



**NORINCHUKIN BANK
EUROPE N.V.**

**Annual
Report
2020**

Dedicated
to **sustaining**
all life.

Contents

4	About Norinchukin Bank Europe N.V.
4	Who We Are
4	Business Model
5	Key Figures
6	Organization
7	Composition of the Supervisory Board
8	Composition of the Management Board
8	General Information
10	Report of the Supervisory Board
14	Report of the Management Board
18	Dutch Banking Code
22	Financial Statements
22	Statement of Financial Position
23	Statement of Profit or Loss
24	Statement of Comprehensive Income
24	Statement of Changes in Equity
25	Statement of Cash Flows
26	General information
26	Significant Accounting Policies
34	Notes to the Financial Statements
42	Risk Management
50	Other information
52	Independent auditor's report

About Norinchukin Bank Europe N.V.

Who We Are

Norinchukin Bank Europe N.V. (hereafter "NBE") is a fully owned subsidiary of The Norinchukin Bank in Tokyo, Japan. NBE was established in September 2018, granted a banking license by the European Central Bank (hereafter "ECB") in August 2019, and changed the legal name from Norinchukin Europe N.V. to Norinchukin Bank Europe N.V. in December 2019. NBE commenced its business operations in September 2020. NBE operates banking activities in three main business areas: Food and Agriculture (hereafter "F&A") banking business, Structured finance business, and Euro funding business.

The Norinchukin Bank was established in 1923 as the national-level financial institution for agricultural, fishery and forestry cooperatives in Japan. The Norinchukin Bank plays a major role in Japanese society as a contributor to the development of the nation's economy and as a supporter of the agriculture, fishery and forestry industries with facilitated financing for its members including Japan Agricultural Cooperatives ("JA"), Japan Fishery Cooperatives ("JF") and Japan Forest owners' Cooperatives ("JForest"). To continue playing a role as a private financial institution that contributes to the development of the agriculture, fishery and forestry industries, The Norinchukin Bank has a flexible business model. At present and looking to the future, The Norinchukin Bank mainly focuses on the three business areas of the "F&A Business", "Retail Business" and "Investment Business". The Norinchukin Bank is making its best efforts to realize further growth for the agriculture, fishery and forestry industries. There is no plan to start retail business in Europe.

Business Model

NBE focuses on three business areas:

- Strengthen the F&A banking business to support Japanese firms in (Continental) Europe,
- Increase group's Structured finance business in Europe to strengthen its global diversified investment strategy,
- Attract stable funding from the European repurchase transactions (hereafter "repo") markets to ensure the stability of the group's Euro funding business.

The Norinchukin Bank defined the F&A banking business as one of the pillars in its Mid-term business plan. It aims to further grow the agriculture, fishery and forestry industries and to exert stronger international presence on 'food'. The Norinchukin Bank intends to provide more financial support to Japanese firms in the F&A Banking business in Continental Europe, where various value chains are expected to move to, following conditional changes such as the Economic Partnership Agreement (hereafter "EPA") between the EU and Japan. NBE serves as an intermediary for Norinchukin Group in Japan with regard to corporate lending opportunities in the F&A banking business. In doing so, NBE obtains new lending opportunities for its own account using the EU passporting rights of the banking license.

In the global investment and finance business, The Norinchukin Bank aims to make stable profits under its globally diversified investment strategy. NBE engages Structured finance business for its own account using the EU passporting rights of the banking license to grasp business opportunities in Continental Europe.

The Euro funding activities that The Norinchukin Bank currently exploits primarily relate to repo transactions. Access to the centre of liquidity of the EU based repo business is secured by accessing a Central Clearing Counterparty (hereafter "CCP") in France through NBE's transactions.

“ Norinchukin Bank Europe N.V. engages in commercial banking business in Europe. ”

Key Figures

Amounts in thousands of euros

Key Figures	31 December 2020	31 December 2019
Cash and balances with central banks	1,640,069	-
Loans and advances to banks	5,521	46,584
Debt securities at amortized cost	312,733	-
Total assets	1,976,038	57,899
Total shareholders' equity	1,968,906	51,936
Net Result for the year	-12,030	-19,064
Net operating income	-1,073	-156
Total operating expenses	16,062	24,188
Result for the year before tax	-17,135	-24,344
Income tax expense	-5,105	-5,280
Others		*1
Total capital ratio	2,496%	N/A
Leverage ratio	76%	N/A
NSFR*2	> 100%	N/A
LCR*2	> 100%	N/A
Number of employees (total in FTE)	39	30

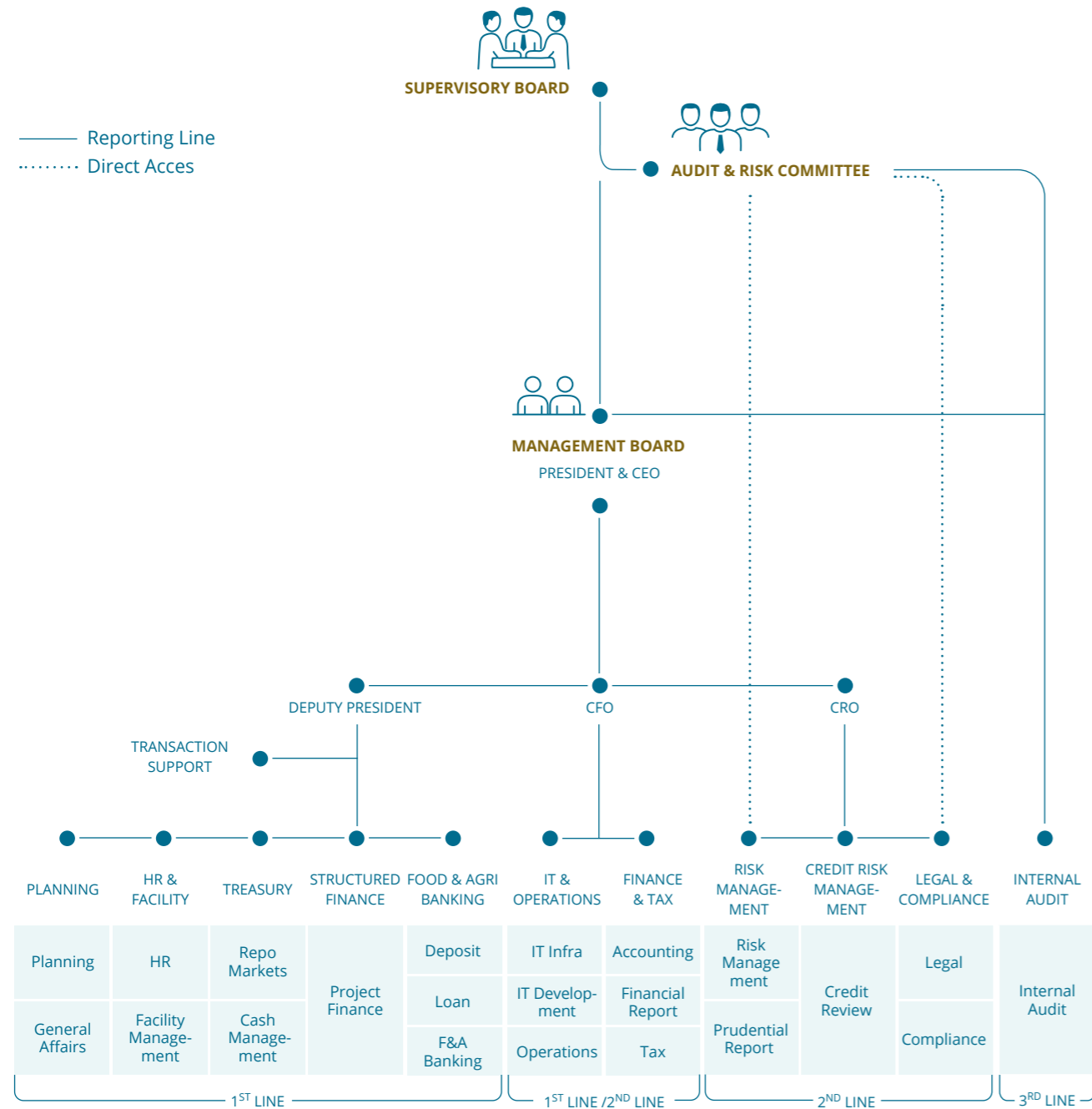
*1 The prudential figures are N/A because these were not disclosed in 2019 as NBE did not commence banking business in 2019.

*2 LCR ; Liquidity Coverage Ratio, NSFR ; Net Stable Funding Ratio

Total shareholders' equity increased in 2020 due to capital contributions from the parent company. NBE ensures and monitors the adequacy of the prudential ratios to meet the regulatory requirements (Refer to "Risk Management" for the capital management).

Organization

NBE has a robust two tier governance structure, which is comprised of a Supervisory Board and a Management Board and supporting committees of specialists for each business area. As per 31 December 2020, NBE had 39 full time employees (2019: 30).



Organization Chart as of 1 April 2021

Composition of the Supervisory Board

The Supervisory Board consists of Mr. Imai, Mr. van Eeghen, Mr. Kuijpers and Mr. Fujisaki. The necessary capabilities and knowledge are available in the collective of the Supervisory Board.

Chairman – Mr. Masato Imai (effective 23 April 2021)

Mr. Imai has been appointed as Chairman of the Supervisory Board from 23 April 2021 to succeed Mr. Shimbu. Mr. Imai joined The Norinchukin Bank in 1999 and has extensive experience and knowledge of global investment and finance business, including corporate finance and project finance business, which are NBE's core business and strategy. He has broad experience in senior management positions. In his current position Mr. Imai is responsible for the group's global banking business, sustainable finance business and the oversight of the European office.

Member / Chairman of Audit and Risk Committee - Mr. Idzard L. van Eeghen (effective 2 August 2019)

Mr. van Eeghen has fulfilled several senior managerial positions in banks amongst which ABN AMRO and RBS and has extensive experience with managing and supervising bank's risks including but not limited to market, liquidity, credit, compliance and operational risks. He is currently member of the managing board and CRO of Dutch retail bank bunq B.V.

Member – Mr. Arnold J.A.M. Kuijpers (effective 2 August 2019)

Mr. Kuijpers is a very experienced banker with an extensive knowledge of the Dutch and European banking regulatory framework. Mr. Kuijpers is very familiar with the operations of a foreign subsidiary of an international bank and cooperative banks. He was amongst others managing director of Rabobank Ireland, director of Corporate Strategy and director of European affairs at Rabobank. He is currently also a supervisory board member of World Waternet.

Member - Mr. Kei Fujisaki (effective 2 August 2019)

Mr. Fujisaki joined The Norinchukin Bank in 1991. He adds value on the internal control framework as he has extensive knowledge on the risk management framework of NBE and NBE's core business and strategy. In his current position Mr. Fujisaki is responsible for the risk management functions of The Norinchukin Bank including its overseas offices.

Mr. Keito Shimbu (resigned on 31 March 2021)

Mr. Shimbu was the Chairman of the Supervisory Board from 2 August 2019. He has a strong knowledge of NBE's core businesses and strategy, especially with regard to the foreign currencies funding business, global investment related business and the F&A Banking business. Mr. Shimbu resigned from the Supervisory Board on 31 March 2021 and was succeeded by Mr. Imai.

Composition of the Management Board

The Management Board consists of Mr. Yasutake, Mr. Akamatsu, Mr. van Wees and Mr. Sakurada. The Management Board is collectively responsible for NBE's management, the general affairs and the business connected with it.

President and Chief Executive Officer - Mr. Atsushi Yasutake (effective 10 July 2019)

Mr. Yasutake joined the Management Board of NBE on 21 September 2018 and was appointed as President and Chief Executive Officer (hereafter "President & CEO") on 10 July 2019. Mr. Yasutake was a general manager of The Norinchukin Bank's Corporate Planning Division and has insightful experiences with the European banking business. For example, he had a leading role in setting up and executing the strategic alliance between The Norinchukin Bank and Rabobank.

Deputy President - Mr. Takeshi Akamatsu (effective 3 August 2020)

Mr. Akamatsu joined NBE as of 1 August 2020 and was appointed to the Management Board as Deputy President on 3 August 2020. Mr. Akamatsu has broad experience in The Norinchukin Bank and has gained strong knowledge of the financial and money markets. Mr. Akamatsu possesses deep understanding of The Norinchukin Bank and NBE's funding business as well as financing business.

