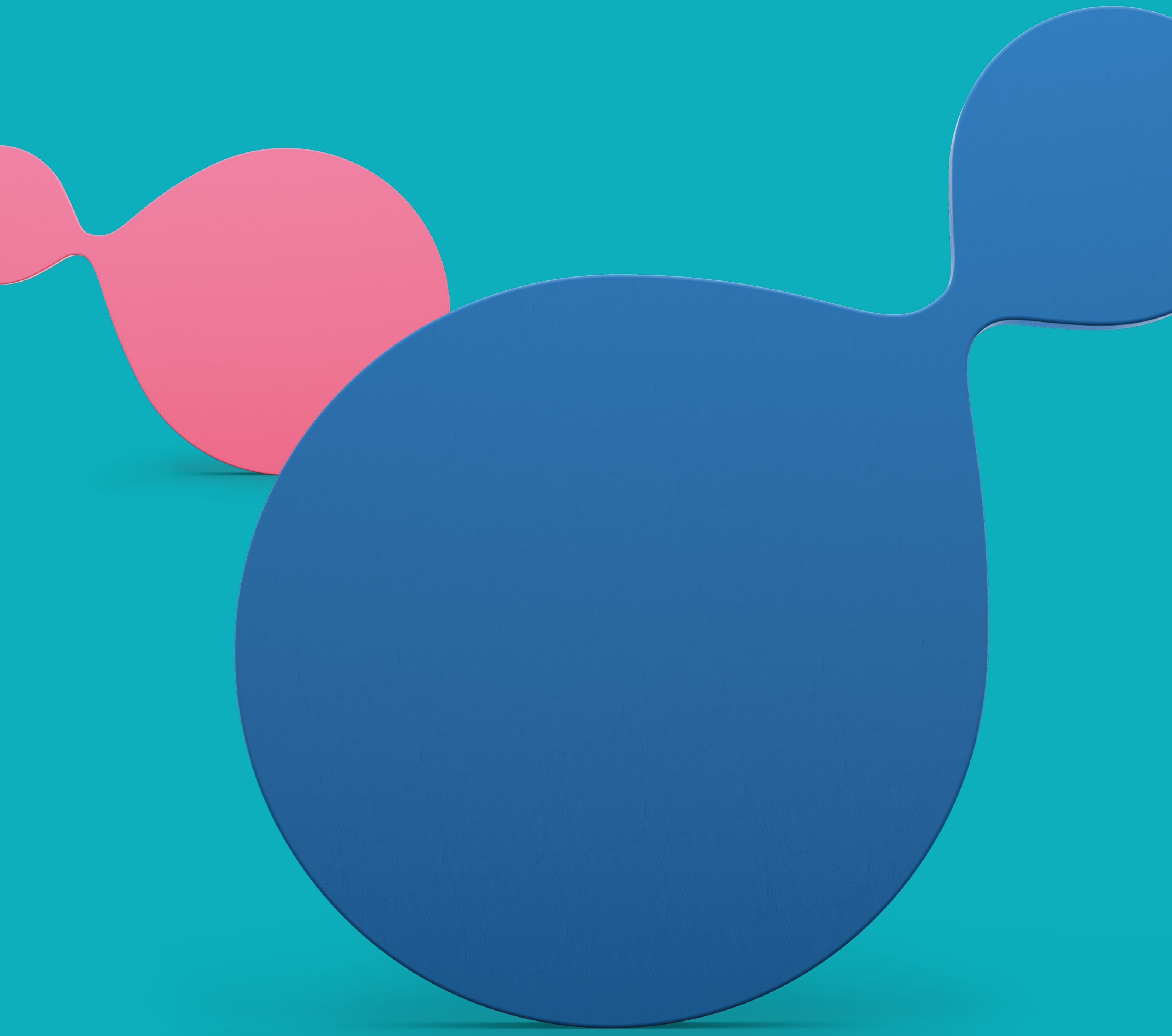
Pillar 3

Disclosures 2023

Knab N.V.



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Contents

1. Introduction

This report should be read in conjunction with the financial statements of Knab N.V. (Knab or the bank), as included in Knab's Annual Report 2023[1]. Through this Pillar 3 Disclosures document, Knab complies with applicable disclosure requirements, to the extent that certain disclosures are not included in the financial statements. There are no significant differences between the scope of consolidation for prudential purposes and the basis of consolidation used in the Annual Report. The information in this document has not been audited by Knab's external auditors.

1.1 Regulations

Since the introduction of the Basel II Capital Framework, codified in the Dutch Financial Supervision Act (Wet financieel toezicht; or Wft), requirements have been set to promote the transparency of financial institutions. Those requirements are set out in Pillar 3 'Disclosures and Market Discipline' of the Basel III Capital Framework as adopted in 2010 and converted by the European Union (EU) into the Capital Requirements Regulation (575/2013) (CRR) and Capital Requirements Directive (2013/36/EU) (CRD IV), as amended[2]. Specifically, Part Eight of CRR (Disclosure by Institutions) relates to disclosure requirements. Institutions have been required to apply these rules since 1 January 2014.

1.1.1 Pillar 1: Regulatory Capital (minimum capital requirement)

Pillar 1 refers to the minimum capital to be held by banks to cover credit, operational, and market risks.

Credit risk: Knab uses the Standardized Approach (SA) for credit risk. This approach prescribes a standardized credit risk weighting, depending on the exposure class and rating category, to be applied to the exposures concerned in order to determine their contribution to the Total Risk Exposure Amount (TREA)[3].

Operational risk: In order to determine the capital requirement for operational risk, Knab uses the Basic Indicator Approach (BIA). Accordingly, the capital requirement for operational risk is defined as 15% of the average 'relevant indicator' for the last three of twelve-monthly observations at the end of Knab's fiscal year. The elements of the relevant indicator are based on the Finrep template F02.00 and the indicator equals net operating income excluding the elements set out in Article 316-1 (b)[4] CRR[5].

Market risk: Knab defines market risk as the risk of incurring losses on on-balance sheet and off-balance sheet items arising from adverse movements in market prices. Market risk is subdivided into the following risks: position risk (for assets in the trading book, currently not applicable), foreign currency conversion (FX) risk, and commodities risk. Knab currently holds FX positions in Great British Pounds (GBP), meaning that it is exposed to FX risk. When its net GBP position remains below the 2% 'de minimis' threshold, Knab does not calculate own funds requirements for FX risk. When its net GBP position exceeds the 2% threshold, Knab is required to hold capital for market risk under Pillar 1.

1.1.2 Pillar 2: Supervisory Review

Under Pillar 2, the bank's Management Board and process owners annually perform an integrated analysis of the bank's business model, balance sheet and associated risks under base and adverse scenarios. The risks identified, including Pillar 1 risks, are measured and aggregated, after which Knab estimates the appropriate capital requirements for each risk factor identified. The Management Board continuously monitors and, where necessary, acts if certain risks materialize in excess of Knab's risk appetite limits.

1. The 2023 Annual Report is available on our website at: https://www.Knab.nl/beleid-en-cijfers
2. CRD IV comprises (i) Capital Requirements Directive (2013/36/EU) (CRD), which has been transposed into national law, and (ii) Capital Requirements Regulation (575/2013) (CRR), which is directly applicable to firms across the EU.
3. The sum of the products of the credit-risk weight multiplied by the exposure value results in the risk-weighted assets (RWA) associated with credit risk.
4. Article 316(b): Institutions shall not use the following elements in calculating the relevant indicator: (i) realized profits/losses from the sale of non-trading book items, (ii) income from extraordinary or irregular items, (iii) income derived from insurance.
5. The capital requirement multiplied by 12.5 produces the amount of risk-weighted assets for operational risk.

1.1.3 Pillar 3: Disclosures and Market Discipline

Finally, the CRR lays down requirements for the disclosure of information to the public. These requirements are set out in Pillar 3 'Disclosures and Market Discipline'. Knab meets the Pillar 3 requirements by publishing this document as a specific schedule to its financial statements. Knab has prepared its Pillar 3 report in accordance with the CRR and CRD IV, as required by the supervisory authority. In addition to the Pillar 3 requirements as described in Part Eight of the CRR, applicable to Knab in accordance with art. 433c (2) CRR, the following guidelines have been used:

- Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of the CRR;
- EBA Guidelines on Liquidity Coverage Ratio (LCR) disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013 (EBA-GL-2017-01);
- EBA Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013;
- EBA Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013 (EBA/GL/2015/22); and
- EBA Guidelines on disclosure of non-performing and forborne exposures (EBA/GL/2018/10) as amended (EBA/GL/2022/13).

2. General Information

In 2023 the sale of Knab from Aegon Bank N.V. to a.s.r. was finalized. In early 2024, a.s.r. agreed to sell Knab to BAWAG Group, an established Austrian-listed banking group with 2 million customers in Western Europe and the US and a market capitalization of close to €4 billion. BAWAG Group acquired Knab because of our very strong brand, our loyal customer base and our strong market position in the self-employed space. The acquisition enables BAWAG Group to expand its footprint into the Dutch retail and SME banking space. By working with BAWAG Group we can combine our strengths, grow faster and achieve our goals.
Please also refer to Knab's Annual Report 2023 for more information on the topics described below.

2.1 The bank at a glance

Knab was the first fully online bank in the Netherlands. In 2019, the strengths of the Aegon Bank and Knab brands were rolled into one digital bank. By 2022, Knab only sold products and services with the Knab label. With effect from April 4 2024, Knab changed its legal name from Aegon Bank N.V. to Knab N.V. hereinafter referred to as "Knab" or "the bank".

Purpose

The bank's purpose is to make to make our customers feel at ease about their finances and make them financially smarter. We continuously keep our customers up to date by providing them with the insights they need to become even more successful.

Ambition and propositions

As Knab's self-employed customers are growing their enterprises, it is Knab's ambition to grow alongside them. Knab's aim is to be the number one bank for entrepreneurs. We pursue this ambition by offering our customers an integrated experience, for both their business activities and their personal situation. We offer meaningful and understandable products and services within three propositions: convenience today, solutions for tomorrow, and financial freedom in the future.

Customer growth

Despite continuing turbulence in the world, Knab sustained its growth in 2023. The number of customers of Knab grew in 2023 to 389 thousand in total (increase of 43 thousand customers). Total savings increased in 2023 by € 202 million, which continues to support Knab's growth strategy. This customer base consists of 112 thousand private customers and 278 thousand business customers. The growth was realized primarily through the increase in new business account holders (+39 thousand), while the number of retail customers also showed gradual growth (+4 thousand).

Net Promotor Score

Knab's net promotor score (NPS) saw a slight increase in 2023. Knab achieved an average relational NPS of 40 for its business customers and 30 for its retail customers. The NPS is very important to us because Knab is the bank that puts the customer first. We are a digital bank with a human touch. For this, we ensure we have an excellent dialogue with our customers. Next to having a daily dialogue with our customers via our service desk, through the app and via email, we actively share Knab's net promoter score within our organization. We also regularly offer our customers the chance to become CEO for a day. In this survey they can share with us what they would focus on if they were CEO of Knab. It enables them to share which products, services or improvements they would like to see. The ideas we collect from the 'CEO for a day'-group, gives us a prioritized to-do list. We present these results internally every other month and it forms the basis for our teams on product development and improvement.

Looking ahead

In July, Knab officially became part of Dutch insurance company a.s.r. Subsequently, on 1 February 2024 a.s.r. agreed to sell Knab to BAWAG Group. The brand Knab, the products and the focus on self-employed customers will remain the same. BAWAG Group, which is rated A1 by credit agency Moody's, is a well-established and well-capitalized bank. The closing of the Transaction is expected in the second half of 2024. The transaction is subject to approval from the relevant regulatory authorities, customary conditions and an advice from the works council.

Since 2022 Knab's business model has been evolving by diversifying its asset origination and building its own asset origination. As from 2023, Knab offers business loans and a strategy is being implemented to offer mortgages for entrepreneurs. These initiatives will support Knab's strategic growth by further optimizing and diversifying risk and return on the balance sheet.

The three drivers that will enable Knab to have a future-proof business model are to be the best place to work, to have the IT platform of the future, and to apply conscious risk steering. Being the best place to work is a crucial asset which will help Knab to strengthen its capabilities in terms of talent, leadership, and organizational development even further, as well as maintaining its customer-centric culture. Knab has successfully built and modernized several future-proof components and micro-services of its IT platform. Looking forward, the future platform will be a modern, flexible and cloud-based IT stack, with improved stability and cost efficiency. Conscious risk steering will enable Knab to establish integrated, data-driven risk decision-making so as to control risks, enhance its risk capabilities, and optimizes capital allocation.

Our strategy identifies five medium-term KPIs, which are measured on a yearly basis. While we note that in 2023 we have outperformed these targets, in 2024 the interest rate environment may change:

NPS

40

Customer growth

target of average 40,000 per year

Cost-to-income ratio

60%

Return on capital

9%

Employee engagement score

75%

2.2 Underlying assumptions

2.2.1 Scope and reference date

Knab's Pillar 3 document covers the bank's full consolidated balance sheet at 31 December 2023. All amounts in this Pillar 3 report are stated in millions of euros (EUR), unless stated otherwise. Amounts are rounded to the nearest million, which means that some tables may not seem to add up at first glance.

2.2.2 Basis of consolidation

The consolidated financial statements include the financial statements of Knab and its subsidiaries. Subsidiaries (including structured entities) are entities controlled by Knab. Knab controls an entity when Knab is exposed to or has rights to variable returns from its involvement with the entity and has the ability to influence those returns through its control over the entity. Please refer to Knab's Annual Report 2023 for more information. While no differences exist between the scope of consolidation used in prudential reporting and that applied in the Annual Report, minor differences in presentation exist.

2.2.3 Accounting and risk principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and Part 9 of Book 2 of the Dutch Civil Code. Please refer to Knab's Annual Report 2023 for more information.

2.2.4 Transitional arrangements

Knab does not apply any of the IFRS 9 transitional arrangements. The Pillar 3 report is published annually and the 2023 Pillar 3 Disclosures document should be read in conjunction with the 2023 Annual Report.

3. Key Metrics

Movements in the key metrics relating to prudential reporting are shown in the table below. Movements between periods are explained in the different chapters of this Pillar 3 report.

