



**NORINCHUKIN BANK  
EUROPE N.V.**

**Pillar III  
Report  
2025**

Dedicated  
to **sustaining**  
all life.

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# 1. Introduction

This Pillar III report sets out the regulatory disclosures of Norinchukin Bank Europe N.V. (“NBE” or “the Bank”) as at 31 December 2025. It has been prepared in accordance with Regulation (EU) No 575/2013 (the Capital Requirements Regulation, or “CRR”), as amended by Regulation (EU) 2019/876 (“CRR2”) and Regulation (EU) 2024/1623 (“CRR3”), together with the relevant Regulatory and Implementing Technical Standards and Guidelines issued by the European Banking Authority (“EBA”). This report should be read in conjunction with the NBE Annual Report 2025. Together, these documents fulfil the Bank’s prudential disclosure requirements for the financial year ended 31 December 2025.

Our risk management foundation and approach are described in the Annual Report 2025. However, in this Pillar III report we have included these sections which give a concise insight into our risk appetite and serves as background information to better understand the presented disclosures.

All amounts are prepared in thousands of euros (unless stated otherwise), which is NBE’s functional and presentational currency.

When preparing the information presented in this report we have applied NBE’s control framework to guarantee the quality. The figures presented in this report have been reconciled with submitted supervision reports to DNB such as COREP, LCR, NSFR and leverage ratio.

NBE started its banking operations in September 2020 with a limited number of products (like repurchase transactions, investments in EU Government bonds and deposits at the central bank) and a limited number of clients/counterparties. From 2021 until 2025 NBE expanded its business with project finance and corporate lending to customers in the exposure class Corporates. The risk profile of NBE was limited as NBE was primarily focused on building up its banking activities.

As at 31 December 2025, NBE is classified as a non-listed small and non-complex institution (“SNCI”). As a result, the scope of this Pillar 3 report is narrower than in previous years, reflecting the full application of the disclosure exemptions available to non-listed SNCIs under Article 433b. Pursuant to Article 433b(2), non-listed SNCIs are required to disclose, only the key metrics referred to in Article 447 (EU KM1) and the ESG-related information referred to in Article 449a. With respect to ESG disclosures under Article 449a, the first application date for non-listed SNCIs is expected to be 31 December 2026. The EBA has further recommended that competent authorities do not prioritise enforcement pending full implementation of the underlying technical standards. Accordingly, ESG disclosures are not included in this Pillar 3 2025 report. On this basis, EU KM1 (Key Metrics) is the only quantitative template included in this report.

For accounting purposes, a financial instrument is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial instrument have occurred since origination or purchase and it is no longer probable that NBE will be able to collect all principal and interest amounts due in accordance with the contractual terms of the financial instrument.

In 2025, geopolitical uncertainties such as changing US tariffs policy, political instability in Europe, and the rise of populist parties were observed globally. These events had no tangible impact on NBE, as it has no equity exposure to the US and all financed projects are in Europe. NBE continues to monitor potential long-term implications of these uncertainties.

The Capital Requirements Regulation III (CRR3), effective 1 January 2025, has materially impacted the Bank’s prudential framework during the reporting year. Key changes include the replacement of previous operational risk methodologies with the single Business Indicator Component (BIC) approach, revised credit risk classifications and Credit Conversion Factors under

the Standardised Approach, and the reclassification of project finance exposures under the specialised lending provisions of Article 122a. The Bank has successfully implemented all required changes to ensure full compliance with CRR3.

In preparation for the full implementation of CRD VI expected in 2027, NBE has initiated a group wide assessment to analyse the potential impact on our lending portfolio and to begin the necessary preparatory measures.

NBE applies the Standardised Approach when determining the capital requirements, therefore the IRB (Internal Rating Based) related information is not applicable for NBE. Rating agencies that are used by NBE under the Standardised Approach include Standard & Poor's, Moody's and Fitch.

There is no difference in the basis of disclosure for prudential purposes and for accounting purposes. NBE has not consolidated any entity as it has no subsidiaries or other entities that fit the consolidation criteria.

### Management Statement

This section provides a high-level overview of NBE's risk management framework and key risk developments in 2025. NBE describes Risk Management as "taking necessary measures to accept, mitigate, or reduce risks, i.e., uncertain factors that may have a potentially negative impact on the managerial strategies and business policies that achieve NBE's strategic goals." This objective is stipulated in NBE's Risk Management Policy.

The Risk Appetite Statement (hereafter "RAS") defines the types of risk that are material to NBE and the amount of risk that NBE is willing to take and considers acceptable in pursuit of its strategic objectives. The RAS identifies the risks related to the business strategy and defines the risk levels NBE is willing to expose itself into multiple categories: Capital, Credit & Market Risk (This category also includes interest rate risk in banking book), Liquidity & Funding Risk as well as Non-Financial Risk such as IT and Operational risks. The overarching risk profile is compared with the RAS and the strategy of NBE in the annual top-down risk assessment, capital & liquidity assessment and stress testing. Outcomes of the top-down risk assessment are mainly linked to the stage where NBE is in.

For the period ended 31 December 2025, the risk profile of NBE has limited changes compared to the previous year. The outcome of the internal analysis shows that NBE has more than sufficient capital and liquidity to accommodate future growth. The SREP decision by the Dutch Central Bank (hereafter "DNB") is set every two years, which will be received in 2026, and the latest dates from 2024.

During 2025 the focus continued on further growth of the high credit quality loan portfolio while remaining well within the pre-defined risk appetite. As NBE is serving a relatively limited number of customers and counterparties, credit concentration risk is actively monitored, and additional capital is assigned to cover the risk.

The Norinchukin Bank has provided NBE with sufficient capital to accommodate future growth. For NBE's Euro funding business with repo and reverse repo, all transactions are collateralized with high quality European government and Supranational, sub-sovereign and agencies bonds.

One of the material risks for NBE is the interest rate risk in the banking book, which arises from investments in long-maturity fixed income European government and Supranational, sub-sovereign and agencies bonds.

NBE assesses the sensitivity of its assets and liabilities due to global rate hikes or rate cuts and monetary policy changes. In particular the government bond investment portfolio experienced fair value losses due to higher market rates. However, government bond investments aim to generate stable interest income until their maturity and thus are part of the hold-to-collect business model and they are measured at amortized cost. Furthermore, NBE maintains sufficient capital and liquidity buffers to absorb potential stress scenarios.

A larger part of NBE's lending portfolio is floating and therefore less directly exposed to fixed-rate valuation risk. Although it is essential to pay attention to the direction of ECB's monetary policy and persistent inflation pressures that could worsen the economic outlook and trigger credit deterioration, NBE's business as a whole is reasonably resilient to interest rate fluctuations.

No material foreign currency risk was actively taken as the growth of loan and repo book are funded with the loans from the same currency from The Norinchukin Bank. Liquidity & Funding Risk in NBE is managed within the RAS by monitoring liquidity positions and maintaining high quality liquid collateral and cash.

In addition, from 2024 onwards, Climate & Environmental risk has been categorized as a separate risk category whilst it is acknowledged that the risk manifests itself in several risk categories. Among all risk types, only credit risk is deemed as material in long term (>10 years) mainly driven by transition risk, through the transmission channel "Rapid advancement and decreasing costs of renewable energy technologies". A large part of NBE's portfolio is focusing on renewable energy, which makes it important to monitor technological development.

Non-Financial Risk includes key exposures such as System and IT risks, Information security and data-leakage risks, Administrative and operational process risks, Human-related risks, Physical asset and facility risks, Outsourcing and third-party risks, Business-continuity and resilience risks, Reputational risks, Regulatory-change risks, and risks stemming from the cooperative structure.

As for Non-Financial Risk, the risk profile of NBE, while still limited as there were no significant incidents, is increasing as the organization grows in terms of balance sheet, level of operational activity, system dependencies, range of products and number of staff. The growing risk profile of the bank is recognized by the Management Board and several IT projects were started in 2024 and continued in 2025 to improve operations and prepare for future growth. These projects include the upgrade of existing systems, introduction of a new front-end system, and ongoing automation efforts including a data warehouse.

The Risk Appetite Statement and the related policies and procedures ensure that NBE manages risks that arise from business processes in a controlled manner. NBE has taken the necessary steps so that its employees are aware of the risks associated with NBE's chosen business strategy and that they exhibit prudent attitudes toward risks that could affect the mission and strategy of the organization. For NBE, maintaining its reputation in

Europe among various stakeholders, including society, clients, regulators, and other industry players, is of the utmost importance.