General Information

Registered Office: Gustav Mahlerlaan 1216, 4th Floor, 1081LA, Amsterdam, the Netherlands

Supervisory Board: Mr. Masato Imai (Chairman), Mr. Idzard L. van Eeghen, Mr. Arnold J.A.M. Kuijpers, Mr. Kei Fujisaki

Management Board: Mr. Atsushi Yasutake (President & CEO), Mr. Takeshi Akamatsu (Deputy President), Mr. Marcel van Wees (CFO), Mr. Hiroki Sakurada (CRO)

Auditor: Deloitte Accountants B.V. Gustav Mahlerlaan 2970, 1081LA, Amsterdam, the Netherlands

Chamber of Commerce: Registration number: 72676094

Chief Financial Officer - Mr. Marcel van Wees (effective 10 December 2019)

Mr. van Wees joined NBE on 1 July 2019 and was appointed to the Managing Board as Chief Financial Officer (hereafter "CFO") on 10 December 2019. Through his strong experience in the Dutch financial sector as well as his experience in several CFO positions within Rabobank Group, Mr. van Wees gained extensive insights in the field of financial planning, financial and regulatory reporting, taxation and information technology.

Chief Risk Officer - Mr. Hiroki Sakurada (effective 10 July 2019)

Mr. Sakurada joined the Management Board of NBE on 21 September 2018 and was appointed as Chief Risk Officer (hereafter "CRO") on 10 July 2019. Through his broad experience in risk management, Mr. Sakurada has gained various techniques and skills related to risk management, and he has in-depth understanding of The Norinchukin Bank and NBE's business model and risk profile. Mr. Sakurada also has deep grasp of the nature of The Norinchukin Bank and NBE's investment strategy.



Report of the Supervisory Board

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 NBE. The Supervisory Board takes all stakeholders' interest into account when supervising and providing unbiased advice to the Management Board. The Supervisory Board consists of two delegated members of The Norinchukin Bank and two independent members. The Supervisory Board has sufficient experience in (Dutch) corporate governance practices and financial regulation, and its members have different focus areas depending on their professions.

The Audit and Risk Committee (hereafter "ARC") was established to support the Supervisory Board in its oversight of the policies off the Management Board, particularly with respect to the internal Risk Management Framework (hereafter "RMF") and control systems, including audit and compliance matters. 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 the independence and performance of NBE's Internal Audit function and external auditor.

Professional Performance

In the period ended 31 December 2020, the Supervisory Board held eight meetings and all members were either physically present or by means of video conferencing access. The roles and responsibilities of the Supervisory Board are stipulated in the Supervisory Board' Charter. The Supervisory Board discussed with the Management Board on various topics including but not limited to business plan, risk appetite, corporate governance, risk management, compliance and audit to establish and enhance the key policies, and confirmed the adequate preparedness for the commencement of the business operations. The Supervisory Board extensively discussed on strategy/risk appetite on Food & Agri banking business, Structured finance business and Euro funding business as well as the effective governance of those business toward the commencement of the business operations. During the year, the Supervisory

Board approved the establishment of 27 new policies, including policies on Food & Agri banking business, Structured finance business, credit granting authority, credit risk management, prohibited/restricted sector for transactions, financial and economic crime, to ensure and enhance the governance and internal control framework.

In the period ended 31 December 2020, the ARC held eight meetings and all members were either physically present or by means of video conferencing access. The ARC discussed with the Management Board a great number of topics with respect to the internal control framework, including risk management, audit and compliance matters. During the year, the ARC extensively discussed the audit plan and the compliance plan, the outcome of the audit including annual financial statements, the RMF including risk policies and the ICAAP/ILAAP exercise, and the establishment of various compliance related policies.

The Supervisory Board has been regularly informed of impact of the Coronavirus ("COVID-19") outbreak in relation to preparation of the commencement of business operations and has carefully monitored the measures being taken. The Supervisory Board will remain in close contact with the Management Board to ensure stable business operations during a period of uncertainty.

Financial Regulation

NBE made an analysis of the regulatory landscape that applies to its activities (for example: the Capital Requirements Directive (2013/36/EU; hereafter "CRD IV") and the Capital Requirements Regulation (575/2013; hereafter "CRR") in general, Securities Financing Transactions Regulation ("SFTR") in connection with the repo business, as well as national legislation such as Dutch Financial Supervision Act ("Wet op het Financieel Toezicht" or "WFT") and policies and guidelines of ECB, the Dutch Central Bank (hereafter "DNB") and other supervisory authorities), and has taken the outcome of such analysis into account for its business activities. NBE ensures that its products and services comply with applicable regulations on an ongoing basis.

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 which is constructed by the Management Board. In 2020 three meetings to oversee or determine the remuneration were held.

The remuneration of NBE 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, is a part of the performance assessment, non-financial performance criteria would form a large part of the performance assessment in order to not incentivise 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.
- If the remuneration for an employee does not or not entirely follow the Collective Labor Agreement ("CLA") Banks standards, its variable component is not capped at 20% of the fixed component of the total remuneration for each employee. However, it is capped at 100% of the fixed component, provided that in any case, NBE's total variable component for employees concerned shall not exceed 20% of the total fixed component of NBE's total remuneration.

Identified Staff

NBE has Identified Staff whose professional activities have a material impact on NBE's risk profile and to whom specific requirements apply. 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. In any case, the variable remuneration for Identified Staff is capped at 100% of the fixed annual remuneration.

Lifelong Learning Program and Self-evaluation

In the period ended 31 December 2020, NBE held four courses as part of the lifelong learning programs with the Supervisory Board and the Management Board members as follows:

- Foreign Currency Funding Strategy of The Norinchukin Bank
- The Norinchukin Bank's financial situation (the fiscal year 2019)
- Issues surrounding After COVID-19 outbreak
- The Norinchukin Bank's Asset Class Review in relation to Project Finance

The Supervisory Board assessed its functioning through the annual self-evaluation, which was done in December 2020, in line with the Dutch Banking Code. During the annual self-evaluation, all of the members reviewed the functioning and governance of the Supervisory Board to ensure the quality of its own performance is adequate.

Financial Statements

In compliance with local laws and NBE's Articles of Association, NBE will submit the Financial Statements for the period 1 January 2020 to 31 December 2020 together with the Report of the Management Board to the General Meeting of Shareholder. The comparative figures relate to the period 21 September 2018 to 31 December 2019, which was a long book year due to the fact that it was the first financial year of NBE after incorporation on 21 September 2018. As NBE does not have any subsidiaries, the statutory financial statements and the consolidated financial statements are the same.

The Financial Statements and Report of the Management Board are reviewed by the Supervisory Board and audited by Deloitte Accountants B.V. The Supervisory Board proposes that the General Meeting of Shareholders approves the Financial Statements for the period from 1 January 2020 to 31 December 2020 as submitted by the Management Board.

Closing

The Supervisory Board has worked closely with the Management Board to assist to prepare for the commencement of business operations and NBE successfully started the business in September 2020 despite the challenging environment with the global pandemic of COVID-19. The Supervisory Board recognizes these efforts and thanks NBE's staff and the Management Board for all their hard work to start the banking business. The Supervisory Board looks forward to a continuance of close cooperation.

Amsterdam, 25 May 2021

Masato Imai

Idzard L. van Eeghen

Arnold J.A.M. Kuijpers

Kei Fujisaki



Promoting
responsible
finance.

Report of the Management Board

Management Board

The Management Board has the ultimate and overall responsibility for realizing the organization's strategy, and is jointly responsible for managing all factors that might impede the strategy from succeeding. The Management Board is strongly engaged in establishing trustworthy banking operations and expanding NBE's business in Europe, in line with The Norinchukin Bank's strategy. NBE has three focused business areas in banking business operations: strengthen the F&A banking business, increase its Structured finance business, and secure access to the centre of liquidity of Euro denominated repo transactions.

Corporate Governance

NBE introduced the Three Lines of Defence model, an established internal control and risk management approach that helps NBE strengthen, clarify and coordinate its essential governance, internal control, and risk management roles and responsibilities. The Management Board and the Supervisory Board are responsible for the sound governance structure and compliance with the governance principles. The members of these boards establish an example to all of NBE's employees and exhibit this in their day-to-day activities.

Risk Management

NBE describes Risk Management as "taking necessary measures to adjust risks, i.e., uncertain factors involved in achieving the managerial strategies and business policies, to a permissible level". This objective is stipulated in the NBE's Risk Management Policy. The Risk Appetite Statement (hereafter "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 identifies the risks related to the business strategy and defines the risk levels NBE is willing to expose itself to into three categories: Capital, Credit & Market Risk (including interest rate risk in

banking book), Liquidity & Funding Risk as well as Non-Financial Risk.

For the period ended 31 December 2020, the risk profile of NBE was limited as its business was primarily with Euro funding business (repo and reverse repo) given the situation that the year 2020 was a year to build up its banking activities. The Bank's exposure to risk bearing positions was within its RAS. The level of capital increased significantly in 2020 due to capital contributions from The Norinchukin Bank and is deemed to be adequate to satisfy regulatory requirements in view of the business. For our Euro funding business with repo and reverse repo all transactions are collateralized with high quality European government bonds and credit risk is well mitigated due to such transactional profile. One of the material risks for NBE is the interest rate risk in banking book, which arises from our investments of capital funds in long maturity fixed income European government bonds. The foreign currency risk was not actively taken as growth of financial business assets is funded with the same currency (per end of 2020 solely in Euro). Liquidity & Funding Risk in NBE is managed within the RAS by monitoring liquidity positions and maintaining good level of highly liquid collateral and cash. As for Non-Financial Risk, foreseeable process risk was mitigated by taking sufficient time in the set-up including necessary IT infrastructure and testing of those systems, setting necessary controls by establishing policies and procedures, as well as providing necessary training to staff. To manage business continuity risk, the Bank's disaster recovery site was fully operational and tested in 2020 before and after business opening. The Bank has also designed, implemented and tested our IT system landscape, which is subsequently tested on IT security and cyber vulnerability. The integrity risk and regulatory risk were also assessed and all necessary policies to ensure controls on financial and economic crime controls and compliance to applicable regulations were in place. The business will gradually grow in the next year 2021

by adding loan products (F&A banking business and Structured finance business) and adding non-Euro currency denominated products to our product offering.

In this manner the RAS ensures that NBE manages its risk arising from business processes in a controlled manner. NBE takes the necessary steps to create appropriate awareness and promote prudent attitudes toward risks that could affect the mission and strategy of the organization. For the NBE, to maintain reputation in Europe among various stakeholders, including society, clients, regulators, other industry players is of the utmost importance to us. For more information on risk management and specific risks for NBE, please refer to the Risk Management section in the notes to the Financial Statements from page 42.

Business Developments and Outlook

Japan and the countries within the current EU region have a historical trade relationship that dates back to the 17th century and remains strong to this day. To support both the trade relationship and the realization of Norinchukin group's strategy (to further grow the agriculture, fishery and forestry industries whilst also making stable profits), NBE will expand its F&A Banking business in Continental Europe.

The Norinchukin Bank expects an increase in the volume of Japanese F&A clients in Europe:

- Continental Europe is now positioned as an essential food supplier to Japanese markets. The current trade statistics of agricultural/fishery products shows a large excess of exports to Japan from the EU over imports from Japan to the EU.
- Japanese consumers, who are very sensitive to the safety of food, feel quite comfortable with EU food products, as they know food regulations in the EU are strict.
- Based on the conditions above, Japanese F&A related firms are becoming more active in Continental Europe. NBE expects such movements will expand further, following the EPA between the EU and Japan and other factors.

The Norinchukin Bank also expects to grasp more business opportunities in Europe in the global investment and finance business. NBE focuses on Structured finance business using the EU passporting rights of banking license, which allows NBE to approach more structured finance transactions in Continental Europe, one of the most promising business areas. In the Euro funding business, The Norinchukin Bank

aims to stabilize Euro funding from European repo markets. NBE secures access to the centre of liquidity of the EU-based repo business upon the movement of European repo clearing services to Continental Europe.