Template EU KM1 - Key metrics template

		31-12-2023	30-09-2023	30-06-2023	31-03-2023	31-12-2022
		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	785	775	748	734	695
2	Tier 1 capital	785	775	758	743	705
3	Total capital	785	775	758	743	705
Risk-weighted exposure amounts						
4	Total risk exposure amount	3.400	3.261	3.223	3.173	3.159
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	23,09%	23,77%	23,22%	23,12%	22,01%
6	Tier 1 ratio (%)	23,09%	23,77%	23,52%	23,42%	22,31%
7	Total capital ratio (%)	23,09%	23,77%	23,52%	23,42%	22,31%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)					
EU 7b	of which: to be made up of CET1 capital (percentage points)					
EU 7c	of which: to be made up of Tier 1 capital (percentage points)					
EU 7d	Total SREP own funds requirements (%)	16,47%	16,47%	12,20%	12,20%	12,20%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer (%)	0,98%	0,98%	0,95%	0,07%	0,07%
EU 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
EU 10a	Other Systemically Important Institution buffer (%)					
11	Combined buffer requirement (%)	3,48%	3,48%	3,45%	2,57%	2,57%
EU 11a	Overall capital requirements (%)	19,95%	19,95%	15,65%	14,77%	14,77%
12	CET1 available after meeting the total SREP own funds requirements (%)	656	647	657	644	611

		31-12-2023	30-09-2023	30-06-2023	31-03-2023	31-12-2022
		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
Leverage ratio						
13	Total exposure measure	17.336	16.998	16.509	16.541	16.978
14	Leverage ratio (%)	4,53%	4,56%	4,59%	4,49%	4,15%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)					
EU 14b	of which: to be made up of CET1 capital (percentage points)					
EU 14c	Total SREP leverage ratio requirements (%)	3,00%	3,00%	3,00%	3,00%	3,00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Additional Own Funds requirements to address risks other than the risk of excessive leverage (%)					
EU 14e	of which: to be made up of CET1 capital (percentage points)	3,00%	3,00%	3,00%	3,00%	3,00%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	2.445	2.462	2.550	2.384	2.469
EU 16a	Cash outflows - Total weighted value	1.443	1.451	1.427	1.365	1.310
EU 16b	Cash inflows - Total weighted value	104	103	102	120	173
16	Total net cash outflows (adjusted value)	1.340	1.348	1.325	1.244	1.137
17	Liquidity coverage ratio (%)	182,54%	182,69%	192,48%	191,64%	217,00%
Net Stable Funding Ratio						
18	Total available stable funding	14.884	14.594	14.426	14.165	14.494
19	Total required stable funding	9.740	9.679	9.735	9.541	9.484
20	NSFR ratio (%)	152,80%	150,78%	148,19%	148,46%	152,83%

4. Overview of Risk Management

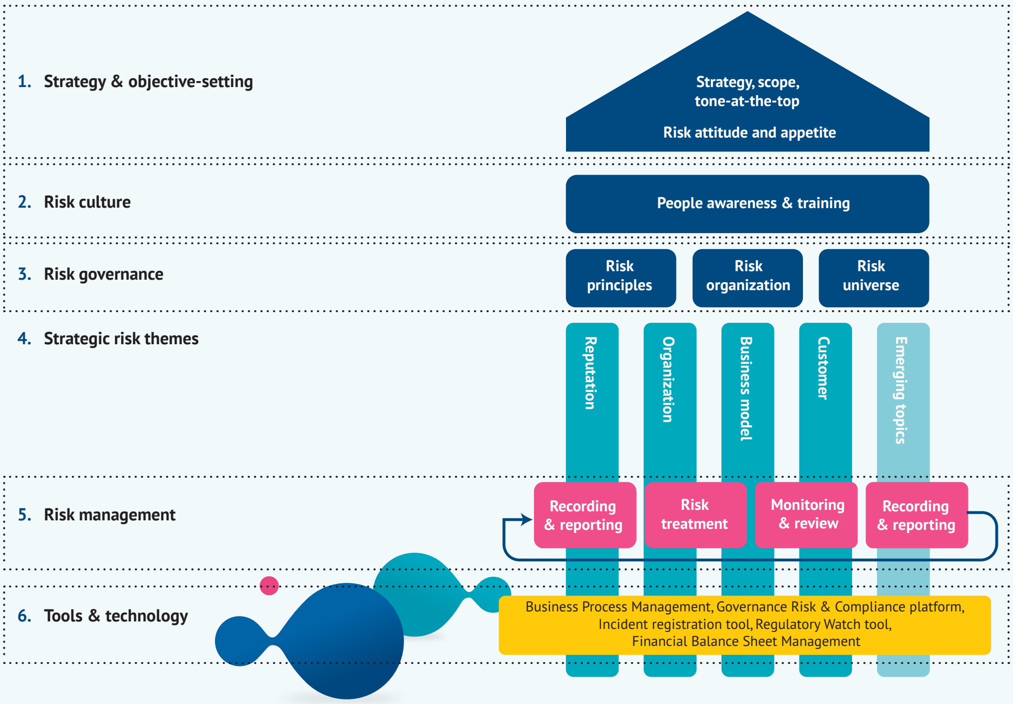
4.1 Introduction

Taking measured risks is at the core of a bank's business. As a financial institution offering banking services, Knab is exposed to a variety of risks. From a financial perspective, Knab is primarily exposed to credit risk, interest rate risk, liquidity risk, and market risk. Knab is also exposed to non-financial risks, such as operational risk, compliance risk and strategic/business model risk.

4.2 Enterprise Risk Management Framework

Knab's Enterprise Risk Management Framework (ERM Framework) provides the core structure for assessing, controlling and managing all the risks to which Knab is exposed, including strategic risks that could have an impact on the achievement of its strategy and objectives. The ERM Framework is therefore essential to safeguard Knab's financial strength.

Figure 1: *Knab's Enterprise Risk Management Framework - Building blocks*



The aim of the ERM Framework is to enable Knab to effectively deal with uncertainty and opportunity, by enhancing the organization's capacity to build value which contributes to the fulfilment of its strategy. In addition, risk management facilitates the alignment of strategy and risk appetite. The execution of the ERM process is a continuous and iterative undertaking, including periodic or ad hoc adjustment of the strategy and risk tolerance based on emerging risk information or changes in the business (environment).

The ERM Framework captures our commitments to managing risks and describes how risk management activities are embedded in our business practices, systems, processes and behaviors, at all departments of Knab. The ERM Framework also:

- Describes the principles of effective risk management for Knab;
- Encourages our people to work in an environment of responsible risk-taking, while ensuring legitimate precautions are taken to observe our risk appetite;
- Establishes, maintains and improves compliance; and
- Sets out the roles & responsibilities of the first, second- and third-line risk functions and departments.

In addition to the ERM Framework, Knab has policies in place per risk type.

4.3 Risk strategy

The risk strategy ensures that the bank, at all times, maintains a solvency and liquidity position such that Knab can fulfil its obligations to its customers even when high adverse scenarios unfold, or material risk events occur. It is Knab's strategy to be competitive in target markets, have reliable access to affordable funding, provide stability in results and be regulatory compliant.

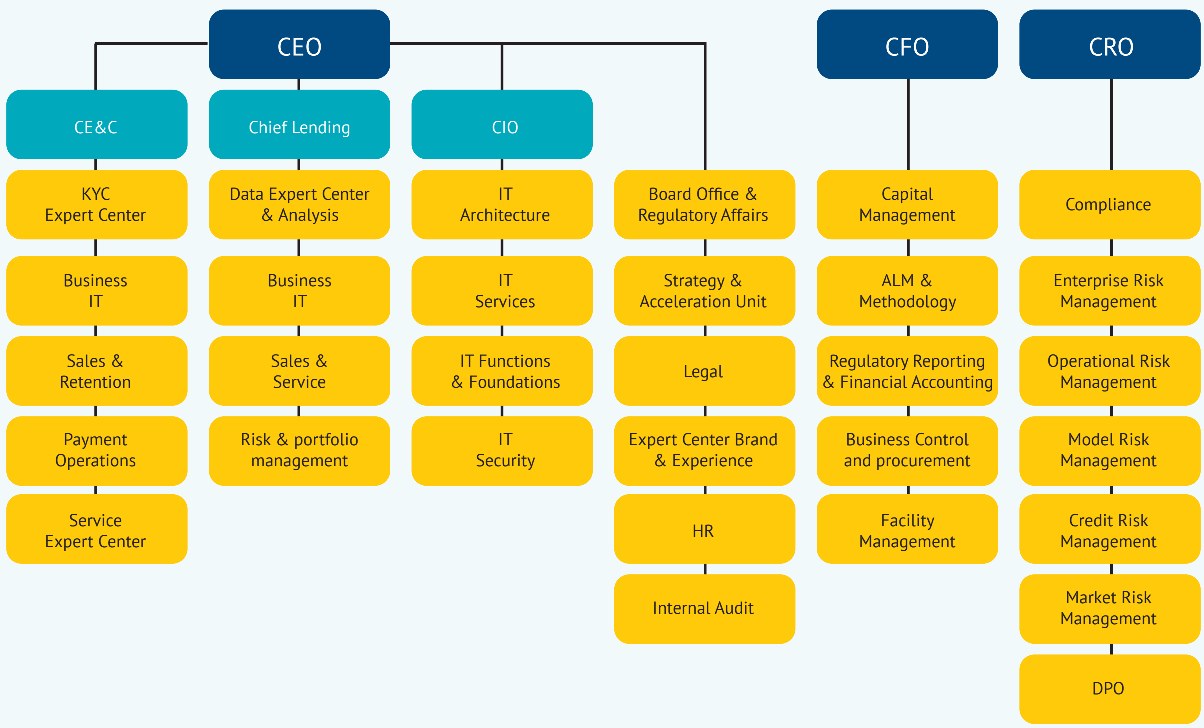
Knab aims to steer towards its target zone, expressed in terms of capital, liquidity and profitability. The target zone is set in such a way that Knab can execute its strategy while maintaining an adequate capital position. These strategic target-levels are translated into risk metrics. Knab's risk metrics are set recognizing that risks are a necessary condition of conducting business.

4.4 Risk governance

The Executive Board comprises the CEO (Nadine Klokke), CFO (Mike de Boer)[6], and CRO Tom van Zalen.
The Management Board is responsible for day-to-day management at the bank and has six members: the CEO, CFO, CRO, CIO, Chief Value Stream Customer Engagement & Commerce (CE&E) and Chief Value Stream Lending.

The chart below shows the Bank's organizational structure as at 31 December 2023.

Figure 2: *Knab's organizational chart as at 31 December 2023.*



6. Mike de Boer stepped down as CFO on 1 April 2024 after a tenure of almost 13 years and he will pursue opportunities outside of Knab. He is succeeded by Willem Horstmann on interim basis.

Introduction
General Information
Key Metrics
Overview of Risk Management
Capital Management
Credit Risk
Operational Risk
Strategic Risk
Market Risk (FX Risk)
Interest Rate Risk in the Banking Book
Liquidity Management
Remuneration
List of abbreviations
Appendix

The Dutch financial services sector is subject to supervision under the Financial Supervision Act (Wet op het financieel toezicht or Wft). The aim of the Wft is to embed a cross-sector functional approach within the Dutch supervisory system. Supervision of financial institutions pursuant to the Wft rests with the Dutch Central Bank (DNB) and the Financial Markets Authority (AFM). The DNB is responsible for prudential supervision, while the AFM supervises the conduct of business by financial institutions and the conduct of business on the financial markets. The aim of the DNB's prudential supervision is to ensure the solidity of financial institutions and so to contribute to the stability of the financial sector. With regard to banks, DNB performs its supervisory role, in particular with respect to prudential supervision, together with the European Central Bank (ECB).

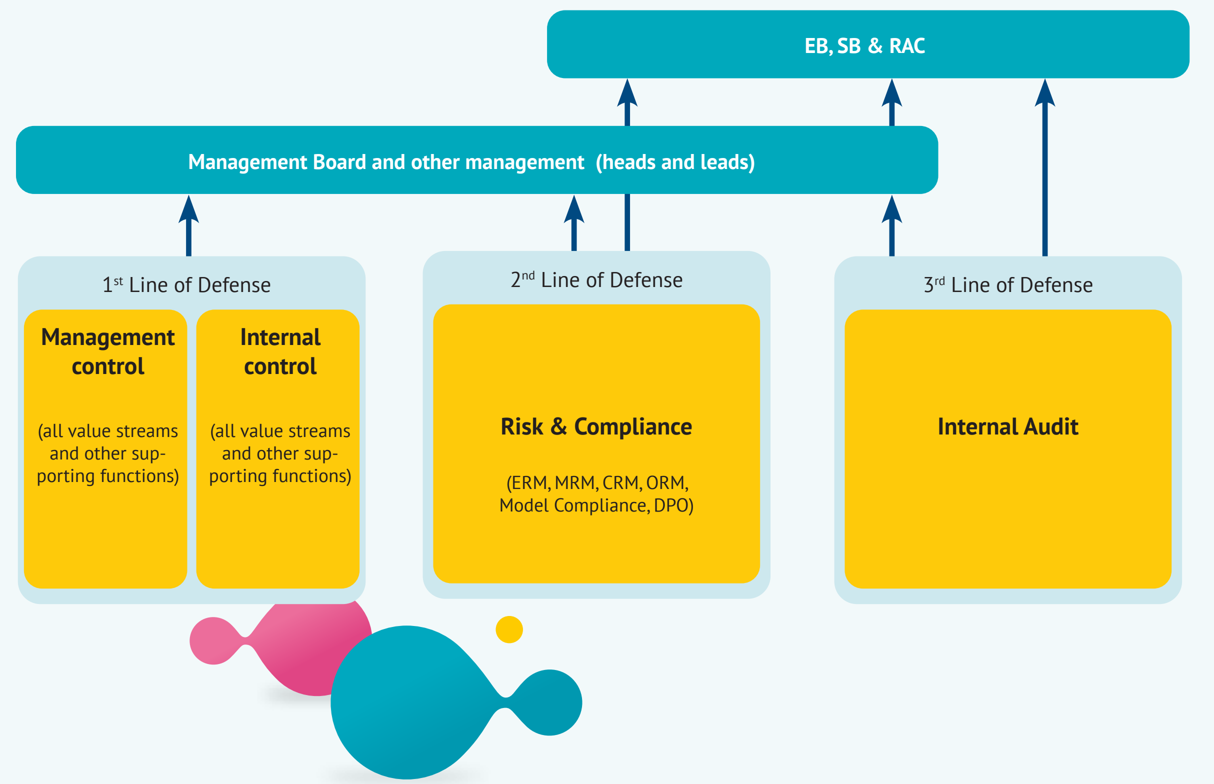
The AFM's conduct of business supervision focuses on ensuring orderly and transparent financial market processes, integrity in the relationships between market parties, and due care in the provision of services to customers.
The Dutch Data Protection Authority (Dutch DPA) supervises the processing of personal data in order to ensure compliance with data protection laws. Its tasks and powers are described in the European Union's General Data Protection Regulation (GDPR), supplemented by the Dutch GDPR Implementation Act.

Three lines of defense

Knab's risk governance is based on the Three Lines of Defense (3LoD) model and has been brought in line with regulatory requirements and market practice. The risk governance framework ensures that risk is managed in line with the risk appetite as approved by the Management Body (EB + SB) of the Bank and is cascaded throughout Knab. The Management Body of Knab consists of a two-tier board structure of the Executive Board and the Supervisory Board of Knab.

Knab's Risk Management function is embedded within the organization based on the 3LoD model. This includes the business as 'the first line of defense', the independent Risk Management function as the 'second line of defense', and the internal audit function as the 'third line of defense' (Figure 3.3). Each line has a specific role and defined responsibilities in such a way that the execution of tasks is separated from the control of the same tasks. At the same time, they must work closely together to identify, assess and mitigate risks.

Figure 3: *Three lines of defense at Knab*



Introduction
General Information
Key Metrics
Overview of Risk Management
Capital Management
Credit Risk
Operational Risk
Strategic Risk
Market Risk (FX Risk)
Interest Rate Risk in the Banking Book
Liquidity Management
Renumeration
List of abbreviations
Appendix

4.4.1 First line of defense: the Business Lines

The first line at the bank has primary accountability for the performance, operations, compliance and effective control of risks affecting the business. The business of Knab includes the origination of deposits and other products e.g., buying portfolios of mortgages or consumer loans from other financial parties, within applicable frameworks and limits set up by the Management Board. The first line knows the bank's customers well and is well positioned to act in the customers' best interest without losing the bank's interest out of sight. Management within the first line are responsible for management control, which consist of activities to ensure that the behaviors and decisions of people within the teams are consistent with the organization's objectives and strategy.

The first line of defense consists of the business departments and the value streams. The managers are responsible for owning and managing risks arising from their department's activities. They own the business processes in their departments and are responsible for identifying the key risks in their departments and processes by performing Risk Control Self Assessments. Furthermore, they are responsible for process descriptions and working instructions, designing and executing controls and monitoring procedures to ensure that the residual risk (after implementation of the controls) remains within the risk appetite. They are also responsible for ensuring that the design and implementation of the control measures comply with the policies of Knab.

4.4.2 Second line of defense: Risk Management and Compliance

The second line of defense consists of oversight functions with a major role for the risk management organization under the responsibility of the Chief Risk Officer (CRO). The second line function executes an integrated, holistic approach to organization-wide governance, risk & compliance ensuring that Knab acts ethically correct and in accordance with its risk appetite, internal policies and external regulations through the alignment of strategy, processes, technology and people, thereby improving efficiency and effectiveness.

The purpose of Knab's risk management function is to support the ambition of Knab to help our customers to achieve a lifetime of financial security. A strong risk & compliance function, integrated into the daily management of the business and the strategic planning, gives the bank a strategic competitive advantage. It helps the bank to protect its reputation, lower the cost of capital, reduce costs and helps the bank to minimize the risk of investigation, prosecution and penalties, because the bank does the right things the right way. By effectively managing the risks, the bank enhances its competitive position by building trust.

Risk Management at Knab is responsible for:

- I. Facilitating the implementation of the ERM framework;
- II. Facilitating the identification, monitoring, analyses, measuring, managing and reporting on risks;
- III. Forming a holistic view on risks on an individual and consolidated basis;
- IV. Challenging and assisting in the implementation measures by the business in order to ensure that the process and controls in place are properly designed and operating effectively; and
- V. Establishing risk policies and processes to manage risks and to ensure compliance.

