offs	-	-	-	-
			-11	**-11**
Net impairment result on financial assets	**-3**	**-8**	**3**	**-8**

2022

	Stage 1	Stage 2	Stage 3	Total
Impairment results due to movements in allowances:				
- Increases in allowances due to origination and acquisition	2	2	3	7
- Decreases in allowances due to derecognition	-2	-3	0	-5
- Changes in allowances due to changes in credit risk (net)	3	13	34	50
	3	**12**	**37**	**52**
Impairment results not due to movements in allowances:				
- Reversal of impairment due to cash flows received from past write-offs	-	-	-1	-1
- Impairments due to write-offs	-	-	-	-
	-	**-**	**-1**	**-1**
Net impairment result on financial assets	**3**	**12**	**36**	**51**

Movement in allowances for expected credit losses

2023

	Stage 1	Stage 2	Stage 3	Total
Movements in allowances taken through the income statement:				
- Increases in allowances due to origination and acquisition	1	0	6	7
- Decreases in allowances due to derecognition	-3	-1	-5	-9
- Changes in allowances due to changes in credit risk (net)	-1	-7	13	5
	-3	**-8**	**14**	**3**
Movements in allowances not taken through the income statement:				
- Decreases in allowance due to write-offs	-	-	-60	-60
	-	**-**	**-60**	**-60**
Total movements in allowances	**-3**	**-8**	**-46**	**-57**

2022

	Stage 1	Stage 2	Stage 3	Total
Movements in allowances taken through the income statement:				
- Increases in allowances due to origination and acquisition	2	2	3	7
- Decreases in allowances due to derecognition	-2	-3	0	-5
- Changes in allowances due to changes in credit risk (net)	3	13	34	50
	3	**12**	**37**	**52**
Movements in allowances not taken through the income statement:				
- Decreases in allowance due to write-offs	-	-	-131	-131
	-	**-**	**-131**	**-131**
Total movements in allowances	**3**	**12**	**-94**	**-79**

Note 33 provides an overview of the breakdown of financial assets subject to impairment into impairment stages, as well as details on the movement in the allowance for expected credit losses in 2023.

The changes in the incurred loss provision are included in the Loans and advances item (Note 8).

31 Contribution to resolution fund and bank levy

The European resolution regime arising from the Bank Recovery and Resolution Directive entered into force on 1 January 2015. The expenses for the resolution fund are deductible for corporate income tax purposes. The EUR 14 million payable for 2023 (2022: EUR 20 million) was paid in June 2023 and charged to the income statement.

The expenses concerning the bank levy are not deductible for corporate income tax purposes. As a consequence, the effective tax burden exceeds the nominal tax burden. BNG Bank is due to pay the bank levy in October of every year, which for 2023 amounted to EUR 23 million (2022: EUR 32 million).

	2023	2022
The bank levy is calculated as follows:	basis 2022	basis 2021
Balance sheet total	112,074	149,057
Less: Tier 1 capital	4,274	4,922
Less: Deposits covered by the deposit-guarantee scheme	49	36
Taxable base	**107,751**	**144,099**
Less: Efficiency exemption	23,500	20,900
Taxable base	**84,251**	**123,199**
Total sum of debts with a maturity of less than one year	22,914	24,139
Total sum of all debts, according to the balance sheet	107,459	143,994
Bank levy on short-term debt	8	9
Bank levy on long-term debt	15	23
Total calculated/due	**23**	**32**

32 Impairment of financial assets and off-balance sheet commitments

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

The following tables provide a breakdown of the financial assets subject to impairment and off-balance sheet commitments into the 3 impairment stages:

Stage 1: performing exposures without significant increase in credit risk (SICR) since initial recognition.
Stage 2: performing exposures with significant increase in credit risk since initial recognition.
Stage 3: non-performing exposures.

31-12-2023

	Gross carrying amount				Allowance for credit loss		
	Carrying amount	Performing		Non-performing	Performing		Non-performing
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Cash and balances held with central banks	1,617	1,617	-	-	-	-	-
Amounts due from banks	622	622	-	-	0	-	-
Cash collateral posted	4,751	4,751	-	-	-	-	-
Financial assets at fair value through OCI[1]	10,193	10,193	-	-	0	-	-
Interest-bearing securities at amortised cost	8,829	8,769	61	-	0	-1	-
Loans and advances	90,497	88,802	1,195	589	-6	-13	-70
Total	**116,509**	**114,754**	**1,256**	**589**	**-6**	**-14**	**-70**

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

31-12-2022

	Gross carrying amount				Allowance for credit loss		
	Carrying amount	Performing		Non-performing	Performing		Non-performing
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Cash and balances held with central banks	6,821	6,821	-	-	-	-	-
Amounts due from banks	346	346	-	-	0	-	-
Cash collateral posted	4,144	4,144	-	-	-	-	-
Financial assets at fair value through OCI[1]	7,398	7,398	-	-	0	-	0
Interest-bearing securities at amortised cost	7,636	7,552	86	-	0	-2	0
Loans and advances	89,626	86,887	2,049	838	-8	-21	-119
Total	**115,971**	**113,148**	**2,135**	**838**	**-8**	**-23**	**-119**