In order to fulfil the Norinchukin group's strategy, NBE will play a vital role to further develop and maintain strong representation in the EU and ensure long term access to the continental European market. The development of each business allows NBE and The Norinchukin group to make a further meaningful contribution to growth and diversity of European markets. To drive this growth, NBE expects to increase the number of employees in line with the development of our business. Since the inception in September 2018 NBE has invested in the set-up of our office in Amsterdam which brought losses in line with expectations. No significant further investments are foreseen for the near future. NBE expects to be fast growing in the next few years and to start being profitable from the year 2022. The vast majority for the funding of the loan growth be provided from The Norinchukin Bank with the same currency as well as a well-controlled maturity and interest rate profile to mitigate liquidity and foreign currency risk. For more details on our risk management framework, please see the Risk Management section in the notes to the Financial Statements from page 42.

The COVID-19 outbreak has a significant impact on public life and global economy. The impact on NBE in 2020 was mainly a delay of the start date of our banking business operations. Despite the challenging environment, NBE made sufficient preparation for commencement of its business operations. As NBE started its business operations in September 2020 and has limited credit exposures to clients/counterparties at the moment, there is no significant impact on NBE's financial stability. Our loan product offering in the F&A banking business and Structured finance business will be phased in over the course of 2021. In 2021 we expect to close a few project finance deals in our Structured finance business in mainly the secondary market and our first few transactions in our F&A banking business. NBE will review the credit quality of potential clients under the COVID-19 conditions carefully as part of the credit risk management process. NBE closely monitors the potential impact of the unpredictable COVID-19 developments on our businesses and clients/counterparties on an ongoing basis to be able to respond timely to identified extra risks as well as on our business operations to ensure our own business continuity.

Sustainability

Reflecting the rapidly rising interest in the increase in the global population, the low birth rate and aging society in advanced countries, climate change and issues of economic disparity and poverty, global initiatives toward the sustainable development of society are under way, such as the “Sustainable Development Goals (SDGs)” by the United Nations and the “Paris Agreement”. Against this background, expectations are on the rise for corporations to address such social issues. NBE also recognizes the importance of sustainability initiatives.

Based on an understanding of such changes in society, The Norinchukin Bank has established five sustainability focus areas (1. Creating positive impact on the agriculture, fishery and forestry industries, food and local communities, 2. Promoting responsible finance, 3. Promoting sustainability management, 4. Securing highly capable human resources and 5. Maintaining customer trust as a financial institution). NBE is part of the group, and therefore, NBE will contribute to ensuring the sustainability of society by clarifying specific measures based on these sustainability focus areas in the NBE’s business plan and carrying them out. (Sustainability initiatives undertaken by The Norinchukin Bank and its group companies can be found on its website at: <https://www.nochubank.or.jp/en/about/sustainability>)

As a financial institution, NBE steers its business activities in accordance with The Norinchukin Bank’s investment and loan sector policy, which places high importance on the conduct of its business operations in accordance with principles of sustainable development, environmental and social sustainability and the public responsibility of financial institutions towards stakeholders. NBE is also developing its governance framework to ensure proper management of ESG risks in the banking business operations, in line with local and regional European standards. In addition, to contribute to sustainable future of related local communities, NBE is participating in a food education program in the Netherlands which aims to increase the interest of children for sustainable nutrition, and NBE will continue such initiatives going forward.

Financial Statements

Due to the continued preparation of banking business activities in 2020, NBE recorded losses in accordance with the forecasted expectations, which are by no means an indication for a lack of growth, but rather the costs of preparation for commencement of business operations. Considering the nature of NBE’s business strategy, while NBE commenced its banking business operation in September 2020, the Management Board expects that NBE achieves stable growth by F&A banking business, Structured finance business and Euro funding business. The Management Board continues to strive to improve NBE’s financial result by developing these business activities. We expect to be profitable from 2022 in line with our approved business plan.

Closing

Although it has been an ambitious task to set up a new banking subsidiary in the Netherlands in the current uncertain circumstances, NBE launched its banking business operations in September 2020. The Management Board would like to express its sincere appreciation to all stakeholders involved in the implementation project. The Management Board looks forward to working together to make 2021 a successful year.

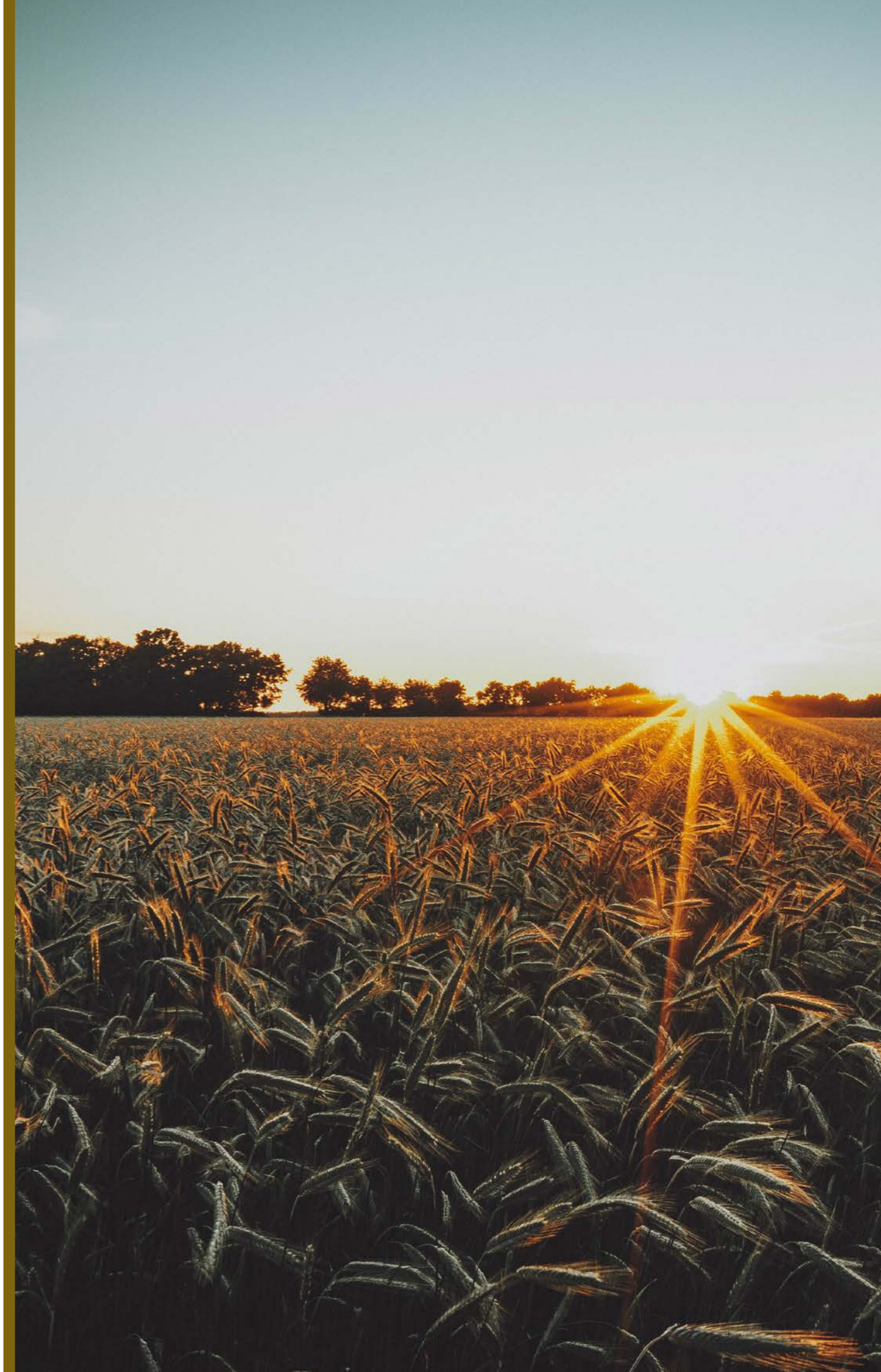
Amsterdam, 25 May 2021

Atsushi Yasutake

Takeshi Akamatsu

Marcel van Wees

Hiroki Sakurada



Dutch Banking Code

The Dutch Banking Code has been drawn up by the Dutch Banking Association (“NVB”) and it came into effect on 1 January 2010. The Dutch Banking Code sets out principles that banks with a corporate seat in the Netherlands should observe in terms of corporate governance, risk management, audit and remuneration.

NBE implements corporate governance framework which complies with the principles of the Dutch Banking Code. All important issues addressed in the Dutch Banking Code and similar regulations are being discussed in relevant committee meetings including risk management, compliance, audit and remuneration.

The below overview reflects the status of NBE’s compliance with the Dutch Banking Code over the period ended 31 December 2020.

Compliance with the Banking Code

Sound and ethical operation

NBE has a medium/long-term business plan which is aligned with the Norinchukin group’s strategy and aims to make a further meaningful contribution to growth and diversity of European markets. NBE embeds the business plan in its governance structures and internal policies.

The Management Board and the Supervisory Board, with due regard for each other’s duties and powers, are responsible for a sound governance structure and compliance with the governance policies. The members of the Management Board and the Supervisory Board set example to all of the NBE’s employees.

Supervisory Board

NBE’s Supervisory Board is composed in a way that it is able to perform its tasks properly. The Supervisory Board has a total of four members, two of which are independent. The Supervisory Board elects the ARC. The members of the Supervisory Board have specific competencies and experiences to perform their supervising duties with critical and independent eyes. In the case of vacancies, attention is given to the composition of the Supervisory Board with respect to balance between competencies/experiences and affinity with the nature and culture of the NBE’s business and, to the extent possible in the relatively small setting, to gender, nationality, and cultural background.

The chairman of the Supervisory Board organizes a lifelong learning program for all members of the Supervisory Board with the aim of maintaining their expertise at the required level. The Supervisory Board reviews its own performance annually and has its performance review independently every three years to ensure the quality of its own performance.

The independent members of the Supervisory Board receive appropriate compensation for their work, which does not depend on NBE’s financial result. The delegated members of the Supervisory Board employed by The Norinchukin Bank do not receive compensation in accordance with the Norinchukin group policy.

Management Board

As per 31 December 2020, NBE’s Management Board consisted of four members. The Management Board is composed in a way that it is able to perform its tasks properly and each member has outstanding capabilities and knowledge to develop banking business in Continental Europe. In the case of vacancies, attention is given to the composition of the Management Board with respect to professional experience, competencies and, to the extent possible in the relatively small setting, to gender, nationality, and cultural background.

Each member of the Management Board is assigned specific tasks and responsibilities based on their skills and expertise. One member (CRO) has the duty in risk-related areas and is independent from commercial areas.

The chairman of the Management Board (President & CEO) organizes a lifelong learning program for all members of the Management Board with the aim of maintaining the level of expertise and enhancing skills and knowledge. Every member of the Management Board takes part in the lifelong learning program.

Risk Policy

NBE’s RMF is comprehensive and transparent and has both a short and long-term focus. The framework covers all relevant risks and takes reputational risks and non-financial risks into account.

The Supervisory Board approves NBE’s risk appetite which is constructed by the Management Board. Any material changes to the risk appetite in the interim also require approval of the Supervisory Board. The Supervisory Board assesses capital and liquidity strategy based on advice from the ARC.

Audit

NBE has an internal audit division with an independent position within NBE. The Head of Internal Audit has direct access to the ARC and reports at least quarterly to the Management Board and ARC. Furthermore, the Head of Internal Audit reports administratively (i.e., day-to-day operations) to the chairman of the Management Board (President & CEO). Discussion and consultation among the internal audit division, the external auditor, the regulator and the ARC takes place periodically to discuss risk analyses, audit plans, audit reports and audit findings.

Remuneration Policy

NBE implements the remuneration policy which is in line with national and EU laws and regulations. NBE’s remuneration policy has a primarily long-term focus and is in line with NBE’s risk policy. The Supervisory Board is responsible for approving, monitoring and maintaining the remuneration policy and overseeing its implementation to ensure it is fully operating as intended.