Compliance at Knab is responsible for:

- I. Monitoring compliance with legal requirements and internal policies;
- II. Providing advice on compliance to the Management Board and Supervisory board, as well as other relevant staff; and
- III. Establishing policies and processes to manage risks and to ensure compliance.

The risk management & compliance function also has an escalation possibility to the Supervisory Board in relation to business activities that are judged to present unacceptable risks to Knab.

The key risks resulting from the bank's business model are managed by dedicated and specific risk management teams under the responsibility of Lead Risk Managers directly reporting to the CRO that each covers its own area of expertise. The following 2nd line risk teams are in place:

- Enterprise Risk Management;
- Market Risk Management;
- Credit Risk Management;
- Operational Risk Management;
- Model Risk Management;
- Compliance; and
- Privacy (Data Protection Officer).

Introduction
General Information
Key Metrics
Overview of Risk Management
Capital Management
Credit Risk
Operational Risk
Strategic Risk
Market Risk (FX Risk)
Interest Rate Risk in the Banking Book
Liquidity Management
Remuneration
List of abbreviations
Appendix

The Risk & Compliance team is independent from the business lines and is responsible for oversight and monitoring of the strategic, financial and non-financial risks and controls. The Risk & Compliance team is supported by a business manager function supporting integration and continuous improvement of the risk management activities and is reporting directly to the CRO.

4.4.3 Third line of defense: Internal Audit

The objective of the Internal Audit Function (IAF) is to assist management in protecting Knab's assets, reputation and sustainability by independently and objectively evaluating the design, implementation and effectiveness of internal controls, risk management and governance processes of Knab. On a yearly basis IAF establishes a risk based audit plan.

IAF identifies and makes recommendations to ensure that gaps are effectively addressed. IAF executes its duties freely and objectively in accordance with the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the Internal Auditors' International Standards (International Professional Practices Framework (IPPF), the Definition of Internal Auditing of the Institute of Internal Auditors (IIA).

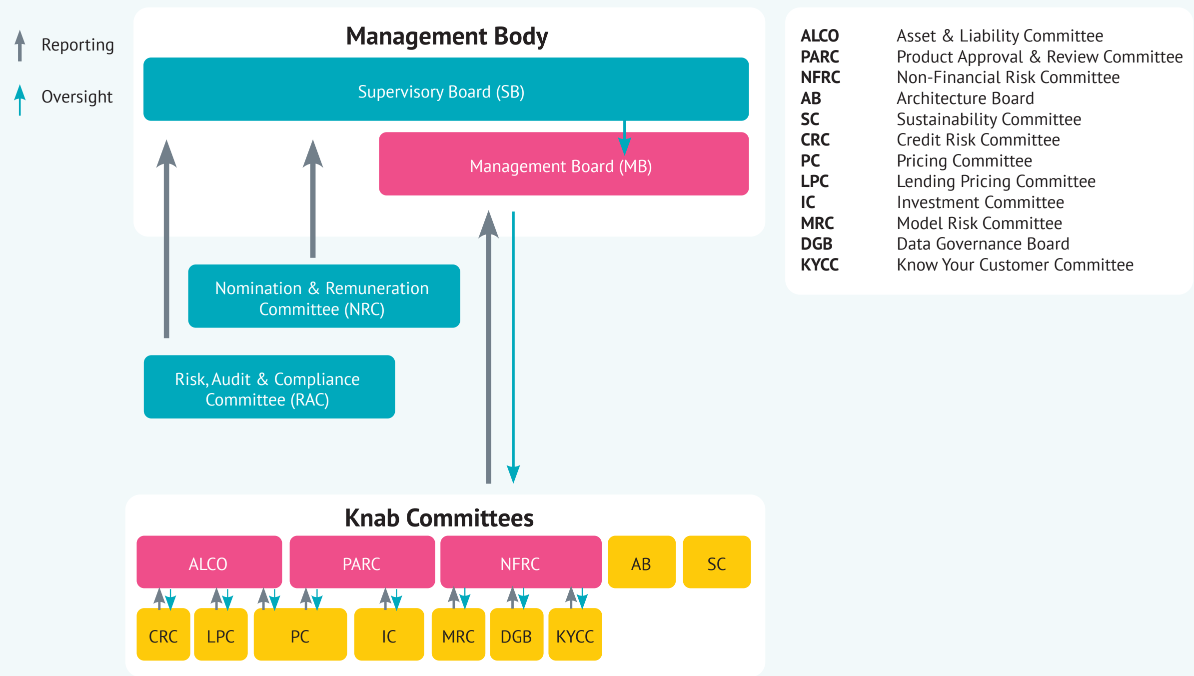
Knab's Internal Audit charter and annual audit plan establish that a systematic audit function is conducted by IAF. The Head of IAF reports to the CEO of Knab. To ensure the independence of the auditors and effective governance, the Head of IAF has also reporting lines to the Risk and Audit Committee of the Supervisory Board ("RAC SB") as well as the Audit Director a.s.r..

4.4.4 Risk Committees

Knab established several (risk) committees composed of members of the Management Body and senior management. In all cases voting members of the risk committees have appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of Knab.

All the committees within Knab have the purpose to advise the Management Board and/or Supervisory Board on the Knabs' overall current and future risk appetite and strategy and assist the Management Board in overseeing the implementation of that strategy by senior management. The Management Board has the overall responsibility of managing the risks.

Figure 4: *Knab Risk (Committee) Governance*



The Product Approval & Review Committee (PARC) aims to assess if propositions meet the obligatory requirements, more particularly the customers best interest, internal standards, legal requirements as well as current social standards. The PARC meets at least on a quarterly basis and is chaired by the CEO. A more elaborate description is included in the charter of the Knab PARC.

The ALCO discusses and approves the overall risk profile of al the bank's market risks that occur on its activities. The ALCO Committee focusses on operational, tactical and strategic level and defines the policy regarding funding, liquidity, interest rate mismatch and solvency for Knab. The ALCO meets on at least a monthly basis and is chaired by the CFO. A more elaborate description is included in the charter of the Knab ALCO.

The Non-Financial Risk Committee is responsible for monitoring risks and deciding on mitigating measures. The NFRC meets at least on a monthly basis and is chaired by the CRO or Head of Operational Risk Management. A more elaborate description is included in the charter of the Knab NFRC.

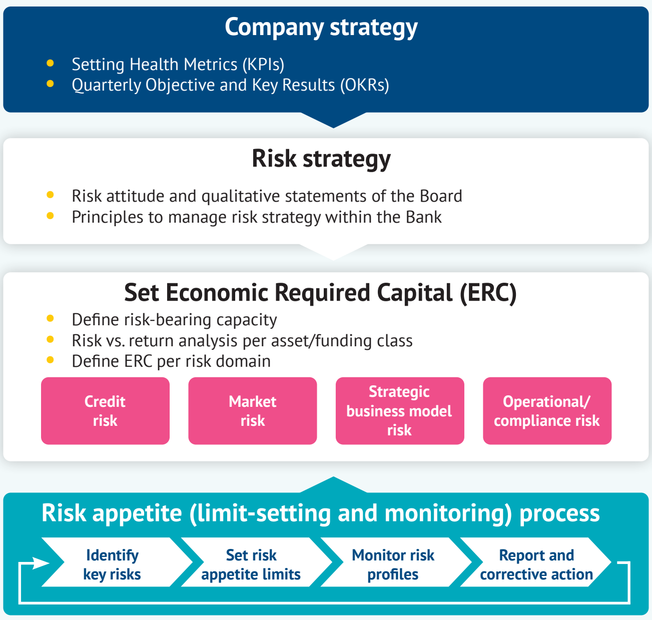
The Credit Risk Committee (CRC) oversees credit risk management, ensures that credit risk is within the Risk Appetite Statements, and oversees and approves the IFRS9 provisioning levels. The CRC provides advice to the Management Board on internal credit risk policies, internal limits to credit exposures as well as the responses to trends affecting those exposures. It meets on a monthly basis and is chaired by the Head of Credit Risk Management. A more elaborate description is included in the Charter of the Credit Risk Committee.

Knab produces a comprehensive set of risk reports to measure, monitor and manage the risks inherent to its business, including periodic NFRC, CRC and ALCO reports and quarterly ERM dashboards for the Management Board.

4.5 Risk Appetite Framework (RAF)

The RAF is the overall approach and process through which risk appetite is established, communicated and monitored. It includes the risk limit-setting process and the process for implementation and monitoring of the risk appetite, both qualitative as quantitative.

Figure 5: *Risk appetite framework*



The RAF supports in defining Knab's risk appetite, steering of risk profiles and forms part of the process of development and implementation of Knab's strategy and determination of the risks undertaken in relation to Knab's risk-bearing capacity. The RAF does not include the processes to establish the strategy, develop the business plan, and the models and systems to measure and aggregate risks. The RAF is however aligned with Knab's business plan, strategy development and capital planning, and provides a common framework to define comparable measures for Knab's Board and senior management to communicate, understand, and assess the types and level of risks that they are willing to accept. Material risks for Knab, as well as to Knab's shareholders, depositors and customers are considered.

Knab uses an integrated risk management approach for its business activities. To articulate the level of risk the bank is willing or prepared to take, a RAS is in place which formulates the bank's appetite for risk. The RAS also sets boundaries for the tactical decisions: e.g., no material investment decisions can be taken which leads to breaches of the risk limits. Consequently, it is used to monitor and manage the actual risk profile.

The following entity level controls are considered regarding the RAF:
- The risk appetite has been approved at least annually by the executive and supervisory board;
- The risk appetite statements have been translated into quantified risk appetite limits;
- The calculation of the minimum capital requirements is based on ERC methodology (and compared with Capital Management's regulatory capital framework on a periodic basis); and
- The risk profile is reported (at least) quarterly and decisions are based on the risk appetite (in the applicable governance bodies).

4.6 Risk Embedding

Knab's ERM Framework is thoroughly embedded in the bank's key functional areas. This section describes how risks are considered in decision-making in terms of business planning, capital planning, liquidity planning, recovery planning, product development, and recruitment/human resources.

4.6.1 Capital Planning

Knab evaluates its Internal Capital Adequacy Assessment Process (ICAAP) for current capital adequacy and expected capital adequacy for the medium term (three years ahead). This analysis projects new activities alongside its current activities. For each new investment proposal, the impact on Knab's capital and liquidity ratios is analyzed before planned decisions are executed. The impact of threats and initiatives is quantified and included in updated projections. ICAAP is also an important deliverable for the DNB as part of the Supervisory Review and Evaluation Process (SREP).

The assessment of capital adequacy within Knab is updated by means of a quarterly Capital Plan and ICAAP update presented to the ALCO. The update compares actual movements in the balance sheet, earnings and capital metrics with the planning, so that Knab's management can take action if necessary.

4.6.2 Liquidity Planning

The Internal Liquidity Adequacy Assessment Process (ILAAP) document describes Knab's liquidity risk management and funding plan. The purpose of ILAAP is to ensure liquidity adequacy and to manage liquidity risk in relation to all other risks identified. As part of ILAAP, senior management identifies, assesses and, where possible, quantifies elements of liquidity risk. Knab assesses and identifies potential shortcomings and takes management action when needed. Stress-testing and projections of future liquidity needs are key control components of ILAAP. Similar to ICAAP, ILAAP is also an important part of the SREP process.
The ALCO approves the assumptions, the results of the Funding Plan, the Liquidity Stress Tests (LST), and the ILAAP process as a whole.

4.6.3 Product Development

Risk considerations form an integral part of Knab's product development and pricing policy. Product development and pricing decisions must take into account economic value creation requirements for shareholders, the fair treatment of customers, the impact on statutory requirements, the speed at which capital investments are recouped, the impact on financials, and the impact on risk appetite statements and risk policies.

A new product is defined as a new activity, service, instrument, currency, type of business or product. The Proposition Approval & Review Committee (PARC) reviews all new and existing propositions to determine compliance with the Proposition Approval and Review Process (PARP), which has been put in place to ensure that customer interests are sufficiently taken into account. For every proposition, the product owner is required to complete a risk assessment before submitting the proposition to the PARC.

4.6.4 Recruitment/Human Resources

To ensure effective risk management, the bank also operates requirements for its employees, its organizational culture, and risk awareness. The knowledge and skills that employees need to have are detailed in their job descriptions. The core values clearly reflect the importance of risk awareness.

The core values contribute to a culture where employees are involved in the organization and so there is a natural form of social control. The bank's core values:

- We are human and passionate about what we do;
- We are entrepreneurial and take intelligent risks;
- We are open and always honest; and
- We are positive and go above and beyond.

4.6.5 Business Continuity Plan and Recovery Plan

The Business Continuity Plan describes the steps that need to be taken in the case of a business interruption due to a disaster, and the advance planning and preparations necessary to minimize losses and ensure continuity of key and time-sensitive business functions during a major business interruption. Knab has defined the resources, actions, tasks and data required to prepare for and recover from such an emergency.

Knab's Recovery Plan is intended to reduce the likelihood of transitioning into a gone-concern scenario and subsequent resolution, and provides detailed actions that may be taken upon the occurrence of different stress scenarios so as to restore confidence and Knab's liquidity or capital position, or a combination of the above.

4.7 Stress Testing

The aim of stress testing is to assess whether Knab can meet its capital requirements and to determine the adequacy of the bank's own funds, liquidity position and earnings to withstand financial losses or liquidity outflows, under extreme but plausible adverse scenarios. Knab's stress testing framework is designed to consider the principles defined by the Basel Committee on Banking Supervision. The EBA guidelines have translated these principles into a set of requirements for a bank's stress testing process. These requirements were considered when setting the Knab Stress testing Policy. The Knab stress testing process follows a specific step-by-step process, is forward-looking and aims to address the main risks to which the bank may be exposed, as shown in the figure below. The outcomes of every step need to be clearly documented and sufficiently challenged by the relevant stakeholders and/or experts.

As part of ICAAP and ILAAP, Knab tests its capital and liquidity adequacy periodically. The impact of extreme scenarios on the bank's earnings due to changes in interest rates is regularly assessed as part of theInterest Rate Risk in the Banking Book (IRRBB) report. The impact of credit risk exposures on the bank's solvency is assessed regularly by means of point-in-time scenarios and sensitivity analyses. The economic and regulatory capital needs to be sufficient to absorb the loss of available capital in the stress scenarios, and the available liquidity needs to exceed the required liquidity under those stress scenarios.

The stress test scenarios are determined on a quarterly basis. The specific parameters used for stress testing are updated annually. The validity of the assumptions is reviewed in the case of significant market events, substantial changes to Knab organization or strategy, or significant regulatory changes.

The stress test results are presented to the ALCO. Additional stress tests may be performed on an ad-hoc basis.

Knab may also use stress tests as an internal communication tool across management levels to raise awareness and encourage discussions about existing and potential risks and possible management actions. Stress tests therefore support a variety of business decisions and processes as well as strategic planning.

4.8 Climate Risk

Knab is exposed to potential financial and non-financial risks directly or indirectly arising from climate change. These risks can be divided into physical and transition risks:

- **Physical risks:** arise from the physical effects of climate change on a company's operations, workforce, markets, infrastructure, raw materials and assets. Physical risks emanating from climate change can be event-driven (acute) such as extreme weather conditions (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term (i.e., chronic) shifts in precipitation and temperature and increased variability in weather patterns (e.g., rising sea levels).
- **Transition risks:** arise from changes in policy, laws and regulations and technology and shifts in market preferences during the transition to a lower-carbon global economy. Transition risk also incorporates 'stranded asset risk' – write-downs of carbon-intensive assets that could quickly become unusable or reduce in value. Transition risks include policy constraints on emissions, the imposition of a carbon tax, water restrictions, land-use restrictions or incentives, market demand and supply shifts, and reputational considerations.

5. Capital Management

As part of its capital management policy, Knab identifies, assesses and, where possible, quantifies material risks, in accordance with internal requirements.

