NORINCHUKIN BANK
EUROPE N.V.

Annual Report

2021

Dedicated to sustaining all life.

Contents

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 any retail business in Europe.

Business Model

NBE focuses on three business areas:

- Strengthening the F&A banking business to support Japanese firms in (Continental) Europe,
- Increasing group's Structured finance business in Europe to strengthen its global diversified investment strategy,
- Attracting 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, and NBE currently offers corporate time deposits and corporate bilateral loans. 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. Issuance of Negotiable Certificates Deposit (NCD) and interbank transactions are another source of EUR funding activities.

> "NBE operates banking activities in three main business areas: Food and Agriculture (hereafter "F&A") banking business, Structured finance business, and Euro funding business."

Key Figures

Amounts in thousands of euros

Key Figures	31 December 2021	31 December 2020
Cash and balances with central banks	239,112	1,640,069
Loans and advances to banks	7,400	5,521
Loans and advances to customers	272,129	-
Debt securities at amortized cost	1,460,608	312,733
Total assets	**1,998,404**	**1,976,038**
Total shareholder's equity	**1,967,905**	**1,968,906**
Net result for the year	-1,001	-12,030
Total operating income	15,933	-832*[1]
Total operating expenses	17,694	16,062
Result for the year before tax	-1,702	-17,135
Income tax expense/(-) benefit	-701	-5,105
Others		
Total capital ratio	415%	2,496%
Leverage ratio	81%	76%
NSFR *[2]	>100%	>100%
LCR *[2]	>100%	>100%
Number of employees (total in FTE)	**46.1**	**39**

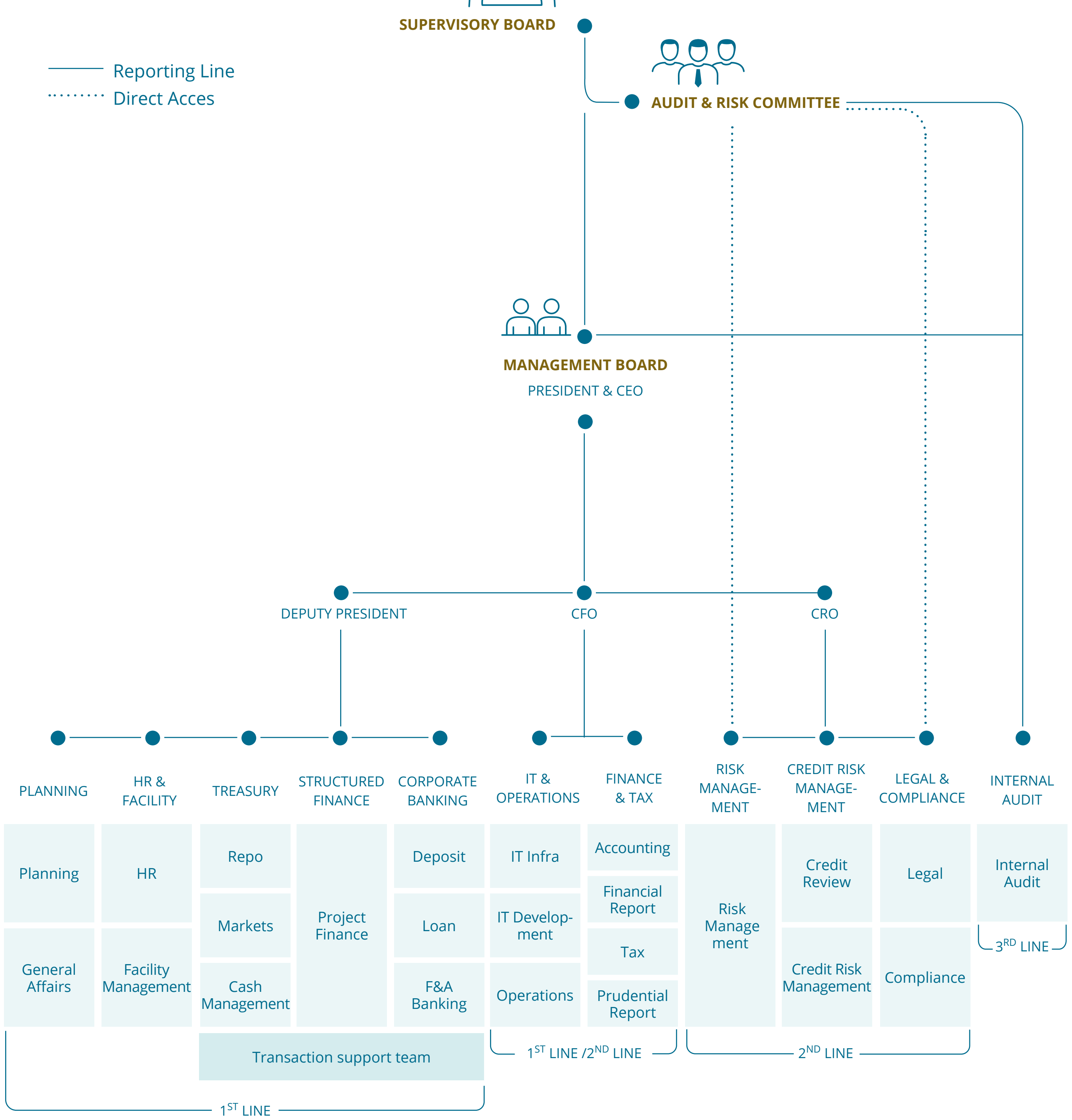
*[1] The "credit loss expenses" are now classified under an individual line to align with the updated presentation of the current reporting year instead of under "total operating income". Therefore the amount of "total operating income" in 2022 has been changed from -1,073 to -832 thousand.

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

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. In order to speed up business expansion of a legal, KYC, and administrative work for the front line business, the Transaction Support Team was established as of 1 April 2021. For efficiency and effectiveness of regulatory reporting, the Prudential Reporting function except for IRRR is transferred from Risk Management to Finance & Tax as of 1 October 2021.
As per 31 December 2021, NBE had 46.1 full-time employees (2020: 39).

Organization Chart as of 1 April 2022



Composition of the Supervisory Board

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

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

Mr. Imai has been appointed as Chairperson of the Supervisory Board from 23 April 2021. 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 overseas branches.

Member / Chairperson 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 a member of the managing board and Chief Finance and Risk Officer of Dutch online 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. Hiroaki Fukuda (effective 6 May 2022)

Mr. Fukuda joined The Norinchukin Bank in 1992. Due to his extensive knowledge and experience in the field of risk management, he adds value on financial and non-financial risk management including climate-related risks of NBE. He is also familiar with global financial regulatory compliance, internal control framework, and non-yen currency funding, which is NBE's core business and strategy. In his current position, Mr. Fukuda is responsible for the internal control functions of The Norinchukin Bank including its overseas offices.

Mr. Kei Fujisaki (resigned on 31 March 2022)

Mr. Fujisaki joined The Norinchukin Bank in 1991. He has extensive knowledge on the risk management framework of NBE and NBE's core business and strategy. Mr. Fujisaki resigned from the Member of Supervisory Board on 31 March 2022 and was succeeded by Mr. Fukuda.

Mr. Keito Shimbu (resigned on 31 March 2021)

Mr. Shimbu was the Chairperson 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. Nomura, 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. Atsushi Nomura (effective 1 April 2022)

Mr. Nomura joined NBE and was appointed to the Management Board as Deputy President on 1 April 2022 to succeed Mr. Akamatsu. Mr. Nomura has broad and deep experience in The Norinchukin Bank business strategy and extensive knowledge of the global investment and banking business, and he also has deep understanding of corporate lending and investments in infrastructure projects.

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.

Mr. Takeshi Akamatsu (resigned on 31 March 2022)

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. Mr. Akamatsu resigned from the Management board as Deputy President on 31 March 2022 and was succeeded by Mr. Nomura.

General Information

Registered Office: Gustav Mahlerlaan 1216, 4th Floor, 1081LA, Amsterdam, the Netherlands
Supervisory Board: Mr. Masato Imai (Chairperson), Mr. Idzard L. van Eeghen, Mr. Arnold J.A.M. Kuijpers, Mr. Hiroaki Fukuda
Management Board: Mr. Atsushi Yasutake (President & CEO), Mr. Atsushi Nomura (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

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 2021, the risk profile of NBE was limited as 2021 has been a year to primarily build up its banking activities. NBE started its business in September 2020 with F&A Banking business, Structured finance business and Euro Funding business for which its exposure to risk bearing positions was well within the limits of NBE's risk appetite indicators. During 2021 a gradual increase in the loan portfolio occurred, but also well within the pre-defined risk appetite; credit risk has no significant increase. Total shareholder's equity increased in 2020 due to capital contributions from our parent company, and this leaves NBE well capitalised for future expansion. 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, and NBE has some foreign currency exposure which FX positions are mostly hedged. 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, while the risk profile "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.

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 NBE, to maintain reputation in Europe among various stakeholders, including society, clients, regulators and 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.

Business Developments and Outlook
Japan and the countries within the EU 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 continue to develop business activities, to increase the number of full-time employees as business expansion, especially in the first line of defense and to start being profitable from the year 2022. While most outstanding loan has been funded by NBE's equity, the vast majority for the funding of the loan growth will be provided by 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.