Regulatory compliance and integrity risk, for example fraud, are managed within the Legal & Compliance framework.

Fraud is a changing and complex phenomenon with an increasing impact on society, the Bank and its clients. It can arise from internal or external events and result in financial loss, reputational damage and regulatory fines. Fraud requires continuous vigilance, especially as society and the Bank are further digitalizing and fraudsters are constantly adapting their modus operandi. Collaboration between the First and Second Line within the Bank enables NBE to manage and mitigate fraud risk.

The Bank's fraud risk identification is integrated with its overall risk management process, using the Systematic Integrity Risk Analysis (hereafter "SIRA") methodology. In addition to formal annual reviews, Legal & Compliance and Management Board continually monitor emerging fraud risks. The latest fraud risk assessment via the SIRA concluded that existing controls are effective, and no fraud has been identified. Management confirms that it has no knowledge of any actual, suspected, or alleged fraud affecting the Bank during the past four quarters. No fraudulent transactions, theft, or misconduct have been detected in any area of the business. Management also confirms that no allegations or suspicions of fraud affecting the financial statements have been communicated by any party.

## Overview of Key Metrics

NBE's risk profile and risk positions are sound with key metrics well above the minimum required levels. However, as NBE continues its transition from start-up to scale-up the values of the key metrics will decline but will remain well above minimum required levels. In the respective section we will provide a high-level analysis of the movements of the key metrics in 2025 (compared to December 2024).

### EU KM1 - Key metrics template

Amounts in thousands of euros unless otherwise stated.

		a	b	c	d	e
		2025-12-31	2025-09-30	2025-06-30	2025-03-31	2024-12-31
<b>Available own funds (amounts)</b>						
1	Common Equity Tier 1 (CET1) capital	1,998,081	1,999,360	1,999,350	1,999,371	1,999,397
2	Tier 1 capital	1,998,081	1,999,360	1,999,350	1,999,371	1,999,397
3	Total capital	1,998,081	1,999,360	1,999,350	1,999,371	1,999,397
<b>Risk-weighted exposure amounts</b>						
4	Total risk exposure amount	2,661,097	2,344,484	2,309,323	2,220,375	2,085,149
4a	Total risk exposure pre-floor	2,661,097	2,344,484	2,309,323	2,220,375	
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>						
5	Common Equity Tier 1 ratio (%)	75.1%	85.3%	86.6%	90.0%	95.9%
<b>5a</b>	<b>Not Applicable</b>					
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)	75.1%	85.3%	86.6%	90.0%	
6	Tier 1 ratio (%)	75.1%	85.3%	86.6%	90.0%	95.9%
<b>6a</b>	<b>Not Applicable</b>					
6b	Tier 1 ratio considering unfloored TREA (%)	75.1%	85.3%	86.6%	90.0%	
7	Total capital ratio (%)	75.1%	85.3%	86.6%	90.0%	95.9%
<b>7a</b>	<b>Not Applicable</b>					
7b	Total capital ratio considering unfloored TREA (%)	75.1%	85.3%	86.6%	90.0%	
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>						
EU 7d	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	18.8%	18.8%	18.8%	18.8%	18.8%
EU 7e	of which: to be made up of CET1 capital (percentage points)	10.6%	10.6%	10.6%	10.6%	10.6%
EU 7f	of which: to be made up of Tier 1 capital (percentage points)	14.1%	14.1%	14.1%	14.1%	14.1%
EU 7g	Total SREP own funds requirements (%)	26.8%	26.8%	26.8%	26.8%	26.8%
<b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>						
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0%	0.0%	0.0%	0.0%	0.0%
9	Institution specific countercyclical capital buffer (%)	1.0%	0.8%	1.0%	1.0%	1.0%
EU 9a	Systemic risk buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%

		a	b	c	d	e
		2025-12-31	2025-09-30	2025-06-30	2025-03-31	2024-12-31
10	Global Systemically Important Institution buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 10a	Other Systemically Important Institution buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
11	Combined buffer requirement (%)	3.5%	3.3%	3.5%	3.5%	3.5%
EU 11a	Overall capital requirements (%)	30.3%	30.1%	30.3%	30.3%	30.3%
12	CET1 available after meeting the total SREP own funds requirements (%)	48.3%	58.5%	59.8%	63.2%	69.1%
<b>Leverage ratio</b>						
13	Total exposure measure	5,452,492	5,944,055	6,026,177	5,886,329	5,120,716
14	Leverage ratio (%)	36.6%	33.6%	33.2%	34.0%	39.1%
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 14c	Total SREP leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.0%
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>						
EU 14d	Leverage ratio buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 14e	Overall leverage ratio requirement (%)	3.0%	3.0%	3.0%	3.0%	3.0%
<b>Liquidity Coverage Ratio</b>						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	4,155,946	4,415,982	4,507,383	4,489,108	4,406,184
EU 16a	Cash outflows - Total weighted value	1,514,090	1,627,281	1,744,141	1,778,286	1,771,954
EU 16b	Cash inflows - Total weighted value	120,753	112,558	108,026	104,152	106,680
16	Total net cash outflows (adjusted value)	1,393,338	1,514,723	1,636,114	1,674,133	1,665,275
17	Liquidity coverage ratio (%)	298.3%	291.5%	275.5%	268.1%	264.6%
<b>Net Stable Funding Ratio</b>						
18	Total available stable funding	3,101,067	3,054,443	2,974,467	2,674,719	2,631,617
19	Total required stable funding	2,196,542	1,965,540	1,886,457	1,803,439	1,609,752
20	NSFR ratio (%)	141.2%	155.4%	157.7%	148.3%	163.5%

\* Total SREP own funds requirements (%) is calculated as higher of (a) the minimum percentage required as per SREP or, (b) Minimum Capital amount in euros as per SREP expressed as a percentage of Total Risk Exposure Amount (TREA).

\*\* NSFR: Net Stable Funding Ratio. The NSFR information has been updated to reflect the supervisory interpretation applicable to uncommitted off-balance-sheet facilities.

### Risk Exposure Amounts

NBE's Credit Risk Exposure increased predominantly due to the project finance and corporate lending business which started in 2021 and accelerated consistently until 2025. Operational Risk is calculated with a Standardised Approach based on the Business Indicator Component. Counterparty Credit risk is limited and relates entirely to the Securities Financing transactions (hereafter "SFT") business (repurchase and reverse repurchase transactions) via a Qualified Central Counterparty (hereafter "QCCP").

### Consolidation Scope

There are no differences between the accounting scope and the scope of prudential consolidation. Therefore, there are no differences between carrying value amounts presented in our Annual Report and the carrying values reported in regulatory scope. The Accounting scope is presented in our Annual Report in the section Basis for preparation.

### NBE Risk Management Introduction

NBE faces a wide range of uncertainties which need to be understood and managed so that NBE can achieve its objectives.

All activities of NBE involve risk: each decision made, or action taken incorporates some element of risk and has an impact on NBE's performance (whether safety, financial, operational or reputational). The successful management of risk, across all divisions and levels, specific functions, projects and activities increase the likelihood that NBE will achieve its strategic objectives.

Risk is defined as "possible occurrence of any event which may produce a negative result to the management of operations (causing some kind of losses)", including impact on the climate and environment. This definition is aligned with The Norinchukin Bank's definition as defined in the basic policies of Risk Management. Uncertainty involving upside (positive) influence must also be included in risk, as per NBE's Risk Management Policy.

**The purpose of risk management is described as taking necessary measures to adjust risks to a permissible level. For risk management to be effective, NBE is committed to apply the following principles:**

- Every employee at NBE is responsible for the effective management of risk.
- Risk management creates and protects value and is an essential element of the overall governance of NBE.
- NBE applies risk management consistently and on a systematic basis in all divisions and functions.
- NBE adequately allocates resources to risk management activities.
- NBE ensures that all employees have necessary training, skills and assistance to undertake effective risk management.
- NBE uses the best available information to regularly monitor and report on the status of risk it faces.
- NBE is dynamic, iterative and responsive in its approach to change.
- NBE implements a clear IT infrastructure based on a sound and prudent data quality framework to ensure the accuracy and reliability of risk data.