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

31-12-2023

	Nominal amount			Provision		
	Performing		Non-performing	Performing		Non-performing
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Off-balance sheet commitments						
Contingent liabilities	474	3	1	-	-	-1
Revocable facilities	5,892	147	78	-	-	-2
Irrevocable facilities	3,937	10	12	-	-1	-2
Total	**10,303**	**160**	**91**	**-**	**-1**	**-5**

31-12-2022

	Nominal amount			Provision		
	Performing		Non-performing	Performing		Non-performing
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Off-balance sheet commitments						
Contingent liabilities	485	3	1	0	0	-1
Revocable facilities	5,781	228	239	0	0	0
Irrevocable facilities	4,341	43	42	0	-1	-1
Total	**10,607**	**274**	**282**	**0**	**-1**	**-2**

Movements in allowances and provisions for expected credit losses

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

2023

	Opening balance	Increases due to origination and acquisition	Decrease due to derecognition repayments and disposals	Changes due to change in credit risk (net)	Decrease in allowance account due to write-offs	Closing balance
Allowances						
Cash and balances held with central banks	-	-	-	-	-	-
Amounts due from banks	0	0	0	0	-	0
Financial assets at fair value through OCI	0	0	0	0	-	0
Interest-bearing securities at amortised cost	2	0	0	-1	-	1
Loans and advances	148	7	-70	4	-	89
	150	**7**	**-70**	**3**	**-**	**90**
Provision						
Off-balance sheet commitments	3	1	0	2	-	6

2022

	Opening balance	Increases due to origination and acquisition	Decrease due to derecognition repayments and disposals	Changes due to change in credit risk (net)	Decrease in allowance account due to write-offs	Closing balance
Allowances						
Cash and balances held with central banks	-	-	-	-	-	-
Amounts due from banks	0	-	-	0	-	0
Financial assets at fair value through OCI	0	0	0	0	-	0
Interest-bearing securities at amortised cost	2	0	0	0	-	2
Loans and advances	228	7	-4	49	-132	148
	230	**7**	**-4**	**49**	**-132**	**150**
Provision						
Off-balance sheet commitments	1	0	0	2	-	3

Other notes

For the details on other items, please refer to the notes to the consolidated financial statements.

Events after the balance sheet date

There are no events after the balance sheet date to report that require adjustments to the figures or disclosure in the financial statements.

The Hague, 22 March 2024

Executive Board
Gita Salden (CEO), statutory director
Olivier Labe (CFO), statutory director
Cindy Atteveldt - Machielsen (CRO), statutory director

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

8.3 Other information

Independent auditor's report

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

Report on the financial statements 2023

Our opinion
In our opinion, the financial statements of BNG Bank N.V. ('the Company') give a true and fair view of the financial position of the Company and the Group (the Company together with its subsidiary) 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 adopted in the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited
We have audited the accompanying financial statements 2023 of BNG Bank N.V., 's-Gravenhage. The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The financial statements comprise:
- the consolidated and company balance sheet as at 31 December 2023;
- the following statements for 2023: the consolidated and company income statement, the consolidated and company statements of comprehensive income, changes in equity and cash flows; and
- the notes to the financial statements, including material accounting policy information and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of BNG Bank N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (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).

Our audit approach
We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion

thereon. The information in support of our opinion, such as our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide separate opinions or conclusions on these matters.

Overview and context

BNG Bank N.V. is a credit institution licensed in the Netherlands. Its main activity is providing financing to the Dutch public sector and the semi-public domain. The group is comprised of two components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the executive board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In these considerations, we paid attention to, amongst others, the assumptions underlying the physical and transition risk related to climate change. In the section 'Accounting estimates and judgements' of the financial statements, the Group describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the impairment of loans and advances and the valuation of level 2 and 3 financial instruments, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report.

The reliability of information processing is significant to the Group's operational, regulatory and financial reporting processes. In addition, as included in section '1.1 our road to impact', the Company insourced its payment activities at the end of 2023 and continued to improve its IT security measures. These changes impact systems, (outsourcing) processes and the effectiveness of controls. We identified a key audit matter relating to the design and effectiveness of IT general controls due to ongoing IT projects as well as deficiencies identified in certain IT general controls, specifically relating to access management (including privileged access rights), change management, and IT security controls, for which remedial control actions were performed by management.

The Group assessed the possible effects of climate change and its plans to meet the net-zero commitments on its financial position, refer to section '3.4 risk management' and section '1.1 Our road to impact'. The Company concluded that climate change mainly impacts the credit risk.

We discussed the Company's assessment and governance thereof with the executive board and the audit committee and evaluated the potential impact on the financial position including underlying assumptions and estimates applied in connection with the impairment of loans and advances. The expected effects of climate change are not considered a separate key audit matter, but we took this into account as part of the key audit matter on impairment of loans and advances.

