NORINCHUKIN BANK
EUROPE N.V.

Pillar III report 2020

Dedicated to **sustaining** all life.

Contents

Introduction

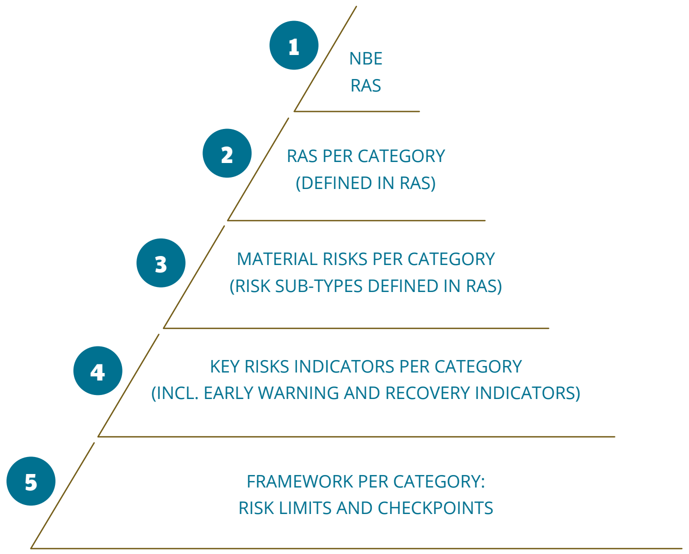
This document is the Pillar III disclosure for the Norinchukin Bank Europe N.V. and prepared in accordance with the requirements under the REGULATION (EU) No 575/2013. This report should be read in conjunction with our Annual report 2020. With these two reports we fulfil the disclosure requirements as laid down in the CRR (Capital requirement regulation) part eight (disclosures by the institution) and additional EBA guidelines.

Our Risk management foundation and approach are described in the Annual report 2020. However, in this Pillar III report we also present the section about our Risk Appetite as this section gives a concise insight in our risk appetite and serves as background information to better understand the presented disclosures.

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 (Risk Appetite Statement) 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 level of risk NBE is willing to expose itself to in a qualitative as well as a quantitative manner. 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 which are phased in over the course of 2020:

RISK UNIVERSE

Category 1 Capital, Credit & Market Risk	Strategic Risk	Risk of Insufficient Capitalization	Risk of Exessive 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.

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 the 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.

Generally, NBE assesses for each borrower and counterparty, the credit risk by using an internal credit rating system. For each corporate borrower, NBE shall monitor credit risk and status of use of their group's ceiling. In 2020, credit and credit concentration risk consisted of positions of cash and bank balances, debt securities and repurchase transactions, and these financial instruments have been in Stage 1.

NBE mitigates credit risk by placing emphasis on the collateral pledged in the transactions. In 2020, the securities borrowed from the parent company serve as collateral for the committed facility, and securities received as collateral in reverse repurchase transactions and given in repurchase transactions.

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.

For market risk, interest rate risk is calculated by IRRBB in NBE's Banking Book, and IRRBB results are frequently monitored.

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. 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, therefore liquidity and funding risks were limited.

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 the 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 authorised entity, now or in the future. The supplier may itself be an authorised or unauthorised 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 the 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 materialises. Managing potential reputational effects is therefore considered to be interweaved throughout the RMF.

Limited disclosures
NBE started its banking operations in September 2020 with a limited number of products (like repurchase transactions, investments in EU Government bonds and withdrawable at the central bank) and a limited number of clients/counterparties. Accordingly, the risk profile of NBE was limited as 2020 has been a year to primarily build up its banking activities.

We have used the official templates provided by the EBA as a reference to prepare the disclosures. Due to the limited amounts of products and clients, the information that needs to be reported for this reporting period is consequentially limited. We do therefore not present the reporting templates with null nature (e.g. empty rows and columns) as those are not applicable for NBE in this document.