The capital planning process is at the heart of Knab's capital management, linking the company's mission statement, strategy and risk profile to its capital plan. The assumptions underpinning the capital plan are reviewed and adjusted periodically throughout the year. The capital plan projections are also updated on a monthly basis, reflecting realized positions and progressing insights. These are reported to the Management Board and ALCO to allow for frequent monitoring. Adjustments may be made on the basis of expected developments relative to actual outcomes, where necessary in accordance with existing contingency plans.
In 2023, the bank's capital position in terms of own funds has increased by EUR 80 million, driven mainly by the addition of net income to retained earnings (EUR 67 million) and an improvement of the revaluation reserve (EUR 25 million). The change in the revaluation reserve is driven by the gradual reduction of unrealized losses in the debt security portfolio due to the pull-to-par effect. For more details on net income, please refer to Knab's Annual Report 2023. Furthermore, Knab has completed the repurchase of the Knab Participations (EUR 9.5 million) that were treated as additional tier 1 capital. All of Knab's capital now consists of common equity tier 1 (CET1).

The CET1 ratio, Tier 1 ratio and Total Capital Ratio (TCR) increased, as the increase in available capital more than offset the increase in Total Risk Exposure Amount (TREA). TREA has increased (EUR 241 million) due to balance sheet growth and increased investments in residential mortgages.

The bank's leverage ratio increased due to the increase of the available capital, despite an increase in leverage exposure. The increase in leverage exposure was driven by inflow of retail savings and increased wholesale funding, partly offset by a reduction of cash collateral for derivatives due to the stabilization of interest rates over the year.

Table 1: Overview of key capital adequacy metrics at year end

	2023	2022
CET1 capital	785	695
Tier 1 capital	785	705
Own funds	785	705
TREA	3.400	3.159
CET1 ratio	23,1%	22,0%
Tier 1 ratio	23,1%	22,3%
TCR	23,1%	22,3%
Leverage exposure	17.336	16.978
Leverage ratio	4,5%	4,2%

5.1 Own Funds

This section describes the definitions of the underlying elements of Knab's own funds in accordance with the Capital Requirements Regulation (CRR).

Common Equity Tier 1 Capital

The CET1 Capital deployed at Knab is wholly-owned by a.s.r. in accordance with Article 50 of the CRR.

Additional Tier 1 Capital

Knab's Additional Tier 1 (AT1) Capital solely consisted of 'Knab participations', which were all bought back and decommissioned in November 2023. Knab had no AT1 capital instruments as at 31 December 2023.

Tier 2 Capital

Knab had no Tier 2 Capital instruments as at 31 December 2023.

5.2 Capital ratios

Total capital ratio

In 2023, the total capital ratio increased by 0.8%. The increase in Own funds of EUR 80 million was partly offset by an increase in TREA of EUR 241 million. The TREA of mortgages increased over 2023 due to a higher allocation to this asset class and a larger share of non-NHG. Operational risk TREA (calculated according to the Basic Indicator Approach) also increased because the 2023 results are higher than 2022. TREA for unsecured retail loans and debt securities decreased due to run-off and divestment.

Template EU OV1: Overview of total risk exposure amounts

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		2023	2022	2023
1	Credit risk (excluding CCR)	2.872	2.651	230
2	Of which the standardized approach	2.872	2.651	230
3	Of which the Foundation IRB (F-IRB) approach			
4	Of which slotting approach			
EU 4a	Of which equities under the simple risk weighted approach			
5	Of which the Advanced IRB (A-IRB) approach			
6	Counterparty credit risk - CCR	3	20	0
7	Of which the standardized approach	3	20	0
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP	3	17	0
EU 8b	Of which credit valuation adjustment - CVA			
9	Of which other CCR			
15	Settlement risk			
16	Securitization exposures in the non-trading book (after the cap)	-	13	-
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)	-	-	
19	Of which SEC-SA approach	-	13	-
EU 19a	Of which 1250% / deduction			
20	Position, foreign exchange and commodities risks (Market risk)	-	-	-
21	Of which the standardized approach			
22	Of which IMA			
EU 22a	Large exposures			
23	Operational risk	524	475	42
EU 23a	Of which basic indicator approach	524	475	42
EU 23b	Of which standardized approach			
EU 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight)			
29	**Total**	**3.400**	**3.159**	**272**

The total capital ratio remained in or above the target zone in 2023, allowing for the execution of the bank's strategy, paying out dividends and executing the buyback of Knab Participations.

Leverage ratio

Knab calculates its leverage ratio in accordance with Article 429 of the CRR. The Pillar 1 and Total SREP Leverage Ratio Requirement are set to 3% by DNB in the SREP 2023 decision. In accordance with Article 87 of the Capital Requirements Directive (CRD) IV, Knab is required to identify, monitor and manage the risk of excessive leverage. Internally, Knab aims to have a leverage ratio above 4.0% to allow for the execution of the bank's strategy. At 31 December 2023, Knab's leverage ratio was 4.5%, i.e., within its target zone and above the internal and external requirements.

Monitoring

The total capital ratio, CET1 ratio, leverage ratio, MREL TREA and MREL TEM are reported to the ALCO on a monthly basis. In addition, three-year forward forecasts and comparisons with Knab's capital plan are reported to and discussed by the ALCO periodically. Internal buffers have been identified, including the actions to be undertaken if certain thresholds are breached.

Supervisory Review and Evaluation Process ratio

The Dutch Central Bank (DNB) annually reviews Knab's internal capital adequacy assessment process (ICAAP) as part of the supervisory review and evaluation process (SREP) so as to assess whether Knab holds enough capital relative to its risk profile, peer companies, and/or market conditions. Based on this assessment, Knab receives a SREP decision letter, in which the DNB stipulates and substantiates Knab's specific SREP capital requirements. The NRA sets the MREL requirement based on amongst others the outcome of the SREP letter. Knab's internal monitoring system includes various buffers to ensure that it meets SREP and MREL requirements.

5.3 Minimum Required Eligible Liabilities

On January 1st 2024 Knab's MREL requirements came into effect. The requirements were 21.05% MREL TREA and 5.18% MREL TEM.

Knab had issued a EUR 500 million Senior Non Preferred bond in June 2019 in anticipation of the MREL requirements. This bond will mature in June 2024 and is not eligible to meet the requirements per January 2024 given the requirement to have a remaining maturity of at least one year. Therefore Knab has received an internal loan from a.s.r. to meet MREL requirements. The bond has a size of EUR 285 million and provides the option to draw an additional EUR 75 million. Knab meets its MREL requirements with this instrument.

6. Credit Risk

6.1 Credit risk management

Risk management committee

During 2023, credit risk was monitored by the Credit Risk Committee (CRC), which reports to the ALCO. The CRC is responsible for overseeing the credit risk management of the bank, focusing in particular on compliance with internal targets and limits as set out in the RAS. In addition the CRC oversees and approves the IFRS9 provisioning levels. Chaired by the Head of Credit Risk, the committee includes management and senior representatives of the business and risk departments. The CRC meets on a monthly basis.

Risk measurement methodology

The capital required under Pillar 1 is calculated in accordance with the Standardized Approach (SA) as prescribed by the CRR. As part of the SA, the CRR prescribes a standard classification of the exposures per asset class in order to determine the risk weight. Subsequently, the SREP capital requirement is calculated as 16.5% of the total risk-weighted assets (RWA).

In addition to monitoring credit risk regulatory requirements, Knab also monitors credit risk developments in its portfolio through internal models, reports and dashboards. Expected losses under IFRS 9, unexpected losses via Knab's economic capital framework, and Return on Risk Adjusted Capital (RORAC) assessments are monitored so as to manage portfolio credit risk. Additionally, compliance with the Credit Risk Policies is monitored.

Credit Risk Change Program

In September 2022 Knab launched the Credit Risk Change Portfolio to enhance integral steering on all Credit Risk related change initiatives to mature the Credit Risk Management (1st and 2nd line) function. Key deliverables have been the redesign of the Credit Risk Policy Framework and improvements in Credit Risk reporting.

As Knab undergoes a transition phase with new origination and product strategies, one of the important required changes was the upgrade of the Credit Risk Policy framework. The existing framework was largely developed around platform lending, which limits its applicability to other new products. During the first half of 2023 a new future-proof framework was delivered to accommodate and ensure regulatory compliance for both existing and upcoming product propositions.

6.2 Credit portfolio

This section discusses Knab's exposure to credit risk in its:

- Retail portfolio, consisting of loans and advances to
  - Retail customers, secured by mortgages on residential property (Mortgages); and
  - Small and Medium-sized Enterprises, unsecured (SME loans).
- Non-retail portfolio, consisting of
  - Loans and advances to banks;
  - Loans and advances to the public sector; and
  - Interest-bearing securities.

Various changes in Knab's asset exposure classes have been executed during 2023. With the sale of Zopa in 2023, no consumer loan exposure exists as part of the unsecured retail exposures. As part of the non-retail exposure, the securitized assets have been divested mid-2023. The table below shows the movements in Knab s exposure to the various asset classes and related risk weights.

Table 2: Credit Risk exposure by asset class

		2023			2022		
Asset category	Asset class	Leverage Exposure	RWA	RW%	Leverage Exposure	RWA	RW%
Retail	Mortgages	13.404	2.407	18%	12.649	2.127	17%
	Consumer loans	0	-	-	55	44	80%
	SME loans	174	39	22%	287	70	24%
	Subtotal retail	13.578	2.446	18%	12.990	2.240	17%
Non-retail	Bank	372	45	12%	263	60	23%
	Sovereign	2.630	4	0%	2.792	9	0%
	Public Sector Entities	256	32	13%	278	31	11%
	Securitization	-	-	0%	83	12	14%
	Corporate	457	312	68%	479	291	61%
	International Organizations	-	-	0%	0	-	0%
	Multilateral developments banks	3	-	0%	3	-	0%
	Subtotal non-retail	3.717	393	11%	3.904	404	10%
Other	Other	41	37	91%	83	38	46%
Total credit risk exposure		**17.336**	**2.875**	**17%**	**16.978**	**2.682**	**16%**

Leverage exposure increased from EUR 16.978 million in 2022 to EUR 17.336 million in 2023 (up 2%). The RWA increased over the same period, from EUR 2.682 million in 2022 to EUR 2.875 million in 2023 (increase of 7%). The main reason for the RWA increase is the increase in the mortgages portfolio exposure. The RWA for consumer and SME loans decreased because of de-risking of these portfolios: No new loan origination was made via Funding Circle, and the Zopa portfolio as well as a subset of the Funding Circle non-performing portfolio were divested. This decrease in RWA was set off by higher RWA for the increasing mortgage portfolio. The high-risk exposure class classification methodology for the consumer and SME loans RWA remained unchanged.

More information on Knab's exposure as at 31 December 2023 is provided in Knab's Annual Report 2023.

Retail portfolio

The Retail portfolio mainly consists of loans secured by mortgages on residential property and small and medium-sized enterprises (SMEs). Knab has agreements in place with a lending platform to invest in SME loans, however no further loan investments via the platform are made. Knab started originating SME loans as part of Knab Business Lending, but volumes are small as of December 2023.

The low coverage ratio for mortgages shows that the mortgage portfolio is a low default portfolio. The consumer loans coverage ratio decreased from 16% to 0% between 2022 and 2023 due to the sale of the Zopa portfolio. The SME loans coverage ratio decreased from 11% to 7% between 2022 and 2023 due to a partial divestment of the Funding Circle non-performing portfolio and the run-off status of the Funding Circle portfolio. A potential divestment of the Funding Circle portfolio is being investigated.

Table 3: Impairments in the retail loan portfolios

	2023				2022			
Asset class	Exposure (gross of impair.)	Impair-ments	Exposure (net of impair.)	% impaired	Exposure (gross of impair.)	Impair-ments	Exposure (net of impair.)	% impaired
Mortgages	13.119	2	13.116	0%	12.330	3	12.327	0%
Consumer Loans	-	-	-	0%	65	11	55	16%
SME Loans	188	14	174	7%	321	34	287	11%

Secured mortgages on residential property

Knab's mortgages are originated and serviced by Aegon Hypotheken B.V., a subsidiary of Aegon Nederland, and by Robuust, a mortgage label set up by Aegon Hypotheken B.V. and Dutch Mortgage Portfolio Management, a Blauwtrust Group Company. Aegon Hypotheken B.V. and Robuust have strict acceptance processes, which are aligned with Knab's credit risk appetite regarding its mortgage portfolio. The table below shows that a large portion of the mortgage portfolio is backed by a National Mortgage Guarantee (NHG), i.e., 41% of the total exposure. The vast majority of non-NHG-backed mortgages are in the less than 80% Loan-to-Value (LTV) bucket. The significant NHG coverage and relatively low LTV led to low credit risk in the mortgage portfolio. At 18%, the overall mortgage RW% is slightly higher than the previous year (17%).

Table 4: Overview of mortgages per 31 December 2022 and per 31 December 2023 in millions EUR

	2023		2022	
Mortgages	Exposure (net of impairments)	% of Total	Exposure (net of impairments)	% of Total
NHG-backed amount	5.483	41%	5.389	43%
LTV less than 80%	7.512	57%	6.900	55%
LTV more than 80%	247	2%	202	2%
Total	**13.241**	**100%**	**12.490**	**100%**

In 2022 DNB executed an Off-Site Inspection (OSI) on the credit risk management framework for platform lending. Following the DNB OSI, Knab executed its plan to remediate the findings and developed a post-OSI strategy for platform lending. As a result, Knab stopped any origination through platform lending. After the divestment of Collin Crowdfund, CACF and Auxmoney in 2022, Knab also sold the Zopa portfolio in March 2023. The sale of the pre-CBILS NPL loans took place in June 2023. DNB concluded that Knab has sufficiently remediated the findings of the OSI, also taking into account the fact that a large part of the relevant loans were divested.

According to the defined post-OSI portfolio strategy, the Funding Circle CBILS and Funding Circle Core & RLS portfolios have been classified as “run-off”. In Q4 2023 it has been decided to plan for a divestment of these portfolios.

Knab launched the product line for self-originated business loans in the beginning of February 2023. In the minimum viable product phase, Knab targets a maximum exposure of EUR 10 million.

Table 5: Geographical distribution of consumer loans leverage exposure by country

	2023			2022		
Asset class	Leverage Exposure	RWA	RW%	Leverage Exposure	RWA	RW%
UK	0	0	0	55	44	80%
Total SME loans	**0**	**0**	**0**	**55**	**44**	**80%**

The table on the next page shows the declining SME exposure in the UK as a result of the decision to stop and divest platform lending and the start of SME origination in the Netherlands (Knab Business Lending).

Table 6: Geographical distribution of SME loans leverage exposure by country

	2023			2022		
Asset class	Leverage Exposure	RWA	RW%	Leverage Exposure	RWA	RW%
UK	168	34	20%	287	70	24%
Netherlands	7	5	76%	0	0	0%
Total SME loans	**174**	**39**	**22%**	**287**	**70**	**24%**

Non-retail portfolio
The non-retail portfolio currently consists of an investment portfolio and treasury portfolio (cash management). These portfolios are managed by a.s.r. Vermogensbeheer ("a.s.r. VB") and a.s.r. VB Treasury, respectively, under the terms and agreements mandated by Knab. Since 2020, the treasury portfolio is not in use.

Knab receives portfolio monitoring reports from a.s.r. VB weekly and more frequently in case of transactions or breaches of the mandate agreement. A.s.r. VB Treasury provides updates daily and more frequently in case of material transactions or mandate agreement breaches. These monitoring reports from a.s.r. VB are subsequently used by Knab to determine the capital estimates. Additionally, these reports are used for internal and external reporting and monitoring.

As part of the Credit Risk Framework, two tactical risk limits are defined for the investment portfolio: Risk Weighted Assets and Economic Capital. The investment portfolio contains investments with a BBB rating or better (investment grade). Additionally, Knab ALM defined operational limits based on further segmentation, amongst others EC to Financials and others, asset classes, rating limits for single obligors and rating categories, maturities and countries. To reduce the dependency with the previous mother company, both the Structured Credits and the CLO's were sold in June 2023.

Past due, forborne, and non-performing (defaulted) loans. A financial asset is:
- Past due when the counterparty fails to make payment due under the contract;
- Forborne when a concession has been granted to a borrower facing or about to face financial difficulties, irrespective of whether the borrower is in arrears; and
- Non-performing/Defaulted/IFRS9 stage 3/Credit-impaired;
  - when 90 days past due, based on Knab's calculation of days past due; or
  - when Knab considers that the borrower is unlikely to pay its credit obligations without recourse by the bank.