Other areas of focus that were not considered to be key audit matters were revenue recognition, management override of controls, compliance with laws and regulations, hedge accounting, and taxation. Though these are areas of focus in our audit, they were not the matters of most significance in the audit of the financial statements of the current period.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a bank. We therefore included experts and specialists in the areas of, amongst others, IT, taxation, valuation of level 2 and 3 financial instruments, and real estate valuation in our team.

The outline of our audit approach was as follows:

Materiality
- Overall materiality: €17.3 million.

Audit scope
- We conducted audit work on the Company and its subsidiary BNG Gebiedsontwikkeling B.V. In our assessment of the IT landscape, we made use of the ISAE 3402 type 2 report of the service organisation for the outsourced IT activities.

Key audit matters
- Impairment of loans and receivables
- Valuation of level 2 and 3 financial instruments.
- Design and effectiveness of IT general controls

Materiality

The scope of our audit was influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality
€17.3 million (2022: €20.3 million).

Basis for determing materiality
We used our professional judgement to determine overall materiality. As a basis for our judgement we used 5% of profit before tax.

Rationale for benchmark applied
We used profit before tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the users of the financial statements. On this basis, we believe that profit before tax is the most relevant metric for the financial performance of the Group.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.
We agreed with the supervisory board that we would report to them any misstatement identified during our audit above €0.9 million (2022: €1 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

BNG Bank N.V. is the parent company of a group with BNG Gebiedsontwikkeling B.V. as its 100% subsidiary. The financial information of the subsidiary is included in the consolidated financial statements of BNG Bank N.V.

We tailored the scope of our audit to ensure that we, in aggregate, performed sufficient work on the financial statements to enable us to provide an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations, the accounting processes and controls, and the markets in which the Group operates.

The Company has outsourced the largest part of its IT activities and for most of 2023 its payment activities to a service organisation. In our assessment of the IT landscape, we made use of the ISAE 3402 Type 2 report of this service organisation. We held a planning meeting with the ISAE 3402 service provider's auditor, discussed progress and interim findings of the audit and, finally, evaluated the ISAE 3402 assurance report once it was finalised. Based on these procedures performed, we conclude that in the context of our audit of the financial statements of BNG Bank N.V., we could rely on the ISAE 3402 Type 2 assurance report of this service organisation.

The Company has an internal audit department that performs operational audits, compliance audits, IT audits and audits on internal control on financial reporting. We considered, in the context of Dutch Standard 610 'Using the work of internal auditors', whether we could make use of the work of internal audit and we concluded that this was appropriate in the testing of design and operating effectiveness of certain controls (mainly relating to IT general controls, loans origination, and the insourcing of the payment activities). To come to this conclusion, we evaluated the competence, objectivity as well as the systematic and disciplined approach applied by internal audit. Subsequently, we developed a detailed approach and model to make use of the work of internal audit in our financial statement audit. We were substantially and independently involved in the higher risk areas and/or in areas or procedures that require significant judgement. During the audit process we worked closely with internal audit, had frequent status meetings and reviewed and reperformed some of their work which confirmed our initial assessment and reliance approach.

By performing the procedures outlined above, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information to provide a basis for our opinion on the financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the Company and its environment and the components of the internal control system. This included the executive board's risk assessment process, the executive board's process for responding to the risks of fraud and monitoring the internal control system and how the supervisory board exercised oversight, as well as the outcomes. We refer to section 3.3 'Compliance' of the director's report for management's fraud risk assessment.

We evaluated the design and relevant aspects of the internal control system and in particular the fraud risk assessment, as well as the code of conduct, whistle-blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We asked members of the executive board as well as the internal audit department, legal and compliance department, and the supervisory board whether they are aware of any actual or suspected fraud. This did not result in actual or suspected fraud that may lead to a material misstatement.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

The audit procedures to respond to the assessed risks include, amongst others, evaluation of the design and the implementation of internal controls that intend to mitigate fraud risks (such as processing and review of journal entries), back testing of prior year's estimates, and procedures on unexpected journal entries with the support of data analytics. Furthermore, we paid attention to any significant transactions outside the normal course of business. With regard to the risk of fraud in revenue recognition, based on our risk assessment procedures, we concluded that this risk is related to revenue recognition in areas that are more complex, non-systematic, or manual in nature such as market value changes of financial instruments. We performed procedures to address this risk, including evaluation of the design and effectiveness of relevant internal controls, testing the appropriateness of the valuation methodologies, inputs and assumptions applied in the valuation of financial instruments. We refer to the key audit matter 'valuation of financial instruments' for more information on our audit work performed and observations. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As disclosed in section 3.4 'Risk Management' in the annual report information security including cyber risk is included as a non-financial risk. The engagement team has evaluated this risk for the Company, taking into consideration the IT activities outsourced to a third party. Weaknesses identified in certain IT general controls elevate the fraud risk related to cyberattacks.

In response we performed procedures with respect to access management, security event monitoring, segregation of duties in systems relevant to the audit and monitoring procedures and controls over outsourced activities. We performed additional procedures evaluating financial statement closing procedures, complaints registration and loggings of incidents and complaints. Our procedures did not identify indications of security breaches or intrusion.