NBE does not hold any non-performing, forborne and past due exposures at the reporting date. Templates for these kinds of exposures are therefore not presented in this document.

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

NBE applies the standardized approach when determining the capital requirements, therefore the IRB related templates are not applicable for NBE. Rating agencies that are used by NBE under the Standardized approach include Standard & Poor's, Moody's and Fitch.

To determine the own funds requirements for operational risk NBE applies the Basic indicator approach as laid down in CRR article 315. Because NBE started its business in September 2020, there are no comparative figures. All amounts are presented in thousands of euros.

Covid-19
In response to the need to address negative economic consequences of the COVID-19 pandemic, the European Union (EU) and Member States have introduced a wide range of mitigating measures to support the real economy and the financial sector. As part of such measures, some Member States have introduced legislative moratoria on loan repayments granting the borrowers various forms of payment holidays on their existing loans. In the other Member States similar measures have been introduced under individual institutions' industry-coordinated initiatives. Many Member States have also introduced various forms of public guarantees to be applied to new lending.

These measures had no impact on NBE as we just started our business and have no business that is impacted by the Covid-19 pandemic.

Basis of disclosure
There is no difference in the basis of disclosure for prudential purposes and for accounting purposes. NBE has not consolidated any entity as it has no subsidiaries.

> "The risk profile of NBE was limited as 2020 has been a year to primarily build up its banking activities."

Own funds

NBE currently has only tier 1 capital and holds no additional tier 1 or tier 2 capital. The shares of NBE are held wholly by the parent company, The Norinchukin Bank. In the table below a breakdown of our CET1 Capital, Risk Weighted Assets and the capital ratios are presented. We have only presented those rows which are applicable for NBE.

Capital adequacy

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

NBE applies the standardized approach when determining the capital requirements for credit risk, counterparty credit risk and market risk. For the operational Risk NBE applies the Basic Indicator approach. NBE's CET1 ratio amounts to 2.496%.The high CET1 ratio is reflecting the fact that we just started our business. Our CET1 ratio will decline in the future due to the expected growth of our business.

31 December 2020

		REGULATION (EU) NO 575/2013 ARTICLE REFERENCE	AMOUNT AT DISCLOSURE DATE
Common Equity Tier 1 capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	26 (1), 27, 28, 29, EBA list 26 (3)	2.000.000
	of which: Ordinary Shares	EBA list 26 (3)	2.000.000
2	Retained Earnings	26 (1) c	-19.064
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**		**1.980.936**
Common Equity Tier 1 capital: regulatory adjustments			
8	Intangible assets (net of related tax liability) (negative amount)	36 (1) (b), 37, 472 (4)	-323
25a	Losses for the current financial year (negative amount)	36 (1) (a), 472 (3)	-12.030
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**		**-12.353**
29	**Common Equity Tier 1 (CET1) capital**		**1.968.583**
60	**Total risk weighted assets**		**78.865**
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	92 (2) (a), 465	2496%
62	Tier 1 (as a percentage of risk exposure amount)	92 (2) (b), 465	2496%
63	**Total capital (as a percentage of risk exposure amount)**	**92 (2) (c)**	**2496%**

Leverage ratio

The leverage ratio is a measure that allows for the assessment of institutions' exposure to the risk of excessive leverage. The leverage ratio is calculated as the capital measure divided by the exposure measure (leverage ratio exposure). The leverage ratio of NBE as per December 31, 2020 (76,4%) is well above the minimum required leverage ratio of 3%.