### Risk Culture

The Risk culture of NBE is defined through a conservative approach to risk taking (with high level of capital), deeply embedded corporate values (Openness, Sensitivity, Engagement and Cooperation (OSEC)) expressing the corporate standards/behavior and the tone-at-the-top.

The Bank, as a part of the Norinchukin Group, shares a common attitude which aims to take (new) business decisions without unnecessary hesitation, to consider risks from various perspectives and stakeholders, adjust those and take those at an acceptable level, as well as to ensure that profits are aligned with the level of risk taken. That will contribute to the purpose of ensuring the sustainable development of the agricultural, forestry, and fishery industries, including the Group and cooperatives in Japan. Bearing such an attitude in mind, the Management Board strives to identify, nurture and promote a sound and healthy risk culture ideal to the Bank.

Each employee (and external hired staff) of NBE is required to take the Dutch Bankers Oath.



### **Risk Management Framework and Governance**

The risk management framework is established to meet the objective of risk management. The risk management framework is defined as “a set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization”.

The risk management framework provides a robust and consistent approach to risk management across NBE’s organization to manage its risk profile in line with its risk appetite. It stipulates individual and collective accountabilities for risk management and risk oversight and establishes a common risk language to assign the risks to which NBE is exposed to.

The risk management framework of NBE is implemented through a “Three Lines” model in line with industry standards. The model defines clear responsibilities and accountabilities and ensures that effective independent assurance activities take place covering key decisions. For each line, NBE applies a systematic approach to assessing risk.

#### **First Line**

The business as the First Line, has the primary responsibility for risk decisions, assessing and controlling risks within their areas of accountability. They are required to establish effective governance and control frameworks for their business to comply with requirements of this policy, to maintain appropriate risk management skills, mechanisms, and toolkits and to act within the Bank’s risk appetite parameters. The First Line activities are performed by NBE’s business management and employees.

#### **Second Line**

The Risk Management function provides oversight and independent challenge to the effectiveness of risk decisions taken by the business. Additionally, it provides advice and guidance by reviewing, challenging, and periodic reporting on the risk profile of NBE. Regarding risk appetite, the Risk Management monitors the risk positions of NBE against its risk appetite and reports on a periodic basis to the Risk Management Committee.

Other Second Line functions are:

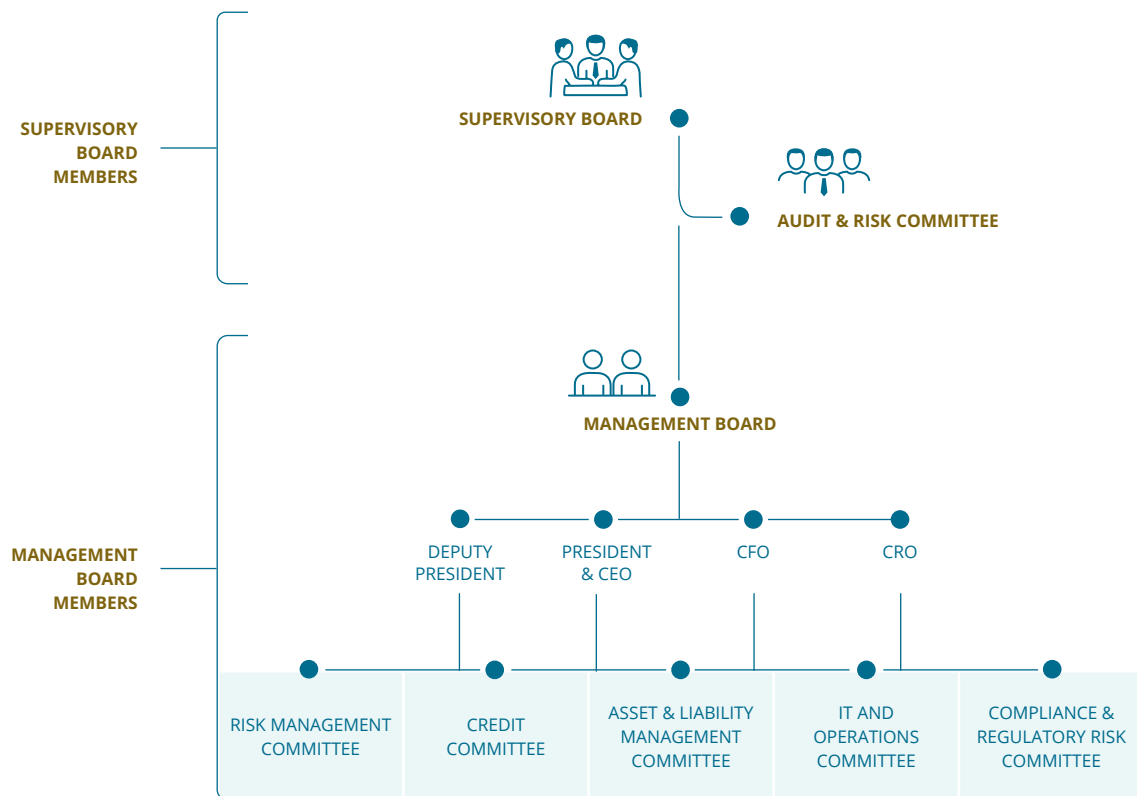
- **Credit Risk Management:** The Credit Risk Management Division is responsible for credit file reviews and monitoring of credit risks.
- **Legal and Compliance:** The Legal and Compliance Function is responsible for defining the Bank’s policy in line with global and local laws and regulations and oversight and challenge to assure that policies are adhered to. This also includes activities in relation to Data Protection.
- **IT Security:** Second Line IT Security is conducted within the IT and Operations Division.

The Second Line functions (with exception of IT Security) report to the CRO. The IT Security function reports to the CFO with a functional reporting line to the CRO.

#### **Third Line**

The Internal Audit function, the Third Line, provides independent and objective assurance of the organization’s corporate governance, internal controls, compliance and risk management systems. This assurance task covers all elements of the organization’s internal control and risk management system: i.e. risk identification, risk assessment and response to communication of risk related information and thus includes the effectiveness and efficiency of the internal controls in the processes created and performed in the First and Second Line.

The Second Line and the Third Line have direct access to the ARC of NBE.



### Supervisory Board

The Supervisory Board is charged with the supervision of the policies pursued by the Management Board and the general course of affairs in the Bank. The Supervisory Board also provides advice to the Management Board.

The Supervisory Board supervises and advises the Management Board, amongst other topics, on:

- The Bank's financial policies and risk policies, including the risks inherent in its business activities, sustainability and profitability of NBE;
- The structure and operation of the internal risk management and control systems.

The Supervisory Board reviews, evaluates and approves the design and calibration of the RAS at least annually, or more frequently in the event of significant changes in the internal or external environment. The Supervisory Board holds the CEO and other senior management accountable for the RAS. The Supervisory Board ensures that the risk appetite remains consistent with NBE's long-term strategy and that the annual business plans are in line with the approved risk appetite.

### Audit and Risk Committee

The ARC assists the Supervisory Board in fulfilling its responsibilities. It is the purpose of the ARC to support the Supervisory Board in its oversight of the policies of the Management Board, particularly with respect to the risk management framework and control systems, including audit and compliance matters. To that effect, it shall prepare the discussion and decision-making within the Supervisory Board with respect to these items.

The ARC also assists the Management Board by providing advice related to ensuring the integrity of NBE's Financial Statements, NBE's compliance with legal and regulatory requirements, the external auditor's qualifications and independence and the performance of NBE's Internal Audit function and external auditor.

### Management Board

The Bank's Management Board is responsible for the realization of organizational objectives. Risk management is a key element to ensure this achievement and is performed under the responsibility of the Management Board. The Management Board is collectively responsible for NBE's management, the general affairs and the business connected with it.

Moreover, its responsibilities include:

- Adopting, implementing, monitoring and, where necessary, adjusting the Bank's overall risk policies and setting the Bank's risk appetite;
- Ensuring that effective internal risk management and control systems are in place and ensure reporting on this issue.

The Management Board is accountable for ensuring the Bank operates within its approved risk appetite. The Management Board manages the risk appetite, and the associated risk management framework & tools and ensures that those tools are embedded into the key business processes. Moreover, the Management Board monitors the evolution of NBE's risk profile to ensure that it remains in line with the RAS that is approved by the Supervisory Board.