Finally, we incorporated an element of unpredictability in our audit. We also sent, obtained and read internal lawyers' letter and external firm lawyers' letters and correspondence with regulators. During the audit we remained alert to indications of fraud. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance of laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures.

This did not lead to indications of fraud potentially resulting in material misstatements.

Audit approach to non-compliance with laws and regulations
The objectives of our audit, in respect to non-compliance with laws and regulations are:
- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

In line with Standard 250 in our audit approach we made a distinction between those laws and regulations which:
- have a direct effect on the determination of material amounts and disclosures in the financial statements. For this category, we have obtained audit evidence regarding compliance with the provision of those laws and regulations; and
- does not have a direct effect on the determination of material amounts and disclosures in the financial statement, but where compliance may be fundamental to the operating aspects of the business, to the Company's ability to continue its business or to avoid material penalties. For this category, we performed audit procedures to identify non-compliance with those laws and regulations that may have a material effect on the financial statements. We identified that the risk of non-compliance with laws and regulations mainly relates to the laws and regulations which have an indirect impact on the financial statements, such as the Anti-Money Laundering and Anti-Terrorist Financing Act (Wwft) (including regulations on Anti-Money Laundering (AML) Client Due Diligence (CDD)), Markets in Financial Instruments Directive II (MiFID II), transaction reporting and General Data Protection Regulation (GDPR).

The primary responsibility for the prevention and detection non-compliance with laws and regulations lies with the executive board with the oversight of the supervisory board.

Audit approach going concern

As disclosed in notes 'Critical accounting principles applied for valuation and the determination of the result', 'Liquidity and funding risk' and 'Capital and solvency' in the financial statements, the executive board performed their assessment of the Group's ability to continue as a going concern for at least twelve months from the date of preparation of the financial statements and has not identified events or conditions that may cast significant doubt on the Group's ability to continue as a going concern (hereafter: going-concern risks).

Our procedures to evaluate the executive board's going-concern assessment included, amongst others:

- considering whether management's going-concern assessment includes all relevant information of which we are aware as a result of our audit;
- understanding the Group's medium-term plan including the Group's funding plan, specifically for the next twelve months;
- understanding and evaluating the Group's stress testing of liquidity and regulatory capital requirements, including severity of the stress scenarios that were applied;
- considering the results of our (other) risk assessment procedures and related activities performed to identify events or conditions that may cast significant doubt on the Group's ability to continue as a going concern;
- reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern; and
- performing inquiries of the executive board as to their knowledge of going-concern risks beyond the period of their assessment.

Our procedures did not result in outcomes contrary to the executive board's assumptions and judgments used in the application of the going-concern assumption.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We note that the key audit matters related to 'impairment of loans and advances' and 'valuation of financial instruments' are recurring. These relate to the Group's primary business objectives and did not change significantly compared to prior year. Compared to 2022, we added a key audit matter relating to the design and effectiveness of IT general controls due to ongoing IT projects as well as deficiencies identified in certain IT general controls, specifically relating to access management (including privileged access rights), change management, and IT security controls, for which remedial control actions were performed by management.

Key audit matter	Our audit work and observations
Impairment of loans and advances *Refer to the accounting principle 'Impairment of financial assets', note 31 'Net impairment losses on financial assets' and note 38 'Impairment of financial assets and off-balance sheet commitments' in the consolidated financial statements.* The lending to clients classified as loans and advances measured at amortised cost amounts to €90 billion as at 31 December 2023. Most of the loan portfolio relates	*Control design and operating effectiveness* We evaluated the design and tested the operating effectiveness of relevant controls including: • the internal credit risk management process to assess the loan quality classification including the identification of credit-impaired loans; and • management's review and approval process for timely, accurate and complete determination of stage 3 specific impairment allowances; and • management's review and approval process regarding any adjustments applied to the model results.