31 December 2020

	SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES	APPLICABLE AMOUNTS
1	Total assets as per published financial statements	1.976.038
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure according to Article 429(11) of Regulation (EU) NO. 575/2013	
4	Adjustments for derivative financial instruments	
5	Adjustments for securities financing transactions	
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	600.000
7	Other adjustments	-323
8	**Leverage ratio exposure**	**2.575.715**

31 December 2020

	LEVERAGE RATIO COMMON DISCLOSURE	APPLICABLE AMOUNTS
On-balance sheet exposure (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1.976.038
2	Asset amounts deducted in determining Tier 1 capital	-323
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**1.975.715**
Off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	3.000.000
18	Adjustments for conversion to credit equivalent amounts	-2.400.000
19	**Total off-balance sheet exposures (sum of lines 17 to 18)**	**600.000**
Capital and Total Exposures		
20	Tier 1 capital	1.968.583
21	**Total Exposures (sum of lines 3 and 19 and 21a)**	**2.575.715**
Leverage Ratios		
22	**Leverage ratio**	**76%**

Qualitative disclosures

1	**Description of the processes used to manage the risk of excessive leverage**	NBE monitors the leverage ratio on a monthly basis. NBE considers the effect of new transactions on the leverage ratio.
2	**Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers**	Because NBE started its banking operations in September 2020 this is the first leverage ratio we have presented for our banking operations.

Capital requirements

In the following table the risk weighted assets and own funds requirements are presented per risk type. NBE has risk weighted assets related to Credit risk, Counterparty Credit Risk and Operational Risk. The counterparty credit risk relates entirely to our business via a QCCP.

EU OV1: NBE Regulatory capital requirements

31 December 2020

	RWA	OWN FUND REQUIREMENTS
Credit risk (excluding Counterparty Credit Risk (CCR))	**32.825**	**2.626**
Of which standardised approach	32.825	2.626
Counterparty Credit Risk (CCR)		
Of which standardised approach for CCR		
Market risk		
Of which the standardised approach		
Operational risk	**46.040**	**3.683**
Of which basic indicator approach	46.040	3.683
29 Total	**78.865**	**6.309**

Countercyclical capital buffer (in thousands)

31 December 2020

	GENERAL CREDIT EXPOSURES EXPOSURE VALUE FOR SA	OWN FUNDS REQUIREMENTS OF WHICH: GENERAL CREDIT EXPOSURES	TOTAL	OWN FUNDS REQUIREMENT WEIGHTS	COUNTER CYCLICAL CAPITAL BUFFER RATE
	010	**070**	**100**	**110**	**120**
Netherlands	5.511	441	441	100%	0%
Total	**5.511**	**441**	**441**	**100%**	

Credit risk

In this section, we present several break-downs of the Exposure values and the Risk weighted assets related to credit risk and counterpart credit risk.

Exposure value and Risk Weighted Assets per exposure class

31 December 2020

	CENTRAL GOVERNMENTS OR CENTRAL BANKS		INSTITUTIONS		OTHER ITEMS		TOTAL 2020	
	Exposure Value post CCF and CRM	RWA	Exposure Value post CCF and CRM	RWA	Exposure Value post CCF and CRM	RWA	**Exposure Value post CCF and CRM**	**RWA**
SA approach								
On-balance	1.963.428	25.963	7.016	1.352	5.511	5.511	**1.975.955**	**32.825**
Off-balance								
SFTs								
Derivatives								
Total SA	**1.963.428**	**25.963**	**7.016**	**1.352**	**5.511**	**5.511**	**1.975.955**	**32.825**

SA APPROACH	NET CARRYING VALUE OF EXPOSURES AT THE END OF 2020	AVERAGE NET EXPOSURES OVER THE PERIOD
Central governments or central banks	1.963.428	1.962.460
Regional governments or local authorities		
Public Sector Entities		
Multilateral Development Banks		
High Risk		
Institutions	7.016	8.979
Corporates		
Other items	5.511	5.563
Equity exposures		
Exposure in default		
Total SA Approach	**1.975.955**	**1.977.002**