Although the extraordinary situation continued in 2021 because of the COVID-19 outbreak, NBE successfully developed business activities over the course of 2021: the start of corporate time deposit taking, corporate bilateral loans, project finance deals and issuance of Negotiable Certificates Deposit (NCD) and increased balance of repo transactions. As NBE started its business operations in September 2020 and has limited credit exposure to clients/counterparties in 2021, there is no significant impact on NBE's financial stability.

NBE reviews the credit quality of potential clients under the COVID-19 conditions carefully as part of the credit risk management process. NBE also 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.

The Russian invasion of Ukraine is impacting financial markets, however it has limited impact on NBE's finance and business operations since NBE does not have direct exposures. NBE closely monitors the long-term effect of the Russian invasion of Ukraine on macroeconomics, such as higher oil and gas prices, which might affect business condition and credit worthiness of clients/counterparties.

Sustainability

The international community, aiming at achieving the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change, is working towards the protection of the global environment, which is fundamental to the existence of humanity and all living creatures, and the realization of a sustainable society. Against this background, expectations are on the rise for corporations to address such issues. NBE also recognizes the importance of sustainability initiatives, and NBE publishes its climate-related disclosure as a part of NBE's annual report as per the Task Force on Climate-related Financial Disclosure (TCFD) Recommendations. This climate-related disclosure is not in scope of the auditor's opinion or audit and review procedures conducted by the external auditor.

Performing NBE's sustainability-oriented management and assessing climate-related and environmental risks based on TCFD , NBE will enhance the procedures to manage climate risks in its portfolio in order to mitigate and adapt to climate change through its business activities. NBE's financial portfolio as of FY2021 has limited transitional risk and physical risk, and NBE supports the transition to a decarbonized society through our financing services. For more information with respect to governance, strategy, risk management, key metrics and targets on climate risks of NBE, please refer to the appendix - climate-related disclosure in the 'Other Information'. As mentioned, the appendix is not in scope of the auditor's opinion or audit and review procedures conducted by the external auditor.

Initiatives

The Norinchukin Bank has set Medium/Long-Term Goals to reduce Greenhouse Gases (GHG) emissions by 50% (compared with FY2013) and improve the income of farmers, fisheries and foresters to reach by FY2030. To achieve these goals, the Norinchukin group will promote reduction of GHG emissions of its financial counterparts, reduce own CO2 emissions and execute JPY10 trillion of new sustainable finance transactions. NBE is also committed to contribute to this Medium/Long-Term Goals of its parent.

As a financial institution, NBE steers its business activities in accordance with The Norinchukin Bank's Medium/Long-Term Goals by reducing GHG and accelerating sustainable finance transactions for the resolution of environmental and social issues. After phasing in structured finance business in 2021, NBE executed 8 project finance transactions, EUR474 million in total, as sustainable finance, including offshore and onshore wind farm projects, a fiber project and a train financing project in Continental Europe. Sustainable finance is measured by Norinchukin group's internal clarifications which include transactions for renewable projects and social infrastructure projects. NBE will continue accumulating European sustainable finance transactions going forward and has set as goal to commit to EUR420 million in sustainable finance transactions in 2022.

Governance Developments

NBE is developing its governance framework to ensure proper management of ESG risks including climate-related and environmental risks in the banking business operations, in line with local and regional European standards. In addition, NBE endorsed the Norinchukin group's Environmental Policy, Human Rights Policy, and Basic Policy for Investment and Loans which are established under the Norinchukin group's Code of Ethics to develop sustainability-oriented management on the group basis. These policies place high importance on the conduct of our business operations in accordance with principles of sustainable development, environmental and social sustainability and the public responsibility of financial institutions towards stakeholders. NBE also established its own Sector Policy to prohibit and restrict financial transactions in sectors that have a strong potential for significant negative impact on ESG.

ESG Risks Management

NBE manages ESG risks, especially financial risks stemming from climate change, to address climate-related and environmental considerations in the risk management framework. NBE manages financial risks related to the physical consequences of climate change "physical risks" as well as the transition to a climate-neutral economy "transitional risks" as assessing credit transactions and reviewing the credit portfolio to adhere to the credit risk taking of NBE in relation to its Risk Appetite.

NBE recognizes physical and transitional risks that are related to the transition to a decarbonized society and climate change. NBE manages these climate change-related risks: Physical risk, Transitional risk and results of Climate Stress test, appropriately under an integrated risk management framework. Based on the NBE's lending portfolio as of FY2021, NBE has limited transitional risk and physical risk.

For more information on climate risk including GHG measurements and results, please refer to the appendix - climate-related disclosure in the 'Other Information'.

Social Contribution

To contribute to sustainable future of related local communities, society and food, NBE has been participating in a food education program in the Netherlands which aims to increase the interest of children for sustainable nutrition. NBE also supports the Netherlands Bach Society to contribute talent development and education for Dutch cultural landscape. Considering the Japanese origin of The Norinchukin group and strengthening relationship between the Netherlands and Japan, NBE has been sponsoring events and organizations related to connection between local communities and Japanese communities as well.

Our People and Value

NBE has formulated its Corporate Values OSEC: Openness, Sensitivity, Engagement and Cooperation to build and preserve a sustainable inclusive corporate culture, and NBE has made various efforts to develop and enhance employees as well as the organization in order to support NBE to foster own corporate culture.

NBE is promoting diversity, equality and inclusion to lead a sustainable corporate culture such as gender and nationality. As per 31 December 2021, NBE had 13 female and 34 male employees, and 14 nationalities among permanent employees. NBE continues to strive to increase diversity, equality and inclusivity further.

Financial Statements

Due to the continued preparation of banking business activities commenced in September 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

The banking activities are successfully growing despite continued measures against Covid-19 and the conflicts in Ukraine, and the financial performance is expected to be profitable from 2022. The Management Board would like to express its sincere appreciation to all stakeholders involved for their continuous support in 2021. The Management Board looks forward to working together to continue servicing and working with all stakeholders to make 2022 another success year.

Amsterdam, 30 May 2022

Atsushi Yasutake
Atsushi Nomura
Marcel van Wees
Hiroki Sakurada

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 of 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 2021, the Supervisory Board held six meetings and all members were present by means of video conferencing access. The roles and responsibilities of the Supervisory Board are stipulated in the Supervisory Board's 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 1) business plan, financial plan, and RAS, 2) capital management plan, 3) business development and 4) organization & staff development to enhance NBE's business operations and the governance. During the year, Supervisory Board reviewed and approved 9 policies, including amendment of Risk Appetite Statement, Corporate Governance Policy and Remuneration Policy.

In the period ended 31 December 2021, the ARC held five meetings and all members were present 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 1) audit plan and audit report, 2) SREP and 3) results of supervisory activities to develop internal risk management framework and control systems. The Supervisory Board will remain in close contact with the Management Board to ensure steady business development despite confronting uncertainty during COVID-19 and a conflict in Ukraine.

Financial Regulation

NBE made an analysis of the regulatory landscape that applies to its activities (for example: the Capital Requirements Directive (2019/878/EU; hereafter "CRD V") and the Capital Requirements Regulation (2019/876/EU; hereafter "CRR II") 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 including Anti-Money Laundering and Countering the Financing of Terrorism("AML/CFT") related, 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.

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | Other Information

Remuneration

The Supervisory Board is responsible for approving, monitoring and maintaining the Remuneration Policy and overseeing its implementation to ensure it is fully operational as intended. The Supervisory Board determines and oversees the remuneration of the members of the Management Board, approves the remuneration of the Head of Internal Audit and oversees the remuneration of the senior officers in control functions, including the Risk Management and Compliance function. The Supervisory Board also approves the remuneration of employees other than the members of the Management Board. The remuneration for employees other than Management Board is proposed by the Management Board. In 2021 two 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 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 as set by DNB. 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.

In 2021 NBE had no employees or executives earning more than one million Euro nor exceeded the cap of 20% variable remuneration.

Lifelong Learning Program and Self-evaluation

In the period ended 31 December 2021, NBE held four courses as part of the lifelong learning programs with the Supervisory Board and the Management Board members as follows based on the increased regulatory focus on AML/CFT:

- Update on Financial and Economic Crime Risk Management
- Topics surrounding Financial Regulation
- Regulatory and Supervisory Developments in Sustainability/ESG area
- Financial Economic Crime Risks

The Supervisory Board assessed its functioning through the annual self-evaluation, which was done in December 2021, 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 and stability is adequate.