Financial Statements

Financial Statements

Statement of Financial Position

All figures are before appropriation of profit

As at 31 December

Amounts in thousands of euros

	Notes	31 December 2020	31 December 2019
Assets			
Cash and balances with central banks	1	1,640,069	-
Loans and advances to banks	2	5,521	46,584
Debt securities at amortized cost	3	312,733	-
Property and equipment	4	1,403	1,536
Intangible assets	5	323	261
Right-of-use assets	6	3,489	3,836
Deferred tax assets	7	10,385	5,280
Other assets	8	2,115	402
Total assets		1,976,038	57,899
Liabilities			
Due to banks	9	1,000	-
Lease liabilities	10	3,503	3,824
Other liabilities	11	2,629	2,139
Total liabilities		7,132	5,963
Shareholders' equity			
Issued capital		2,000,000	30,000
Share premium		-	41,000
Retained earnings		-19,064	-
Net result for the year		-12,030	-19,064
Total shareholders' equity	12	1,968,906	51,936
Total liabilities and shareholders' equity		1,976,038	57,899
Committed credit facility	18	3,000,000	-

Statement of Profit or Loss

For the year ended 31 December

Amounts in thousands of euros

	Notes	2020	2018/2019
Interest and similar income		8,948	-
Interest and similar expense		10,931	136
Net interest income	13	-1,983	-136
Fee and commission income		1,495	-
Fee and commission expense		449	20
Net fee and commission income	14	1,046	-20
Credit loss on financial assets	3	-241	-
Other operating income		105	-
Net operating income		-1,073	-156
Personnel expenses	15	6,061	2,713
Depreciation of property, plant and equipment	4	305	196
Amortization of intangible assets	5	37	47
Depreciation of right-of-use assets	6	628	107
Other operating expenses	16	9,031	21,125
Total operating expenses		16,062	24,188
Result for the year before tax		-17,135	-24,344
Income tax expense	7	-5,105	-5,280
Net result for the year		-12,030	-19,064
Attribute to:			
Owner of NBE (equity attributed to the shareholder of NBE)		-12,030	-19,064

Statement of Comprehensive Income

For the year ended 31 December

Amounts in thousands of euros

	2020	2018/2019
Result for the year	-12,030	-19,064
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year, net of tax	-12,030	-19,064

Statement of Changes in Equity

For the year ended 31 December

Amounts in thousands of euros

	Issued capital	Share premium	Retained earnings	Total equity
Balance at 21 September 2018	30,000	-	-	30,000
Total comprehensive income	-	-	-19,064	-19,064
Issue of share capital	-	-	-	-
Share premium issuance	-	41,000	-	41,000
Balance at 31 December 2019	30,000	41,000	-19,064	51,936
Total comprehensive income	-	-	-12,030	-12,030
Issue of share capital	1,970,000	-41,000	-	1,929,000
Balance at 31 December 2020	2,000,000	-	-31,094	1,968,906

All shares of NBE are held by The Norinchukin Bank. The result of the year is mainly impacted by the losses incurred during the preparation phase of opening NBE and its banking activities in Europe starting from September 2020.

The authorized capital was increased to €2,000 million (2019: €30 million) by an additional capital injection from The Norinchukin Bank of €1,970 million, and the conversion of €41 million share premium to issued capital before NBE commenced its banking business activities in September 2020.

Statement of Cash Flows

For the year ended 31 December

Amounts in thousands of euros

	2020	2018/2019
Result for the year before tax	-17,135	-24,344
Adjusted for:		
Amortization and depreciation of fixed assets	342	243
Credit loss on financial assets	241	-
Changes in:		
Loans to banks other than on demand	-2,500	-
Accrued interests	-1,623	-
Other assets	-1,713	-402
Due to banks	1,000	-
Other liabilities	490	2,139
Net cash flows from operating activities	-20,898	-22,364
Investing activities:		
Debt securities	-312,377	-
Purchases of property and equipment	-172	-1,732
Purchases of intangible assets	-99	-308
Addition of right-of-use assets and lease liabilities due to leases	26	-12
Net cash flows from investing activities	-312,622	-2,052
Proceeds from share capital	1,929,000	71,000
Cash flows from financing activities	1,929,000	71,000
Net cash flows	1,595,480	46,584
Cash and cash equivalents at start of year	46,584	-
Cash and cash equivalents at end of year	1,642,064	46,584
Cash and cash equivalents comprise:	2020	2018/2019
Due from banks - on demand	1,995	46,584
Cash and balances with central banks	1,640,069	-
Cash and cash equivalents at end of year	1,642,064	46,584

General information

NBE was established on 21 September 2018 and is a 100% subsidiary of The Norinchukin Bank, the direct as well as the ultimate parent of NBE.

The Norinchukin Bank defined the F&A banking business as one of the main business pillars. It aims to further grow the agriculture, fishery and forestry industries and to exert stronger international presence on 'food'. NBE intends to provide more financial support to Japanese firms in the F&A banking business in Continental Europe, where various value chains are expected to move to the finalized EPA between the EU and Japan.

NBE has three main business areas: F&A banking business, Structured finance business, and Euro funding business. The F&A banking business will provide a range of financial solutions to its target client base. In the Structured finance business, NBE supports The Norinchukin Bank's globally diversified investment strategy. The aim of the Euro funding business is to provide access to the centre of liquidity of the EU-based repo business in complex business environments.

Significant Accounting Policies

The primary accounting policies used in preparing these Financial Statements are set out below.

Basis of preparation

The annual accounts are prepared in accordance with International Financial Reporting Standards (hereafter "IFRS") as endorsed by the European Union and with Part 9 of Book 2 of the Dutch Civil Code for the period from 1 January 2020 until 31 December 2020. The comparative figures relate to the financial period from 21 September 2018 until 31 December 2019, which was a longer period than a year for the first year of operations, as stated in the Articles of Association at incorporation of NBE. A regular fiscal year is from 1 January to 31 December of each year.

The Financial Statements have been prepared on a historical cost basis, unless it is stated otherwise in the corresponding paragraphs relating to the Financial Statements. The Financial Statements are presented in Euros and all values are rounded to €1,000, except when otherwise indicated.

In addition, NBE adopted applicable IFRS standards in the first Financial Statements, including IFRS 9 and IFRS 16.

Going concern

NBE's management made an assessment of NBE's ability to continue as a going concern and is satisfied that NBE has, if and when required, access to enough resources to continue in business for the foreseeable future. The losses in the first two periods for NBE are in accordance with the forecasted expectations as the costs for establishing NBE and are by no means an indication for a lack of going concern. The bottom line is projected to be positive in and after the period ended 31 December 2022 in accordance with the NBE's business plan. The management is not aware of any material uncertainties that may cast significant doubt upon NBE's ability to continue as a going concern. Furthermore, sufficient capital was injected to NBE by The Norinchukin Bank in order to comply with the regulatory capital requirements and liquidity requirements imposed by DNB now and in the future (Note 12). Therefore, the Financial Statements continue to be prepared on the going concern basis.

Foreign currency translation

The functional and presentational currency is Euro (€). Transactions in foreign currencies are initially recorded in the functional currency with exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency at the spot rate of exchange at the reporting date.

Non-monetary items (e.g. intangible assets) that are measured at historical cost in a foreign currency are translated using the spot exchange rates at the date of recognition. All differences arising from currency translations on non-monetary items (difference between exchange rate on purchase date and recognition date) are taken to other operating income/expense in the statement of profit or loss.

Significant judgements and estimates

The preparation of the annual accounts requires management to apply judgements with respect to estimates and assumptions. These estimates and assumptions affect the amounts for assets, liabilities and the contingent liabilities. Furthermore, the estimates and assumptions affect the reported income and expenses. The actual outcome may differ from these estimates. The process of determining assumptions is based on diligent assessments of current circumstances and expected developments and is subject to internal control procedures and approvals.

Since NBE only commenced banking business in September 2020, the scope of banking business was limited in 2020, therefore the accounting judgements and estimates mainly relate to the depreciation of tangible and intangible assets, the incremental borrowing rate for leases, and the deferred tax.

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilized. NBE determines that the deferred tax assets should be recoverable within the maximum term for tax losses being carried forward in the Netherlands based on the NBE's business plan.

For disclosure purposes NBE determines the fair value of financial instruments predominantly based on unadjusted quoted prices (Level 1). All of financial instrument classified as Level 3 are short term instruments and the carrying amount is deemed as reasonable approximation of fair value.

The COVID-19 outbreak has a significant impact on public life and global economy. The impact on NBE in 2020 was mainly a delay of the start date of our banking business operations. Despite the challenging environment, NBE made sufficient preparation for commencement of its business operations. As NBE started its business operations in September 2020 and has limited credit exposures to clients/counterparties at the moment, there is no significant impact on NBE's financial stability. While the development of each business will be phased in over the course of 2021, NBE closely monitors the potential impact of COVID-19 on these business on an ongoing basis to mitigate any possible risks and ensures business continuity as well.

Financial instruments - initial recognition and subsequent measurement

Date of recognition

Financial assets and liabilities are initially recognized on the settlement date, i.e., the date on which a contract is settled by delivery of the assets that are the subject of the agreement.

Classification and measurement of financial assets

NBE applies the following measurement categories for financial assets:

- Debt instruments at amortized cost ("AC"). Debt instruments that are held for collection of contractual cash flows under a 'hold to collect' business model where those cash flows represent SPPI are measured at amortized cost. Amortized cost is determined using the effective interest rate less any impairment. The effective interest takes into account discount or premium on acquisition and fees and costs that are an integral part of the interest rate. Interest income from these financial assets is included in interest income using the effective interest rate method.
- Debt instruments at fair value through other comprehensive income with cumulative gains and losses reclassified to profit or loss upon de-recognition ("FVOCI").
- Debt instruments, derivatives and equity instruments at fair value through profit or loss ("FVPL").
- Equity instruments designated as measured at fair value through other comprehensive income with gains and losses remaining in other comprehensive income, i.e. without recycling to profit or loss upon de-recognition.

For the debt instruments the classification depends on both NBE's business model ("BM") and the contractual cash flow characteristics of the financial assets. To allow measurement at amortized cost, the cash flows of the debt instrument must relate solely to payments of principal and Interest ("SPPI") and the business model in which the financial instrument is held must be "hold-to-collect".

As per 31 December 2020, NBE only had financial instruments at amortized cost based on the classification measurement above.

Classification and measurement of financial liabilities

Financial liabilities are measured either at FVPL or at AC using the effective interest rate. Financial liabilities are measured at FVPL when they meet the definition of held for trading, or when they are designated as such on initial recognition.

Designation at FVPL is permitted when either:

1. it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an “accounting mismatch”);
2. a group of financial liabilities or financial assets and financial liabilities is managed, and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information is provided internally on that basis to NBEs key management personnel; or
3. a financial liability contains one or more embedded derivatives that meet certain conditions.

As per 31 December 2020, NBE only had financial instruments at amortized cost based on the classification measurement above.

De-recognition of financial assets and liabilities

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired. Financial liabilities are derecognized when the obligations under the liabilities are discharged, cancelled or expired.

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 either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously (Note 24).

Determination of fair value for financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using valuation techniques that include the use of mathematical models. The inputs to these models are derived as much as possible from observable market data and to a lesser extent non observable market data like credit spreads for certain loans and project finance transactions.

The fair value measurement hierarchy of assets and liabilities is based on valuation techniques. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs and have a significant effect on the recorded fair value that are not based on observable market data.

As per 31 December 2020, NBE only had financial instruments at amortized cost.