Key audit matter	Our audit work and observations
to loans that are guaranteed by a (central) government body or by Waarborgfonds Sociale Woningbouw (WSW) or Waarborgfonds voor de zorgsector (Wfz). The credit risk inherent in this category is limited as explained in the risk section in the financial statements. Therefore, the expected credit losses on these loans are considered low. However, the Company also has an unguaranteed loan portfolio amounting to €8.0 billion that has a higher risk of impairments. The impairment provision for loans and advances as per 31 December 2023 amounts to €99 million and the net impairment charge for loans and advances recognised in 2023 in the income statement amounts to €8 million. *Areas of estimation uncertainty and management judgment* In determining the expected credit losses for loans and advances, management has to apply judgment in a number of areas. Amongst others this applies to the choices and judgement made in the impairment methodology such as determining what is considered a significant increase in credit risk (SICR), what forward looking macroeconomic information is relevant to measure expected credit losses for loans and advances, and management's estimates and probabilities of default and loss given default. *Models and assumptions* To calculate expected credit losses for stage 1 and 2, the executive board estimated the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). The Company's loan portfolio has a low default character and as a result, there is limited internal historical data to support and back-test the applied PDs and LGDs. Management used its internally developed credit rating models to estimate the PD for exposures for which no external rating is available. Given the low default character of the Company's loan portfolio, the rating models were considered expert models and required a high degree of judgement to stratify clients in rating classes. Also, with respect to the LGD used in the calculation of expected credit losses, the executive board has applied significant judgement. The Company applies a basic flat LGD percentage based on the limited available historic default information. For credit-impaired loans, the impairment allowance is based on the weighted average of the net present value of expected future cash flows (including forward looking information and the valuation of underlying collateral) in three different scenarios. Given the complexity and judgement required to calculate the impairments of loans and advances and the impact it might have on results, this area is subject to a higher risk of material misstatement. Therefore, we have identified the impairment of loans and advances as a key audit matter in our audit.	Based on the testing of controls, we determined that it was appropriate to place reliance on the above controls for the purpose of our audit. *Assessing individual exposures* For a sample of loans including loans for which management concluded that no SICR occurred and loans where an SICR is observed, we assessed management's assessment of the level of credit risk, for example by determining that there are no significant arrears in payments, take notice of the latest internal annual creditworthiness assessment, evaluation of latest financial information of counterparties and analysis of public available adverse news, if any. Our procedures did not identify any different outcomes with respect to the staging compared to management. For credit-impaired loans, we evaluated the feasibility of the forecasted cash flows for each scenario and assessed management's analysis of the probability allocation of each individual scenario for each credit-impaired loan. In evaluating the forecasted cash flows we evaluated the values that management attributed to expected cash flows and available collateral to assess that this represents a best estimate. *Evaluating internal credit rating models* In prior years management engaged with external experts to validate their internal credit rating models. As part of our audit procedures in these years, amongst others, we evaluated the competence, capability and objectivity of these external experts. In 2023 we assessed that management did not make any change to the models. We did not identify any indicators of possible management bias in determining internal credit ratings and corresponding PDs. With respect to the forward-looking macroeconomic information, we challenged on how the inputs for the various models were determined and to the extent possible compared this to external market data. In response to the impact of high volatility, low unemployment and high inflation, BNG Bank introduced a management overlay in addition to the forward-looking macroeconomic information specific to risks identified in the most vulnerable sector in the portfolio, the healthcare sector. We evaluated the management overlay by obtaining supporting evidence that these adjustments were necessary to balance the risks in the underlying model. Furthermore, management reassessed the weightings given to different macroeconomic scenarios. We evaluated the changes and considerations made by management and reviewed the notes to the financial statements on sufficiently clear disclosures on the applied changes. On the LGD used in the calculation of expected credit losses, we challenged management's evaluation of the limited available historic information and the assumptions applied therein. In our audit approach we considered the potential impact of physical and transition climate-related risks on the allowance for expected credit losses. In this context we assessed stress tests and self-assessments performed by management including management's evaluation of the risk for the short and longer term.

Key audit matter	Our audit work and observations
	Finally, we assessed whether the disclosures in the consolidated financial statements on loan allowances and impairments of loans and advances are adequate and in accordance with IFRS-EU. We found the disclosures to be appropriate in this context.
Valuation of level 2 and 3 financial instruments *Refer to the accounting policy 'fair value of financial instruments' and the disclosure note 'fair value of financial instruments' in the consolidated financial statements* *The Company has financial instruments on its balance sheet that are measured at fair value through the income statement. Financial assets at fair value through the income statement classified as level 2 amount to €840 million and classified as level 3 €9 million per 31 December 2023. Financial liabilities at fair value through the income statement classified as level 2 amount to €143 million per 31 December 2023. The derivative portfolio with a fair value of €3,011 million recorded as assets and €6,363 million recorded as liabilities contains only level 2 instruments.* *Level 3 financial instruments* *For level 3 financial instruments, management needs to estimate unobservable inputs that are significant to the measurement of the instrument in the valuation models to determine fair value. The balance for the Company however relates to only one instrument with a limited value.* *Level 2 financial instruments* *For financial instruments classified as level 2 management estimates the fair value by using discounted cash flow models, option pricing models, modelling of double default effects and other valuation techniques. Judgement is required in determining the valuation model and policy. For level 2 instruments, management uses observable inputs to determine forward curves, discounting curves, volatility cubes, inflation curves and spread curves. For derivatives for which the Company has no strong credit support annex in place, a Credit Valuation Adjustment (CVA) is estimated in the calculation of the fair value.* *Given the complexity in certain valuation models and inputs, the size and diversity of the portfolio and the impact that the portfolio has on the results, this area is subject to higher risk of material misstatement due to error. Therefore, we consider the fair value measurement of level 2 and 3 financial instruments a key audit matter.*	*Control design and operating effectiveness* We assessed the design and tested the operating effectiveness of internal controls over the valuation process including management's validation of applied models, selection of assumptions and controls over data inputs including trade execution and security set-up within the administration systems. We determined that we could rely on these controls for the purpose of our audit. *Testing observable inputs* For both level 2 and level 3 financial instruments we compared the observable inputs such as forward curves, discounting curves and volatility cubes to independent sources and external market available data, and we assessed whether these inputs are in line with market and industry practise. For the own funding curve used to determine the own credit adjustment for financial liabilities measured at fair value, we evaluated the reasonableness of the curve construction by comparing the input to market information available over the full term of the curve. Our procedures demonstrated that management's inputs fall within our range of reasonable outcomes. *Challenging unobservable inputs* For the level 3 instrument, we challenged management on assumptions and methodology applied and validated the internal process performed to determine the inputs. As part of this, we also evaluated to what extent we identified any indicators of possible management bias in estimating the fair value. Based upon our procedures we consider the unobservable inputs and judgements made in determining the fair value of the level 3 instrument to be reasonable and in line with market practices. *Independent revaluation* For level 2 instruments, we performed an independent valuation of a sample of positions, taking into consideration different categories of financial instruments divided in, amongst others, maturity, currency classes, curves and various valuation models applied. We performed these procedures to determine if management's valuation outcomes fell within a reasonable range of possible outcomes and to validate the design and operating effectiveness of the evaluated models and curves.
Design and effectiveness of IT general controls *Refer to the section '1.1 our road to impact' and section '3.4 risk management' of the annual report.* *The Group relies on the reliability and continuity of information technology systems for its operational, regulatory and financial reporting processes.* *The information technology general controls (ITGCs) over*	We focused on the ITGCs to the extent relevant for the purpose of our audit of the financial statements. Our procedures included evaluating and testing the design and operating effectiveness of certain controls over the continued integrity of the IT systems, focusing on: • our assessment of the ISAE 3402 type 2 report of the service organisation as described in the section 'the scope of our group audit'; •entity level controls over information technology in the IT organisation, including IT governance, IT management of access to programmes and data, including user access to the network, access to and