### **Risk Committees**

For the Management Board to fulfil its responsibilities, five risk management committees were established to ensure the adequate risk management, namely the Risk Management Committee, the Credit Committee, the Asset and Liability Management Committee, the IT and Operations Committee, and the Compliance and Regulatory Risk Committee. The outline below depicts the committee structure.

### **Risk Management Committee**

This committee has, as its sole and exclusive function, responsibility for setting the risk management policies of NBE's operations and oversight of the operation of NBE's risk management framework. The committee assists the Management Board in fulfilling its oversight responsibilities with regard to the risk appetite of NBE, the risk management and framework and the governance structure that supports it. Since 2023 the oversight responsibility includes climate and environmental risk. The Risk Management Committee is chaired by the CRO and composed of the Management Board members and heads of relevant divisions.

### **Credit Committee**

This committee has responsibility for the credit risk management policies of the Bank's operations and oversight of the operation of the Bank's credit risk management framework. The Credit Committee also assesses the individual credit risk taking activities and review credit portfolio. The Credit Committee is chaired by the CRO and composed of the Management Board members and heads of relevant divisions.

### **Asset and Liability Management Committee**

This committee is mandated to review and discuss the interest rate risk in NBE's Banking Book, currency, liquidity and funding risk profile of NBE within the parameters set by the Management Board. The committee assists the Management Board by preparing advice on decisions that have an impact on the liquidity and funding risk profile of NBE. The committee advises the Management Board on appropriate measures. The Asset and Liability Management Committee is chaired by the Deputy President and composed of the Management Board members and heads of relevant divisions.

### **IT and Operations Committee**

This committee is mandated to review and discuss operation and IT matters. Responsibilities amongst others are to advise the Management Board on the management of the outsourcing risk, the review of the Business Continuity Plan ("BCP") and the monitoring of operational risk incidents. The IT and Operations Committee is chaired by the CFO and composed of the Management Board members and heads of relevant divisions.

### **Compliance and Regulatory Risk Committee**

This committee assists the Management Board in its oversight of developments in the field of integrity and regulatory compliance, as well as legal matters. Furthermore, the committee assists the Management Board on its integrity risk management capabilities, amongst others through the periodical review of the Systematic Integrity Risk Analysis ("SIRA") and it monitors the progress of the Compliance annual plan. The Compliance and Regulatory Risk Committee is chaired by the head of Legal and Compliance Division and composed of the Management Board members and upon request heads of relevant divisions.

### **Risk Appetite**

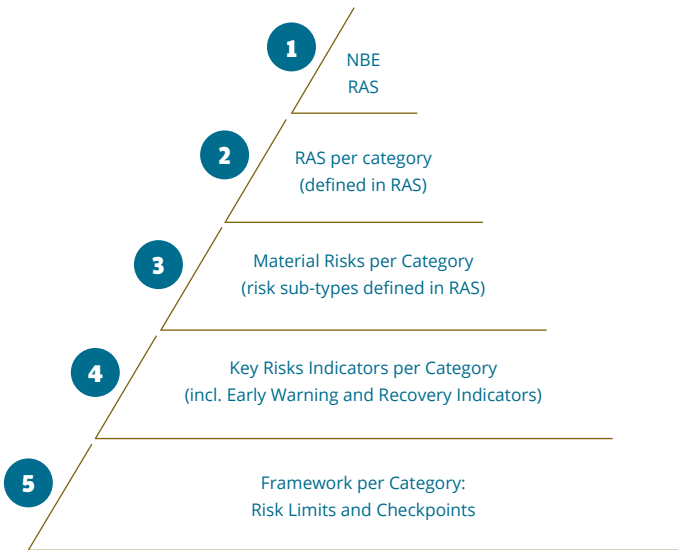
NBE aims to maintain a robust financial base to ensure stable Euro funding for the parent by constraining its risk-taking activities.

The RAS is essential to define the types and amount of risk that NBE is willing to take and considers acceptable in pursuit of its strategic objectives. The RAS describes the consistent approach to risk management. It identifies the risks related to the business strategy and defines the level of risk NBE is willing to expose itself to. The RAS defines in a qualitative and quantitative manner the level of risk that NBE is willing to take. Therefore,

the statement includes limit-setting and determines thresholds on quantitative indicators. The risks are managed in accordance with the limits and thresholds set. NBE periodically reviews and updates its RAS.

The figure below presents the conceptual framework of the RAS. First, broadly consistent with the parent, the overarching risk appetite for NBE is defined (Dimension 1), followed by RAS for each risk category defined in NBE's Risk Universe (Dimension 2). Statements for each category specify the level of risk that NBE is willing to take.

NBE defines a set of material risk types with corresponding Key Risk Indicators for each risk category (Dimension 3). Key Risk Indicators are measures indicating the development of a certain material risk (Dimension 4). To ensure that the RAS is adhered to, the framework which supports RAS is established (Dimension 5).



As stated above, the RAS is based upon all risk categories in the risk universe. The risk universe is defined as the collection of material risks which could affect NBE achieving its business objectives. In view of its business activities, NBE has identified the following risks as relevant risks in its foreseeable banking operations.

The risk of not achieving overarching goals and/or profitability targets is considered to remain within appetite as the progress for setting up and enlarging the banking operations according to the business plan is satisfactory.

Norinchukin Bank Europe aims to maintain a robust financial base to ensure stable Euro currency funding and servicing a European customer base by limiting its risk-taking activities.

Pillars	1. Capital, Credit and Market risks (banking book)	2. Liquidity & Funding risks	3. Non-financial risks
RAS	Maintain robust financial base by controlling its risk-taking	Ensure stable supply of Euro Currency by rigorous risk management framework	Minimize negative impact of non-financial risks particularly settlement operation
Material Risks	<b>Material risks:</b> 1. Risk of excessive leverage 2. Strategic risk 3. Credit risk 4. Credit concentration risk 5. Interest rate risk in the banking book 6. Climate and Environmental risks	<b>Material risks:</b> 1. Liquidity Risk (incl. Market Liquidity Risk) 2. Funding Risk (Cash Flow Risk) 3. Intra Day Liquidity Risk	<b>Material risks:</b> 1. Process Risk 2. Data Quality 3. HR Risk 4. Business Continuity Risk 5. Outsourcing Risk 6. Integrity Risk 7. Cyber Security Risk 8. Legal Risk
Main Key Risk Indicators	<b>Main Key Risk Indicators:</b> 1. Leverage Ratio 2. CET 1 ratio 3. IRRBB EVE and NII 4. Investment Asset quality & Credit Portfolio Rating 5. Single name Concentration & Connected Client 6. Non-performing loan ratio 7. Stage 2 vs total commitments ratio	<b>Main Key Risk Indicators:</b> 1. Liquidity Coverage Ratio (LCR) 2. Net Stable Funding Ratio (NSFR) 3. Survival Period 4. Asset Encumbrance Ratio (AE) 5. Intraday liquidity resources	<b>Main Key Risk Indicators:</b> 1. Operational & Incident Management 2. Audit & Compliance 3. Client & Screening Controls 4. Risk & Vulnerability 5. People & Conduct
ESG Risk Embedded ESG Risks in other risk types			
Control Framework / Tool / Process			

# 1

## Category 1 – Capital, Credit & Market Risk

In accordance with the risk profile of NBE, the risks identified as material in the Capital, Credit and Market Risks Category are listed below:

- **Risk of Excessive Leverage or Insufficient Capitalization:** risk resulting from low capital levels or high leverage. Not having enough capital to comfortably meet regulatory and internal requirements may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets.
- **Strategic risk:** risk that overarching goals (including sustainable profitability goals), aligned with and supporting the organization’s mission are not achieved and sound businesses at the Bank are not maintained. Financially, this may entail that volumes decline, or margins may shrink, with no opportunity to offset the revenue declines with a reduction in costs.
- **Credit risk:** risk of losses caused by a decrease in or loss of value of assets (including off-balance-sheet assets) due to the deterioration in financial position of borrowers.

- **Credit Concentration Risk:** risk stemming from a large single exposure or group of exposures that are adversely impacted by similar variations in conditions, events, or circumstances.
- **Interest Rate Risk in the Banking Book:** risk arising from maturity differences between bank assets and liabilities in the banking book by differing interest rates used for pricing and differing repricing points.
- **Climate and Environmental risks:** risks stemming from climate and environmental change and which translate into more original risk categories like an increase in credit risk or increased market risk. Given the importance for stakeholders also strategic risk and reputational risk are impacted.