Financial Statements

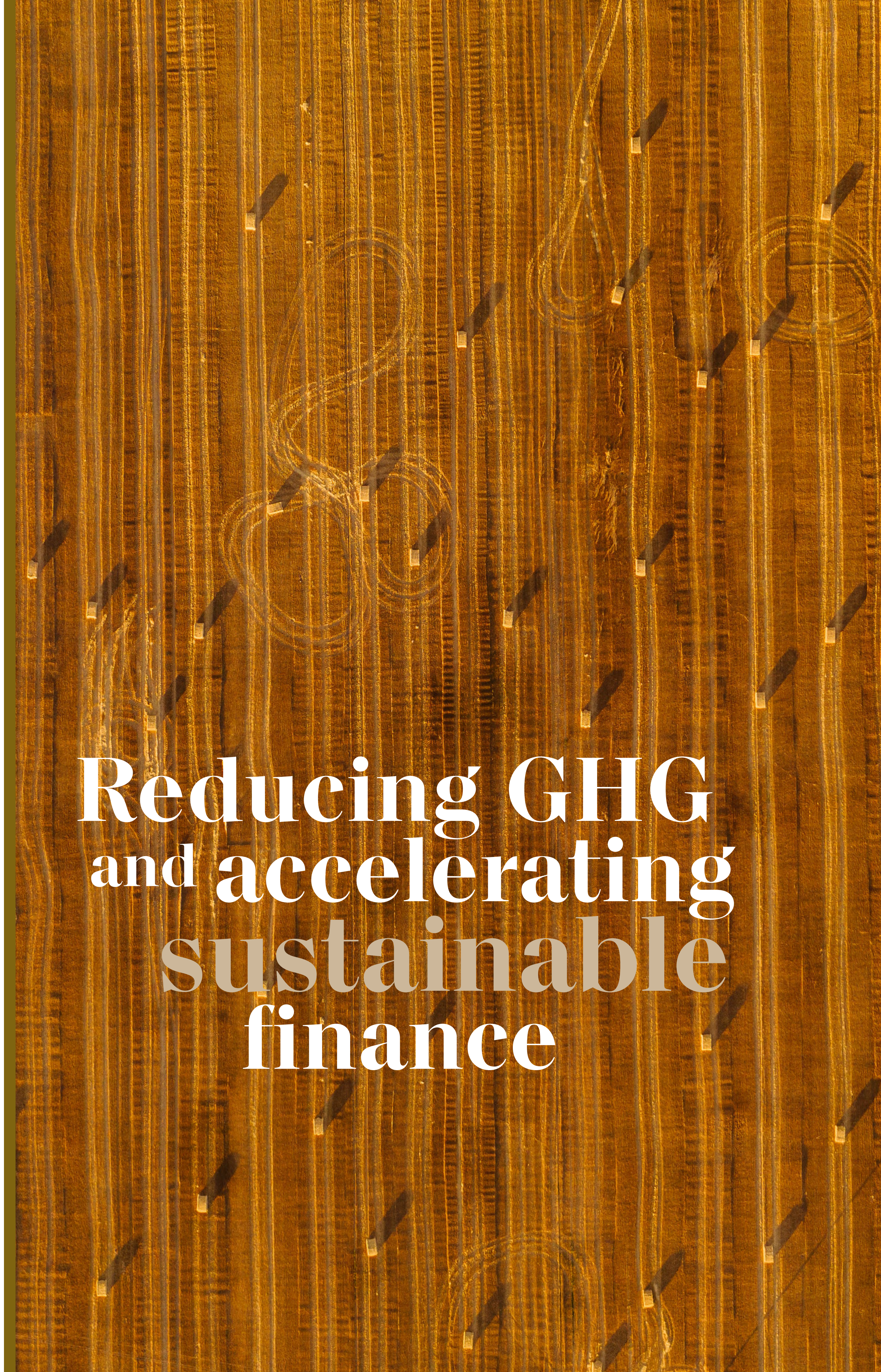
In compliance with local laws and NBE's Articles of Association, NBE will submit the Financial Statements for the period 1 January 2021 to 31 December 2021 together with the Report of the Management Board to the General Meeting of Shareholder. As NBE does not have any subsidiaries, the statutory financial statements and the consolidated financial statements are the same. The Financial Statements and Report of the Management Board have been reviewed by the Supervisory Board and audited by Deloitte Accountants B.V. The Supervisory Board proposes that the General Meeting of Shareholder approves the Financial Statements for the period from 1 January 2021 to 31 December 2021 as submitted by the Management Board.

Closing

The Supervisory Board has worked closely with the Management Board to assist to develop business operations and activities in 2021 despite the continued extraordinarily environment with the global pandemic of COVID-19 and the conflict in Ukraine. The Supervisory Board recognizes efforts and hard work of NBE's staff and the Management Board. The Supervisory Board looks forward to continuing close and strong cooperation.

Amsterdam, 30 May 2022

Masato Imai
Idzard L. van Eeghen
Arnold J.A.M. Kuijpers
Hiroaki Fukuda



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 2021.

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 chairperson 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.

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | Other Information

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 2021, 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 chairperson 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 chairperson 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.

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | Other Information

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 2021	31 December 2020
Assets			
Cash and balances with central banks	2	239,112	1,640,069
Loans and advances to banks	3	7,400	5,521
Loans and advances to customers	4	272,129	-
Debt securities at amortized cost	5	1,460,608	312,733
Property and equipment	6	1,127	1,403
Intangible assets	7	287	323
Right-of-use assets	8	3,044	3,489
Deferred tax assets	9	11,086	10,385
Other assets	10	3,611	2,115
Total assets		**1,998,404**	**1,976,038**
Liabilities			
Due to banks	11	4,957	1,000
Due to customers	12	19,944	-
Lease liabilities	13	3,087	3,503
Provisions	14	41	-
Other liabilities	15	2,470	2,629
Total liabilities		**30,499**	**7,132**
Shareholder's equity			
Issued capital		2,000,000	2,000,000
Retained earnings		-31,094	-19,064
Net result for the year		-1,001	-12,030
Total shareholder's equity	**16**	**1,967,905**	**1,968,906**
Total liabilities and shareholder's equity		**1,998,404**	**1,976,038**
Commitments	**22**	**3,301,997**	**3,000,000**

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | Other Information

Statement of Profit or Loss

For the year ended 31 December

Amounts in thousands of euros

	Notes	2021	2020
Interest and similar income		147,812	8,948
Interest and similar expense		136,025	10,931
Net interest income	17	**11,787**	**-1,983**
Fee and commission income		7,530	1,495
Fee and commission expense		3,458	449
Net fee and commission income	18	**4,072**	**1,046**
Other operating income		74	105
Net operating income		**15,933**	**-832**
Personnel expenses	19	7,722	6,061
Depreciation of property, plant and equipment	6	323	305
Amortization of intangible assets	7	70	37
Depreciation of right-of-use assets	8	668	628
Other operating expenses	20	8,911	9,031
Total operating expenses		**17,694**	**16,062**
Impairment charges/(-) reversal on financial assets *	3,4,5,14	-59	241
Result for the year before tax		**-1,702**	**-17,135**
Income tax expense/(-) benefit	9	-701	-5,105
Net result for the year		**-1,001**	**-12,030**
Attributable to:			
Owner of NBE (equity attributed to the shareholder of NBE)		-1,001	-12,030

* This component has been reclassified compared to the prior year. The "Credit loss expenses" are now classified under an individual line to align with the updated presentation of the current reporting year instead of under "Total operating income".

Statement of Comprehensive Income

For the year ended 31 December

Amounts in thousands of euros

	2021	2020
Result for the year	-1,001	-12,030
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year, net of tax	**-1,001**	**-12,030**

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 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**
Total comprehensive income	-	-	-1,001	-1,001
Balance at 31 December 2021	**2,000,000**	**-**	**-32,095**	**1,967,905**

All NBE shares are held by The Norinchukin Bank. The retained earnings are mainly affected by the losses incurred during the setup and preparation phase of NBE and its commencement on banking activities in Europe from September 2020.

Statement of Cash Flows

For the year ended 31 December

Amounts in thousands of euros

	2021	2020
Result for the year before tax	-1,702	-17,135
Adjusted for:		
Amortization and depreciation of fixed assets	1,061	970
Impairment charges /(-) reversal	-59	241
Changes in:		
Loans and advances to banks other than on demand	-1,781	-3,526
Loans and advances to customers	-272,172	-
Other assets	-1,496	-1,713
Due to banks	3,957	1,000
Due to customers	19,944	-
Other liabilities	-159	490
Other	23	25
Net cash flows from /(-) used in operating activities	**-252,384**	**-19,648**
Investing activities:		
Debt securities	-1,147,732	-312,974
Purchases of property and equipment	-47	-172
Purchases of intangible assets	-34	-99
Addition of right-of-use assets and lease liabilities due to leases	1	0
Net cash flows from /(-) used in investing activities	**-1,147,812**	**-313,245**
Payment of lease liabilities	-663	-627
Proceeds from share capital	-	1,929,000
Proceeds from share capital	**-663**	**1,928,373**
Net cash flows	**-1,400,859**	**1,595,480**
Cash and cash equivalents at start of year	**1,642,064**	**46,584**
Cash and cash equivalents at end of year	**241,205**	**1,642,064**
Cash and cash equivalents comprise:		
Due from banks - on demand	2,093	1,995
Cash and balances with central banks	239,112	1,640,069
Cash and cash equivalents at end of year	**241,205**	**1,642,064**

The statement of cash flows has been refined, in order to create more alignment with the Statement of Financial Position and the Statement of Profit or Loss.