EU CRB-C: Geographical breakdown of exposures

31 December 2020

	NET CARRYING VALUE								
	Europe	Belgium	France	Netherlands	Spain	Germany	**Asia**	Japan	**Total**
Central governments or central banks	**1.963.467**			1.650.735	312.733				**1.963.467**
Public Sector Entities									
Multilateral Development Banks									
High Risk									
Institutions	**5.521**	22	3.526	1.967		7	**1.495**	1.495	**7.016**
Corporates									
Other items	**5.511**			5.511					**5.511**
Equity exposures									
Exposure in default									
Regional authorities									
Total	**1.974.500**	**22**	**3.526**	**1.658.212**	**312.733**	**7**	**1.495**	**1.495**	**1.975.995**

EU CRB-D: Concentration of exposures by industry or counterparty types

31 December 2020

	FINANCIAL AND INSURANCE ACTIVITIES	OTHER SERVICE ACTIVITIES	TOTAL
Central governments or central banks	1.640.070	323.359	**1.963.428**
Public Sector Entities			
Multilateral Development Banks			
High Risk			
Institutions	7.016		**7.016**
Corporates			
Other items		5.511	**5.511**
Equity exposure			
Exposure in default			
Regional authorities			
Total	**1.647.085**	**328.870**	**1.975.955**

EU CRB-E: Maturity of exposures

31 December 2020

	NET CARRYING VALUE				
	<= 1 year	> 1 year < 5 years	>= 5 years	Undefined maturity	**Total**
Central governments or central banks	1.640.350		312.733	10.385	**1.963.467**
Public Sector Entities					
Multilateral Development Banks					
High Risk					
Institutions	4.516			2.500	**7.016**
Corporates					
Other items	5.511				**5.511**
Equity exposure					
Exposure in default					
Total	**1.650.377**			**12.885**	**1.975.995**

In the following tables the undrawn commitments are included.

Undrawn commitments

	INSTITUTIONS	CORPORATES	2020
			Total
Under SA approach	3.000.000		**3.000.000**

EU CR1-A: Credit quality of exposures by exposure classes and instruments

31 December 2020

	GROSS CARRYING VALUES			
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustments	Net values
Central governments or central banks		1.963.428	-241	1.963.187
Regional governemts or local authorities				
Public Sector Entities				
Multilateral Development Banks				
High Risk				
Institutions		3.007.016		3.007.016
Corporates				
Equity exposure				
Other Items		5.511		5.511
Total		**4.975.955**	**-241**	**4.975.715**

EU CR1-B: Credit quality of exposures by industry or counterparty types

31 December 2020

	GROSS CARRYING VALUES			
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustments	Net values
Financial and Insurance Activities		3.007.016		3.007.016
Total		**3.007.016**		**3.007.016**

Excluding High Risk, Equity, Other Items, Sovereigns (all expsoure classes with Risk Weight 0%)

(*) Including expected credit loss

EU CR1-C: Credit quality of exposures by geography

31 December 2020

	GROSS CARRYING VALUES			
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustments	Net values
Europe		**5.521**		**5.521**
Netherlands		1.967		1.967
France		3.526		3.526
Other		28		28
Asia		**3.001.495**		**3.001.495**
Japan		3.001.495		3.001.495
Total		**3.007.016**		**3.007.016**

Excluding Other Items and Sovereigns (all expsoure classes with Risk Weight 0%)

Exposures before and after Risk mitigation

Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects

31 December 2020

EXPOSURE CLASSES	EXPOSURES BEFORE CCF AND CRM		EXPOSURES POST-CCF AND CRM		RWA AND RWA DENSITY	
	On-Balance Sheet amount	Off-Balance Sheet amount	On-Balance Sheet amount	Off-Balance Sheet amount	RWA	RWA density
Central governments or central banks	1.963.428	0	1.963.428	0	25.963	1%
Regional governemts or local authorities						
Public Sector Entities						
Multilateral Development Banks						
High Risk						
Institutions	7.016	3.000.000	7.016	0	1.352	19%
Corporates						
Equity exposure						
Other Items	5.511	0	5.511	0	5.511	100%
Exposure in default						
Total	**1.975.955**	**3.000.000**	**1.975.955**	**0**	**32.825**	**2%**