For the period ended 31 December 2025, the risk profile of NBE remained broadly unchanged from the previous year. During 2025, NBE focused on further expanding its loan portfolio while maintaining exposures well within its pre-defined risk appetite.

## 2

### Category 2 – Liquidity & Funding Risk

Liquidity & Funding Risks consist of the following material risks:

- **Cash Flow Risk:** the risk of having difficulties securing necessary funds due to a mismatch between investment and funding durations or unexpected cash outflows, or the risk of incurring losses by being forced to raise funds at significantly higher funding costs than normal. Cash flow risk includes the short-term liquidity risk within the day (intraday liquidity risk).
- **Market Liquidity Risk:** the risk of experiencing losses by not being able to trade in the financial markets due to market turmoil or by being forced to trade under significantly less favorable conditions than normal occasions.
- **Intraday Liquidity Risk:** the risk arising from short-term liquidity risk within a day from payment/settlement activities.

For the period ended 31 December 2025, similar to category 1 risks, the risk profile of NBE for liquidity and funding risks was limited.

NBE provided The Norinchukin Bank a committed facility of €3 billion (2024: €3 billion) and borrowed securities from The Norinchukin Bank that serves as collateral for the committed facility. The fair value of collateral amounts to €3.7 billion (2024: €4.3 billion). These debt securities deposited at DNB are eligible as collateral to obtain short-term cash from DNB. In 2025, the Norinchukin Bank has not drawn any amount from the credit facility, therefore NBE did not require any drawdown from DNB. Besides, in 2025, NBE also provided loan commitments on project finance business for which drawdowns are expected in the coming years.

These commitments are included in NBE's liquidity risk management, including survival period calculations. Due to the large available liquidity buffers that are in place because NBE is still building up the balance sheet, the liquidity and funding risks remained low, as shown by the LCR of 300% and NSFR of 141%.

Furthermore, the liquidity risk of NBE has been assessed under stress scenarios as a part of the Internal Liquidity Adequacy Assessment Process thoroughly taking into account the business environment, business model and risk profiles of the bank. The conclusion is that even

in the most extreme, but plausible, stress scenarios consisting of both idiosyncratic and market stress, NBE's liquidity indicators fulfill the internal risk appetite thresholds, and hence the regulatory requirements as well. This conclusion applies to all stress time horizons (0-1M, 1-3M, 3-6M, 6-8M, and 8-12M). As the result, the liquidity position of the bank is deemed sufficient to cover potential cash outflows, with an excess cash/liquidity of €303 million in a stress horizon of 8 months, as the existing risk appetite horizon for a positive/excess liquidity position.

Due to the low and hedged nature of foreign currency exposures, the foreign currency liquidity risk was also very limited and is not recognized as a material risk in the risk universe.

### 3

#### Category 3 – Non-Financial Risk

The non-financial risk category is broadly defined as those risks not categorized in Category 1 or Category 2 and consists of risks whose occurrence itself are subject to control and risks whose post-occurrence measures are subject to control.

Types of risks whose occurrence itself are subject to control:

- **Integrity Risk:** Risk of harming the Bank's reputation, or an existing or future threat to its assets or financial results ensuing from insufficient compliance with what is prescribed under or pursuant to any legal provisions.
- **Legal Risk:** The risk of loss or adverse impact arising from legal uncertainty, incorrect interpretation or application of laws and regulations, unenforceable or inadequately drafted contracts, litigation, disputes, or adverse judicial or administrative decisions.
- **System Risk:** Risk of financial loss or reputational harm from IT system failures, unauthorized use, or cyber threats. Discontinuity or poor design of systems can disrupt business operations. Severe events like cybercrime pose significant threats.
- **Information leakage risk:** Risk of data breaches leading to financial or regulatory consequences. Causes include IT failures, loss of physical documents, or intentional/unintentional data leaks. Breaches may trigger privacy law reporting obligations.
- **Administrative risk:** Risk of loss or sanctions from ineffective governance, unclear roles, or failed processes. Includes fraud by employees or external parties, misconduct, and failed transaction processing. Missing controls in product and service processes increase vulnerability.
- **Workplace safety risk:** Risk to employee safety and security during work or travel, leading to financial or reputational impact. Includes unsafe conditions, misconduct, and inadequate labour practices. Criminal or environmental threats can exacerbate exposure.
- **Operational Continuity Risk:** Risk of disruption due to loss of expertise, reliance on key staff, or high turnover. Lack of training and skill development further weakens resilience. Knowledge gaps can impair critical operations.

- **Physical asset risk:** Risk of financial or reputational damage from impaired physical assets, criminal acts, or poor asset management. Environmental threats and defects in asset governance increase exposure.
- **Outsourcing:** Risk of loss or sanctions from ineffective oversight of third-party service providers. Issues include inadequate contracts, failed processing, and loss of organizational knowledge. Missing controls during outsourcing or exit processes heighten risk.

Types of risks whose post-occurrence measures are subject to control:

- **Business continuity risk:** Risk of financial loss, regulatory sanctions or reputational damage caused by severe events such as natural disasters directly or indirectly affecting the Bank and/or its outsourcing partners lack of appropriate back-up measures (at the Bank and/or its outsourcing partners)
- **Reputational risk:** Risk of financial loss caused by (regulatory) sanctions, fines, lawsuits, media reports, (false) rumours, or malicious statements related to its activities. Please note that reputational risk is treated as a cross-cutting impact that may arise from materialization of other non-financial risks, including integrity, compliance, legal and operational risks. While reputational damage cannot always be prevented, the Bank seeks to minimize reputational impact through sound governance, preventive controls, and effective incident response and communication measures.
- **Regulatory changes risk:** Risk of impairment of the Bank's integrity, leading to damage the Bank's reputation, legal or regulatory sanctions, or financial loss caused by changes in existing regulation applicable to the Bank changes in applicable regulations as a result of change in the Bank's business activities (i.e. new products or markets) introduction of new regulation to the Bank. This risk specifically refers to risks arising from changes in laws. Regulations and supervisory expectations are addressed within other non-financial risks as regulatory developments are treated as drivers of risk rather than as a separate category.
- **Risks associated with the cooperative system:** Risk of financial loss, regulatory sanctions or reputational damage caused by missing and/or ineffective (key) process controls which ensure the effective operations of the cooperative system.

For the period ended 31 December 2025, similar to category 1 and category 2 risks, the risk profile of NBE was limited. It is emphasized that reputational concerns were taken into consideration when the Risk Universe was constructed. NBE regards reputational damage as a potential secondary effect in the case that any risk materializes. Managing potential reputational effects is therefore considered to be interweaved throughout the risk management framework.

There were no operational incidents with significant losses in 2025, similar to previous years. The number of smaller incidents also remained stable. NBE has an annual Risk Control Self-Assessment (RCSA) process for the assessment of risks and controls.

Regulatory compliance & integrity risk are addressed, amongst others, by minimizing ex-post impact through information gathering of such changes, appropriate management of the compliance framework and timely and appropriate disclosure. During the annual SIRA process all risks and controls are assessed.

On Incident Register, there are 28 records in 2025. None of the cases are classified as Level 2 or higher (scale 1 to 4), and others are classified as either Level 1 (lowest level of incident) or Close call. Every day new threats and risks are arising in the Security Domain. Because of this nature of the topic, ICT and Security processes require constant attention.

In addition, NBE continues strengthening its ICT governance and operational resilience in alignment with the EU Digital Operational Resilience Act (DORA), enhancing cybersecurity controls, incident response preparedness, third-party risk oversight, and testing capabilities to ensure a resilient and secure operational environment across all critical processes.



## 2. Own Funds

NBE currently has only tier 1 capital and holds no additional tier 1 or tier 2 capital. All shares of NBE are held by the parent company, The Norinchukin Bank.

### **Capital adequacy**

Our Internal Capital Adequacy Assessment Process (ICAAP) determines the amount of capital needed to ensure a strong capital base which is key for our success. NBE ensures that capital adequacy requirements are met at all times. When determining our capital adequacy we take the future plans (business case) into account and ensure that sufficient capital is available to support our strategy.

NBE applies the Standardised Approach when determining the capital requirements for credit risk, counterparty credit risk, operational risk and market risk. NBE's CET1 ratio amounts to 75% (2024; 96%). The high CET1 ratio reflects the fact that NBE is in its scale-up phase. Our CET1 ratio will decline further in the future due to the expected growth of our business.