Notes to the Financial Statements

1. Accounting policies

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. After being granted a banking license by the Dutch Central Bank ("DNB"), NBE commenced its banking business from September 2020.

The Norinchukin Bank defined the F&A banking business as one of the main business pillars. It aims to amplify 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 focuses on three main business areas: F&A banking business, Structured finance business and Euro funding business. The F&A banking business provides a wide range of financial solutions to its targeted client base. As for the Structured finance business, NBE supports The Norinchukin Bank with its globally diversified investment strategy. The aim of the Euro funding business is to provide The Norinchukin Bank access to the centre of liquidity of the EU-based repo business within the 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 (hereafter "EU") and with Part 9 of Book 2 of the Dutch Civil Code.

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.

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 occurred in the first three financial periods of 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 latest business plan. As of now no material uncertainties are known by the management 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 16). 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 translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the reporting date. The income and expense items are translated into the functional currency at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period.

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.

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | Other Information

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 contingent liabilities at the balance sheet date. Furthermore, the estimates and assumptions affect the reported income and expenses for the year. 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.

The accounting judgements and estimates mainly relate to the following:

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 based on the likelihood level of future taxable profit in accordance with latest NBE's business plan. Please refer to Note 9 Deferred tax assets & Income tax expense.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a valuation technique that includes the use of mathematical models. The inputs to these models are derived from observable markets where possible, and where this is not feasible, non-observable market data where a degree of judgment would be required in determining fair values. The chosen valuation technique makes maximum use of observable market input and relies as little as possible on estimates. Please refer to "Determination of fair value for financial instruments" within this chapter for more information regarding the measurement of fair value within NBE, as well as Note 26 for fair value disclosure of current financial year.

Classification of financial instruments

For the classification of financial instruments, certain management judgements and estimates are exercised in determining the business model and assessing the criteria of 'Solely Payment of Principle and Interest' ('SPPI') test. Please refer to "Classification and measurement of financial assets" under this chapter for more information on NBE's methodology.

Impairment losses on financial assets

NBE applies the three-stage expected credit loss impairment models under IFRS 9 for measuring and recognizing expected credit losses which involve a significant degree of management judgement, in particular, the estimation of amount and timing of future cash flows as well as selection of macro-economic scenarios and factors when determining expected credit losses and the determination of a significant increase in credit risk. These estimates are driven by a number of factors and changes, which can result in different levels of expected credit losses.

NBE's expected credit loss ('ECL') calculations are outputs of models based on certain assumptions. Elements of the ECL models that are considered accounting judgements and estimates include:

- NBE's internal credit rating model, which assigns credit grades to customers.
- NBE's criteria for assessing if there has been a significant increase in credit risk.
- The ECL models, including the various formulas and the choice of inputs.
- The selected forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.
- The associations between macroeconomic scenarios on GDP and the effect on Probability Default.

Please refer to "Impairment on financial assets" under this chapter for information regarding the impairment allowances model.

Impact of COVID-19
Although the extraordinary situation continued in 2021 because of the COVID-19 outbreak, NBE successfully developed business activities over the course of 2021: the start of corporate time deposit taking, corporate bilateral loans, project finance deals and issuance of Negotiable Certificates Deposit (NCD) and increased balance of repo transactions. As NBE started its business operations in September 2020 and has limited credit exposure to clients/counterparties in 2021, there is no significant impact on NBE's financial stability.

NBE reviews the credit quality of potential clients under the COVID-19 conditions carefully as part of the credit risk management process. NBE also 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.

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 a contract is settled by the 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, 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 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 2021, 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 classified 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 2021, 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 to either settle on a net basis, or to realize the assets and settle the liabilities simultaneously (Note 28).

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 2021, NBE only had financial instruments at amortized cost which means no instruments are carried at fair value.

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. For financial assets and financial liabilities that have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits without a specific maturity. Therefore the fair value for cash and balance with central banks, nostro account balances, default fund, repurchase and reverse repurchase transactions, and short-term loans to customers are best estimated at the nominal amount, which is the current balance sheet amount. The fair value of loans to and deposit from banks or customers with longer term, are estimated by comparing market interest rates when they are first recognized with current market rates for similar financial instruments. 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 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. Please refer to section 'Credit risk' of 'Risk Management' for more details.

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 depend on changes in credit quality since initial recognition and defined as follows:

Stage 1
12-month ECL

Financial assets without a significant increase in credit risk since the initial recognition (i.e. no Stage 2 or 3 triggers apply). Assets are classified as Stage 1 upon initial recognition and have a provision for ECL associated with the probability of default ("PD") events occurring within the next 12 months ("12-month ECL");

Stage 2
Lifetime ECL not credit impaired

Financial assets showing a significant increase in credit risk since initial recognition. A provision is made for the lifetime ECL representing losses over the life of the financial instrument ("lifetime ECL"); or

Stage 3
Lifetime ECL credit impaired

Financial instruments that are credit impaired require a lifetime provision.

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 asset is 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 contracts 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 follow:
- 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 this 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 deducted over the estimated useful life of an asset, using the 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 the 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 deducted over the estimated useful life, using the 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 third-party 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 and commission income and expenses are recognized in the different timing, depends on whether NBE satisfies a performance obligation by transferring control of the product or service to a customer over time or at a point in time. Fee and commission income related to credit facility to The Norinchukin Bank, loan commitments, and fee and commission expense related to securities borrowing are recognized over the period of the respective transactions. Fee and commission expense related to the service for clearing, custody and nostro accounts are recognized at point in time where the related services are provided.

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.

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | Other Information

New and amended standards issued by the International Accounting Standards Board (hereafter "IASB") and endorsed by the EU which are effective in current financial year

The following new IFRS standards have been endorsed by the EU and became effective for periods beginning on or after 1 January 2021.

Amendment to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021

In May 2020, the IASB 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. This practical expedient was available to rent concessions for which any reduction in lease payment originally due on or before 30 June 2021.

In March 2021, the IASB issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payment originally due on or before 30 June 2022.

NBE did not receive any rental concessions relating to the lease of the office building and the housing for NBE's expats during the period and hence the change has no impact on NBE.

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

In August 2020, the IASB 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 reporting periods beginning on or after 1 January 2021. The changes have no impact on NBE in 2021 and will have limited impact on NBE going forward as NBE did not have any transactions with RFR in 2021 and NBE does not use or intends to use on the short-term derivatives for hedging purposes.

New and amended standards issued by the IASB and endorsed by the EU which are not yet effective in current financial year

The following are the new standards and interpretations that have been issued but not yet effective for periods beginning on or after 1 January 2021 which were not early adopted by NBE. Although NBE is currently assessing impact of these new amendments, it is expected that they will have limited or no impact on the Financial Statements of NBE.

Amendments to IFRS 3: Reference to the Conceptual Framework
In May 2020, the IASB 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 reporting periods beginning on or after 1 January 2022. It is expected that the changes will have no impact on NBE.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
In May 2020, the IASB issued the Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments are effective from annual reporting periods beginning on or after 1 January 2022. It is expected that the changes will have no impact on NBE.

Amendments to IAS 37: Onerous Contracts Cost of Fulfilling a Contract
In May 2020, the IASB issued the Amendments to IAS 37 Onerous Contracts Cost of Fulfilling a Contract. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments are effective from annual reporting periods beginning on or after 1 January 2022. It is expected that the changes will have no impact on NBE.

Annual Improvements to IFRS Standards 2018-2020 Cycle Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
In May 2020, the IASB issued the Annual Improvements to IFRS Standards 2018-2020 Cycle which include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture. The amendments are effective from annual reporting periods beginning on or after 1 January 2022. It is expected that the changes will have limited impact on NBE.

IFRS 17 Insurance Contracts
In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. IFRS17 is not expected to have any impact on NBE.

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | Other Information

New and amended standards issued by IASB but not yet endorsed by the EU

The following are the new standards and interpretations that have been issued but not yet endorsed by the EU. Although NBE is currently assessing impact of these new amendments, it is expected that they will have limited or no impact on the Financial Statements of NBE.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current
In January 2020, the IASB 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.

Amendments to IAS 1 and IFRS Practice Statements 2 Disclosure of Accounting Policies
In February 2021, the IASB issued the Amendments to IAS 1 and IFRS Practice Statements 2 Disclosure of Accounting Policies. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. 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.

Amendments to IAS 8 Definition of Accounting Estimates
In February 2021, the IASB issued the Amendments to IAS 8 Definition of Accounting Estimates. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". 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.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
In May 2021, the IASB issued the Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease. 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.

Amounts in thousands of euros unless otherwise stated

2. Cash and balances with central banks

The average minimum reserve to be held at central banks (DNB) for the month of December 2021 was €149 (December 2020: no mandatory reserve required at central banks).

	2021	2020
Balances with central banks	239,112	1,640,069
Cash and balances with central banks	**239,112**	**1,640,069**

3. 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, which is a CCP in France for NBE's repurchase transactions. LCH SA holds a banking license and is officially regulated as a 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 28.

	2021	2020
Due from banks - on demand	2,093	1,995
Cash collateral at clearing parties	2,500	2,500
Netted amount of repos and reverse repos	2,807	1,026
Allowance for expected credit losses *	0	0
Loans and advances to banks	**7,400**	**5,521**

* The expected credit losses were rounded to zero mainly due to the counterparties' high credit ratings.