Key audit matter	Our audit work and observations
IT systems include: *• the framework of governance over IT systems;* *• controls over program development and changes;* *• controls over access to programmes, data and IT operations; and* *• governance over generic and privileged user accounts.* *ITGCs assist to determine the continued reliability of information generated by applications and to ensure automated applications operate effectively in a consistent manner. Effective ITGCs are therefore conditional for reliance on automated controls in the Company's operations and in our audit approach.* *As explained in the section 'the scope of our group audit, the Company outsourced the largest part of its IT activities and until late 2023 its payment services to a service organisation. This brings additional complexity to the IT environment. In addition, the Company is executing a number of IT projects in order to be able to continue to meet the reporting standards and expectations from stakeholders relating to operating effectiveness, efficiency, cybersecurity, and data quality. Through this period of change there is an increased risk that ITGCs are not operating effectively.* *Deficiencies in ITGCs could have a pervasive impact across the Company's internal control framework and may provide opportunities to commit fraud. As a result of the above developments, in combination with the increased threat and probability of cyberattacks, we considered the design and effectiveness of ITGCs to be a key audit matter.*	authorisations within applications and privileged access rights to applications, databases and operating systems; •change management procedures to applications and IT infrastructure; •computer operations, including monitoring of batch processing, back-up and disaster recovery testing and incident management; •insourcing of the Company's payment activities in 2023; and •management of cybersecurity through understanding of the Company's approach to enhancing cybersecurity and evaluating the status of the implementation in certain critical areas. For certain controls, specifically relating to access management (including privileged access rights), change management, and IT security controls, deficiencies were identified, and as a consequence remedial control actions were performed by management. Based on the testing of these controls and additional testing of remedial control activities, we determined that we could place reliance on IT general controls for the purpose of our audit.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our 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 such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The executive board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Our appointment

We were appointed as auditors of BNG Bank N.V. on 28 November 2014 by the supervisory board. This followed the passing of a resolution by the shareholders at the annual general meeting held on 23 April 2015. Our appointment has been renewed annually by shareholders and now represents a total period of uninterrupted engagement of eight years.

European Single Electronic Format (ESEF)

BNG Bank N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the (partially) marked-up consolidated financial statements, as included in the reporting package by BNG Bank N.V., complies in all material respects with the RTS on ESEF.

The executive board is responsible for preparing the annual report, including the financial statements in accordance with the RTS on ESEF, whereby the executive board combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assuranceopdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting).

Our examination included amongst others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package.
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications as included in the RTS on ESEF;
  - examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company for the period to which our statutory audit relates, are disclosed in note 34 to the consolidated financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the executive board and the supervisory board for the financial statements

The executive board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the executive board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the executive board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the executive board should prepare the financial statements using the going-concern basis of accounting unless the executive board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The executive board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, and is not a guarantee that an audit conducted in accordance with the Dutch Standards on Auditing will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error. They 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 the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 22 March 2024
PricewaterhouseCoopers Accountants N.V.

Original has been signed by: M.S. de Bruin RA

Appendix to our auditor's report on the financial statements 2023 of BNG Bank N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things, of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.
- Concluding on the appropriateness of the executive board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Assurance report of the independent auditor

To: the General Meeting and Supervisory Board of BNG Bank N.V.