### **Capital risk**

For capital risk, the most important measures are the CET1 ratio, the Total Risk/Internal Capital ratio and leverage ratio. The shareholder has provided NBE with sufficient capital, leaving NBE well capitalised for future expansion. NBE ensures and monitors the adequacy of the capital and the prudential ratios to meet the regulatory requirements.

# 3. Leverage Ratio

The leverage ratio is a measure that allows for the assessment of institutions' exposure to the risk of excessive leverage. The leverage ratio is calculated as the capital measure divided by the exposure measure. The leverage ratio of NBE as per December 31, 2025 is 37% (2024; 39%) is well above the minimum required leverage ratio of 3%.



# 4. Credit Risk

Credit risk is described as the possibility that a counterparty in a loan, loan commitment will fail to fulfil its commitments according to agreed-upon terms and leading to a financial loss to NBE. Credit risk sources include counterparty credit risk, concentration risk at different levels, country risk, transaction structure risk, collateral mismatch, and so on.

Credit risk is managed by NBE within the set of rules in its own policy and procedures, which are in line with external regulatory expectations, and where applicable within context of the global internal policies. Credit granting rules, counterparty credit risk, transaction assessment, ceiling approval conditions, credit risk monitoring, consolidated credit risk management, operational flow and processes are all in place within the context of internal credit risk frameworks.

NBE, as an independent entity, has its own risk appetite, credit risk assessment process and credit granting authority body, while it takes into consideration to be aligned with The Norinchukin Bank's consolidated credit risk principles. NBE comprehensively manages credit risk on an entire credit portfolio basis as well as on an individual credit basis.

NBE accepts the internal credit rating system and model of The Norinchukin Bank, where applicable endorses these ratings internally. It also acknowledges practices (for project finance loans) from The Norinchukin Bank in the assignment and assessment of internal credit ratings. Each credit rating corresponds to the likelihood that a counterparty will fail to fulfil contractual obligations, according to The Norinchukin Bank's internal credit rating scheme (i.e. probability of default – PD). Credit risk factors (probability of default - PD, loss given default - LGD, and exposure at default - EAD) are used for ECL calculation.

## **Credit concentration risk**

Credit Concentration Risk is the risk stemming from a large single exposure or group of exposures that are adversely impacted by similar variations in conditions, events, or circumstances that impact the position of the bank's risk profile. NBE assesses the overall composition and efficiency of credit portfolios (e.g. sectoral, geographic, rating, climate-related and environmental risks) in addition to single name concentration or group of connected counterparties. Within defined risk appetite threshold limits, credit risk concentration is actively monitored.

NBE implemented ceiling rules to reduce the chance of credit over-concentration. To prevent over-concentration on credit exposure, total credit exposure for each ceiling segment is monitored on a regular basis. Counterparty ceilings are set for the obligors (project finance on transaction basis) based on their creditworthiness and risk appetite. Project finance ceiling is determined and classified individually according to the degree of their repayment risks and assessed on transaction basis. Financial institutions and corporate ceilings are established in accordance with the assigned internal ratings, and exposures are managed within those allocated ceilings.

Country risk is managed centrally within The Norinchukin Bank's set of guidelines and limits are defined globally. Country ceiling for sovereign exposures may not be set for countries that have advanced and stable economies, and when higher ratings can be assigned. Ceilings are set for sovereign exposures in accordance with the sovereign's internal ratings.

### **Impairment allowance – Expected credit losses**

NBE aims to maintain a sufficient level of reserves to cover losses incurred. For accounting purposes NBE recognizes a loss allowance for expected credit losses on financial assets measured at either amortized cost or fair value through other comprehensive income (FVOCI) and off-balance facilities based on IFRS 9.

In the Accounting Policy for the impairment of financial assets, the expected credit loss approach is further elaborated (refer to the Annual report 2025).

During the year, certain exposures experienced a significant increase in credit risk and were transferred from Stage 1 to Stage 2. As at 31 December 2025, no financial instruments were classified as Stage 3.

The expected credit loss allowance was booked for debt securities, loans to customers, and off-balance loan commitments as per 31 December 2025 which were all measured at amortized cost. Loans and advances to banks consisted only of low credit risk and short-term instruments. Off-balance facilities consisted of the credit facility to The Norinchukin Bank (€ 3 billion) which was collateralized by the securities borrowed from the parent and loan commitments to customers.

### **Past due assessment**

The key considerations for the loan impairment determination are whether any principal or interest payments are past due, or if there are any identified issues in counterparties' cash flows, credit rating downgrades, or breach of the original contract terms. Past-due loans are closely tracked, and default is deemed to occur, among other things, if the obligor is unlikely to pay its credit obligations, without recourse by NBE to actions such as realizing security and/or obligor is past due more than 90 days on any material credit obligation to NBE. As of 31 December 2025, there were no overdue payments.

### **Forbearance**

NBE has in place a policy for monitoring its forbearance portfolio. Forbearance measures are concessions towards an obligor facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). These measures exclude a regular commercial underwriting criteria granted to an obligor without sufficient repayment capacity. The definition of 'concession' encompasses the following aspects:

**Modification:** Change of the contractual terms and conditions, which would not have been granted if the obligor was not in financial difficulties.

**Refinancing:** A legally new loan is used to totally or partially repay an already existing loan contract, which would not have been granted, if the obligor was not in financial difficulties.

Forbearance is promptly reflected in the bank's internal credit rating. A preliminary staging proposal, based on a comprehensive assessment of changes in the internal credit rating and the debtor's prevailing economic environment, is subsequently reviewed and discussed by the Credit Committee.

In 2025, there is one forborne portfolio, which is performing. Following a significant increase in credit risk, the stage of the portfolio was migrated from Stage 1 to Stage 2.

### **Credit Quality**

Credit quality of NBE's assets is sound. There are no non-performing and past due exposures. All exposures are categorized as stage 1 or stage 2.

### **Credit Risk Mitigation**

#### **Offsetting financial instruments**

NBE offsets financial assets and financial liabilities in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and when there is an intention to either settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Offsetting is applied to repurchase transactions and reverse repurchase transactions when they meet these criteria.

### **Collateral**

NBE has received collateral for a committed facility (off-balance) to the parent company. The collateral received consists of high quality EUR tradable bonds.

For reverse repurchase transaction NBE accepts only high quality European government bonds.

The eligibility and value of the collateral is evaluated regularly.

### **Guarantees**

NBE has received a limited number of guarantees, which relates to corporate lending in the exposure class corporates. NBE has no credit derivatives.

There is no market or credit risk concentrations within the credit risk mitigation taken.

### **Counterparty Credit Risk**

NBE has a limited amount subject to counterparty credit risk and relates entirely to the SFT business (repurchase and reverse repurchase transactions via a QCCP). NBE does not expect that the exposures to the QCCP will increase significantly. Required capital for counterparty credit risk is marginal. Assigning internal capital for credit risk is included in the internal capital adequacy assessment process.

# 5. Liquidity Risk

## Risk Appetite Statement for Liquidity

The liquidity risk appetite of NBE is defined in order to maintain NBE's business model. It is composed of two sets of statements, qualitative and quantitative, and covers a statement which is applied in extreme stress situations. When NBE changes its business strategy, it updates its liquidity risk appetite, if necessary.

With stress testing the robustness and resiliency of NBE's liquidity adequacy is assessed.

## Liquidity Risk Management Strategy

NBE's liquidity risk management covers the following two risk categories which are in line with the parent's risk management as a whole, those risk categories cover European regulatory terms including the Liquidity Risk (adequate liquidity resources for short- to medium- term obligations) and Funding Risk (prudent funding profile for medium to long term). Liquidity and Funding Risk further consists of the following material risks:

- **Cash Flow Risk:** The risk of having difficulties securing necessary funds due to a mismatch between investment and funding durations or unexpected cash outflows, or the risk of incurring losses by being forced to raise funds at significantly higher funding costs than normal. The cash flow risk includes the short-term liquidity risk within the day (intraday liquidity risk).
- **Market Liquidity Risk:** The risk of experiencing losses by not being able to trade in the financial markets due to market turmoil or by being forced to trade under significantly less favourable conditions than normal occasions.
- **Intraday Liquidity Risk:** The risk arising from short-term liquidity risk within a day from payment/settlement activities.

## Risk Governance for Liquidity Risk Management

Liquidity Risk Management Governance of NBE describes roles and responsibilities of the involved parties of the periodical and continuous liquidity risk management processes.