Management of past due, forborne and non-performing (defaulted) loans has been outsourced operationally to Knab's lending partners in accordance with Knab's risk appetite as outlined in the SLA. For Knab Business lending these processes are executed by Knab. The collection departments will contact borrowers who are in financial difficulty in order to:
- Understand the cause of the financial difficulties;
- Agree on forbearance measures appropriate to the borrower's situation that will optimize the expected return and recovery for Knab. If a solution cannot be found, the loan will be formally cancelled so as to enable further legal action to be taken against the borrower; and
- The cancelled loan will be managed by the recovery department, possibly using a specialized debt collection agency. However, the recovery team may still be able to reach agreement on an adjusted repayment schedule instead of taking the matter to court.

The bank closely monitors collection and recovery processes and credit movements in its various retail portfolios using daily and monthly data deliveries and monthly and quarterly reports. The data and reports are analyzed by the bank's dedicated credit risk team and used to:
- Inform the CRC about relevant movements in the portfolios; and
- Calculate expected losses, economic capital, and other relevant credit risk measurement metrics.

Collateral obtained by taking possession

As at 31 December 2023, Knab carried no foreclosed assets on its balance sheet.

Required capital

Table 7 shows the corresponding credit risk capital estimates in 2022 and 2023. The total capital estimate for credit risk amounted to EUR 215 million as of 31 December 2022, and increased to EUR 230 million as of 31 December 2023. The RWA increased mainly due to the increased exposure to mortgages. The capital for SME loans and non-retail exposures decreased between December 2022 and December 2023.

Table 7: Capital required for credit risk

Asset category	Asset class	2023	2022
Retail	Mortgages	193	170
	Consumer loans	-	3
	SME loans	3	6
	Subtotal retail	196	179
Non-retail	Bank	4	5
	Sovereign	0	1
	Public Sector Entities	3	2
	Securitization	0	1
	Corporate	25	23
	International Organizations	-	-
	Multilateral developments banks	-	-
	Subtotal non-retail	31	32
Other	Other	3	3
Total credit risk capital estimate		**230**	**215**

6.3 Counterparty credit risk

Part of the non-retail bank portfolio is exposed to counterparty credit risk (CCR). Knab adopts the Standardized Approach to calculate the TREA for CCR. The capital requirement for CCR at year-end 2023 is EUR 0.3 million. Given these amounts, Knab deems counterparty credit risk to be minimal.

6.4 Credit valuation adjustment (CVA)

The bank enters into derivative contracts for hedging purposes only. Derivatives are used to hedge interest rate risk and FX risk. By entering into these derivatives, Knab becomes exposed to credit value risk on the derivative contract. Credit value risk is defined as the risk that the value of derivative positions taken by the bank will fluctuate driven by changes in the financial position of the counterparty to the derivative contract. Since May 2016, Knab has used central clearing for all new Interest Rate Swaps (IRSs), which has reduced the bank's credit valuation adjustment risk. Per July 2023 Knab has direct access to its clearing member JP Morgan, reducing the capital estimate to 0.

7. Operational Risk

Knab defines operational risk as follows: "Operational risk is the risk of losses resulting from inadequate or failed internal processes, controls, people and systems or from external events".

Knab manages operational risk following the bank's Enterprise Risk Management Framework. Reference is made to this framework for the Bank's risk structure and risk management principles. The Risk Appetite Statement sets boundaries and is used to monitor and manage the risk profile within acceptable limits.

Within the bank, non-financial risks consist amongst others of risks related to its compliance and operational processes. Knab distinguishes different types of operational risks as defined in the risk library and laid down in the ERM Framework and Knab Risk Appetite Statement. Within Knab, each value stream or domain has appointed a risk expert who, working together with domain management, ensures that the first line identifies and assesses ("avoid, transfer, mitigate or accept") their activities for potential operational risks, monitors mitigating measures and controls, and coordinates ways of resolving incidents. The Operational Risk Management (ORM) function identifies, monitors, controls and reports on operational risk, develops policies and standards, and provides methodologies and tools. Using these tools, ORM assesses whether the bank's operational risk profile matches its operational risk appetite. ORM provides a cohesive view of operational risks and issues within Knab, as identified, among other things, through RCSAs. Furthermore, ORM reports on action and loss events and oversees timely follow-up. Lastly, ORM coordinates periodic forward-looking scenario analyses.

Knab uses its Economic Required Capital (ERC) to determine the capital required for operational risk. The bank ensures that it always meets the Pillar 1 capital requirement and the ERC for operational risk according to the following approach:
- Pillar 1 capital estimate based on Basic Indicator Approach (BIA); and
- Pillar 2 capital for the amount by which ERC exceeds the Pillar 1 outcome.

The ERC for operational risk is based on the highest of outcomes from scenario analyses, RCSAs and historical losses. This approach and the process are described in the ORC Standard.

Table 8: Operational Risk Capital

	2023	2022
BIA (Pillar 1)	41.9	38.0
ERC add on (Pillar 2)	0.6	4.5
Operational Risk capital estimate	42.5	42.5

The total operational capital required is based on scenario analysis, RCSAs and historical losses. The highest of these outcomes is used as the Operational Risk ERC. This exercise resulted in an add-on under Pillar 2 for Operational Risk due to the required capital exceeding the Pillar 1 capital determined under BIA.

8. Strategic Risk

Knab's strategic risks relate to the possibility that events will occur and affect the achievement of strategy and business objectives. Knab manages strategic risk following the bank's Enterprise Risk Management Framework. Per Knab's risk taxonomy strategic risk is divided into four sub-categories: customer, business model, organization, and reputation. The bank's Risk Appetite Statement sets boundaries and is used to monitor and manage its risk profile within acceptable limits.

Internal Capital estimate

Knab uses its Economic Required Capital (ERC) to set the required capital for strategic risk (Pillar 2). The ERC for strategic risk is based on the estimated impact and probability of strategic risk scenarios. The estimation of capital for each strategic scenario is determined using a standard loss calculation analysis, using a normal distribution, over a one-year period not considering any diversification between the different scenarios in the strategic scenario set.

The strategic risk scenarios are threefold, considering risks from new market participants, integration risk in the new combination with a.s.r.[7] and climate transition. The scenario's which were used for calculating the capital estimate are congruent with previous year's scenarios, whilst parameters and impact/likelihood have been updated. The results from scenario analyses have been used to quantify the unexpected loss for strategic risk. For estimation of the likelihood the external environment and/or internal controls environment is considered. The capital is set and is deemed to be prudent and sufficient.

Table 9: Strategic Risk Capital

	2023	2022
Capital strategic risk		
Strategic risk capital estimate (ERC)	21	21

7. On February 1, the intended acquiring by BAWAG Group from a.s.r. was announced. However, Knab is still part of a.s.r. until deal closing, which is expected to happen by the second half of 2024.

9. Market Risk (FX Risk)

Knab is exposed to FX risk arising from the SME loans portfolio serviced by Funding Circle (UK). This loan portfolio and the future cash flows arising from this portfolio is reported in GBP, whereas all of Knab's funding is in EUR. In addition to the GBP loan portfolios, Knab holds foreign currency bank accounts with ABN AMRO, with cash balances in AUD, CAD, CHF, DKK, GBP, NOK, NZD, SEK, USD and ZAR. These accounts are used to enable foreign currency payments by Knab customers. The total open position on these accounts was less than EUR 1 million and so is considered immaterial and not hedged.

At 31 December 2023, the total outstanding principal of GBP portfolios amounted to EUR 176.5million. This decrease in the portfolio is the result of no new investments in GBP loans, in combination with high redemption rates on the Funding Circle portfolio and sale of the Zopa portfolio and part of other portfolios. In 2024, Knab expects its GBP loan portfolio to further decrease, as it will investigate selling the remaining Funding Circle portfolios. A hedging program is in place to hedge the proceeds from the GBP portfolios, taking into account expected prepayments and expected losses.

Capitalization

Because realized prepayments and losses on the GBP loans may deviate from expectations, a mismatch may occur between the proceeds from the hedge and the portfolio, and so the GBP loan portfolios are exposed to FX risk. Knab holds capital for FX risk under Pillar 1 based on the Standardized Approach, and additional capital in the event that Knab's internal FX risk assessment should exceed the Pillar 1 capital requirement. At 31 December 2023, there was no capital requirement under Pillar 1, since the open FX position was below the own funds threshold as stipulated in the CRR. However the internal capital estimate for FX risk was EUR 2.4 million. Because this estimate exceeds the amount required under Pillar 1, Knab holds capital in excess of the Pillar 1 requirement. The FX risk capital estimate decreased by EUR 2.4 million compared to 31 December 2022.

Knab's internal capital estimate for FX risk is based on a Value-at-Risk methodology with a 99.5% confidence level for a daily time series of EUR/GBP exchange rates over a one-year horizon. It includes the FX hedge, the exposure to changes in spreads between EUR and GBP, and a possible mismatch in case of default shocks.

10. Interest Rate Risk in the Banking Book

10.1 Risk description

Interest rate risk in the banking book (IRRBB) is an important risk type inherent to Knab's banking activities. IRRBB impacts both the net present value and net interest earnings if and when interest rates fluctuate. The bank has put an identification process in place to detect interest rate risk in its balance sheet. In line with EBA guidelines (EBA/GL/2022/14), three main categories of IRRBB are identified:

- **Gap risk.** This is the risk resulting from the term structure of interest rate-sensitive instruments that arises from differences in the timing of their rate changes, covering changes to the term structure of interest rates occurring consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk);
- **Option risk.** This is the risk arising from options (embedded and explicit), where the institution or its customer can alter the level and timing of their cash flows, namely the risk arising from interest rate-sensitive instruments where the holder will almost certainly exercise the option if it is in their financial interest to do so (embedded or explicit automatic options) and the risk arising from flexibility embedded implicitly or within the terms of interest rate-sensitive instruments, such that changes in interest rates may affect a change in the customer's behavior (embedded behavioral option risk); and
- **Basis risk.** This is the risk arising from the impact of relative changes in interest rates on interest rate-sensitive instruments that have similar tenors but are priced using different interest rate indices. It arises from the imperfect correlation in the adjustment of the rates earned and paid on different interest rate-sensitive instruments with otherwise similar rate change characteristics.

The EBA also requires banks to identify credit spread risk in the banking book (CSRBB):

- **CSRBB.** This is the risk driven by changes in the market perception about the price of credit risk, liquidity premium and potentially other components of credit-risky instruments inducing fluctuations in the price of credit risk, liquidity premium and other potential components, which is not explained by IRRBB or by expected credit/(jump-to-)default risk. CSRBB captures the risk of an instrument's changing spread while assuming the same level of creditworthiness, i.e. how the credit spread is moving within a certain rating/PD range.

Additionally, Knab has identified model risk related to IRRBB activities in line with EBA guidelines (EBA/GL/2014/13):

- **Model risk.** The risk relating to the underestimation of own funds requirements by regulatory approved internal models and the risk of losses relating to the development, implementation or improper use of any other models by the institution for decision-making.

Knab has cascaded the main types of risk further into sub-types based on an internal assessment. A risk assessment for the different balance sheet items and products has been performed, as reflected in the bank's risk appetite statement and IRRBB strategy. The bank has a framework in place to properly manage IRRBB under both 'going concern' and 'stress' circumstances. The framework sets out how interest rate risk must be managed such that it is in accordance with the appetite and limits as set out in the RAS drawn up by the Executive Board and Supervisory Board. For instance, Knab targets a specific duration of equity and enters into hedge transactions based on its hedging strategy in order to move the interest rate risk position towards its target and within the set limits on a monthly basis. Even though Knab seeks to hedge its IRRBB exposures, it remains exposed to IRRBB. Not all IRRBB exposures can be fully hedged by market tradeable instruments and Knab therefore holds capital for these unhedged risks. Two key sources of remaining risks are prepayment risk in the mortgage book and savings withdrawal risk. The bank hedges its exposure to prepayment risk based on a best estimate calculation. Because Knab assumes that prepayment incentives move in line with interest rates, the bank holds capital for potential changes in prepayment incentives up until the dates when mortgages are reset. Regarding savings withdrawal risk, Knab assumes that the pricing of customer deposits is done in such a way as to stabilize volumes. Because the pricing of customer deposits is at the bank's discretion and often exhibits a non-linear relation to actual changes in interest rates, Knab holds capital for the expected adverse changes in prices of customer deposits on the basis of changes in interest rates.

During 2023 a CSRBB framework has been developed. The risk has been reassessed taking the new EBA guidelines (EBA/GL/2022/14) into account. In scope are the debt securities portfolio and wholesale funding as they are either accounted for at "Fair value through other comprehensive income" or are traded in a deep market and therefore have a direct exposure to credit spread risk. Next to readdressing the risk identification for CSRBB, also the policy, strategy capitalization methodology and RAS regarding CSRBB have improved. The internal capital estimate is based on the worst impact from the Value perspective and Earnings perspective.

Additionally, CSRBB is a market risk and has a strong relation to IRRBB. The interaction between IRRBB and CSRBB is complex and a simple summation of capital requirements will lead to a significant overestimation of required capital, as interest rates and credit spreads are typically weakly correlated, if not negatively. The IRRBB and CSRBB capital held under pillar 2 is a combination of the required capital for gap, option, basis, credit spread and model risks. Diversification between these risks is considered based on the variance-covariance method. The EBA guidelines and the proportionality of IRRBB and CSRBB risks within Knab have been considered. For details, refer to IRRBB and CSRBB capitalization methodology 2024.

10.2 Capitalization

Knab works on improving its ability to steer the capital requirements for IRRBB, on which it has limited control in the short term. A strategy for option risk has been approved, the implementation of swaptions and a mortgage transaction are being prepared. If the swaptions are not fully operational, there is a chance that the SOT threshold might be breached. With the model updates implemented in July 2023, capitalization considers the option risk. Also, the implementation of risk-free discounting is a significant improvement in the risk quantification methodology.

IRRBB capitalization is calculated as the maximum of Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) at Risk under a set of pre-defined interest rate scenarios. EVE at Risk (EVEaR) is calculated using a discounted cash flow method and a run-off portfolio, whereas EaR is calculated based on a constant balance sheet assumption. Knab includes all material interest rate-sensitive instruments in the calculation in line with the EBA's IRRBB guidelines. The following table shows the bank's exposure to the six standardized interest-rate shock scenarios for measuring EVE under the standard EVE outlier test, as described by the EBA guidelines (EBA/GL/2018/02):

1. Parallel shock up, which is defined as a 200 basis point increase in the yield curve for all maturities;
2. Parallel shock down, which is defined as a 200 basis point decrease in the yield curve for all maturities;
3. Steepener shock, where short-term interest rates decrease while longer-term interest rates increase;
4. Flattener shock, where short-term interest rates increase while longer-term interest rates decrease;
5. Short rates shock up, where short-term interest rates increase sharply, while longer-term interest rate increase moderately; and
6. Short rates shock down, where short-term interest rates decrease sharply, while longer-term interest rates decrease moderately.

The scenarios include a floor of -1% for the overnight rate, which gradually increases to 0% for interest rates for 20 years and beyond. The IRRBB exposure is defined as the scenario-specific impact on gap risk, option risk, and pipeline risk.

The IRRBB exposure is calculated as the maximum of Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) at Risk under the internal pre-defined interest rate scenarios. This maximum is EUR 226.3 million per 31 December 2023 and corresponds with a parallel down scenario for the EVE calculation. Last year the capitalization was 272 million, which means there was a decrease of 46 million in capitalization. This is mostly due to the newly implemented use of risk free discounting, and a more stable interest rate environment. The model risk is the largest part of the capitalization with 130 million. The Gap & option risk capitalization is 69 million, and both the Basis risk and the Pipeline add-on are 13 million.

Knab held EUR 42 million capital for CSRBB. Compared to the internal capital buffer of EUR 22 million for CSRBB held in the Capital Management Retention Zone in 2022 the impact per 31 December 2023 is significantly higher. This is due to a more adverse scenario. The economic capital requirement is no longer part of the internal buffer but part of Pillar 2.

Table 10: Change in economic value of Knab's equity and earnings-at-risk under EBA's standardized interest rate scenarios

	EVEaR	EaR
Parallel shock up	113.4	56.7
Parallel shock down	204.6	-60.6
Steepener shock	153.6	-45.5
Flattener shock	105.1	54.1
Short rates shock up	101.7	69.2
Short rates shock down	151.9	-70.2

11. Liquidity Management

11.1 Liquidity Risk Management Framework

Liquidity risk management is one of the core activities within the risk management process and, as such, is vital for a bank's short-term and long-term financial health.