4. Loans and advances to customers

Loans and advances to customers consist of structured finance loans and corporate loans to F&A banking customers.

	2021	2020
Structured finance loans	198,591	-
Corporate loans to F&A banking customers	73,581	-
Allowance for expected credit losses *	-43	-
Loans and advances to customers	**272,129**	**-**

* For further details on expected credit losses, please refer to "Impairment allowance – Expected credit losses" under the Risk Management section.

5. Debt securities at amortized cost

Debt securities at amortized cost consist of European government bonds (EGB) and Supranational, sub-sovereign and agencies (SSA) bonds.

	2021	2020
EU government bonds	1,389,789	312,974
SSA bonds	70,916	-
Allowance for expected credit losses*	-97	-241
Debt securities at amortized cost	**1,460,608**	**312,733**

* For further details on expected credit losses, please refer to "Impairment allowance – Expected credit losses" under Risk Management section.

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | Other Information

6. Property and equipment

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

	2021			2020		
	Operations equipment	Leasehold improvements	Total	Operations equipment	Leasehold improvements	Total
Opening balance	**721**	**682**	**1,403**	**759**	**777**	**1,536**
Additions	47	-	47	172	-	172
Disposals	-	-	-	-	-	-
Depreciation	-228	-95	-323	-210	-95	-305
Closing balance	**540**	**587**	**1,127**	**721**	**682**	**1,403**

All additions are due to purchase of new operations equipment. The depreciation period of property and equipment varies between 2 and 9 years.

7. Intangible assets

Intangible assets mainly consist of software with licenses.

	2021	2020
Opening balance	**323**	261
Additions	34	99
Disposals	-	-
Amortization	-70	-37
Closing balance	**287**	**323**

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

8. Right-of-use assets

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

	2021	2020
Opening balance	**3,489**	**3,836**
Additions	230	281
Disposals	-7	-
Depreciation	-668	-628
Closing balance	**3,044**	**3,489**

9. Deferred tax assets & Income tax expense

The amount of deferred tax assets increased by €701 (2020: €5,105), which is related to the negative result for the year before tax (2021: €-1,702, 2020: €-17,135) plus the change in corporate income tax rate. The deferred tax assets per the end of year 2021 is entirely based on the cumulative losses carried forward since the establishment of NBE. Management expects NBE to be profitable from 2022.

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.

The deferred tax amount shown in the table below is estimated after a recoverability assessment which is based on below considerations:

- The expected tax rate of 25.8% (2020: 25%) which is effective from 1 January 2022 is applied when estimating deferred tax assets position by the end of FY2021. Applying future rate is because by the end of FY2021 NBE still resulted in a loss position, the tax losses and deferred tax assets were therefore still in accumulation to be carried forward for future years' offsetting utilization. Thus, applying the new rate reflects NBE's deferred tax assets position more accurately;
- Based on NBE's latest business plan for the coming years, deferrable losses are expected to be absorbed around 2025-2026;
- Potential tax adjustment items such as non-deductible expenses;
- Other new rules in tax reform 2021 such as that the annual carry-forward and carry-back loss utilization for corporate income tax losses is limited to EUR 1 million of taxable profit, plus 50% of the taxable profit exceeding EUR 1 million. Loss carry-back remains at one year but carry forward is changed to indefinite (compare to six years under prior legislation).

	2021	2020
Opening balance	**10,385**	**5,280**
Results for the year	701	4,300
Change in expected tax rate	-	805
Closing balance	**11,086**	**10,385**

Reconciliation of the income tax rate to effective income tax rate

	2021	2020
Result before tax from continuing operations	-1,702	-17,135
Applicable tax rate	25.80%	25%
Statutory tax amount	- 439	-4,300
Tax effect of non-deductible expenses (-)	15	-
Tax effect of non-deductible interest carried forward from previous year (-)	247	-
Effective tax amount	-701	-4,300
Effective tax rate	**41.16%**	**25%**

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | Other Information

10. Other assets

	2021	2020
Accrued commitment fee income	2,111	1,495
VAT receivable *	849	-
Prepayment of expenses	419	383
Rental deposit for the office building	223	217
Other	9	20
Other assets	**3,611**	**2,115**

*The VAT receivable position relates to the VAT expenses NBE paid in FY2021, which is likely to be recovered from the Dutch Tax Authority due to applicable 100% recovery rate.

11. Due to banks

	2021	2020
Term deposits from The Norinchukin Bank	4,957	1,000
Due to banks	**4,957**	**1,000**

12. Due to customers

	2021	2020
Term deposits from corporate customer	19,944	0
Due to customers	**19,944**	**0**

13. Lease liabilities

Lease liabilities relate to the lease of the office building and lease of housing for NBE's expats. NBE uses 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, which is NBE's main funding source.

	2021	2020
Opening balance	**3,503**	3,824
Additions	231	281
Disposals	-6	-
Interest expenses	22	25
Payments	-663	-627
Closing balance	**3,087**	**3,503**

2021	< 1 year	1-5 years	> 5 years	Total
Office building				
Lease payment	481	2,098	499	**3,078**
Present value	461	2,055	498	**3,014**
Expat housing				
Lease payment	73	-	-	**73**
Present value	73	-	-	**73**

2020	< 1 year	1-5 years	> 5 years	Total
Office building				
Lease payment	464	1,983	997	**3,444**
Present value	442	1,928	990	**3,360**
Expat housing				
Lease payment	123	20	-	**143**
Present value	123	20	-	**143**

14. Provisions

	2021	2020
Expected credit losses on commitments	41	0
Provisions	**41**	**0**

15. Other liabilities

Other liabilities consist of four major items as elaborated in the table below.

	2021	2020
Accrued operational expenses	949	1,905
Accrued personnel expenses	776	398
Accrued security borrowing fee	422	325
Up-front fee related to project finance*	322	-
Other	1	1
Other liabilities	**2,470**	**2,629**

*Up-front fee received related to project finance is recorded as other liabilities upon receipt and recognized as interest income over the period of the project finance.

Among the accrued operational expenses, €331 (2020: €503) was an amount payable to The Norinchukin Bank (including its London Branch), €618 (2020: €972) was an amount payable to external suppliers.

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | Other Information

16. 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 and establishment of NBE's banking activities in Europe shortly after business opening in September 2020.

The authorized capital stayed at €2,000 million (same as 2020). The loss for the period ended 31 December 2020 amounting to €12,030 was transferred to the retained earnings with the approval of the General Meeting of Shareholder on 28 May 2021. 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.

17. Net interest income

In the table below an overview is provided for interest income and expense. The majority of interest on due to banks and loans and advances to banks were occurred by the reverse repurchase transactions and repurchase transactions. While only netted amount is presented in the statement of financial position (Note 28), the associated interest income and expenses are recorded on gross basis in the statements of profit or loss. The increase of the amount is partly a result of the expansion of repo business, partly also due to the fact that NBE started business in September 2020 and therefore only in the last few months of FY2020 revenues from repo business started to generate, while FY2021 was a full year for repo transactions. Interest income on loans and advances to customers include interest on F&A Banking business €66 (2020: €0) and Structured finance business €544 (2020: €0).

	2021	2020
Negative interest on liabilities	146,283	8,911
• Due to banks	146,227	8,911
• Due to customers	56	-
Interest on loans and advances to customers	610	-
Interest on debt securities	919	37
Total interest income	**147,812**	**8,948**
Negative interest on assets	135,997	10,906
• Loans and advances to banks	131,966	8,126
• Cash and balances with central banks	4,031	2,780
Due to banks	5	-
Interest on leases	23	25
Total interest expense	**136,025**	**10,931**
Net interest income	**11,787**	**-1,983**

18. Net fee and commission income

	2021	2020
Committed facility to The Norinchukin Bank	6,996	1,495
Loan commitments	534	-
Other fee and commission income	0	-
Total fee and commission income	**7,530**	**1,495**
Securities borrowing	1,521	331
Repo business*	1,859	115
Other fee and commission expense	78	3
Total fee and commission expense	**3,458**	**449**
Net fee and commission income	**4,072**	**1,046**

*Fee and commission expense on Repo business includes clearing commission fee to CCP and custody fee of associated securities.

19. Personnel expenses

As per 31 December 2021 the number of FTEs was 46.1 (2020: 39), total headcount was 47 (2020: 39). Other staff costs mainly include costs related to staff allowances, similar to 2020.

	2021	2020
Salaries	5,967	4,652
Social security costs	548	475
Pension costs (defined contribution plan)	401	351
Other staff costs	806	583
Total personnel expenses	**7,722**	**6,061**

20. Other operating expenses

	2021	2020
IT outsourcing	1,909	2,477
Operation outsourcing	1,088	354
Contractors costs	2,530	1,942
External advisory costs	1,229	1,523
External information costs	720	214
VAT	-*	1,599
Others**	1,435	922
Total other operating expenses	**8,911**	**9,031**

*VAT paid in 2021 was recognized as other assets (VAT receivable) (Note 10) instead of other operating expenses as it is likely to be recovered.