Standardised approach Post-CCF and Post-CRM Techniques

31 December 2020

	RISK WEIGHT								
	0%	2%	20%	50%	100%	250%	1250%	**Total**	Unrated
Central governments or central banks	1.953.043					10.385		**1.963.428**	
Regional governemts or local authorities									
Public Sector Entities									
Multilateral Development Banks									
High Risk									
Institutions	2.500		3.021	1.495				**7.016**	
Corporates									
Equity exposure									
Other Items					5.511			**5.511**	5.511
Exposure in default									
Total	**1.955.543**		**3.021**	**1.495**	**5.511**	**10.385**		**1.975.955**	**5.511**

Counterparty Credit Risk

EU CCR3: Standardised approach - CCR exposures by regulatory portfolio and risk

31 December 2020

	RISK WEIGHT						
	0%	2%	20%	50%	100%	Others	**Total**
Central governments or central banks	1.953.043					10.385	**1.963.428**
International organisations							
Public Sector Entities							
Multilateral Development Banks							
High Risk							
Institutions			3.003.021	1.495		2.500	**3.007.016**
Corporates							
Other items					5.511		**5.511**
Exposures in default							
Total	**1.953.043**		**3.003.021**	**1.495**	**5.511**	**12.885**	**4.975.955**

**Exposure value reported in this table is before Credit Risk Mitigation but post contractual netting*

Impact of Netting and collateral

As per 31 December 2020, the only financial instruments in the scope of netting were repurchase transactions ("repos") and reverse repurchase transactions ("reverse repos"). NBE satisfies all CRR requirements regarding the netting of these financial instruments.

EU CCR5-A: Impact of netting and collateral held on regulatory exposure values

31 December 2020

	GROSS POSITIVE FAIR VALUE 1)	NETTING BENEFITS	NETTED CURRENT CREDIT EXPOSURE	COLLATERAL HELD	NET CREDIT EXPOSURE
Derivatives by underlying					
Securities Financing Transactions	21.272.368	21.272.368			
Cross-product netting					
Total	**21.272.368**	**21.272.368**			

1) based on market value per counterparty and excluding the add-on for potential future cash outflows

Collateral

Collateral received and given in reverse repurchase and repurchase transactions are presented in the following table. All reverse repurchase and repurchase transactions are executed via a QCCP (Qualifying Central Counterparty). Collateral received and given as well as our positions with the QCCP are managed by our Treasury division on a daily basis. Currently, all received collateral are EU Government bonds.

A change in the credit rating of NBE will not have an impact on the collateral provided in the repurchase business.

EU CCR5-B: Composition of collateral for exposures to counterparty credit risk

31 December 2020

	COLLATERAL USED IN SFTs	
	Fair value of collateral received	Fair value of posted collateral
Cash		
Securities	10.620.653	-10.620.653
Total	**10.620.653**	**-10.620.653**

Central counterparties

In the table below the exposure to QCCP is presented.

EU CCR8: Exposures to central counterparties

31 December 2020

	EAD (POST-CRM)	RWA
Exposures to QCCPs (total)		
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
(i) OTC derivatives		
(ii) Exchange-traded derivatives		
(iii) Securities financing transactions		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Pre-funded default fund contributions	**2.500**	0
Alternative calculation of own funds requirements for exposures		

Market Risk

Currently, there is no capital requirement for market risk. NBE has no FX positions as all its banking activities are held via EUR denominated basis as of the reporting date. NBE has no trading book, equity and commodities exposure as of the reporting date either. NBE applies the standardized approach for determining the capital requirements for market risk.

Interest rate risk

NBE's entire balance sheet is categorised as a banking book, i.e. the bank does not have any assets which it holds for trading. For 2020, the main components of the interest rate risk in the banking book (IRRBB) are fixed rate security investments. Since NBE commenced its business operations in September 2020, the bank has built its business with a portfolio of products with short tenor (daily, 1-3 months) and longer tenor (14 months, 10 years).