The primary goal of Knab's liquidity risk management is to ensure that the bank has sufficient liquidity available to support its strategy in normal and stressed conditions. Knab's liquidity needs are based on its risk appetite, business plans, and the requirements of external stakeholders, such as its customers, regulators and investors. Knab evaluates its risk appetite at least annually to ensure that risk limits and targets are still adequate.

At Knab, liquidity risk management duties have been delegated by the Management Board to the Asset & Liability Committee (ALCO). The ALCO oversees the liquidity risk framework, developments and processes, and meets on a monthly basis. The main departments involved in liquidity risk and funding risk are Asset and Liability Management & Methodology (ALM&M) and Market Risk Management (MRM).

The three lines of defense model guides the management of the various risk types to which Knab is exposed, including liquidity risk. The first line of defense is performed by the ALM&M department, which carries out the daily business activities. The second line of defense comprises the Risk department, which monitors the risks associated with ALM&M activities. The third line of defense is internal audit, which provides assurance regarding the design and effectiveness of the governance structure, systems and processes of the first and second-line departments involved.

11.2 Funding Strategy

Knab's funding strategy consists of a mix of savings deposits and wholesale funding, currently in the form of covered bonds and senior non-preferred notes. Additionally, the bank has issued a retained Residential Mortgage Backed Security (RMBS) SAECURE 19 (S19). Because S19 is ECB-eligible, it provides a source of contingent liquidity through ECB open-market operations.

11.3 Liquidity Reporting

Liquidity Coverage Ratio (LCR)

Knab uses the Liquidity Coverage Ratio (LCR) to monitor the short-term resilience of its liquidity risk profile. The aim is to ensure that the bank has an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be easily and readily converted into cash in private markets to meet the bank's liquidity needs under a 30-calendar day liquidity stress scenario. At 31 December 2023, the HQLA buffer amounted to EUR 2.827 million (adjusted for haircuts). A substantial part of the buffer consists of cash held in the DNB account (EUR 2,466 million). The underlying assets making up the liquidity buffer are all EUR-denominated.

The LCR ratio at 31 December 2023 was 223%, which is above internal limits and external requirements. Knab's current strong short-term liquidity position reflects the high amount in cash deposits held at the DNB and the high quality of Knab's investment portfolio, a large part of which consists of Level 1 HQLA assets.

Net Stable Funding Ratio (NSFR)

The Net Stable Funding Ratio (NSFR) requires Knab to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to Knab's regular sources of funding will erode its liquidity position in a way that would increase the risk of failure and potentially lead to broader systemic stress. The NSFR penalizes high reliance on short-term wholesale funding, encourages improved assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability.

At 31 December 2023, the NSFR ratio amounted to 153%, which is above internal limits and external requirements.

Introduction
General Information
Key Metrics
Overview of Risk Management
Capital Management
Credit Risk
Operational Risk
Strategic Risk
Market Risk (FX Risk)
Interest Rate Risk in the Banking Book
Liquidity Management
Remuneration
List of abbreviations
Appendix

Encumbered Assets Ratio (AER)
The Asset Encumbrance Ratio (AER) is related to liquidity risk. Elevated encumbrance implies that there are fewer assets available for liquidation or capable of being pledged when needed.

Monitoring the AER has become more important with the introduction of a covered bond program in 2015 and the retained RMBS as contingent funding in 2020. As at 31 December 2023, Knab had a total of five outstanding covered bonds with a total notional of EUR 2.5 billion. Four of these bonds with a total notional of EUR 2 billion were issued under the Conditional Pass Through Program, and one with a notional of EUR 500 million under the new Soft Bullet Program. At 31 December 2023, the AER was 16.4%, which is below internal limits and external requirements. An AER ratio below the requirement is preferred.

11.4 Liquidity Stress Testing (LST)

Knab's strength in terms of its liquidity buffer and liquidity survival period is also measured by means of liquidity stress testing (LST). The stress test scenarios are designed and parameter values are reviewed and set annually. Reporting takes place monthly as part of the Liquidity Risk Dashboard. The stress test results are discussed each month in the ALCO. The frequency of the abovementioned reporting and parameter updates is appropriate for Knab given its size and complexity. The Liquidity Stress Tests describes a perfect storm. The most severe scenario combines a large outflow of deposits, significant adverse changes in interest rates, higher defaults on assets and other factors that negatively affect liquidity. In addition, starting in 2023, Knab calculates the impact of less severe, alternative scenarios on the relevant liquidity risk metrics from the risk appetite and liquidity risk dashboard. By doing so, Knab tests the resilience of its business model against adverse scenarios.

At 31 December 2023, the Bank concludes that the Key Risk Indicators because of applying the stress scenarios are well above their limits as defined in the Risk Appetite:

- Liquidity Survival period > 24 months;
- Liquidity Stress Test coverage ratio > 100%; and
- Lowest point LST > EUR 250 million.

11.5 Liquidity Stress Management and Knab's Recovery Plan

Knab's Recovery Plan ensures, among other things, that in case of liquidity stress the bank has a wide range of measures available to address liquidity shortfalls. The Plan describes each of these measures and their potential impact and implementation process. The Recovery Plan defines liquidity triggers that activate the Crisis Management Team, which in turn will decide on the measures to be taken. Please also refer to Chapter 4 of this Report.

12. Remuneration

12.1 Remuneration policy

Remuneration and scope

Knab's remuneration policy has been designed in line with applicable national and international regulations, including the Act on Remuneration Policies for Financial Institutions ('Wet beloningsbeleid financiële ondernemingen' or 'Wbfo') as included in the Dutch Financial Supervision Act. Knab's remuneration policy is also in line with the Dutch Central Bank's Regulation on Sound Remuneration Policies ('Regeling beheerst beloningsbeleid'), and remuneration requirements under the Capital Requirements Directive IV (CRD IV). In addition, the policy is in line with various remuneration guidelines, technical requirements and standards issued by the European Banking Authority and applicable to banks within the European Economic Area (EEA), as endorsed by the European Commission (EC). For the purposes of applicable national and international regulations, Knab is regarded as a local or so-called 'less significant financial institution'.

Remuneration may include both financial and non-financial compensation provided by Knab either directly or indirectly. Financial compensation consists of, among other things, cash, shares, employer-paid contributions, and pension schemes. Non-financial compensation covers, among other things, the use of a company car and the private use of a mobile phone and computer. Other non-financial employee benefits may involve the work environment, HR performance management cycle, training opportunities, and career development.

Variable compensation

On January 1, 2020, Knab abolished performance-related variable pay entirely. No performance-related variable compensation has been granted to members of the Management Board or other Knab employees since 2020. Former members of Knab's Management Board who had been granted variable compensation in the past received deferred shares that vested in 2022. Because of the rule that variable compensation in the form of shares should be deferred evenly over three years following the year of upfront payment, the annual vesting of shares ended in 2023. An ex-post risk assessment may identify reasons for lowering these amounts or not paying any variable remuneration. The vested shares of Identified Staff (granted before variable compensation was abolished) are subject to a 1-year holding period, except for shares withheld to cover payment of any taxes due in connection with the vesting of the shares.

Implementation of remuneration policy

Knab's Supervisory Board discussed and approved the remuneration policy as part of its regular meetings. It also approved the selection of Identified Staff (IS), a number of Knab employees who qualify as Identified Staff according to criteria laid down in the European Banking Authority Regulatory Technical Standards (EBA RTS). Identified Staff are subject to specific rules on the payment of variable remuneration. The Supervisory Board's remit is to monitor the existence of a sound remuneration policy and to ensure that the remuneration policy is generally consistent with the sound and prudent management of Knab in the long- term interests of its shareholder.

The Supervisory Board acts in accordance with the principles laid down in the Regulation on Sound Remuneration Policies under the Financial Supervision Act 2011 and the Banking Code. In 2023, none of the employees received a remuneration more than € 1 million. This amount is the threshold for reporting under the Dutch Act on Remuneration Policies for Financial Institutions. For further information on the remuneration of the Executive Board, please refer to the note 'Remuneration of the Executive Board and Supervisory Board' in the consolidated financial statements.

Governance

In accordance with Knab's remuneration policy, the Supervisory Board has the following duties and responsibilities:

- i. Adopt and maintain the remuneration policy;
- ii. Oversee its implementation to ensure it is fully operating as intended;
- iii. Approve material exceptions;
- iv. Determine and oversee the remuneration of the members of the Executive Board taking into account the statutory rights of the Shareholder;
- v. Oversee the remuneration of the heads of internal control; and
- vi. Ensure that execution of the remuneration policy and procedures is duly and regularly assessed by an independent function.

Introduction
General Information
Key Metrics
Overview of Risk Management
Capital Management
Credit Risk
Operational Risk
Strategic Risk
Market Risk (FX Risk)
Interest Rate Risk in the Banking Book
Liquidity Management
Remuneration
List of abbreviations
Appendix

Template EU REM1: Remuneration awarded for the financial year

in EUR millions			a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
1	Fixed remuneration	Number of identified staff	3,0	3,0	18,1	5,0
2		Total fixed remuneration	0,1	1,1	3,7	0,4
3		Of which: cash-based	0,1	1,1	3,7	0,4
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7		Of which: other forms				
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff				
10		Total variable remuneration				
11		Of which: cash-based				
12		Of which: deferred				
EU-13a		Of which: shares or equivalent ownership interests				
EU-14a		Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments				
EU-14b		Of which: deferred				
EU-14x		Of which: other instruments				
EU-14y		Of which: deferred				
15		Of which: other forms				
16		Of which: deferred				
17	**Total remuneration (2 + 10)**		**0,1**	**1,1**	**3,7**	**0,4**

Template EU REM5: Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

in EUR millions		a	b	c	d	e	f
		Management Body remuneration					
		MB Supervisory function	MB Management function	Total MB	Independent internal control functions	All other	Total
1	Total number of identified staff						29,1
2	Of which: members of the Management Body	3,0	3,0	6,0			
3	Of which: other senior management				6,8	8,3	
4	Of which: other identified staff				0,0	8,0	
5	Total remuneration of identified staff	0,1	1,1	1,2	1,5	2,6	
6	Of which: variable remuneration	0,0	0,0	0,0	0,0	0,0	
7	Of which: fixed remuneration	0,1	1,1	1,2	1,5	2,6	

13. List of abbreviations used in this Report

AER	Asset Encumbrance Ratio
AFM	Dutch Financial Markets Authority (Autoriteit Financiële Markten)
AGGRF	Aegon Group Global Remuneration Framework
ALCO	Asset and Liability Committee
ALM&M	Asset Liability Management and Methodology
AT1	Additional Tier 1
BIA	Basic Indicator Approach
CCF	Credit Conversion Factor
CCyB	Countercyclical Buffer
CCR	Counterparty Credit Risk
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
C&E	Climate-change & Environmental risks
CFO	Chief Financial Officer
COREP	Common Reporting
CRC	Credit Risk Committee
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CTO	Chief Technology Officer
CSRBB	Credit Spread Risk in the Banking Book
CVA	Credit Valuation Adjustment
DNB	Dutch Central Bank (De Nederlandsche Bank NV)
DPA	Dutch Data Protection Authority
DV01	Dollar Value of one basis point
EAR	Earnings at Risk
EB	Executive Board
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECL	Expected Credit Loss
EEA	European Economic Area
ERC	Economic Required Capital
ERM	Enterprise Risk Management
ERMC	Enterprise Risk Management Committee
EU	European Union
EUR	Euro
EVE	Economic Value of Equity
EVEaR	Economic Value of Equity at Risk
Finrep	Financial Reporting
FRM	Financial Risk Management
FX	Foreign Exchange
GBP	Great British Pound
GDPR	General Data Protection Regulation
GL	Guidelines
HQLA	High Quality Liquid Assets
IAN	Internal Audit Nederland
CAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IRRBB	Interest Rate Risk in the Banking Book
IRS	Interest Rate Swap
IS	Identified Staff
IT	Information Technology
ITS	Implementing Technical Standard
KPI	Key Performance Indicator
LCR	Liquidity Coverage Ratio
LST	Liquidity Stress Testing
LTV	Loan-to-Value
MB	Management Board
MDA	Maximum Distributable Amount
MRC	Model Risk Committee
MREL	Minimum Required Eligible Liabilities
MRM	Market Risk Management
NFRC	Non-Financial Risk Committee
NHG	National Mortgage Guarantee (Nationale Hypotheek Garantie)
NPS	Net Promotor Score
NRA	National Resolution Authority
NSFR	Net Stable Funding Ratio
ORM	Operational Risk Management
OTC	Over The Counter
PARC	Product Approval Review Committee
PARP	Product Approval & Review Process
RAF	Risk Appetite Framework
RAS	Risk Appetite Statement
RCSA	Risk Control Self-Assessment
RMBS	Retail Mortgage Backed Security
RORAC	Return On Risk-Adjusted Capital
RTS	Regulatory Technical Standard
SA	Standardized Approach
SB	Supervisory Board
SLA	Service Level Agreement
SME	Small and Medium-sized Enterprise
SNP	Senior Non-Preferred
SREP	Supervisory Review & Evaluation Process
S19	Residential Mortgages Backed Security SAECURE 19
TEM	Total Exposure Measure
TCR	Total Capital Ratio
TREA	Total Risk Exposure Amount
URL	Unsecured Retail Loans
VaR	Value at Risk
Wbfo	Dutch Act on Remuneration Policies for Financial Institutions (Wet beloningsbeleid financiële ondernemingen)
Wft	Dutch Financial Supervision

14. Appendix

14.1 Disclosure of Own Funds

Template EU CC1: Composition of regulatory Own Funds

		a	b
		Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	514	(a)
	of which: Ordinary shares	514	(a)
	of which: Instrument type 2		
	of which: Instrument type 3		
2	Retained earnings	241	(b)
3	Accumulated other comprehensive income (and other reserves)	(26)	(c)
EU-3a	Funds for general banking risk		
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1		
5	Minority interests (amount allowed in consolidated CET1)		
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	67	(d)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	796	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)		
8	Intangible assets (net of related tax liability) (negative amount)	-9	(e)
27a	Other regulatory adjustments	-2	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-11	
29	Common Equity Tier 1 (CET1) capital	784,9	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	0	(f)
31	of which: classified as equity under applicable accounting standards	0	(f)
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0	
Additional Tier 1 (AT1) capital: regulatory adjustments			
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital		
44	Additional Tier 1 (AT1) capital	0	
45	Tier 1 capital (T1 = CET1 + AT1)	785	

		a	b
		Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
Tier 2 (T2) capital: instruments			
51	Tier 2 (T2) capital before regulatory adjustments		
Tier 2 (T2) capital: regulatory adjustments			
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
56	Not applicable		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
EU-56b	Other regulatory adjustments to T2 capital		
57	Total regulatory adjustments to Tier 2 (T2) capital		
58	Tier 2 (T2) capital		
59	Total capital (TC = T1 + T2)	785	
60	Total Risk exposure amount	3.400	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	23,09%	
62	Tier 1 capital	23,09%	
63	Total capital	23,09%	
64	Institution CET1 overall capital requirements	19,95%	
65	of which: capital conservation buffer requirement	2,50%	
66	of which: countercyclical capital buffer requirement	0,98%	
67	of which: systemic risk buffer requirement		
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement		
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage		
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	18,59%	
National minima (if different from Basel III)			
69	Not applicable		
70	Not applicable		
71	Not applicable		

		a	b
		Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)		
74	Not applicable		
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)		
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)		
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		g
82	Current cap on AT1 instruments subject to phase out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

Template EU CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements				
1	Intangible Assets	12	-12	e
	Total assets			
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements				
Shareholders' Equity				
1	Share capital	37	37	a
2	Share Premium	477	477	a
3	Retained Earnings	241	241	b
4	Accumulated Other Comprehensive Income	-26	-26	c
5	Profit or loss eligible	109	67	d
6	Knab participations	-	-	f
	Total shareholders' equity	**838**	**796**	