**Others include regulatory and supervisory expenses, IT expenses and external audit costs. Comparative figures for 31 December 2020 have been reclassified to align with current year presentation, e.g. “operation outsourcing” and “external information costs” were included in “others” in previous year while they are presented as a separate line item due to increased amount in this year.

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | Other Information

Cost of External Independent Audit

Expenses for audit services provided by the external auditor, Deloitte Accountants B.V., are presented in the table below.

Audit	2021	2020
Financial Statements audit fees	324	149
Other audit fees	82	-
Total audit fees	**406**	**149**

Other audit fees relate to regulatory reports audit and Deposit Guarantee Scheme audit. Deloitte Accountants B.V. did not provide any non-audit services. The total audit fees amounting to €406 include €135 which relate to audit fees FY2020 that were not recognized in the accrued expenses in FY2020 (of which €54 relates to the Financial Statements audit and €81 Other audit fees). The audit fees for FY2021 amount to €270, of which €222 relates to the Financial Statement audit and €48 to Other audit fees.

21. 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 (Head Office and London Branch), the Supervisory Board and the Management Board as related parties for the financial year 2021.

Transactions with related parties

Balances with The Norinchukin bank	2021	2020
Assets	**1,821**	**1,495**
• Accrued assets (committed facility fee)	1,821	1,495
• Gross carrying amounts of reverse repurchase agreements (with London Branch) [1]	31,498,741	10,643,830
Liabilities	**5,684**	**1,828**
• Long-term borrowing	4,957	1,000
• Accrued liabilities (securities borrowing fee)	396	325
• Accrued liabilities (outsourcing fee to London Branch)	331	503
Net interest income [2]	**131,398**	**7,885**
• Interest income	-	-
• Interest expense	131,398	7,885
Net commission income [3]	**8,517**	**1,826**
• Fee and commission income	6,996	1,495
• Fee and commission expense	1,521	331
Off-balance		
• Committed facility	3,000,000	3,000,000
• Securities borrowed [4]	4,475,763	3,832,186

1) Reverse repurchase agreements (reverse repos) served for the purpose to attract stable funding from the European markets to ensure the stability of the group’s Euro funding business. Please refer to Note 28 for more details on the repo business and its offsetting on the balance sheet.
2) Interest expense relates fully to the reverse repos.
3) Fee and commission income consists of commitment fee which NBE received for the committed facility provided to The Norinchukin Bank, while fee and commission expense relates to the fee NBE paid to The Norinchukin Bank for securities borrowing.
4) The securities borrowed from The Norinchukin Bank served as collateral for credit facility.

Expenses related with The Norinchukin Bank mainly include IT outsourcing fees of €1,909 (2020: €2,477), and personnel costs related with expats of €1,524 (2020: €1,432). The personnel expenses were reimbursed by The Norinchukin Bank and therefore paid on behalf of NBE. For the IT outsourcing fees of €1,909, and amount of €2,030 (2020: €2,164) was already paid before 31 December 2021 and €192 (2020: €313) was accrued as liability.

Transactions with key management
Key management is defined as those persons being member of the Supervisory Board or the Management Board of NBE or of the parent company The Norinchukin Bank. As per 31 December 2021, NBE had no loans or other balances with members of the key management. Members of the key management also had no shares in NBE or The Norinchukin Bank.

Remuneration of the Supervisory Board
The total remuneration for the Supervisory Board amounted to €90 in 2021 (2020: €90). No variable remuneration was granted.

Remuneration of the Management Board
The fixed remuneration of the Management Board amounted to €1,215 in 2021 (2020: €1,034), while total variable remuneration for the Management Board amounted to €50 in 2021 (2020: €49).

Variable remuneration of all employees
The variable remuneration for all employees amounted to € 412 in 2021 (2020: € 238).

22. Off-balance sheet information

NBE provided The Norinchukin Bank a committed facility of €3 billion (2020: €3 billion), and borrowed securities from the parent company that serves as collateral for the committed facility. The fair value of collateral amounts to €4.5 billion (2020: €3.8 billion). As per 31 December 2021, 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 2021 The Norinchukin Bank has not drawn any amount from the credit facility, therefore NBE did not require any drawdown from DNB.

Besides, in 2021 NBE also provided loan commitments on project finance business of €301,997 (2020: €0).

	2021	2020
Committed facility to The Norinchukin Bank	3,000,000	3,000,000
Loan commitments to customers	301,997	-
Commitments	**3,301,997**	**3,000,000**

23. 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.

24. Subsequent events

The Russian invasion of Ukraine is impacting financial markets, however it has limited impact on NBE's finance and business operations since NBE does not have the related direct exposures. NBE closely monitors the long-term effect of the Russian invasion of Ukraine on macroeconomics, such as higher oil and gas prices, which might affect business condition and credit worthiness of clients/counterparties.

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | Other Information

25. 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 2021 amounts to €1,001 (2020: €12,030). NBE proposes to the General Meeting of Shareholder to transfer this loss to the retained earnings.

26. 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 2021

Financial assets	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Cash and balances with central banks	239,112	239,112	239,112	-	-
Loans and advances to banks – on demand	2,093	2,093	2,093	-	-
Loans and advances to banks – other than on demand	5,307	5,307	5,307	-	-
Loans and advances to customers	272,129	273,422	-	273,422	-
Debt securities at amortized cost	1,460,608	1,439,432	1,439,432	-	-
Financial assets	**1,979,249**	**1,959,366**	**1,685,944**	**273,422**	**-**

Financial liabilities	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Due to banks	4,957	4,973	-	-	4,973
Due to customers	19,944	19,948	-	-	19,948
Financial liabilities	**24,901**	**24,921**	**-**	**-**	**24,921**

As per 31 December 2021, all financial assets and liabilities were measured at amortized cost which means they are not carried at fair value.

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**	**1,960,446**	**-**	**-**

Financial liabilities	Carrying amount	Total fair value	Level 1	Level2	Level3
Due to banks	1,000	1,000	-	-	1,000
Financial liabilities	**1,000**	**1,000**	**-**	**-**	**1,000**

*The comparative amounts for the year ended 31 December 2020 have been reclassified to align with current year presentation.
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), loans and advances to customers, due to banks, and due to customers 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 months are considered as the approximation of their fair value. This also applies to demand deposits without a specific maturity and loans and advances to customers of which matures within 3 months after 31 December 2021.
The fair value of the debt securities is calculated using unadjusted quoted prices in active markets (level 1).

27. Maturity calendar of financial assets and liabilities

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

As at 31 December 2021

	On demand	< 3 months	3-12months	1-5 years	> 5 years	Total
Assets						
Cash and balances with central banks	238,962	150	-	-	-	239,112
Loans and advances to banks	2,093	5,307	-	-	-	7,400
Loans and advances to customers	-	91,693	4,381	18,293	157,762	272,129
Debt securities at amortized cost	-	-	7,148	-	1,453,460	1,460,608
Total	**241,055**	**97,150**	**11,529**	**18,293**	**1,611,222**	**1,979,249**
Liabilities						
Due to banks	-	-	-	4,957	-	4,957
Due to customers	-	19,944	-	-	-	19,944
Total	**-**	**19,944**	**-**	**4,957**	**-**	**24,901**

As at 31 December 2020

	On demand	< 3 months	3-12 months	1-5 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**

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | Other Information

28. Offsetting financial assets and liabilities

As per 31 December 2021, the only financial instruments within the 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 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 17).

	2021	2020
Gross carrying amounts before offsetting:		
• Reverse repurchase agreements	31,498,741	10,643,830
• Repurchase agreements	31,495,934	10,642,804
Net carrying amount after offsetting: (Netted amount of repurchase agreements and reverse repurchase agreements)	**2,807**	**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.