The Treasury Division as First Line is responsible for (1) drafting of NBE's annual funding plan. In drafting these plans, the Treasury Division collaborates closely with the Treasury & Forex Division of the parent, which is responsible for drafting its funding plan and contingency liquidity plan. The division is also responsible for (2) the execution of the funding operations in accordance with the approved limits and funding plans, (3) market reviews and (4) communication with trade counterparties.

The Risk Management Division, as the Second Line, is responsible for monitoring the funding operations and adherence to the approved Risk Appetite Statements, Liquidity Risk indicators and accompanying thresholds. It also is responsible for the annual revision of the contingency liquidity plan. It produces periodical monitoring reports which are reported to the ALM Committee.

The ALM Committee is responsible for review of (1) the annual funding plan and (2) the contingency liquidity plan. The ALM Committee is also responsible for (3) liquidity monitoring and adherence to the liquidity risk appetite, and (4) reviewing liquidity stress testing results.

The Risk Management Committee is responsible for review of the annual revisions of the (1) liquidity risk appetite, (2) liquidity risk management framework, and (3) ILAAP. After the review and discussion, the Risk Management Committee gives a preliminary approval and sends the documents for final approval to the Management Board and Supervisory Board.

The Management Board is responsible for the approval of (1) funding plan, (2) contingency liquidity plan, (3) liquidity risk appetite, (4) ILAAP and (5) liquidity risk management framework.

The Supervisory Board is informed and ultimately approves the liquidity risk appetite, Contingency Liquidity Plan and ILAAP.

The Internal Audit Division performs periodical audits on the framework, policies and associated processes with regard to liquidity risk management and provides their conclusions to the Management and Supervisory Board.

### Liquidity Risk Management metrics

Key regulatory liquidity metrics that NBE monitors are the LCR, the NSFR and the survival horizon.

- LCR: a regulatory requirement to maintain a buffer of highly liquid assets (HQLA) against liquidity outflows in a stress scenario over a 30 day period defined by the regulator.
- NSFR: a regulatory requirement to maintain a stable funding profile in relation to NBE's on- and off-balance sheet activities.
- Survival horizon: a regulatory requirement to maintain positive excess liquidity over the horizon of 6 months during assumed stressed circumstances.

Using those indicators, NBE controls short-term cash-flow risk (LCR), structural funding risk (NSFR) and medium-term liquidity (survival horizon).

### Contingency Liquidity Plan

NBE's Contingency Liquidity Plan (hereafter "CLP") is developed in order to adequately address (un)expected liquidity stress events triggered by internal or external factors.

The plan contains:

- possible internal and external factors that could lead to a liquidity stress event and may trigger the activation of the CLP,
- contingency measures that NBE could implement in case of a stress event,
- local early warning indicators (EWIs) that will be determined in order to identify deteriorating local market circumstances in a timely manner and to decide quickly upon the actions that should be taken by NBE,
- a description of the CLP activation procedure which determines the steps that will be taken to determine and execute NBE's action plan, and
- an annual CLP testing procedure to ensure that the CLP is adequate and funding sources will be available in a stress situation. The plan is consistent with that of the contingency liquidity plan of the parent.

### **Liquidity Coverage Ratio**

NBE ensures a liquidity position via amongst others sufficient unencumbered high quality liquid assets (liquidity buffer). The LCR is one of the key liquidity metrics NBE uses to manage the liquidity position. The average LCR for 2025 was 298%, while the year-end LCR amounted to 300%, both well above the minimum of 100%. The LCR is predominantly driven by unencumbered high quality liquid assets (liquidity buffer) which consists of level 1 assets (amongst others EU central governments bonds and withdrawable central bank reserves). Furthermore, the LCR is driven by credit and liquidity facilities. Since the start of NBE's business, in September 2020, the LCR is well above 100%.

### **Net Stable Funding Ratio**

The NSFR requires NBE to maintain a stable funding profile that is appropriate to the composition of its assets and off-balance sheet activities. Following DNB's confirmation of NBE's classification as a small-and non-complex institution, NBE transitioned from reporting the fully fledged NSFR to the simplified NSFR as per 31 December 2025. Balance sheet positions are assigned predefined funding factors.

The NSFR (2025; 141%) is well above the minimum of 100%. Since the start of NBE's business, in September 2020, the NSFR is well above 100%.

### **Encumbered Assets**

A limited amount of assets is encumbered. All encumbered assets relate to transactions via a QCCP including contributions to the default fund.



# 6. Market Risk

The Bank has no trading book and as such has no market risk related to trading book exposures.

The Bank is exposed to two main types of market risk: Interest rate risk (including credit spread risk) and Currency risk. Currency risk at the Bank is limited. The Bank has a basic policy of hedging FX exposure: i.e. FX assets will generally balance against FX liabilities.

## **Interest Rate Risk in the Banking Book (IRRBB)**

IRRBB results are at least monitored and reported on a monthly basis. IRRBB is the current or prospective risk to both earnings and economic value arising from adverse movements in interest rates that affect interest rate sensitive instruments. In assessing NBE's exposure to IRRBB, the Bank considers two different approaches: changes in Economic Value of Equity (EVE) and changes in Net Interest Income (NII).  $\Delta$ EVE is a measure of the change in the net-present value of the balance sheet under a range of yield curve stress scenarios. It is a long-term measure, assessing the impact over the remaining life of the balance sheet, while changes in expected earnings (i.e. changes in NII)  $\Delta$ NII is a short-medium term measure, assessing the impact to earnings over a defined time period. In the case of NBE, this is 1 and 2 years. In accordance with EBA Guidelines (EBA/GL/2022/14), NBE measures its exposure to six standardised yield-curve shocks. Interest rate risk is calculated, and IRRBB results are monthly monitored and reported to the Asset and Liability Management Committee and Risk Management Committee.

The main driver for the IRRBB position is the investment portfolio which consists of high-quality Government Bonds (France and Spain) with a remaining average term to maturity of 5.01 years. This position explains the risk for rising interest rates. The investment portfolio is held under a hold-to-collect business model and measured at amortised cost.

The loan portfolios have a shorter duration and are in general floating rate. In 2023 the green deposit was introduced. The duration profile of the client deposits is shorter than 1 year.

In 2024 new EBA guidance was issued for the measurement of IRRBB. NBE uses the Standardised Approach for these calculations per 31 December 2025. The € 129 million risk exposure based on the Parallel up scenario of 200 bps is used as the capital requirements stemming from IRRBB.

## **Credit Spread Risk in the Banking Book (CSRBB)**

For the bond investments (Spain and France), CSRBB is included in the capital requirements and spread movements are monitored. The capital requirements stemming from the CSRBB exposure is computed at an amount of € 21 million.

# 7. Operational Risk

To determine the own funds requirements for operational risk NBE applies the Standardised Approach based on the Business Indicator Component as laid down in CRR Article 314. The own funds requirements for operational risk equal the Business Indicator Component (BIC), calculated as 12% of the three-year average Business Indicator (NBE falls within Bucket 1, BI below €1 billion). The increase in operational risk capital reflects the use of a more granular business indicator under the Standardised Approach in CRR3.



# 8. Remuneration

The Supervisory Board is responsible for approving, monitoring, and maintaining the Remuneration Policy and overseeing its implementation to ensure it is fully operational as intended. The Supervisory Board determines and oversees the remuneration of the members of the Management Board, approves the remuneration of the Head of Internal Audit, and oversees the remuneration of the senior officers in control functions, including the Risk Management and Compliance function. The Supervisory Board also approves the remuneration of employees other than the members of the Management Board. The remuneration for employees other than Management Board is proposed by the Management Board. In 2025 one meeting to oversee and/or determine the remuneration was held.

The remuneration of NBE employees consists of two elements: fixed remuneration and variable remuneration.

## Fixed remuneration

Fixed remuneration primarily reflects relevant professional experience and organizational responsibility as set out in an employee's job description as part of the terms of employment. The compensation (fixed fee) for members of the Supervisory Board will be determined on the basis of their roles and responsibilities. If a member of the Supervisory Board is also a board member or executive officer of The Norinchukin Bank, no compensation will be paid by NBE. In line with The Norinchukin Bank's rules and/or regulations, this member should only receive compensation from The Norinchukin Bank.