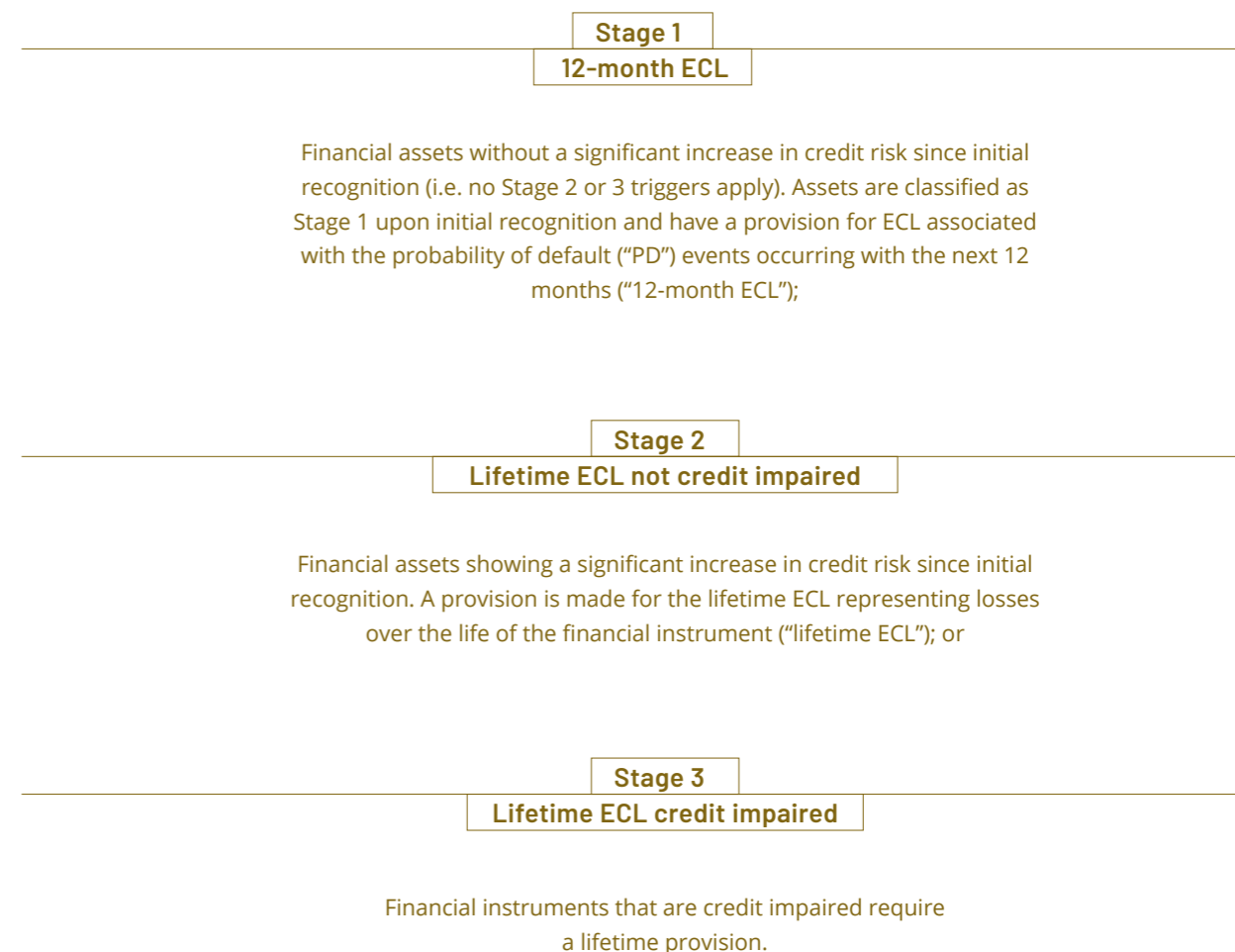
We disclose the fair value of our financial instruments using the fair value hierarchy and the exemption to disclose the fair value when the carrying amount is a reasonable approximation of fair value under IFRS 7. The fair value for cash and balance with central banks, nostro account balances, default fund and repurchase and reverse repurchase transactions are best estimated at the nominal amount, which is the current balance sheet amount. Debt securities are valued using unadjusted quoted prices in an active market (Level 1)

Impairment on financial assets

NBE recognizes loss allowances based on the Expected Credit Loss model (“ECL”) of IFRS 9, which is designed to be forward-looking. The IFRS 9 impairment requirements are applicable to financial assets measured at AC or FVOCI, loan commitments and financial guarantee contracts. Reference is made to section ‘Credit risk’ of ‘Risk Management’.

Three Stage Approach

Financial assets are classified in one of the below 3 Stages at each reporting date. A financial asset can move between Stages during its lifetime. The Stages are based on changes in credit quality since initial recognition and defined as follows:



Calculation methodology of ECL

The amount of ECL is based on the probability-weighted present value of all expected cash shortfalls over the remaining life of the financial instrument calculated by point in time PD x Loss Given Default (“LGD”) x Exposure at Default (“EAD”) model.

Forward-looking information

The three global macroeconomic scenarios, a baseline scenario, a negative scenario and a positive scenario, are incorporated into the ECL calculation in a probability-weighted manner.

Leases

Classification and initial measurement

At inception of a contract NBE assesses whether the contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for considerations. If the contract can be classified as a lease, a right-of-use assets are recognized on the commencement date at cost.

The cost consists of the following:

- The amount of the initial measurement of the lease liabilities plus
- Any lease payments made at or before the commence date, less any lease incentives received
- Any initial direct costs incurred by NBE; and
- An estimate of costs to be incurred by NBE in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

At the commencement date, the lease liabilities are measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in the lease. If this is not readily determined, the incremental borrowing rate can be used.

The lease payments for the measurement of the lease liabilities, not paid at commencement date, consists of:

- Fixed payments, less any incentives;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by NBE under residual value guarantees;
- The exercise price of a purchase option if NBE is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects NBE exercising an option to terminate the lease.

Lease for which the underlying value is of low value (below €5,000) and leases with a lease term shorter than 1 year are not recognized as lease. The lease payments for these types of leases are recognized as an expense on a straight-line basis over the lease term.

Subsequent measurement

Right-of-use assets

After initial measurement, NBE applies the cost model to measure the right-of-use assets.

The right-of-use assets consist of the following:

- Right-of-use assets as per the beginning of the period;
- Less any accumulated depreciation, the depreciation charge is based on the straight-line depreciation method over the lease term;
- Accumulated impairment losses; and
- Adjusted for the re-measurement of the lease liabilities.

Lease liabilities

After the commencement date the lease liabilities are measured as:

- Increasing the carrying amount to reflect interest on the lease liabilities which are recognized as expense in the statement of profit or loss;
- Reducing the carrying amount to reflect the lease payments made; and
- Re-measuring the carrying amount to reflect any reassessment or lease modifications specified, or to reflect revised in-substance fixed lease payments.

Determining the lease term

When determining the lease term, extension options and termination options are taken into account. If NBE is reasonably certain that it will exercise an option, the lease term is adjusted accordingly. If NBE is not reasonably certain that it will exercise the option, the lease term is determined as the non-cancellable period of the lease.

Interest rate used to discount the lease payments

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, NBE uses its incremental borrowing rate.

Cash and cash equivalents

Cash and cash equivalents referred to in the statement of cash flows comprise amounts due from banks and balances with central banks of which are available on demand. Cash and cash equivalents are carried at amortized costs in the statement of financial position.

The statement of cash flows was prepared based on indirect method, and broken down into cash flows from operating activities, investment activities and financing activities. In the cash flow from operating activities, movements in loans and receivables, deposits and payables are indicated. Investment activities comprise investments in debt securities, property and equipment, intangible assets, and addition due to leases. The proceeds from share capital are presented as financing activities.

Property and equipment

NBE recognizes an item as property and equipment only if it is probable that future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. Property and equipment qualifying will be initially measured at cost, which contains:

1. its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
2. any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequently, NBE measures property and equipment as the cost less any accumulated depreciation and less any accumulated impairment losses. The depreciation is charged over the estimated useful lives, using straight-line method. The estimated useful life for equipment related to the office building is around 8 years and for other equipment 5 years.

Intangible assets

NBE will recognize an item as an intangible asset only if it is probable that future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. Intangible assets are initially measured at cost and subsequently at cost less any accumulated amortization and less any accumulated impairment losses. The amortization is charged over the estimated useful lives, using straight-line method. The estimated useful live is 5 years.

Retirement benefits

NBE provides all employees with a retirement benefit plan which qualifies as a defined contribution plan. NBE pays a fixed contribution to a separate entity with no further legal or constructive obligation in the case that the fund has insufficient assets to settle its obligation to the participants. The payments for fixed contributions are recognized as personnel expenses.

Employees that are seconded to NBE by The Norinchukin Bank participate in the pension plan from The Norinchukin Bank. NBE has no legal or constructive obligation towards the pension plan of seconded employees.

Interest income and expenses

Interest income and expenses are recognized in the statement of profit or loss using the effective interest method for all interest-bearing instruments. The interest income and expenses include amortized discounts, premiums and fees that are part of the effective interest.

Fee and commission income and expenses

Fee income relates to fees for servicing financial instruments for clients and The Norinchukin Bank. Fee and commission expenses relates to expenses for security borrowing from The Norinchukin Bank and nostro accounts.

Taxation

Corporate income tax is based on the applicable Dutch tax laws. Income tax consists of current and deferred tax and is recognized in the statement of profit or loss or in equity if it relates to items that are recognized in equity.

A deferred tax asset can be recognized due to two circumstances; due to past losses which can be carried forward under prevailing tax laws and when there are temporary differences between the carrying amount of assets and liabilities in tax reporting and their carrying amount for financial reporting purposes. Deferred tax assets are reassessed at the reporting date and recognized to the extent that it is probable that future taxable profit will be available against which this deferred asset can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the asset is realized or the liability is settled.

New and revised standards issued by the International Accounting Standards Board (IAS) but not yet endorsed by the European Union

Amendments to IFRS 3 Definition of a Business

The IASB has issued the amendments to IFRS 3 to improve the definition of a company. As a result, companies will be better able to determine whether they have acquired a company or a group of assets. The changes are effective from 1 January 2020. These changes have no impact on NBE.

Definition of Material – Amendments to IAS 1 and IAS 8

To help prepare the financial statements, the IASB has refined the definition of “material”, issued practical guidelines for applying the concept of materiality and made proposals aimed at applying materiality to the disclosure of accounting policies. The changes are effective from 1 January 2020. The changes have no impact on NBE.

The Conceptual Framework for Financial Reporting

The Conceptual Framework is not a standard, but can be used as a general guide for transactions and events for which no specific IFRS standards are available. The Conceptual Framework covers all aspects of standard setting, from the purpose of financial reporting to presentation and disclosure. The amended Conceptual Framework is effective from 1 January 2020. The changes have no impact on NBE.

IFRS 17 Insurance Contracts

In May 2017, IASB issued IFRS 17, an extensive new standard for insurance contracts with regard to recognition and measurement, presentation and disclosure. IFRS 17 will replace IFRS 4 Insurance contracts. IFRS 17 applies to all types of insurance contracts (such as life insurance, non-life insurance, direct insurance and reinsurance). IFRS 17 is applicable from 1 January 2021. IFRS17 is not expected to have any impact on NBE.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

When a parent company loses control of a subsidiary in a transaction with an associate or joint venture (JV), there is a conflict between the existing guidelines for consolidation and equity accounting. In response to this conflict and the resulting diversity in practice, the IASB issued sale or contribution of assets between an investor and its associate or joint venture on 11 September 2014 (amendments to IFRS 10 and IAS 28). The effective date of the changes is currently unknown. The changes will not have an impact on NBE.

Amendments to IFRS 9, IAS 39 and IFRS 7, IBOR reform phase 1

On 26 September 2019, the IASB issued ‘Reform of the interest benchmark (amendments to IFRS 9, IAS 39 and IFRS 7)’ as a first response to the possible effects of the IBOR reform on financial reporting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The changes are effective from 1 January 2020 and have no impact as NBE does not use or intends to use on the short term derivatives for hedging purposes.

Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16, Interest Rate Benchmark Reform Phase 2

On 27 August 2020, the International Accounting Standards Board (Board) issued Interest Rate Benchmark Reform—Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The changes are effective for annual periods beginning on or after 1 January 2021. It is expected that the changes will have limited impact on NBE as NBE does not use or intends to use on the short term derivatives for hedging purposes.

Covid-19-Related Rent Concessions, which amended IFRS 16 Leases

In May 2020, the International Accounting Standards Board (Board) issued Covid-19-Related Rent Concessions, which amended IFRS 16 Leases. The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. The amendments are effective for annual periods beginning on or after 1 June 2020. It is expected that the changes will have no impact on NBE.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020 the International Accounting Standards Board (Board) issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations. The amendments updated IFRS 3 by replacing a reference to an old version of the Board’s Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments are effective for annual periods beginning on or after 1 January 2022. It is expected that the changes will have no impact on NBE.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

In January 2020 the International Accounting Standards Board issued amendments to IAS 1 Presentation of Financial Statements, to clarify its requirements for the presentation of liabilities in the statement of financial position. The amendments are effective from annual reporting periods beginning on or after 1 January 2023. It is expected that the changes will have limited impact on NBE.

Notes to the Financial Statements

Amounts in thousands of euros unless otherwise stated

1. Cash and balances with central banks

Balances with central banks are all on demand deposits which are immediately available. As per 31 December 2020, NBE did not have any mandatory reserve deposits at central banks.