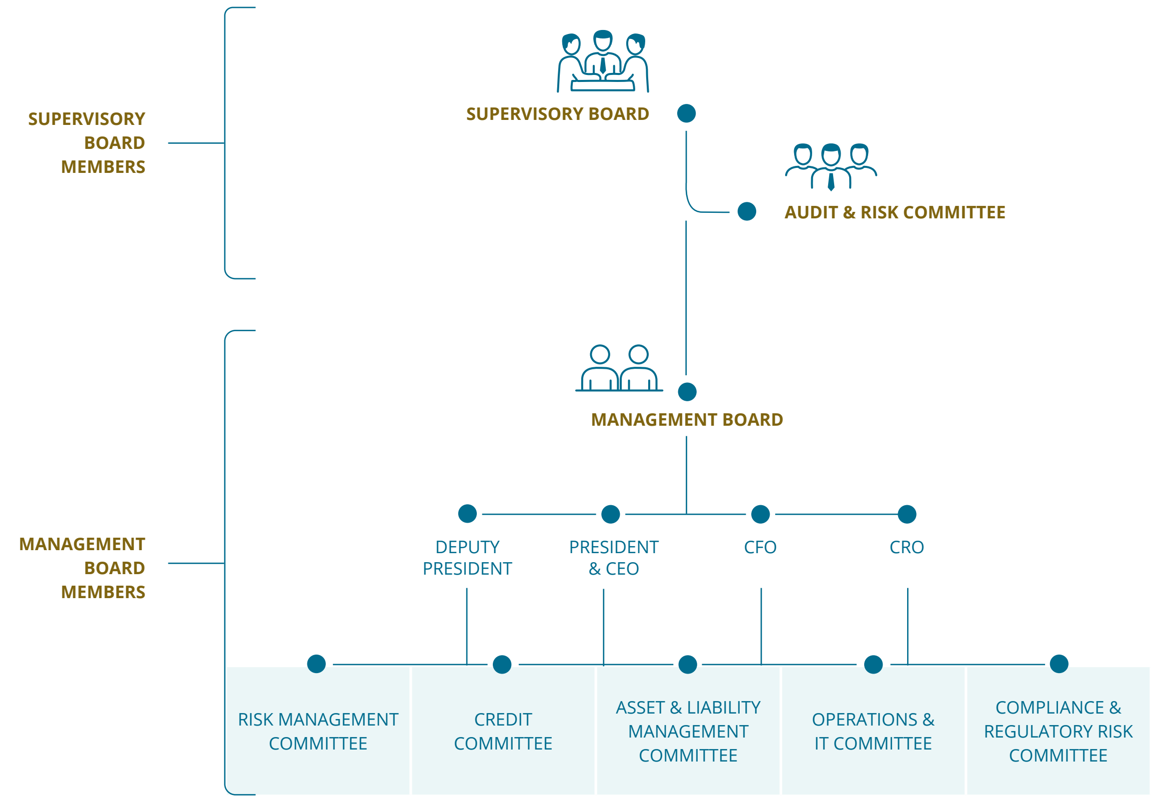
Third Line of Defence

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 of the Management Board members and heads of relevant divisions.

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

Asset and Liability Management Committee
This committee is mandated to 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 of 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 of 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.

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | Other Information

The Compliance and Regulatory Risk Committee is chaired by the head of Legal and Compliance Division and composed of the Management Board members and heads of relevant divisions.

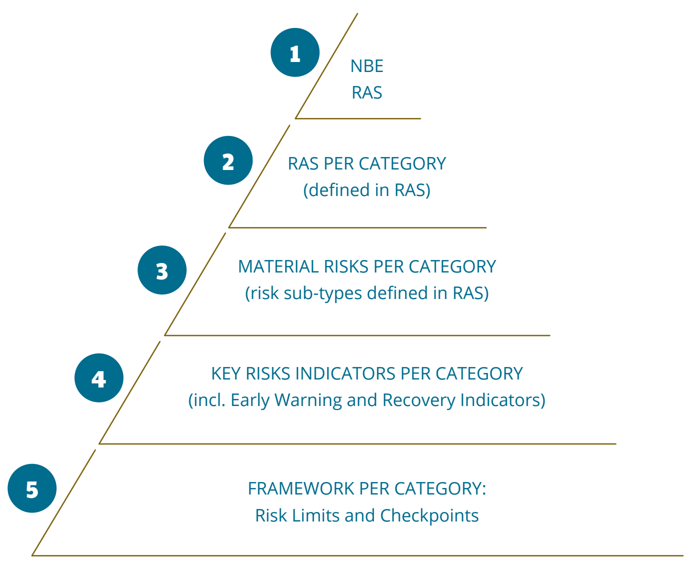
Risk Appetite
NBE aims to maintain a robust financial base in order to ensure stable Euro funding for the parent by constraining its risk-taking activities.

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

The RAS defines in a qualitative and quantitative manner the level of risk that NBE is willing to take. Therefore, the statement includes limit-setting and determines thresholds on 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. The risk universe is defined as the collection of material risks which could affect NBE achieving its business objectives. In view of its business activities, NBE has identified the following risks as relevant risks in its foreseeable banking operations.

RISK UNIVERSE

Category 1 Capital, Credit & Market Risk	Strategic Risk	Insufficient Capitalization
	Credit Risk	Credit Concentration Risk
	Interest Rate Risk in the Banking Book	
Category 2 Liquidity & Funding Risk	Cash Flow Risk	Market Liquidity Risk
	Intraday Liquidity Risk	
Category 3 Non-Financial Risk	Process Risk	Business Continuity Risk
	Regulatory Compliance & Integrity Risk	Outsourcing Risk
	Cyber Security 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 or Insufficient Capitalisation;*** risk resulting from low capital levels or high leverage. Not having enough capital to comfortably meet regulatory and internal requirements may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets.
- ***Strategic Risk;*** risk that overarching goals (including sustainable profitability goals), aligned with and supporting the organization's mission are not achieved and sound businesses at the Bank is not maintained. Financially, this may entail that volumes decline or margins may shrink, with no opportunity to offset the revenue declines with a reduction in costs.
- ***Credit Risk;*** risk of losses caused by a decrease in or loss of value of assets (including off-balance-sheet assets) due to the deterioration in financial position of borrowers.
- ***Credit Concentration Risk;*** risk stemming from a large single exposure or group of exposures that are adversely impacted by similar variations in conditions, events, or circumstances.
- ***Interest Rate Risk in 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 2021, the risk profile of NBE was limited as 2021 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. During 2021 a gradual increase in the loan portfolio occurred, but also well within the pre-defined risk appetite.

Credit risk
Credit Risk is described as the possibility that counterparty in loan or derivative contract will fail to fulfil 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 structure 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 aligned with the Norinchukin Bank's consolidated credit risk principles. NBE comprehensively manages credit risk on an entire credit portfolio basis as well as on 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 fulfil 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. Project finance ceiling is determined and classified individually according to the degree of their repayment risks, and assessed on transaction basis. Financial institution and corporate ceilings are established in accordance with the assigned internal ratings and exposures are managed 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 (e.g. sectoral, geographic, rating, climate-related and environmental risks) in addition to single name concentration or group of connected counterparties. Within defined risk appetite threshold limits, credit risk concentration is actively monitored.

The impact of COVID-19 on our credit risk is assessed as limited. Please also see the'Business developments and Outlook'-paragraph in 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 facilities 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 facilities are as follows:

As at 31 December 2021

Carrying amount and expected credit loss allowance	Stage 1	Stage 2	Stage 3	Total
Debt securities at amortized cost				
Gross carrying amount	1,460,705	-	-	1,460,705
Expected credit loss allowance	-97	-	-	-97
Carrying amount	**1,460,608**	**-**	**-**	**1,460,608**
Loans and advances to banks				
Gross carrying amount	7,400	-	-	7,400
Expected credit loss allowance	-	-	-	-
Carrying amount	**7,400**	**-**	**-**	**7,400**
Loans and advances to customers				
Gross carrying amount	272,172	-	-	272,172
Expected credit loss allowance	-43	-	-	-43
Carrying amount	**272,129**	**-**	**-**	**272,129**
Off-Balance facilities				
Gross carrying amount	3,301,997	-	-	3,301,997
Expected credit loss allowance	-41	-	-	-41
Carrying amount	**3,301,956**	**-**	**-**	**3,301,956**
Total expected credit loss allowance	**-181**	**-**	**-**	**-181**

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 facilities				
Gross carrying amount	3,000,000	-	-	3,000,000
Expected credit loss allowance	-	-	-	-
Carrying amount	**3,000,000**	**-**	**-**	**3,000,000**
Total expected credit loss allowance	**-241**	**-**	**-**	**-241**

All the financial assets and off-balance facilities were classified as Stage 1 as per 31 December 2021 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 for debt securities, loans to customers, and off-balance loan commitments as per 31 December 2021 which were all measured at amortized cost. Loans and advances to banks consisted of only of low credit risk and short-term instruments (Note 3 of the Financial Statements). Off-balance facilities consisted of the credit facility to The Norinchukin Bank (€3 billion) which was collateralized by the securities borrowed from the parent and loan commitments to customers (Note 22 of the Financial Statements).

Macroeconomic scenarios and ECL sensitivity:
The table below presents the analysis on the sensitivity of key forward-looking macroeconomic inputs used in the ECL collective-assessment modelling process and the probability-weights applied to each of three scenarios.

		2022	2023	2024	Unweighted ECL	Probability	Weighted ECL per 31 December 2021	Weighted ECL per 31 December 2020
Upside scenario	GDP	6.1%	5.1%	4.5%	133	25%		
Baseline scenario	GDP	5.4%	4.4%	3.7%	185	50%	181	241
Downside scenario	GDP	4.9%	3.9%	3.2%	224	25%		

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.

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | Other Information

Past-due loans are closely tracked, and default is deemed to occur, among other things, if the obligor is unlikely to pay its credit obligations, without recourse by NBE to actions such as realizing security and/or obligor is past due more than 90 days on any material credit obligation to NBE.

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

Market risk
The most important market risk is interest rate risk in the banking book (IRRBB). NBE has no trading activities. NBE has some foreign currency exposure but most of the FX positions are hedged.

Foreign currency exposures (in thousands of euros).