## Variable remuneration

Variable remuneration reflects a risk-adjusted performance as well as performance in excess of that required to fulfil the employee's job description as part of the terms of employment. At least 50% of the variable remuneration is based on non-financial performance criteria such as strategic goals, customer satisfaction, leadership, management skills, compliance

with the Risk Management Policy of NBE, creativity, and motivation. While financial performance criteria, such as NBE's financial/business results, are a part of the performance assessment, non-financial performance criteria form a large part of the performance assessment in order to not incentivize excessive risk taking and to contribute to NBE's long-term business continuity.

## Bonus Cap

NBE establishes appropriate ratios between the fixed and the variable component of the total remuneration, whereby the following principles apply:

The variable component shall not exceed 20% of the fixed component of the total remuneration for each employee in principle.

- In deviation of the bullet above, NBE may in exceptional cases, award a variable component of up to 100% of the fixed component of the total remuneration for the Employee, subject to compliance with applicable legislation and regulation, and provided that the following conditions are met:
- The remuneration for the Employee does not or not entirely follow from a Collective Labor Agreement (CLA);
- The Employee does not perform an internal control function;
- The Employee is not directly involved in the provision of financial services to consumers;
- The Employee predominantly performs their work from the Netherlands;
- The average ratio between the fixed and variable components of the remuneration of all persons working under the Bank's responsibility, which does not or not entirely follow from a CLA, does not exceed 20%.

### **Recruitment and diversity**

The Management body is recruited/selected based on fit and proper assessments, in which is taken into consideration knowledge, skills, experience, background as well as diversity elements in line with our recruitment policy.

NBE aims to be diverse in every aspect related to diversity. Therefore NBE strives to increase (gender) diversity in the management body where possible. General ambition would be in line with regulatory goals.

## EU REMA - Remuneration policy

### QUALITATIVE DISCLOSURES

#### Information relating to the bodies that oversee remuneration. Disclosures shall include:

- The remuneration of other Employees than the members of the Management Board shall be proposed by the Management Board, taking into account all relevant criteria pursuant to this Remuneration Policy and, having regard of the input from the function holders referred to in paragraph 4.3 below, submitted for approval to the Supervisory Board.
- Risk Management function and Compliance function will provide effective input in accordance with their roles into the setting of bonus pools, performance criteria and remuneration awards where those functions have concerns regarding the impact on Employees behaviour and the riskiness of the business undertaken.
- The Risk Management function will assist with and inform on the definition of suitable risk adjusted performance measures (including ex post adjustments), as well as with assessing how the variable remuneration structure affects the risk profile and culture of the Bank. The Risk Management function will validate and assess risk adjustment data.
- The Compliance function should analyse how the Remuneration Policy affects the Bank's compliance with legislation, regulations, internal policies and risk culture and should report all identified compliance risks and issues of non-compliance to the Management Board and Supervisory Board. The findings of the Compliance function should be taken into account by the Supervisory Board during the approval, review procedures and oversight of the Remuneration Policy.
- The Internal Audit Division should carry out an independent review of the design, implementation and effects of the Remuneration Policy on the risk profile of the Bank and the way these effects are managed.
- The Human Resources function should participate in and inform on the design and the evaluation of the Remuneration Policy for the Bank, including the remuneration structure, the aspect of gender neutrality, remuneration levels and incentive schemes, in a way that would not only attract and retain Employees within the Bank's needs but also ensure that the Remuneration Policy is aligned with the Bank's risk profile.

#### Information relating to the design and structure of the remuneration system for identified staff. Disclosures shall include:

- The Bank has Identified Staff whose professional activities have a material impact on the Bank's risk profile and to whom specific requirements apply as follows. The variable remuneration for Identified Staff is in principle capped at 20% of the fixed annual remuneration to the extent that its remuneration entirely follows CLA Banks standards.
- The gender-neutral fixed remuneration of Identified Staff (which includes MB members) reflects their professional experience and organisational responsibility taking into account the level of education, the degree of seniority, the level of expertise and skills, the constraints (e.g. social, economic, cultural or other relevant factors) and job experience, the relevant business activity. To ensure alignment of the total remuneration with market practice, a salary scale system is utilized and the proposed grading and remuneration level is benchmarked via an external consultancy firm.
- The remuneration for an expatriate employee, who is employed by the parent bank (The Norinchukin Bank, the sole shareholder of the Bank), is based on the salary-scale system as is used by the parent bank pursuant to the parent bank's policy, provided that, for remuneration regarding his or her activities for the Bank, this Remuneration Policy will apply as well. For expatriate employees a secondment contract with the parent is established that agrees what costs are born by NBE.
- Employees in internal control functions will be independent and have sufficient resources, knowledge and experience to perform their tasks and will have sufficient authority. They will be remunerated on the basis of the achievement of the objectives of their function, independent of the results of the business activities they supervise.
- Before paying out the variable remuneration, an assessment of the performance and, if necessary, an ex post risk adjustment will be applied to align variable remuneration to additional risks that have been identified or materialised.
- Variable remuneration shall only be paid out or vest, as applicable, if this is sustainable given the financial situation of the Bank and if the performance of the Bank, the business unit and the relevant Employee justifies payment of variable remuneration.

#### Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration. Disclosures shall include:

- The Bank will set appropriate performance measurements to evaluate Employees' individual performances. Annual salary increases will be based on the result of individual performance evaluations. The assessment is completed on an individual by individual basis and is supported with a comprehensive company-wide process under which risk and performance related events are identified and assessed, whereby all relevant facts and circumstances are investigated and adjustments to performance assessments and/or the remuneration itself are made as appropriate. The Bank will use performance rating scales for the individual performance evaluations and increment in annual salary increases for each Employee are based on his/her rating scale.

## QUALITATIVE DISCLOSURES

### Description of the ways in which the institution seeks to adjust remuneration to take account of long term performance. Disclosures shall include:

- The Bank is entitled to reclaim remuneration in whole or in part insofar as the payment has been made on the basis of incorrect information about the achievement of the targets underlying the remuneration. The reclaim may also be filed on behalf of the Bank by the Supervisory Board or by a representative appointed by the shareholders meeting.
- The Bank will reduce or reclaim the amount of a variable remuneration awarded to a natural person under its responsibility in case of:  
The relevant person has not met the standards of competence and proper conduct; or  
The relevant person was responsible for acts or other conduct which led to significant deterioration in the financial position of losses to the Bank or;

### The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR. Disclosures shall include:

- Where remuneration is performance related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall results of the Bank. When assessing individual performance, financial and non-financial criteria are taken into account. Individual performance criteria is based on the Employee's job description and would be set out in an individual annual performance target. The performance criteria on which the variable remuneration is based consist of achievable goals and measures over which the Employee has some direct influence. They do not encourage excessive risk-taking.
- At least 50% of the variable remuneration is based on non-financial performance criteria such as strategic goals, customer satisfaction, leadership, management skills, compliance with the Risk Management Policy of the Bank, creativity and motivation. While financial performance criteria, such as the Bank's financial/business results, is a part of the performance assessment, non-financial performance criteria would make up a large part of the performance assessment in the light of the notion that the performance criteria should not incentivise excessive risk taking and therefore should contribute to the Bank's long term business continuity.

The Bank will set the appropriate ratios between the fixed and the variable component of the total remuneration, whereby the following principles apply:

- The variable component shall not exceed 20% of the fixed component of the total remuneration for each Employee in principle.
- In deviation of the bullet above, the Bank may in exceptional cases, award a variable component of up to 100% of the fixed component of the total remuneration for the Employee, subject to compliance with applicable legislation and regulation, and provided that the following conditions are met:
  - The remuneration for the Employee does not or not entirely follow from a Collective Labor Agreement (CLA);
  - The Employee does not perform an internal control function;
  - The Employee is not directly involved in the provision of financial services to consumers;
  - The Employee predominantly performs its work from the Netherlands;
  - The average ratio between the fixed and variable components of the remuneration of all persons working under the Bank's responsibility, which does not or not entirely follow from a CLA, does not exceed 20%.

If the Bank awards a variable remuneration to an Employee which exceeds 20% of the Employee's fixed remuneration, in accordance with the conditions set out above, the Bank shall annually submit a substantiated report to DNB.

- The allocation of variable remuneration will be related to the Bank's long-term objectives.
- The Bank will ensure that Employees will not to use personal hedging strategies or remuneration- and liability- related insurances to undermine the risk alignment effects as embedded in the remuneration arrangements.





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