14.2 Disclosure of countercyclical capital buffers

Template EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
		Exposure value under the standardized approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitization exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market Risk	Relevant credit exposures - Securitization positions in the non-trading book	Total	Risk weighted exposure amounts	Own fund requirements weights (%)	Counter-cyclical buffer rate (%)
010	Breakdown by country:													
011	Netherlands	13.731					13.731	201			201	2.515	90%	1,00%
012	Germany	81					81	4			4	56	2%	0,75%
013	France	31					31	1			1	17	1%	0,50%
014	United Kingdom	231					231	6			6	75	3%	2,00%
015	Spain	3					3	0			0	3	0%	0,00%
016	Ireland	8					8	1			1	8	0%	1,00%
017	New Zealand	-					0	-			-	-	0%	1,00%
018	Sweden	6					6	0			0	6	0%	2,00%
019	Belgium	3					3	0			0	3	0%	0,00%
020	Italy	-					0	-			-	-	0%	0,00%
021	Norway	3					3	0			0	1	0%	2,50%
022	Switzerland	32					32	1			1	12	0%	0,00%
023	Portugal	-					0	-			-	-	0%	0,00%
024	United States	137					137	6			6	80	3%	0,00%
025	Australia	-					0	-			-	-	0%	1,00%
026	Japan	14					14	1			1	14	0%	0,00%
027	Korea, Republic of	-					0	-			-	-	0%	0,00%
028	Finland	0					0	0			0	0	0%	0,00%
029	Other Countries	4					4	0			0	4	0%	0,00%
030	**Total**	**14.283**					**14.283**	**224**		**-**	**224**	**2.795**	**100%**	**11,75%**

Template EU CCyB2: Amount of institution-specific countercyclical capital buffer

		a
1	Total risk exposure amount	3.400
2	Institution specific countercyclical capital buffer rate	0,9798%
3	Institution specific countercyclical capital buffer requirement	33

14.3 Disclosure of the leverage ratio

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

		a
		Applicable amount
1	Total assets as per published financial statements	18.132
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
3	(Adjustment for securitized exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	-1.489
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	155
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	538
13	**Total exposure measure**	**17.336**

Template EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	b
		T	T-1
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	17.034	16.727
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework		
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognized as an asset)		
5	(General credit risk adjustments to on-balance sheet items)		
6	(Asset amounts deducted in determining Tier 1 capital)		
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**17.034**	**16.727**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	61	0
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardized approach		
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	86	92
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardized approach		
EU-9b	Exposure determined under Original Exposure Method		
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)		
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardized approach)		
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	**Total derivatives exposures**	**147**	**92**
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions		
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets		
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR		
17	Agent transaction exposures		
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)		
18	Total securities financing transaction exposures		

		CRR leverage ratio exposures	
		a	b
		T	T-1
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	775	791
20	(Adjustments for conversion to credit equivalent amounts)	-620	-633
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)		
22	**Off-balance sheet exposures**	**155**	**158**
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)		
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))		
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)		
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)		
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))		
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)		
EU-22g	(Excluded excess collateral deposited at triparty agents)		
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)		
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)		
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)		
EU-22k	**(Total exempted exposures)**		
Capital and total exposure measure			
23	Tier 1 capital	785	705
24	**Total exposure measure**	**17.336**	**16.978**
Leverage ratio			
25	Leverage ratio (%)	4,53%	4,15%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4,53%	4,15%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	4,53%	4,15%
26	Regulatory minimum leverage ratio requirement (%)	3,00%	3,00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0,00%	-
EU-26b	of which: to be made up of CET1 capital	0,00%	-
	Leverage ratio buffer requirement (%)	0,00%	0,00%
27	Overall leverage ratio requirement (%)	3,00%	3,00%

		CRR leverage ratio exposures	
		a	b
		T	T-1
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure		
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjust-ment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjust-ment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		

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

		a
		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	17.095
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	17.095
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	2.740
EU-6	Exposures to regional governments, MDB, international organizations and PSE, not treated as sovereigns	148
EU-7	Institutions	286
EU-8	Secured by mortgages of immovable properties	12.948
EU-9	Retail exposures	442
EU-10	Corporates	463
EU-11	Exposures in default	27
EU-12	Other exposures (eg equity, securitizations, and other non-credit obligation assets)	41

14.4 Disclosure of Liquidity Requirements

Table EU LIQA - Liquidity risk management: in accordance with Article 451a(4) CRR check if added to text in chapter

Row number		Qualitative information
(a)	Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding.	Knab's liquidity risk originates mostly from retail savings on the liability side of the balance sheet. Although Knab's objective is to fully hedge its interest rate and foreign currency risk exposures, the risk of a potential collateral requirement on its derivatives positions can also have a material impact on Knab's liquidity position. Knab has a liquidity risk management framework that supports the risk profile and safeguards the bank's reputation from a liquidity perspective. While Knab accepts a certain amount of liquidity risk, this framework must ensure that the bank is able to meet its payment obligations at a reasonable cost, even under severely adverse conditions. The bank maintains a set of liquidity risk indicators to manage its liquidity position within the requirements set internally and by regulation. In addition, regular stress testing is performed. In order to support the business model, Knab maintains a solid capital buffer in addition to a satisfactory level of High-Quality Liquid Assets (HQLA) and cash, to ensure that all funding needs will be fulfilled at all times. In order to ensure a certain level of funding diversification, Knab's present funding framework consists of three main sources. The first source is retail funding through fiscal (Box 1) savings products via the Knab label, SME savings products through the Knab label and non-fiscal (Box 3) savings products through the Knab label . The client deposit base is further supplemented by wholesale funding through e.g. the Aegon Bank Covered Bond programs, securitization program (SAECURE) and unsecured funding. The last primary source of funding consists of equity (CET1 and AT1).
(b)	Structure and organization of the liquidity risk management function (authority, statute, other arrangements).	Within Knab, liquidity risk management duties have been delegated by the Management Board to the Asset & Liability Committee (ALCO). The ALCO oversees the liquidity risk framework, developments and processes and meets on a monthly basis. The main departments involved in liquidity and funding risk are Asset and Liability Management & Methodology (ALM&M) and Market Risk Management (MRM). Within Knab, the three lines of defense model guides the management of the various risk types the bank is exposed to, including liquidity risk. The first line of defense is performed by the ALM&M department, where the daily business activities are executed. The second line of defense comprises the Risk department, which monitors the risks associated with ALM&M activities. The third line of defense is Audit, which provides assurance regarding the design and effectiveness of the governance structure, systems and processes of the first and second line departments involved.
(c)	A description of the degree of centralization of liquidity management and interaction between the group's units.	Liquidity risk is managed at a central level within Knab (i.e. no liquidity risk is managed within the business lines or value streams).
(d)	Scope and nature of liquidity risk reporting and measurement systems.	Different risk measures for liquidity risk are calculated with different frequencies. Steering of liquidity metrics is done in such a way that compliance with the limits defined in the Risk Appetite Statement (RAS) is maintained. Knab uses a comprehensive set of liquidity indicators to monitor and measure liquidity risk, both in regular and stressed conditions. The main indicators of liquidity risk are captured in the RAS. Within Knab, reports on liquidity and liquidity risk are generated at various frequencies and with different scopes. The ALM&M department is responsible for liquidity monitoring and management. The Regulatory Reporting & Financial Accounting (RR&FA) department is responsible for the timely and accurate external supervisory reporting on liquidity. Internal reports are generated for various bodies, including the Management Board and ALCO.
(e)	Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.	As a retail bank, Knab's liquidity risk originates mostly from retail savings on the liability side of the balance sheet. Although core deposits are considered to be relatively price-insensitive and stable over time, outflow risk remains due to the on demand nature of non-maturing client deposits. Holding sufficient liquid assets, both under normal and stress conditions, is considered to be the main safeguard to offset the liquidity risk due to deposit outflows. To assess the impact of liquidity stress, Internal liquidity stress testing (LST) is conducted on a monthly basis to ensure that the bank's liquidity buffer is sufficient to cover the liquidity risks faced. The outcome of stress tests is incorporated into day-to-day liquidity management. In addition to preserving this comfortable liquidity buffer, an adequate and up-to-date liquidity contingency plan is a key element of Knab's liquidity risk mitigation strategy.
(f)	An outline of the bank`s contingency funding plans.	The Contingency Funding Plan (CFP) of Knab is incorporated in the Recovery Plan. Knab makes use of various leading and supportive indicators in the recovery plan. These act as warning signals to alert about a deterioration of the financial position of the Bank, reflecting the emergence of varying levels of stress. The leading and supportive indicators are monitored in the Liquidity Risk dashboard, Risk Compliance report and the Pricing & Funding dashboard and are discussed in the ALCO on a monthly basis. The contingency plan provides guidelines for managing a range of stress environments and describes the lines of responsibility, escalation procedures and mitigating actions.

Row number	Qualitative information	
(g)	An explanation of how stress testing is used.	The risk appetite statements (RAS) are complemented by a stress testing framework that is used to identify potential vulnerabilities in the bank's liquidity position (i.e. possible events or future changes in economic conditions that could have an adverse impact on Knab's liquidity position). Internal liquidity stress testing is conducted on at least a monthly basis to ensure that the bank's liquidity buffer is sufficient to cover the liquidity risks faced. Parameters and assumptions on liquidity stress tests are thoroughly reviewed by MRM on an annual basis, to ensure consistency. ALM&M coordinates this process. ALM&M reports the stress test impact results to the ALCO in the Liquidity Dashboard and these results are discussed in the monthly ALCO meetings. Knab uses four standard scenarios for internal liquidity stress testing purposes: • The base scenario; • The Group scenario; • The Entity specific scenario; • The reverse scenario. As of 2023, Knab also calculates the impact of, less severe, alternative scenario's on the relevant liquidity risk metrics from the risk appetite and liquidity risk dashboard. By doing so, Knab tests the resilience of its business model against adverse scenario's. Stress testing model ownership and annual review responsibility is with ALM&M, while MRM is responsible for risk monitoring, and reporting. Model Risk Management is responsible for the model validation process.
(h)	A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.	The ALCO acts as a delegated authority from the Management Board on liquidity risk related activities. The ALCO is responsible for the approval of the liquidity risk policy of the bank. The bank is required to have a liquidity risk policy in place that enables it to identify, measure, steer and monitor its liquidity risk. The policy describes the bank's liquidity risk management framework. In addition to a diversified funding mix, this framework includes maintaining a strong liquidity buffer during regular, as well as stress conditions. The policy also requires the bank to actively manage its liquidity risk exposures and funding needs. Knab is of the opinion that its risk management systems and framework are sufficient to mitigate the risk.
(i)	A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in the EU LIQ1 template under this ITS) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body. These ratios may include:	As materializing liquidity risk could impact Knab's continuity, tolerance for liquidity risk is classified as low. The main aim of our liquidity risk management is therefore to ensure that Knab will be able to maintain or generate sufficient cash resources to meet payment obligations in full, on acceptable terms.
	• Concentration limits on collateral pools and sources of funding (both products and counterparties).	Concentration limits on collateral pools or funding sources are currently not applicable. In line with the current business model, Knab's funding is mainly consists of client deposits.
	• Customized measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank.	Knab makes use of both vendor based reporting solutions for monthly and quarterly (regulatory) reporting purposes as internally developed tooling for liquidity forecasting and projections.
	• Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity.	Liquidity and funding are managed centrally by the ALM&M department. No liquidity management occurs within business lines/value streams.

Template EU LIQ1: Quantitative information of LCR

in EUR millions		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (31 December 2023)	T	T-1	T-2	T-3	T	T-1	T-2	T-3
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					2.445	2.462	2.550	2.384
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	11.439	11.406	11.469	11.519	640	641	653	665
3	Stable deposits	9.018	8.934	8.789	8.581	343	337	327	314
4	Less stable deposits	2.421	2.472	2.680	2.938	297	304	326	351
5	Unsecured wholesale funding	252	270	280	276	116	125	125	119
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks								
7	Non-operational deposits (all counterparties)	252	270	280	276	116	125	125	119
8	Unsecured debt								
9	Secured wholesale funding								
10	Additional requirements	1.138	1.094	958	781	622	601	538	472
11	Outflows related to derivative exposures and other collateral requirements	333	331	332	325	333	331	332	325
12	Outflows related to loss of funding on debt products								
13	Credit and liquidity facilities	805	763	626	456	289	270	206	147
14	Other contractual funding obligations	53	55	55	15	43	45	45	5
15	Other contingent funding obligations	22	38	182	324	22	38	66	103
16	Total cash outflows					1.443	1.451	1.427	1.365
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)								
18	Inflows from fully performing exposures	106	107	110	123	90	90	92	104
19	Other cash inflows	14	13	10	17	14	13	10	17
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
EU-19b	(Excess inflows from a related specialized credit institution)								
20	Total cash inflows	120	120	120	139	104	103	102	120
EU-20a	Fully exempt inflows								
EU-20b	Inflows subject to 90% cap								
EU-20c	Inflows subject to 75% cap	120	120	120	139	104	103	102	120
TOTAL ADJUSTED VALUE									
EU-21	Liquidity buffer					2.445	2.462	2.550	2.384
22	Total net cash outflows					1.340	1.348	1.325	1.244
23	Liquidity coverage ratio					182,54%	182,69%	192,48%	191,64%

Table EU LIQB on qualitative information on LCR, which complements template EU LIQ1: in accordance with Article 451a(2) CRR

Row number	Qualitative information - Free format	
(a)	Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time.	Knab's net liquidity outflow is relatively stable, except when one of it issued debt securities matures within 30 days of the reporting date. As a result, LCR volatility mainly stems from volatility in the HQLA buffer. The key drivers for the LCR volatility are in- and outflows from retail funds entrusted, issuances of long term wholesale funding as well as mutations in the variation margin pledged/received for the interest rate derivatives that are used by Knab to hedge its interest rate risk.
(b)	Explanations on the changes in the LCR over time.	Over the course of 2023, the LCR remained steadily above 175% with the exception of April, where the LCR dipped to 130% due to the redemption of one Covered Bond. After that it bounced back to 176%. The largest LCR of the year was 223% in December.
(c)	Explanations on the actual concentration of funding sources.	As a retail bank, Knab primarily funds itself with retail funds entrusted. Within the retail domain, the largest source of funding are on demand deposits, supplemented by tax preferential savings products. To diversify its funding sources, Knab issues long-term wholesale funding.
(d)	High-level description of the composition of the institution`s liquidity buffer.	As per December 31st 2023, the HQLA buffer comprised mainly of cash deposited at the central bank and sovereign(-backed) securities. In addition, for liquidity purposes, Knab also invests in regional paper as well as investment grade corporate credits.
(e)	Derivative exposures and potential collateral calls.	Knab hedges its interest rate risk through entering into centrally cleared interest rate derivatives. As such Knab is exposed to margin requirements. In setting its internal limits on LCR Knab takes this sensitivity into account.
(f)	Currency mismatch in the LCR.	There is no significant currency mismatch in the LCR.
(g)	Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile.	Besides securities classified as HQLA, Knab also holds a portfolio of ECB-eligible securities, including an own issued retained RMBS, which can be uses to retrieve funds under the ECB's open market transactions.