Assurance report with limited assurance on the sustainability information 2023

Our conclusion

Based on our procedures performed and the assurance information obtained, nothing has come to our attention that causes us to believe that the sustainability information included in the annual report 2023 of BNG Bank N.V. does not present fairly, in all material respects:

- the policy with regard to sustainability; and
- the business operations, events and achievements in that area for the year ended 31 December 2023,

in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria developed by the company as included in the section 'Reporting criteria' of our report.

What we have reviewed

We have reviewed the sustainability information included in the following sections of the annual report for 2023 (hereafter: the sustainability information):

- The sustainability information included in the following sections of the annual report for the year ended 31 December 2023:
  - Paragraph 1.1 'Our Road to Impact'
  - Paragraph 1.3 'Partnership in client sectors'
  - Paragraph 1.4 'Strong position in money and capital markets maintained'
  - Paragraph 3.1 'Employees'
  - Paragraph 3.2 'CO_2 emissions from business operations'
  - Paragraph 7.1 'Reporting principles'
  - Paragraph 7.3 'CO_2 emissions associated with the loan portfolio'
- Claims made in the paragraphs of the annual report referenced above that are non-financial by nature and that are not in the scope of the audit of the financial statements.

This review is aimed at obtaining a limited level of assurance.

The basis for our conclusion

We conducted our review in accordance with Dutch law, including Dutch Standard 3810N 'Assuranceopdrachten inzake duurzaamheidsverslaggeving' (assurance engagements relating to sustainability reporting), which is a specific Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance engagements other than audits or reviews of historical financial information'. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information' of our report.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of BNG Bank N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO - Code of ethics for professional accountants, a regulation with respect to independence). Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA - Dutch Code of ethics for professional accountants, a regulation with respect to rules of professional conduct).

PwC applies the 'Nadere voorschriften kwaliteitssystemen' (NVKS – Regulations for quality systems) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

Reporting criteria
The reporting criteria applied for the preparation of the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria developed by the company, as disclosed in sections 7.1 'Reporting principles' and 7.2 'Glossary' of the annual report.

The sustainability information is prepared in accordance with the GRI Standards. The GRI Standards applied are listed in the 2023 GRI Content Index as published on the company's website.

The absence of an established practice on which to draw, to evaluate and measure the sustainability information allows for different, but acceptable, measurement techniques and can affect comparability between entities, and over time.

Consequently, the sustainability information needs to be read and understood together with the reporting criteria applied.

Limitations to the scope of our review
The sustainability information includes prospective information such as expectations on ambitions, strategy, plans, expectations, and estimates and risk assessments. Inherent to this prospective information, the actual future results are uncertain, and are likely to differ from these expectations. These differences may be material. We do not provide any assurance on the assumptions and achievability of prospective information.

In the sustainability information references are made to external sources or websites. The information on these external sources or websites is not part of the sustainability information reviewed by us. We therefore do not provide assurance on this information.

With regards to the calculated CO2 emissions related to BNG Bank's loan portfolio (the financed emissions) as at 31 December 2022 based on the PCAF methodology we have performed review procedures on the application of the methodology, not on the actual emissions itself. We have not performed procedures on the content of these assumptions and the external sources itself, other than evaluating the suitability and plausibility of these assumptions and external sources. Our work did not include testing of sector related emission data and modelled data nor did it include testing of client data.

Responsibilities for the sustainability information and the review

Responsibilities of the Executive Committee and the Supervisory Board for the sustainability information
The Executive Committee of BNG Bank N.V. is responsible for the preparation and fair presentation of the sustainability information in accordance with the reporting criteria as included in section 'Reporting principles, including applying the reporting criteria, the identification of stakeholders and the definition of material matters.

The Executive Committee is also responsible for selecting and applying the reporting criteria and for determining that these reporting criteria are suitable for the legitimate information needs of the intended stakeholders, considering applicable law and regulations related to reporting. The choices made by the Executive Committee regarding the scope of the sustainability information and the reporting principles are summarised in section 7.1 ‘Reporting principles of the annual report.

Furthermore, the Executive Committee is responsible for such internal control as the Executive Committee determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the company’s reporting process on the sustainability information.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the review engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence to provide a basis for our conclusion.

Our objectives are to obtain a limited level of assurance, as appropriate, about whether the sustainability information is free from material misstatements and to issue a limited assurance conclusion in our report. The procedures vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. The level of assurance obtained in a review (limited assurance) is therefore substantially less than the assurance obtained in an audit (reasonable assurance) in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements. Our procedures included, amongst other things of the following:

- Performing an analysis of the external environment and obtaining an understanding of relevant sustainability themes and issues and the characteristics of the company.
- Evaluating the appropriateness of the reporting criteria applied, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the company’s materiality assessment and the reasonableness of estimates made by the Executive Committee.
- Through inquiries, obtaining a general understanding of the control environment, the reporting processes, and the information systems and the entity’s risk assessment process relevant to the preparation of the sustainability information, without obtaining assurance evidence about the implementation or testing the operating effectiveness of controls.
- Identifying areas of the sustainability information where misleading or unbalanced information or a material misstatement, whether due to fraud or error, is likely to arise. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted among others of:
  - Interviewing management (and/or relevant staff) at corporate (and business/division/cluster/local) level responsible for the sustainability strategy, policy and results.
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information.
  - Obtaining assurance evidence that the sustainability information reconciles to underlying records of the company.
  - Reviewing, on a limited test basis, relevant internal and external documentation.