	2020	2019
Balances with central banks	1,640,069	-
Cash and balances with central banks	1,640,069	-

2. Loans and advances to banks

Loans and advances to banks are all held at amortized cost. Due from banks relate to current account ("Nostro" account) balances. Cash collateral at clearing parties relates to default fund contribution at LCH SA, CCP in France for NBE's repurchase transactions. LCH SA holds a banking license and is officially regulated as credit institution, therefore default fund contribution at LCH SA is presented as loans and advances to banks. Details of repurchase transactions netting are disclosed in Note 24.

	2020	2019
Due from banks - on demand	1,995	46,584
Cash collateral at clearing parties	2,500	-
Netted amount to repos and reverse repos	1,026	-
Loans and advances to banks	5,521	46,584

3. Debt securities at amortized cost

Debt securities at amortized cost consist of only Spanish government bonds.

	2020	2019
EU government bonds	312,974	-
Allowance for expected credit losses	-241	-
Debt securities at amortized cost	312,733	-

4. Property and equipment

Property and equipment consist of operations equipment and leasehold improvements related to the office building.

	2020			2019		
	Operations equipment	Leasehold improvements	Total	Operations equipment	Leasehold improvements	Total
Opening balance	759	777	1,536	-	-	-
Additions	172	-	172	884	848	1,732
Disposals	-	-	-	-	-	-
Depreciation	-210	-95	-305	-125	-71	-196
Closing balance	721	682	1,403	759	777	1,536

The additions are purchases of new assets. The depreciation period of property and equipment varies between 2 and 9 years.

5. Intangible assets

Intangible assets mainly consist of software with licenses.

	2020	2019
Opening balance	261	-
Additions	99	308
Disposals	-	-
Amortization	-37	-47
Closing balance	323	261

The additions are purchases of new assets. The amortization period of intangible assets is either 5 years or no amortization due to indefinite valid term, for instance license with no contract end date.

6. Right-of-use assets

The right-of-use assets relate to the lease of the office building and lease of housing for NBE's expat staff. The depreciation period varies between 1 and 8 years according to the contractual term.

	2020	2019
Opening balance	3,836	-
Additions	281	3,943
Disposals	-	-
Depreciation	-628	-107
Closing balance	3,489	3,836

7. Deferred tax assets & Income tax expense

The increase of the deferred tax amounts to €5,105 (2019: €5,280), which is related to the result for the year before tax (2020: €-17,135, 2019: €-24,344) plus a change in expected corporate income tax rate. The deferred tax assets per the end of year 2020 is entirely based on the carry forward of the cumulative losses since the establishment of NBE. Management expects NBE to be profitable from 2022.

The deferred tax amount is estimated applying the expected tax rate of 25% (2019: 21.7%), and after a recoverability assessment which was made based on NBE's latest business plan for the coming years. NBE had no tax-exempted income.

Deferred tax assets are recognized for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized, and are unlikely to be recovered within one year.

	2020	2019
Opening balance	5,280	-
Results for the year	4,300	5,280
Change in expected tax rate	805	-
Closing balance	10,385	5,280

8. Other assets

Other assets include accrued commitment fee income of €1,495 (2019: €0), prepayment of expenses of €383 (2019: €53), and rental deposit for the office building of €217 (2019: €310).

9. Due to banks

Due to banks relate to the long term borrowing from The Norinchukin Bank amounting to €1,000 (2019: €0).

10. Lease liabilities

Lease liabilities relates to the lease of the office building and lease of housing for NBE's expats. NBE has used the incremental borrowing rates to discount the lease payments because the interest rates implicit in the leases are not available. NBE's incremental borrowing rates are based on the borrowing rates obtained from The Norinchukin Bank as NBE's main funding source.

	2020	2019
Opening balance	3,824	-
Additions	281	3,943
Interest expenses	25	-
Payments	-627	-119
Closing balance	3,503	3,824

2020	< 1 year	1-5 years	> 5 years	Total
Office building				
Lease payment	464	1,983	997	3,444
Present value	459	1,928	950	3,337
Expat housing				
Lease payment	123	20	-	143
Present value	123	20	-	143

2019	< 1 year	1-5 years	> 5 years	Total
Office building				
Lease payment	446	1,870	1,487	3,803
Present value	445	1,831	1,422	3,698
Expat housing				
Lease payment	106	20	-	126
Present value	106	20	-	126

11. Other liabilities

The other liabilities comprise three parts, accrued operational expenses of €1,905 (2019: €1,676), accrued personnel expenses of €398 (2019: €398), and securities borrowing fee accrual of €325 (2019: €0). Among the accrued operational expenses, €503 (2019: €496) was an amount payable to The Norinchukin Bank (including its London Branch), €972 (2019: €360) was an amount payable to external suppliers, and €933 (2019: €821) was VAT payable associated.

12. Total shareholder's equity

All shares of NBE are held by The Norinchukin Bank. Result for the year is mainly due to the losses incurred during the preparation of NBE's banking activities in Europe before business opening in September 2020. The authorized capital was increased to €2,000 million (2019: €30 million) as an additional capital (€1,970 million) was injected by The Norinchukin Bank and the share premium (€41 million) was converted to the issued capital before NBE commenced its banking business activities in September 2020. The loss for the period ended 31 December 2019 amounting to €19,064 was transferred to the retained earnings as approved by the General Meeting of Shareholder on 21 May 2020. According to the Articles of Association the shares are subdivided into 2,000 thousand ordinary shares, of which all shares have been issued and fully paid up. All of these instruments/shares have a par value of €1 thousand.

13. Net interest income

In the table below an overview is provided for interest income and expenses. The majority of interest on due to banks and loans and advances to banks were occurred by the reverse repurchase transactions and repurchase transactions which were offset and only netted amount is presented in the statement of financial position (Note 24). However, the associated interest income and expenses are recorded on gross basis in the statements of profit or loss.

	2020	2018/2019
Negative interest on liabilities	8,911	-
• Due to banks	8,911	-
Interest on debt securities	37	-
Total interest income	8,948	-
Negative interest on assets	10,906	136
• Loans and advances to banks	8,126	136
• Cash and balances with central banks	2,780	-
Interest on leases	25	-
Total interest expense	10,931	136
Net interest income	-1,983	-136

14. Net fee and commission income

Fee and commission income consists of only commitment fee which NBE received for the committed facility provided to The Norinchukin Bank (2020: €1,495, 2019: €0). Fee and commission expense relates mainly to the fee NBE paid to The Norinchukin Bank for securities borrowing (2020: €331, 2019: €0).

15. Personnel expenses

As per 31 December 2020 the number of FTEs was 39 (2019: 30), total headcount was 39 (2019: 30). Other staff costs mainly contain costs related to staff allowances.

	2020	2018/2019
Salaries	4,652	2,087
Social securities costs	475	129
Pension costs (defined contribution plan)	351	99
Other staff costs	583	398
Total personnel expenses	6,061	2,713

16. Other operating expenses

Other operating expenses in 2020 were predominantly related to the costs incurred for NBE's business commencement preparation prior to September 2020.

	2020	2018/2019
IT outsourcing	2,477	2,536
Contractors cost	1,942	410
VAT*	1,599	3,953
External advisory costs	1,523	13,010
Others	1,490	1,216
Total other operating expenses	9,031	21,125

*This VAT expense is unlikely to be recovered.

Cost of External Independent Audit

Expenses for services provided by the external auditor, Deloitte Accountants B.V., are presented in the table below. The comparative figures include accruals regarding the 2019 audit which have not been included in the 2019 Annual Report.

Audit	2020	2018/2019
Audit of the Financial Statements	149	55
Total	149	55

17. Related Parties (including remuneration of SB and MB)

Related parties are parties that have the ability to exercise control or exercise significant influence over the other party in making financial and/or operational decisions. NBE has identified The Norinchukin Bank, the Supervisory Board and the Management Board as related parties.

Transactions with key management

Key management is defined as those persons being member of the Supervisory Board or the Management Board of NBE. As per 31 December 2020, NBE had no loans or other balances with the members of the Supervisory Board and/or the Management Board. Besides, members of the Supervisory Board and the Management Board had no shares in NBE or The Norinchukin Bank.

Transactions with related parties

Balances with The Norinchukin bank	2020	2019
Assets		
• Loans and advances	-	21,000
Liabilities		
• Long term borrowing	1,000	-
• Accrued liabilities (LDN outsourcing fee)	503	495
Off-balance		
• Committed facility	3,000,000	-
• Securities borrowed*	3,832,186	-

* The securities borrowed from The Norinchukin Bank served as collateral for credit facility.

Expenses related with The Norinchukin Bank include mainly IT outsourcing fees of €2,477 (2019: €3,449), and personnel costs related with expats of €1,432 (2019: €125) which The Norinchukin Bank has paid for NBE and NBE then reimbursed to The Norinchukin Bank. For IT outsourcing fees of €2,477, €2,164 was already paid before 31 December 2020 (2019: €2,954) and €313 (2019: €495) was accrued as liability.

Remuneration of the Supervisory Board*

The total remuneration for the Supervisory Board amounted to €90 in 2020 (2019: €45).

Remuneration of the Management Board*

The fixed remuneration of the Management Board amounted to €1,034 in 2020 (2019: €587), while total variable remuneration for the Management Board amounted to €49 in 2020 (2019: €14).

* In 2020 NBE had no employees or executives earning more than one million Euro.

18. Off-balance sheet information

NBE provided The Norinchukin Bank a committed facility of € 3 billion (2019: €0), and borrowed securities from the parent company (2019: €0) that serves as collateral for the committed facility. The fair value of collateral amounts to €3.8 billion. As per 31 December 2020, the total amount of received collateral is not encumbered. These debt securities deposited at DNB are eligible as collateral to obtain short-term cash from DNB. In 2020 The Norinchukin Bank has not drawn any amount from the credit facility, therefore NBE did not require any drawdown from DNB.

19. Notes to the Statement of Cash Flows

NBE has used the indirect method to prepare the statement of cash flows. NBE has classified cash flows as cash flows from operating, investing and financing activities. In the net cash flows from operating activities NBE has taken the result for the period before tax into account and adjusted it for items of the statement of profit or loss and the statement of financial position that do not generate actual cash in or outflows.

20. Subsequent events

On 31 March 2021, Mr. Keito Shimbu stepped down as Chairman of the Supervisory Board and was succeeded by Mr. Masato Imai effective from 23 April 2021.

21. Proposed profit appropriation

The allocation of the net profit is based on article 24 of the Articles of Association. The loss for the period ended 31 December 2020 amounts to €12,030 (2019: €19,064). NBE proposes to the General Meeting of Shareholder to transfer this loss to the retained earnings.

22. Fair value of financial assets and liabilities

In the following tables we provide insight on the carrying amount and fair value of financial assets and liabilities.

As at 31 December 2020

Financial assets	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Cash and balances with central banks	1,640,069	1,640,069	1,640,069	-	-
Loans and advances to banks – on demand	1,995	1,995	1,995	-	-
Loans and advances to banks – other than on demand	3,526	3,526	-	-	3,526
Debt securities at amortized cost	312,733	314,856	314,856	-	-
Financial assets	1,958,323	1,960,446	1,956,920	-	3,526

Financial liabilities	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Due to banks	1,000	1,000	-	-	1,000
Financial liabilities	1,000	1,000	-	-	1,000

As at 31 December 2019

Financial assets	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Cash and balances with central banks	-	-	-	-	-
Loans and advances to banks – on demand	46,584	46,584	46,584	-	-
Loans and advances to banks – other than on demand	-	-	-	-	-
Debt securities at amortized cost	-	-	-	-	-
Financial assets	46,584	46,584	46,584	-	-

Financial liabilities	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Due to banks	-	-	-	-	-
Financial liabilities	-	-	-	-	-

As per 31 December 2020, all financial assets and liabilities were measured at amortized cost which means they are not carried at fair value.

The fair value of loans and advances to banks (other than on demand), and due to banks is based on discounted cash flows using a yield curve that is in accordance with the characteristics of the financial instruments (level 3). The carrying amounts of such financial assets and liabilities with a remaining maturity of less than 3 month are considered as the approximation of their fair value. This also applies to demand deposits without a specific maturity.

The fair value of the debt securities is calculated using unadjusted quoted prices in active markets (level 1).

23. Maturity calendar of financial assets and liabilities

The table below shows the maturity calendar of the financial assets and liabilities.