Template EU LIQ2: Net Stable Funding Ratio

in EUR millions		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	785	0	0	0	785
2	Own funds	785				785
3	Other capital instruments					
4	Retail deposits		9.197	394	2.440	11.430
5	Stable deposits		6.891	274	2.360	9.167
6	Less stable deposits		2.306	120	80	2.263
7	Wholesale funding:		734	509	2.298	2.669
8	Operational deposits					
9	Other wholesale funding		734	509	2.298	2.669
10	Interdependent liabilities					
11	Other liabilities:	0	601	0	0	0
12	NSFR derivative liabilities	0				
13	All other liabilities and capital instruments not included in the above categories		601	0	0	0
14	Total available stable funding (ASF)					14.884
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					101
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		35	34	2.080	1.827
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:		285	231	10.855	7.380
18	Performing securities financing transactions with financial customers collateralized by Level 1 HQLA subject to 0% haircut					
19	Performing securities financing transactions with financial customer collateralized by other assets and loans and advances to financial institutions		89	0	0	9
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		47	48	356	350
21	With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk		0	0	0	
22	Performing residential mortgages, of which:		139	177	10.347	6.884
23	With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk		139	177	10.347	6.884
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		11	7	152	138
25	Interdependent assets					
26	Other assets:		61	45	181	387
27	Physical traded commodities					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		247			210
29	NSFR derivative assets		55			55
30	NSFR derivative liabilities before deduction of variation margin posted		0			0
31	All other assets not included in the above categories		3	2	12	12
32	Off-balance sheet items		24	0	88	45
33	**Total RSF**					**9.740**
34	**Net Stable Funding Ratio (%)**					**152,80%**

14.5 Disclosure of Credit Risk Quality

Template EU CR1: Performing and non-performing exposures and related provisions

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	2.538	2.538	0	0	0	0	0	0	0	0	0	0			
010	Loans and advances	13.280	13.247	34	38	7	31	-5	-3	-2	-11	-0	-11	0	12.959	25
020	Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
030	General governments	0	0	0	0	0	0	0	0	0	0	0	0		0	0
040	Credit institutions	12	12	0	0	0	0	0	0	0	0	0	0		0	0
050	Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0		0	0
060	Non-financial corporations	164	162	1	18	0	18	-3	-2	-1	-11	0	-11		108	5
070	Of which SMEs	164	162	1	18	0	18	-3	-2	-1	-11	0	-11	0	108	5
080	Households	13.105	13.073	32	21	7	13	-2	-1	-1	-0	-0	-0		12.852	20
090	**Debt securities**	**880**	**880**	**0**	**0**	**0**	**0**	**-1**	**-1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
100	Central banks	0	0	0	0	0	0	0	0	0	0	0	0			
110	General governments	176	176	0	0	0	0	-0	-0	0	0	0	0			
120	Credit institutions	142	142	0	0	0	0	-0	-0	0	0	0	0			
130	Other financial corporations	241	241	0	0	0	0	-0	-0	0	0	0	0			
140	Non-financial corporations	321	321	0	0	0	0	-0	-0	0	0	0	0			
150	**Off-balance-sheet exposures**	**907**	**905**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
160	Central banks	0	0	0												
170	General governments	0	0	0												
180	Credit institutions	0	0	0												
190	Other financial corporations	0	0	0												
200	Non-financial corporations	0	0	0												
210	Households	907	905	2	0	0	0									
220	**Total**	**17.606**	**17.570**	**36**	**39**	**7**	**31**	**-6**	**-4**	**-2**	**-11**	**-0**	**-11**	**0**	**12.959**	**25**

Template EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	0	93	286	12.912	0	13.291
2	Debt securities	0	337	454	88	0	879
3	**Total**	**0**	**430**	**740**	**13.000**	**0**	**14.170**

Template EU CR2: Changes in the stock of non-performing loans and advances

		a
		Gross carrying amount
010	Initial stock of non-performing loans and advances	68
020	Inflows to non-performing portfolios	22
030	Outflows from non-performing portfolios	(10)
040	Outflows due to write-offs	
050	Outflow due to other situations	
060	Final stock of non-performing loans and advances	38

Template EU CQ1: Credit quality of forborne exposures

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures	Performing exposures – accumulated impairment and provisions	
in EUR millions				Of which defaulted	Of which impaired				Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
005	Cash balances at central banks and other demand deposits								
010	Loans and advances	17	8	8	3	-0	-1	16	6
020	Central banks								
030	General governments								
040	Credit institutions								
050	Other financial corporations								
060	Non-financial corporations	7	2	2	2	-0	-1	0	0
070	Households	10	6	6	1	-0	-0	16	6
080	Debt Securities								
090	Loan commitments given	0	0	0	0				
100	**Total**	**17**	**8**	**8**	**3**	**-0**	**-1**	**16**	**6**

Template EU CQ3: Credit quality of performing and non-performing exposures by past due days

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	2.538	2.538	0									
010	Loans and advances	13.280	13.247	34	38	19	6	6	5	2	0	0	38
020	Central banks	0	0	0	0	0	0	0	0	0	0	0	0
030	General governments	0	0	0	0	0	0	0	0	0	0	0	0
040		12	12	0	0	0	0	0	0	0	0	0	0
050	Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0
060	Non-financial corporations	164	162	1	18	2	3	6	5	2	0	0	18
070	Of which SMEs	164	162	1	18	2	3	6	5	2	0	0	18
080	Households	13.105	13.073	32	21	17	3	1	0	0	0	0	21
090	**Debt securities**	**880**	**880**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
100	Central banks	0	0	0	0								
110	General governments	176	176	0	0								
120	Credit institutions	142	142	0	0								
130	Other financial corporations	241	241	0	0								
140	Non-financial corporations	321	321	0	0								
150	**Off-balance-sheet exposures**	**907**			**0**								0
160	Central banks	0			0								0
170	General governments	0			0								0
180	Credit institutions	0			0								0
190	Other financial corporations	0			0								0
200	Non-financial corporations	0			0								0
210	Households	907			0								0
220	**Total**	**17.606**	**17.572**	**34**	**39**	**19**	**6**	**6**	**5**	**2**	**0**	**0**	**38**

Template EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Performing exposures	Of which loans and advances subject to impairment		Of which loans and advances subject to impairment		
				Of which defaulted			
010	Agriculture, forestry and fishing	2	0	0	2	(0)	0
020	Mining and quarrying	0	0	0	0	-0	0
030	Manufacturing	25	2	2	25	-2	0
040	Electricity, gas, steam and air conditioning supply	0	0	0	0	-0	0
050	Water supply	2	0	0	2	-0	0
060	Construction	32	4	4	32	-3	0
070	Wholesale and retail trade	38	4	4	38	-3	0
080	Transport and storage	8	1	1	8	-1	0
090	Accommodation and food service activities	5	1	1	5	-1	0
100	Information and communication	10	1	1	10	-1	0
110	Financial and insurance activities	3	0	0	3	-0	0
120	Real estate activities	3	0	0	3	-0	0
130	Professional, scientific and technical activities	15	1	1	15	-1	0
140	Administrative and support service activities	20	1	1	20	-1	0
150	Public administration and defense, compulsory social security	0	0	0	0	-0	0
160	Education	2	0	0	2	-0	0
170	Human health services and social work activities	9	1	1	9	-0	0
180	Arts, entertainment and recreation	2	0	0	2	-0	0
190	Other services	6	0	0	6	-0	0
200	**Total**	**181**	**18**	**18**	**181**	**-14**	**0**

14.6 Disclosure of the use of credit risk mitigation techniques

Template EU CR3: Performing and non-performing exposures and related provisions

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	2.857	12.984	12.834	151	0
2	Debt securities	879				
3	**Total**	**3.736**	**12.984**	**12.834**	**151**	**0**
4	Of which non-performing exposures	2	25	20	5	0
EU-5	Of which defaulted	2	25			

14.7 Disclosure of the use of standardized approach

Template EU CR4: Performing and non-performing exposures and related provisions

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
		a	b	c	d	e	f
1	Central governments or central banks	2.630	-	9.588	52	4	0,00%
2	Regional government or local authorities	65	-	65		-	0,00%
3	Public sector entities	191	-	153		32	20,96%
4	Multilateral development banks	3	-	3		-	0,00%
5	International organizations						
6	Institutions	373	-	316		45	14,13%
7	Corporates	464	0	463	0	317	68,42%
8	Retail	440	93	270	10	201	71,75%
9	Secured by mortgages on immovable property	12.950	681	6.271	93	2.227	35,00%
10	Exposures in default	37	-	9		9	102,34%
11	Exposures associated with particularly high risk	5	-	2		3	150,00%
12	Covered bonds						
13	Institutions and corporates with a short-term credit assessment						
14	Collective investment undertakings						
15	Equity						
16	Other items	41	-	41		37	91,45%
17	**Total**	**17.198**	**775**	**17.181**	**155**	**2.875**	**16,59%**

Template EU CR5: Standardized approach

	Exposure classes	Risk weight																Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total	
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	9.620				20											9.640	
2	Regional government or local authorities	65															65	
3	Public sector entities	5				140		8									153	
4	Multilateral development banks	3															3	
5	International organizations																	
6	Institutions		156			127		32									316	
7	Corporates					48		213			203						464	
8	Retail exposures									280							280	
9	Exposures secured by mortgages on immovable property						6.364										6.364	
10	Exposures in default										9	0					9	
11	Exposures associated with particularly high risk											2					2	
12	Covered bonds																	
13	Exposures to institutions and corporates with a short-term credit assessment																-	
14	Units or shares in collective investment undertakings																-	
15	Equity exposures																-	
16	Other items					4					36						41	
17	**Total**	**9.693**	**156**	**-**	**-**	**340**	**6.364**	**253**	**-**	**280**	**248**	**2**	**-**	**-**	**-**	**-**	**17.336**	

14.8 Disclosure of exposures to counterparty credit risk

Template EU CCR1: Analysis of CCR exposure by approach

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

Template EU CCR3: Standardized approach – CCR exposures by regulatory exposure class and risk weights

	Exposure classes	Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organizations												
6	Institutions		144			3							147
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment												
10	Other items												
11	**Total exposure value**	**-**	**144**	**-**	**-**	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**147**

Template EU CCR5: Composition of collateral for CCR exposures

		Risk weight							
		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Un-segregated	Segregated	Un-segregated	Segregated	Un-segregated	Segregated	Un-segregated
1	Cash – domestic currency	536		12					
2	Cash – other currencies								
3	Domestic sovereign debt			11					
4	Other sovereign debt			4					
5	Government agency debt			96					
6	Corporate bonds			136					
7	Equity securities								
8	Other collateral								
9	**Total**	**536**		**259**					

Template EU CCR8: Exposures to CCPs

		Exposure value	RWEA
		a	b
1	Exposures to QCCPs (total)		3
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	144	3
3	(i) OTC derivatives		
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin		
8	Non-segregated initial margin		
9	Prefunded default fund contributions		
10	Unfunded default fund contributions		
11	Exposures to non-QCCPs (total)		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	3	1
13	(i) OTC derivatives		
14	(ii) Exchange-traded derivatives		
15	(iii) SFTs		
16	(iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Prefunded default fund contributions		
20	Unfunded default fund contributions		

14.9 Disclosure of operational risk

Template EU OR1: Operational risk own funds requirements and risk-weighted exposure amounts

	Banking activities	a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	255	213	370	42	524
2	Banking activities subject to standardized (TSA) / alternative standardized (ASA) approaches					
3	Subject to TSA:					
4	Subject to ASA:					
5	Banking activities subject to advanced measurement approaches AMA					

14.10 Disclosure of encumbered and unencumbered assets

Template EU AE1: Encumbered and unencumbered assets

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the disclosing institution**	**2.984**	**137**			**15.203**	**462**		
030	Equity instruments	0	0	0	0	0	0	0	0
040	Debt securities	247	137	247	137	632	462	632	462
050	of which: covered bonds	0	0	0	0	0	0	0	0
060	of which: securitizations	0	0	0	0	0	0	0	0
070	of which: issued by general governments	47	47	47	47	129	101	129	101
080	of which: issued by financial corporations	75	39	75	39	307	166	307	166
090	of which: issued by non-financial corporations	125	51	125	51	195	195	195	195
120	Other assets	0	0			1.412	0		

Template EU AE2: Collateral received and own debt securities issued

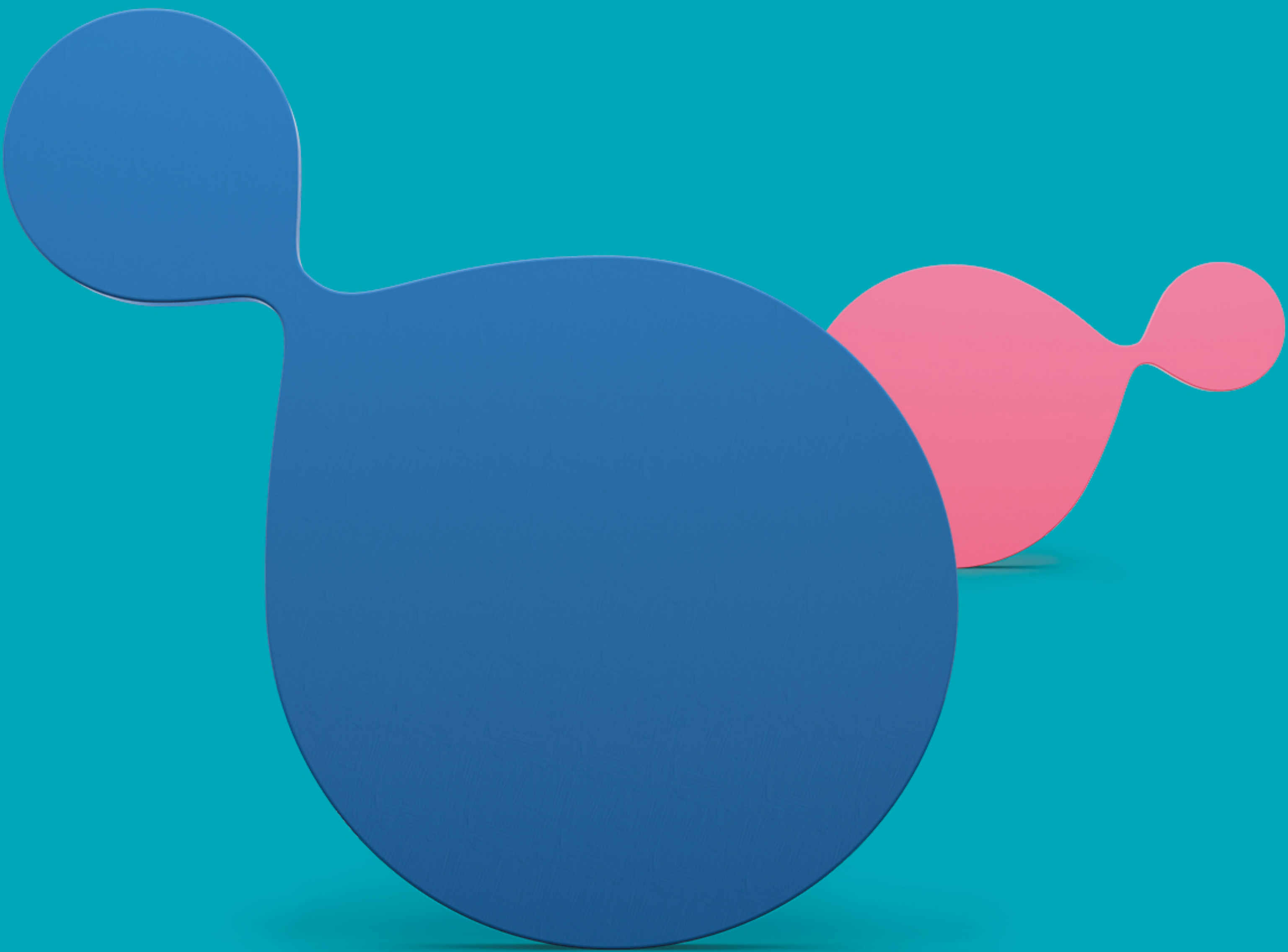
		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	Collateral received by the disclosing institution				
140	Loans on demand				
150	Equity instruments				
160	Debt securities				
170	of which: covered bonds				
180	of which: securitizations				
190	of which: issued by general governments				
200	of which: issued by financial corporations				
210	of which: issued by non-financial corporations				
220	Loans and advances other than loans on demand				
230	Other collateral received				
240	Own debt securities issued other than own covered bonds or securitizations				
241	Own covered bonds and securitizations issued and not yet pledged			1.114	1.033
250	**Total collateral received and own debt securities issued**	**2.984**	**137**		

Template EU AE3: Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitizations encumbered
		010	030
010	Carrying amount of selected financial liabilities	3.196	2.984

14.11 Table EU OVC – ICAAP information

Legal basis	Row number	Free format	
Article 438(a) CRR	(a)	Approach to assessing the adequacy of the internal capital.	As part of the Internal Capital Adequacy Process (ICAAP) Knab's (legal entity name is Aegon Bank N.V.; also referred to as the Bank) first and second Line of Defense (LoD) mainly assess three things, namely the Bank's: (1) current capital position based on the required capital per risk type; (2) its forward looking capital position under the Bank's Capital Plan; and (3) its capital position under stressed situations. Furthermore, management assesses its risk governance, measurement and monitoring per relevant risk type.
Article 438(c) CRR	(b)	Upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process.	In DNB's SREP decision letter 2022 [3] dated on September 8, 2023, DNB amended its SREP decision to 0.50%. DNB expects Knab to maintain a (consolidated) Total Capital Ratio of at least 19.92%, a Tier 1 Capital Ratio of at least 15.80% and a Common Equity Tier 1 Capital Ratio of at least 12.72%.



knab