In assessing NBE's exposure to IRRBB, the bank considers two different approaches: changes in economic value (i.e. EV or EVE when assessing the change in value relative to equity). ΔEVE is a measure of the change in the net-present value of the balance sheet under a range of yield curve stress scenarios. It is a long term measure, assessing the impact over the remaining life of the balance sheet, while changes in expected earnings (i.e. changes in forecast net interest income or NII). ΔNII is a short-medium term measure, assessing the impact to earnings over a defined time period. In accordance with EBA Guidelines (EBA/GL/2018/02), NBE measures its exposure to six standardised yield-curve shocks and a seventh own developed scenario. The largest negative impact was from ΔEVE which occurred in the 200bps parallel shift upwards in 2020. In total an increase of 200 bp leads to a decrease in € 50.680 million in economic value of equity and a decrease of 200 bp leads to an increase in € 61.613 million in economic value of equity.

Liquidity

NBE ensures a liquidity position via amongst others sufficient unencumbered high quality Liquid assets (liquidity buffer). The liquidity coverage ratio (LCR), which is presented below, is one of the key liquidity metrics NBE uses to manage the liquidity position. The average LCR (264%) is well above the minimum of 100%.

EU LIQ1: LCR disclosure template

		TOTAL UNWEIGHTED VALUE 31 DECEMBER 2020	TOTAL WEIGHTED VALUE 31 DECEMBER 2020
Number of data points used in the calculation of averages		**4**	**4**
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)	2.363.903	2.363.903
Cash-outflows			
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits		
4	Less stable deposits		
5	Unsecured wholesale funding	556	556
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	556	556
8	Unsecured debt		
9	Secured wholesale funding	1.134.118	0
10	Additional requirements	2.250.000	900.000
11	Outflows related to derivative exposures and other collateral requirements		
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	2.250.000	900.000
14	Other contractual funding obligations	37	0
15	Other contingent funding obligations		
16	**Total cash outflows**	**3.384.710**	**900.556**
Cash-inflows			
17	Secured lending (eg reverse repos)	1.134.118	0
18	Inflows from fully performing exposures	4.145	4.145
19	Other cash inflows		
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		
EU-19b	(Excess inflows from a related specialised credit institution)		
20	**Total cash inflows**	**1.138.262**	**4.145**
EU-20a	Fully exempt inflows		
EU-20b	Inflows Subject to 90% Cap		
EU-20c	Inflows Subject to 75% Cap	1.138.262	4.145
21	**Liquidity buffer**		**2.363.903**
22	**Total net cash outflows**		**896.411**
23	**Liquidity coverage ratio (%)**		**264%**

Asset encumbrance

An asset is considered "encumbered" if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transactions from which it cannot be freely withdrawn. "Unencumbered assets" are assets that are not considered encumbered in accordance with that definition.

Currently, NBE has a limited amount of assets held as encumbered.

Unencumbered assets and encumbered assets

31 December 2020

	CARRYING AMOUNT OF ENCUMBERED ASSETS	FAIR VALUE OF ENCUMBERED ASSETS	CARRYING AMOUNT OF UNENCUMBERED ASSETS	FAIR VALUE OF UNENCUMBERED ASSETS
Assets of the reporting institution	2.500		1.973.538	
Loans on demand			1.642.064	
Equity instruments				
Debt securities			312.733	314.856
Loans and advances other than loans on demand	2500		1.026	
Other assets			17.715	

Collateral received and own debt securities issued

31 December 2020

		UNENCUMBERED	
	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Nominal amount of collateral received or own debt securities issued not available for encumbrance
Collateral received by the reporting institution		3.832.186	
Loans on demand			
Equity instruments			
Debt securities		3.832.186	
Loans and advances other than loans on demand			
Other collateral received			
Own debt securities issued other than own covered bonds