As at 31 December 2020

	On demand	< 3 months	3-12months	< 5 years	> 5 years	Total
Assets						
Cash and balances with central banks	1,640,069	-	-	-	-	1,640,069
Loans and advances to banks	1,995	3,526	-	-	-	5,521
Debt securities at amortized cost	-	-	597	-	312,136	312,733
Total	1,642,064	3,526	597	-	312,136	1,958,323
Liabilities						
Due to banks	-	-	-	1,000	-	1,000
Total	-	-	-	1,000	-	1,000

As at 31 December 2019

	On demand	< 3 months	3-12 months	< 5 years	> 5 years	Total
Assets						
Loans and advances to banks	46,584	-	-	-	-	46,584
Total	46,584	-	-	-	-	46,584
Liabilities						
Total	-	-	-	-	-	-

24. Offsetting financial assets and liabilities

As per 31 December 2020, the only financial instruments in scope of IFRS offsetting requirements were repurchase transactions (“repos”) and reverse repurchase transactions (“reverse repos”). Counterparties of both repos and reverse repos are the same CCP after novation and the conditions of IFRS requirements (Accounting Policies for the offsetting financial instruments) are met. The following table demonstrates detailed information about offsetting.

The interest income and interest expense related to these repos and reverse repos are recorded on a gross basis in the statement of profit or loss (Note 13).

	2020	2019
Gross carrying amounts before offsetting:		
• Reverse repurchase agreements	10,643,830	-
• Repurchase agreements	10,642,804	-
Net carrying amount after offsetting: (Netted amount of repurchase agreements and reverse repurchase agreements)	1,026	-

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 this risk, across all divisions and levels, specific functions, projects and activities increases 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)', 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 in order to ensure the accuracy and reliability of risk data.

Risk Management Framework and Governance

The Risk Management Framework ("RMF") is established to meet the objective of Risk Management stated above. The RMF 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 RMF provides a robust and consistent approach to risk management across NBE's organization in order 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 RMF of NBE is implemented through a "Three Lines of Defence" 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 of Defence, NBE applies a systematic approach to assessing risk.

First Line of Defence

The business, the First Line of Defence, has the primary responsibility for risk decisions, assessing and controlling the 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 NBE's Risk Appetite parameters.

Second Line of Defence

The Risk Management function, a Second Line of Defence section, is a function providing 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.

The Compliance function is also considered a Second Line of Defence section and is responsible for defining NBE's policy in line with global and local laws and regulations and oversight and challenge to assure that policies are adhered to.

Other functions that are considered second line of defence are: IT security in the IT & Operations Division, and parts of the Finance & Tax Division.

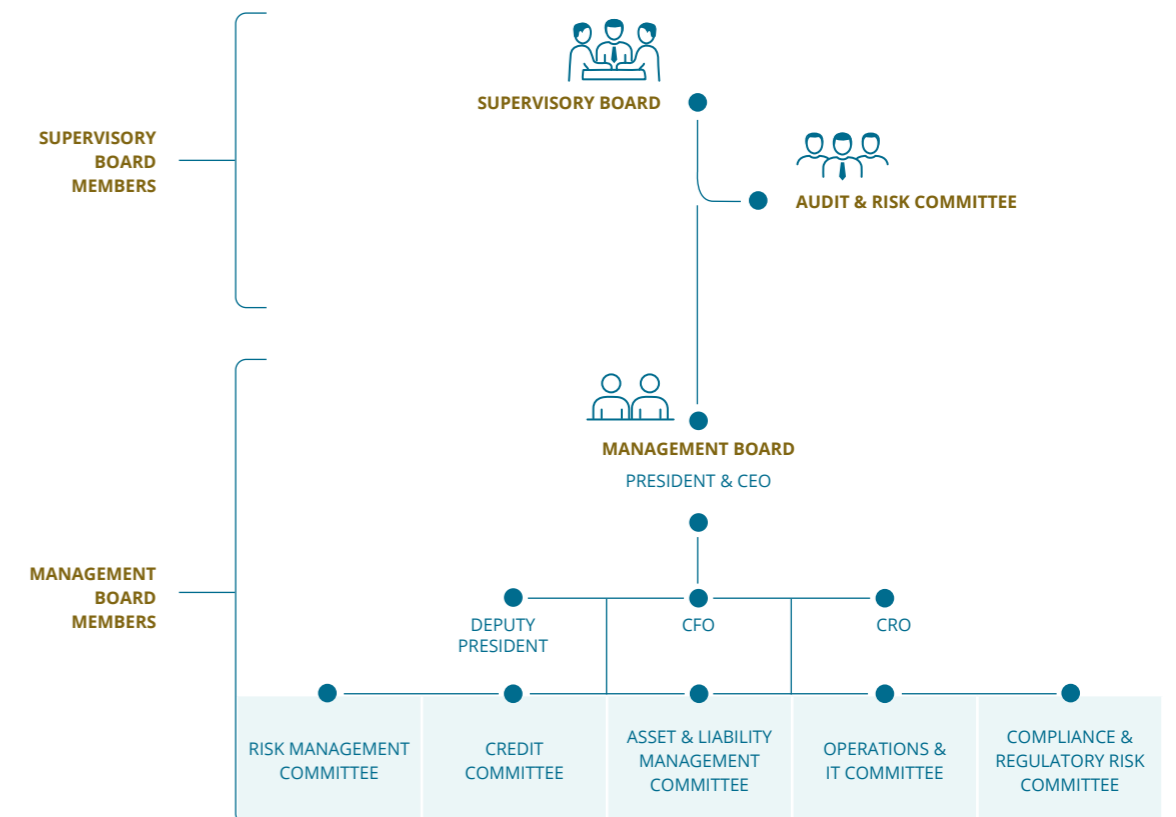
Third Line of Defence

The Internal Audit function, the Third Line of Defence, 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 of Defence.

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

Risk Management Committees

To assist the Supervisory Board to fulfil its responsibilities, the ARC was established. 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 Operations and IT Management Committee, and the Compliance and Regulatory Risk Committee. The outline below depicts the committee structure.



Supervisory Board

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

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 RMF 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 will also assist 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 Management Board is accountable for NBE's Risk Appetite. The Management Board manages the Risk Appetite and the associated RMF & 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 Management Committee

This committee has, as its sole and exclusive function, responsibility for the risk management policies of NBE's operations and oversight of the operation of NBE's RMF. The committee will assist the Management Board in fulfilling its oversight responsibilities with regard to the Risk Appetite of NBE, the risk management and compliance framework and the governance structure that supports it. The Risk Management Committee is chaired by the CRO, and composed by the Management Board members and heads of relevant divisions.

Credit Committee

This committee has, as its sole and exclusive function, 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 committee will assist the Management Board in fulfilling its oversight responsibilities with regard to the Risk Appetite of the Bank, the credit risk management and compliance framework and the governance structure that supports it. The Credit Committee is chaired by the CRO, and composed by the Management Board members and heads of relevant divisions.

Asset and Liability Management Committee

This committee is mandated to take decisions on 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 will assist the Management Board by preparing advice on decisions that have impact on the liquidity and funding risk profile of NBE. The committee will advise the Management Board on appropriate measures. The Asset and Liability Management Committee is chaired by the Deputy President, and composed by the Management Board members and heads of relevant divisions.

Operations and IT Management Committee

This committee is mandated to take decisions on 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 Operations and IT Management Committee is chaired by the CFO, and composed by the Management Board members and heads of relevant divisions.

Compliance and Regulatory Risk Committee

This committee will assist the Management Board in its oversight of regulatory, compliance, policy, legal matters and related risks. The committee assists the Management Board and discusses the changes in the regulatory landscape, reviews periodically the Systematic Integrity Risk Analysis ("SIRA") and monitors the progress of the Compliance year plan. The Compliance and Regulatory Risk Committee is chaired by the head of Legal and Compliance Division, and composed by the Management Board members and heads of relevant divisions.

Risk Appetite

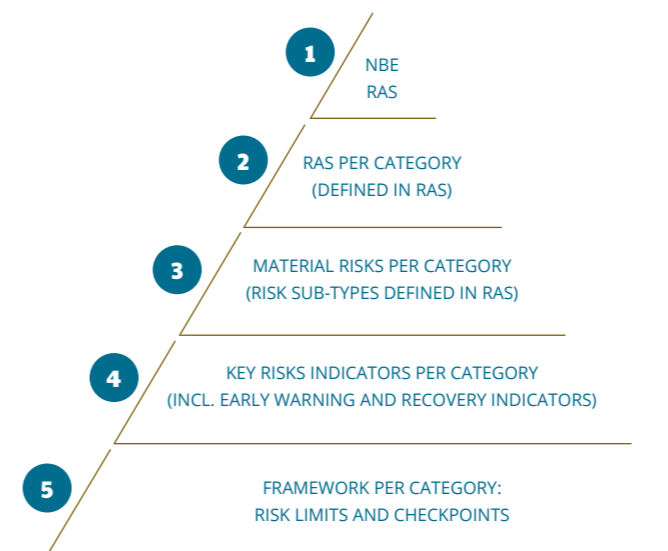
NBE aims to maintain a robust financial base in order to ensure stable Euro funding by constraining its risk-taking activities.

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. In this manner RAS clarifies NBE to operate its business processes in a controlled environment.

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 the quantitative indicators. The risks are managed in accordance with the limits and thresholds set.

The Risk Management Division monitors the risk positions of NBE against its risk appetite and reports on a periodic basis to the Risk Management Committee. NBE periodically reviews and updates its RAS.

The figure below represents the conceptual framework of the RAS. First, 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. 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.

RISK UNIVERSE			
Category 1 Capital, Credit & Market Risk	Strategic Risk	Risk of Insufficient Capitalization	Risk of Excessive Leverage
	Credit Risk	Credit Concentration Risk	
	Interest Rate Risk in the Banking Book	Risk of Insufficient Profitability	
Category 2 Liquidity & Funding Risk	Cash Flow Risk	Market Liquidity Risk	
	Intraday Liquidity Risk		
Category 3 Non-Financial Risk	Operational Risk	Business Continuity Risk	
	Regulatory Compliance & Integrity Risk	Outsourcing Risk	

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.

1

Category 1 – Capital, Credit & Market Risk

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

- *Risk of Excessive Leverage*; risk resulting from the vulnerability due to leverage or contingent leverage that 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.
- *Risk of Insufficient Capitalization*; risk of not being able to have enough capital to meet regulatory requirements and to continue the business at forecast levels.
- *Strategic Risk*; risk that overarching goals, aligned with and supporting the organization’s mission are not achieved. Financially, this may entail that volumes decline or margins may shrink, with no opportunity to offset the revenue declines with a reduction in costs.
- Risk of Insufficient Profitability; risk of not being able to generate a positive net profit.
- *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 NBE’s Banking Book*; risk arising from maturity differences between bank assets and liabilities in NBE’s Banking Book by differing interest rates used for pricing and differing repricing points.

For the period ended 31 December 2020, the risk profile of NBE was limited as 2020 has been a year to primarily build up its banking activities. NBE started its business in September 2020 with Global Investment business and Euro Funding business for which its exposure to risk bearing positions was well within the limits of NBE’s risk appetite indicators.

Credit risk

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

Credit risk is managed by NBE within the set up 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, etc. are all in place within the context of internal credit risk frameworks.

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

NBE accepts internal credit rating system and model of The Norinchukin Bank, and 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 counterparty will fail to fulfill contractual obligations, according to NCK’s internal credit rating scheme (i.e. probability of default - PD). Credit risk factors (PD, LGD, and EAD) are used for ECL calculation.

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. NBE establishes financial institution and corporate ceilings based on their internal ratings and manage its exposure within those allocated ceilings. NBE adhere limitation defined in its risk appetite.

Country risk is managed centrally within the 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 the highest rating can be assigned. Ceilings are set for sovereign exposures in higher-risk countries in accordance with the sovereign’s internal ratings.

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 in addition to individual credits. Within defined risk appetite threshold limits, credit risk concentration is actively monitored.

The impact of COVID-19 on our credit risk is assessed as limited. Please also see the ‘Business developments and Outlook’-paragraph of the Report of the Management Board.

Impairment allowance – Expected credit losses:

NBE aims to maintain sufficient level of reserves to cover its incurred losses. For accounting purposes NBE recognises a loss allowance for expected credit losses on financial assets measured at either amortized cost or FVOCI and off-balance facility based on IFRS 9.