  - Considering the data and trends.
- With regards to the calculated CO2 emissions related to BNG Bank's loan portfolio (the financed emissions) as at 31 December 2022 based on the PCAF methodology we have performed audit procedures on the application of the methodology, not on the actual emissions itself. Review procedures performed include:
  - Assessed the reasonableness of the scope of the measurement and the suitability of the methodology chosen;
  - Interviewed the management expert of BNG Bank N.V. for a key understanding of the calculated CO2 emissions of the loan portfolio;
  - Reviewed the final report of the measurement containing a description of the calculation models, assumptions used and the outcome(s) of the calculated CO2 emissions;
  - Obtaining a key understanding of the calculation model;
  - Tested the relevant assumptions on suitability, reasonableness, completeness and relevance;
  - Reconciling a sample of emissions factors, sector related emission data, modelled data and client data to the external sources; and
  - Reconciling the loan portfolio balance as at 31 December 2022 to the underlying financial administration.
- Considering the consistency of the sustainability information with the information in the annual report, which is not included in the scope of our review.
- Considering the overall presentation, and content of the sustainability information.
- Considering whether the sustainability information as a whole, including the sustainability matters and disclosures, is clearly and adequately disclosed in accordance with the applicable reporting criteria.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Amsterdam, 22 March 2024
PricewaterhouseCoopers Accountants N.V.

Original has been signed by: M.S. De Bruin RA

Stipulations of the articles of association concerning profit appropriation

Article 20

20.1 Profits shall be distributed after adoption by the general meeting of shareholders of the annual accounts showing that this is permissible.

20.2 The company may make payments to the shareholders from the profits available for distribution only in so far as its equity capital exceeds the amounts of the paid-up part of the capital plus the reserves which have to be kept by law.

20.3 Subject to the prior approval of the Supervisory Board, the Board shall be authorised to add all or part of the profits to the general reserve. Any profits remaining thereafter shall be put at the disposal of the general meeting.

20.4 The general meeting may distribute a profit from a reserve available for distribution exclusively on the basis of a proposal submitted by the Board and approved by the Supervisory Board.

Objectives as defined in the Articles of Association

Object
Article 2
2.1 The object of the company shall be to conduct the business of banker on behalf of public authorities.
2.2 In the context of its object as referred to in paragraph 1 the company shall engage, inter alia, in taking in and lending moneys, granting credits in other ways, providing guarantees, arranging the flow of payments, conducting foreign exchange transactions, acting as adviser and broker in the issue of and trade in securities, and keeping, managing and administering securities and other assets for third parties, as well as to incorporate and to participate in other enterprises and/or legal persons, whose object is connected with or conducive to any of the foregoing. The company shall be empowered to perform all acts which may be directly or indirectly conducive to its object.
2.3 The term public authorities as referred to in paragraph 1 means:
a. municipalities and other legal persons in the Netherlands under public law as referred to in Article 1, paragraphs 1 and 2, of Book 2 of the Civil Code;
b. the European Communities and other bodies possessing legal personality to which part of the function of the European Communities has been entrusted pursuant to the treaties establishing the European Communities;
c. Member States of the European Communities and other bodies possessing legal personality to which part of the administrative function of such a Member State has been entrusted pursuant to the law of that Member State;
d. legal persons under private law;
   - half or more of whose managing directors are appointed directly or indirectly by one or more of the bodies referred to in a, b and c of this paragraph; and/or
   - half or more of whose share capital is provided directly or indirectly by one or more of the bodies referred to in a, b and c; and/or
   - half or more of the income side of whose operating budget is provided or secured directly or indirectly by one or more of the bodies referred to in a, b and c on the basis of a scheme, bye-law or law adopted by one or more of such bodies; and/or
   - whose operating budget is adopted or approved directly or indirectly by one or more of the bodies referred to in a, b and c on the basis of a scheme, bye-law or law adopted by one or more of such bodies; and/or
   - whose obligations towards the company are guaranteed directly or indirectly by one or more of the bodies referred to in a, b and c or will be guaranteed pursuant to a scheme, bye-law or law adopted by one or more of such bodies, for which purpose obligations include non-guaranteed obligations resulting from prefinancing or other financing which, after novation, will create obligations that will be guaranteed by one or more of such bodies pursuant to a scheme, bye-law or law adopted by one or more of such bodies; and/or
   - who execute a part of the governmental function pursuant to a scheme, bye-law or law adapted by one or more of the bodies referred to in a, b and c.

Driven by social impact

Colophon

Editorial: BNG Bank
Design- and publication software: Tangelo Software B.V.
Design: Public Cinema
Photography: Carla Kogelman, Lambert de Jong

March 2024

BNG Bank

BNG Bank N.V.
Bordewijklaan 18
2591 XR The Hague
P.O. Box 30305
2500 GH The Hague
The Netherlands
T +31 70 3750 750
communicatie@bngbank.nl
bngbank.com