In Accounting Policies for the impairment on financial assets, expected credit loss approach is further elaborated. The breakdown of carrying amount and expected credit losses allowance for financial assets and off-balance facility are as follows:

As at 31 December 2020

Carrying amount and expected credit loss allowance	Stage 1	Stage 2	Stage 3	Total
Debt securities at amortized cost				
Gross carrying amount	312,974	-	-	312,974
Expected credit loss allowance	-241	-	-	-241
Carrying amount	312,733	-	-	312,733
Loans and advances to banks				
Gross carrying amount	5,521	-	-	5,521
Expected credit loss allowance	-	-	-	-
Carrying amount	5,521	-	-	5,521
Off-Balance facility				
Gross carrying amount	3,000,000	-	-	3,000,000
Expected credit loss allowance	-	-	-	-
Carrying amount	3,000,000	-	-	3,000,000
Total credit loss allowance at closing Balance				
Gross carrying amount	3,318,495	-	-	3,318,495
Expected credit loss allowance	-241	-	-	-241
Carrying amount	3,318,254	-	-	3,318,254

As at 31 December 2019

Carrying amount and expected credit loss allowance	Stage 1	Stage 2	Stage 3	Total
Loans and advances to banks				
Gross carrying amount	46,584	-	-	46,584
Expected credit loss allowance	-	-	-	-
Carrying amount	46,584	-	-	46,584
Total credit loss allowance at closing Balance				
Gross carrying amount	46,584	-	-	46,584
Expected credit loss allowance	-	-	-	-
Carrying amount	46,584	-	-	46,584

All the financial assets and off-balance facility were classified as Stage 1 as per 31 December 2020 as NBE commenced the banking activities in September 2020 and there has been no significant increase in credit risk since initial recognition. The expected credit loss allowance was booked only for debt securities at amortized cost as per 31 December 2020 as loans and advances to banks consisted only of low credit risk and short term instruments (Note 2 of the Financial Statements) and off-balance facility of €3 billion was collateralized by the securities borrowed from the parent (Note 18 of the Financial Statements).

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 90 days have passed since its repayment date.

Capital risk

For capital risk, the most important measurements are the CET1 ratio, the Total Risk/Internal Capital ratio and Leverage ratio. Total shareholder's equity increased in 2020 due to capital contributions from our parent company. NBE ensures and monitors the adequacy of the capital and the prudential ratios to meet the regulatory requirements.

Market risk

For market risk, interest rate risk is calculated by IRRBB in NBE's Banking Book, and IRRBB results are frequently monitored and reported. 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. NBE controls exposure to its IRRBB from a risk appetite perspective by applying the supervisory outlier test, which is the change in net present value of interest rate sensitive instruments from a sudden parallel shift (+/-200bp) in the yield curve on NBE's Economic Value of Equity (EVE). The following table shows a sensitivity analysis of interest rate risk in relation to equity per 31 December 2020: in total an increase of 200 bp leads to a decrease of € (50.680) million of economic value of equity and a decrease of 200 bp leads to an increase of € 61.613 million of economic value of equity.

INTEREST RATE SENSITIVITY (IN € MILLION)	INCREASE/(DECREASE) IN BASIS POINTS	SENSITIVITY OF EQUITY
NBE (EVE)	200/(200)	(50.680) / 61.613

2

Category 2 – Liquidity & Funding Risk

Liquidity & Funding Risks consist of the following material risks:

- *Cash Flow Risk*; risk of having difficulties securing necessary funds due to a mismatch between investment and funding durations or unexpected cash outflows, the risk of incurring losses by being forced to raise funds at significantly higher funding costs than normal.
- *Market Liquidity Risk*; 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.
- *Intraday Liquidity Risk*; the risk arising from short-term liquidity risk within a day from payment/settlement activities.

For the period ended 31 December 2020, similar to category 1 risks, the risk profile of NBE was limited as 2020 has been a year to primarily build up banking activities. All exposures were denominated in Euro and held no FX position as of the reporting date. Therefore the foreign currency risk was very limited and not recognised as a material risk in the risk universe.

In 2020, liquidity and funding risk consisted of positions of cash and bank balances, debt securities and repurchase transactions. Since all exposures to cash and bank balances and debt securities were funded by equity, liquidity and funding risks were limited.

For more information on the maturity calendar of NBE's financial assets and liabilities reference is made to Note 23 of the Financial Statements.

3

Category 3 – Non-Financial Risk

The non-financial risk category is broadly defined as those risks not categorized in the Category 1 or the Category 2 and consists of the following material risks:

- *Operational Risk*; risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal and data protection risk.
- *Business Continuity Risk*; risk of loss arising from disruption of business or system failures.
- *Outsourcing Risk*; risk of loss from the authorized entity's use of a third party (the "outsourcing service provider") to perform activities that would normally be undertaken by the authorized entity, now or in the future. The supplier may itself be an authorized or unauthorized entity.
- *Cyber Security Risk*; risk of loss related to technical infrastructure or the use of technology within an organization.
- *Regulatory Compliance & Integrity Risk*; threat of damage to reputation, existing or future equity or results of an institution as a result of inadequate compliance with legal requirements covering a broad range of Compliance and Integrity risk topics.

For the period ended 31 December 2020, similar to category 1 risks, the risk profile of NBE was limited as 2020 has been a year to primarily build up banking activities, and NBE started its business in September 2020.

It should be noted that, while "reputation risk" is not listed in a material risk category, reputational concerns were taken into consideration when the Risk Universe was constructed. NBE regards reputation 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 RMF.

Other information

Articles of Association - Profits and distributions

Article 24

- 24.1** The allocation of profits accrued in a financial year shall be determined by the General Meeting.
- 24.2** Distribution of profits shall be made after adoption of the annual accounts if permissible under the laws of the Netherlands given the contents of the annual accounts.
- 24.3** The General Meeting may resolve to make interim distributions and/or to make distributions at the expense of any reserve of the Company.
- 24.4** Any distribution shall be made to the Shareholders in proportion to the aggregate paid up part of the nominal value of the Shares held by each.
- 24.5** Distributions on Shares may be made only up to an amount which does not exceed the amount of the Distributable Equity. If it concerns an interim distribution, the compliance with this requirement must be evidenced by an interim statement of assets and liabilities as referred to in Section 2:105, subsection 4, of the Dutch Civil Code. The Company shall deposit the statement of assets and liabilities at the Dutch Trade Register within eight days after the day on which the resolution to make the distribution is published.

24.6 A claim of a Shareholder for payment of a distribution on Shares shall be barred after five years have elapsed.

24.7 No distributions shall be made on Shares held by the Company in its own capital, unless these Shares have been pledged or a usufruct has been created in these Shares and the authority to collect distributions or the right to receive distributions respectively accrues to the pledgee or the usufructuary respectively. For the computation of distributions, the Shares on which no distributions shall be made pursuant to this article 24.7, shall not be taken into account.

Maintaining
customer
trust as a
financial
institution.

Independent auditor's report

To the Shareholder and the Supervisory Board of Norinchukin Bank Europe N.V

Report on the audit of the financial statements 2020 included in the annual accounts Our opinion

We have audited the accompanying financial statements 2020 of Norinchukin Bank Europe N.V ("NBE" or "the Company"), based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Norinchukin Bank Europe N.V as at 31 December 2020, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The statement of financial position as at 31 December 2020.
2. The following statements for 2020: the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Norinchukin Bank Europe N.V in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional

Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 1,000,000. The materiality is based on 0.05% of total equity. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of € 50,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of fraud and non-compliance with laws and regulations within our audit

In accordance with the Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error. Non-compliance with law and regulation may result in fines, litigation or other consequences for NBE that may have a material effect on the financial statements.

Consideration of fraud

In identifying potential risks of material misstatement due to fraud, we obtained an understanding of NBE and its environment, including the entity's internal controls. We evaluated NBE's fraud risk assessment and made

inquiries with the Management Board, those charged with governance and with others within NBE, including but not limited to the Head of Legal and Compliance and the Head of Internal Audit. We evaluated several fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

Following these procedures, and the presumed risks under the prevailing auditing standards, we considered the fraud risks in relation to management override of controls, including evaluating whether there was evidence of bias by the Management Board, the executive leadership team and other members of management, which may represent a risk of material misstatement due to fraud. Furthermore, we identified and considered the fraud risk related to management override of controls.

As part of our audit procedures to respond to these fraud risks, we evaluated the design and implementation and, where considered appropriate, tested internal controls relevant to mitigate these risks. We performed substantive audit procedures, including detailed testing of journal entries, evaluating the accounting estimates for bias (including retrospective reviews of prior year's estimates, and the supporting documentation in relation to post-closing adjustments). We also incorporated elements of unpredictability in our audit. The procedures described are in line with the applicable auditing standards and are not primarily designed to detect fraud. Our procedures to address fraud risks did not result in a key audit matter.

Consideration of compliance with laws and regulations

We assessed the laws and regulations relevant to NBE through discussion with the Management Board, those charged with governance and with others within NBE, including but not limited to the Head of Legal and Compliance and the Head of Internal Audit, reading minutes and reports of internal audit and the correspondence with the regulators.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the

extent material for the related financial statements. We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, NBE is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation. Given the nature of NBE's business and the complexity of regulation, there is a risk of non-compliance with the requirements of such laws and regulations.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to NBE's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to (i) inquiry of management, the Supervisory Board, the Management Board and others within NBE as to whether NBE is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit.

Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Because of the characteristics of fraud, particularly when it involves sophisticated and carefully organized schemes to conceal it, such as forgery, intentional omissions, misrepresentation and collusion, an unavoidable risk remains that we may not detect all fraud during our audit.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the Supervisory Board. The key audit matter is not a comprehensive reflection of all matters discussed.

This matter was addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matters

Deferred Tax Asset (DTA)

Description

Norinchukin Bank Europe N.V. has recognized a DTA in the amount of EUR 10.4 million. In 2019 NBE recorded a DTA in the amount of EUR 5.3 million based on the result (loss) for the period before tax of EUR 24.3 million. In 2020 the DTA increased with EUR 5.1 million, due to a consecutive negative result for the year 2020 before tax of EUR 17.1 million and due to an expected increase in the corporate income tax rate from 21.7% to 25%.

The DTA might not be appropriately recognized or utilized against future taxable profits (“carry forward”) as the company might not be able to realize these profits within the applicable term of six years.

Because of the inherent uncertainty and risks in a number of areas when determining the DTA, the recognition is an important area of judgement and estimates by the Management Board. The Covid-19 pandemic further increases the estimation uncertainty following unprecedented economic circumstances, we therefore consider this a key audit matter for our audit.

NBE’s disclosures concerning the DTA are included in note 7 Deferred Tax Assets & income tax expense and in the paragraph regarding Significant judgements and estimates of the financial statements.

How the key audit matter was addressed in the audit

The Deferred Tax Assets results from tax losses carried forward. These losses can be carried forward for a period up to 6 years in the Netherlands from the moment the losses were incurred. Based on the business plan management concluded that the 2019 and 2020 losses should be recoverable within this set period. We considered the appropriateness of management’s assumption and estimates in relation to the deferred tax position.

We have determined that the deferred tax position is based on the company’s business plan. Since the company has only recently been incorporated, we have evaluated the reasonability that the company will be able to realize their business plan.

In accordance with ISA 540, we assessed corroborative and contradictory evidence to substantiate and challenge management’s assertions used in its business plan and related forecasts, which are considered crucial in evidencing the recoverability of the DTA. As such we held corroborative inquiries with management and challenged managements assumptions, by amongst others performing back testing procedures, inspecting financial reports to verify NBE’s actual performance and to verify the projected developments in NBE’s client base.

Our observations

The scope and nature of the procedures performed were appropriate and sufficient to address the key audit matter. Our procedures performed on the Deferred Tax Asset did not result in reportable matters.

Report on the other information included in the annual accounts

In addition to the financial statements and our auditor’s report thereon, the annual accounts contain other information that consists of:

- About Norinchukin Bank Europe N.V.
- Report of the Supervisory Board
- Report of the Management Board
- Dutch Banking Code
- Other information

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board’s Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements Engagement

We were engaged by the Supervisory Board as auditor of Norinchukin Bank Europe N.V as of the year 2019 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the financial statements Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company’s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company’s ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company’s financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

Amsterdam, 25 May 2021

Deloitte Accountants B.V.

A. den Hertog

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the Supervisory Board, we determine the key audit matter: the matter that was of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Initials for identification purposes