	2021			2020		
Currency	Assets	Liabilities	Net exposure	Assets	Liabilities	Net exposure
USD	890	885	5	-	-	-
JPY	3,078	3,073	5	-	-	-
Total	**3,968**	**3,958**	**10**	**-**	**-**	**-**

Interest rate risk is calculated 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. In assessing NBE's exposure to IRRBB, the bank considers two different approaches: changes in Economic Value of Equity (EVE) and changes in Net Interest Income (NII). 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 NII). ΔNII is a short-medium term measure, assessing the impact to earnings over a defined time period, in case of NBE this is 1 and 2 years. In accordance with EBA Guidelines (EBA/GL/2018/02), NBE measures its exposure to six standardised yield-curve shocks. Interest rate risk is calculated and IRRBB results are monthly monitored and reported to the Asset and Liability Management Committee.

IN KEUR		CHANGES OF THE ECONOMIC VALUE OF EQUITY		CHANGES OF THE NET INTEREST INCOME (1 YEAR)	
	Supervisory shock scenarios	**31 Dec 2021**	**31 Dec 2020***	**31 Dec 2021**	**31 Dec 2020***
1	**Parallel up (+200 bps)**	-228,176	-51,880	9,270	32,398
2	**Parallel down (-200 bps)**	102,379	6,949	-1,832	-6,763
3	**Steepener**	-75,032	-18,779		
4	**Flattener**	38,935	6,819		
5	**Short rates up**	-34,863	-6,214		
6	**Short rates down**	33,224	6,124		

* restated because of application of the floor of the shocks as per EBA guidelines.

The asymmetrical nature of the results (the size of the sensitivity in the up scenario is considerably larger than in the down scenario) is primarily down to the applied interest rate floor (-1%), as per regulatory guidance.

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 2021, similar to category 1 risks, the risk profile of NBE was limited as 2021 has been a year to primarily build up banking activities. Due to the low and hedged nature of the foreign currency exposures the foreign currency liquidity risk was also very limited and not recognised as a material risk in the risk universe.

Due to the large available liquidity buffers and the still early stage in the build-up of the balance sheet, liquidity and funding risks remained low, as shown by the healthy LCR and NSFR ratios.

For more information on the maturity calendar of NBE's financial assets and liabilities reference is made to Note 27 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:

- ***Process 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 2021, similar to category 1 and category 2 risks, the risk profile of NBE was limited as 2021 has been a year to primarily build up banking activities, as 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.

Maintaining customer trust as a financial institution.

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.

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 2021 included in the annual accounts

Our opinion
We have audited the accompanying financial statements 2021 of Norinchukin Bank Europe N.V., 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 2021, and of its result and its cash flows for 2021 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 2021.
2. The following statements for 2021: the statement of profit or loss, the statements of comprehensive income, changes in equity and 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 € 3,100,000. The materiality is based on 2% of gross income consisting out of gross interest and gross fee income. 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 € 155,000, 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.

Audit approach fraud risks
We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We identified the following fraud risks and performed the following specific procedures:
- We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or noncompliance.
- We considered available information and made enquiries of relevant executives, directors including
- internal audit, legal and compliance, risk management and the supervisory board.
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- We evaluated whether the selection and application of accounting policies by the group, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.
- We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 1 of the financial statements. We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements. Significant judgement and accounting estimates are:
  - The valuation of the recorded deferred tax assets is a significant area to our audit as the determination whether these assets are not carried at more than their recoverable amounts is subject to significant management judgment.
  - The valuation of Loan & Advances to customers and related determination of the Expected Credit Loss provision.

  Reference is made to the section "Our key audit matters".
- For significant transactions we evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

Audit approach fraud risks compliance with laws and regulations
We assessed the laws and regulations relevant to the Company through discussion with management, internal audit, risk management and legal & compliance. We have read management board minutes, communication with regulatory authorities, and reports of internal audit. We involved our forensic specialists in this evaluation.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: 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, the Company 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. When appropriate, add the following wording: Given the nature of Company's business and the complexity of the regulatory environment for banks, 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 Company'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 Executive Board and others within Company's as to whether the Company is in compliance with such laws and regulations and

(ii) (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.

Audit approach going concern

Our responsibilities, as well as the responsibilities of the Management Board and the Supervisory Board, related to going concern under the prevailing standards, are outlined in the "Description of responsibilities regarding the financial statements" section below. In fulfilling our responsibilities, we evaluated management's assessment of the Company's ability to continue as a going concern for the next 12 months and considered key regulatory ratios. Based on our procedures performed, we did not identify significant doubts on the Company's ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

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.

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | **Other Information**

Key audit matter

Deferred Tax Asset (DTA)

Description

Norinchukin Bank Europe N.V. ("NBE") has recognized a Deferred Tax Asset ("DTA") in the amount of EUR 11.1 million.

We consider the DTA, in line with prior year, a key audit matter as the recognition of the Deferred Tax Assets is based on management estimates and may be subject to management bias. The estimates relate to the company's future profitability which may impact the recognition and recoverability of the DTA.

In 2019 NBE recorded a Deferred Tax Asset (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 an expected increase in corporate income tax rate from 21.7% to 25%. In 2021 the recorded DTA further increased with EUR 701 thousand based on the result (loss) for the period of EUR 1.7 million and the change in tax rate related to the cumulative losses carried forward.

Due the reform of tax legislation, the carry forward losses compensation is indefinite with a yearly limit of EUR 1 million plus 50% of the taxable profits exceeding EUR 1 million. As a result, the term of six years when the losses incurred is no longer applicable.

NBE's disclosures concerning the DTA are included in note 9 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 Asset results from tax losses carried forward. These losses can be, resulting from the reform of tax legislation, carried forward indefinite with a yearly limit of EUR 1 million plus 50% of the taxable profits exceeding EUR 1 million. We determined that the change in tax legislation was properly incorporated in management's assessment of the recoverability of the DTA.

Based on the business plan 2021-2024 and management's assessment of the company's future profitability, management concluded that the 2019, 2020 and 2021 losses are recoverable considering the applicable tax legislation. We considered the appropriateness of management's assumptions 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 and evaluated the reasonability that the company will be able to realize the targets set in their business plan.

In accordance with ISA 540, we have assessed corroborating 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. In addition we have determined that the tax disclosures, included in note 9 of the financial statements, are in compliance with EU-IFRS.

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.

Key audit matter

Impairment allowance for Loans & Advances to Customers

Description
During financial year 2021, Norinchukin Bank Europe N.V. ("NBE") started its corporate lending and project finance activities. As of 31 December 2021, the recorded Loans & Advances to Customers amount to EUR 272.1 million with an associated Expected Credit Loss ("ECL") provision of EUR 43 thousand. The Loans & Advances to Customers consist of corporate loans and project finance loans.

Due to the inherent uncertainty and risks in several areas when determining the impairment allowance for the Loans & Advances to Customers, the impairment allowance is an important area of judgement and estimates by the Managing Board. Therefore, we consider this to be key audit matter for our audit. All exposures have been classified as stage 1 exposures. To determine the ECL provision management uses internal ratings, loss given defaults, scenario weights and macroeconomic forward-looking information that are determined by the parent company as model inputs.

NBE's disclosures concerning impairment allowance for the Loans & Advances to Customers are included in note "4. Loans and Advances to Customers" and the Risk Management section of the financial statements.

How the key audit matter was addressed in the audit
Our procedures included testing the design and implementation of the key controls in the loan origination process and the credit risk monitoring process. Furthermore, we obtained an understanding of the provisioning process within NBE and evaluated the design and implementation.

We obtained an understanding of the underlying methodology of the model inputs provided by the parent company by involving the group auditor in our audit procedures.

We involved our own ECL specialists to interpret the reported results by the group auditor and to assess the conversion from the parent's methodology, that is used within the group for internal credit risk management and capital requirement purposes, to IFRS 9 compliance.

For a selection of loan exposures we assessed whether NBE correctly applied its provisioning and staging policies in accordance with the criteria as defined in IFRS 9.

Finally, we assessed whether the disclosures are accurate and in compliance with EU-IFRS requirements.

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 impairment allowance for loans and advances to customers did not result in any reportable matters.

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | **Other Information**

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 Managements 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. on as of the audit for 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.

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 matters: those matters that were 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.

Amsterdam, 30 May, 2022
Deloitte Accountants B.V.

Signed on the original: A. den Hertog

Initials for identification purposes

Appendix

Climate-Related Disclosure

FY2021 is the first year that Norinchukin Bank Europe N.V. (NBE hereafter) publishes its climate-related disclosure as a part of NBE's annual report. This climate-related disclosure is in line with the Task Force on Climate-related Financial Disclosure (TCFD) Recommendations, developed by the Financial Stability Board, cover governance, strategy, risk management, key metrics and targets on climate risks of NBE in this report. This disclosure is not subject to the external auditors review- or audit procedures.

Governance

The NBE Management Board, which is chaired by CEO, defines the strategy on how NBE deals with climate risks and opportunities, in addition the CEO directs and coordinates activities to deliver a climate-related strategy. NBE's Management Board also makes decisions in accordance with the "Sector Policy" to incorporate sustainability into the business operations and on the measures taken to mitigate climate risks and aims to contribute to a reduction of CO2 emissions. NBE's climate-related strategy, direction and coordination, climate risk mitigation and CO2 emission reductions are discussed in the Credit Committee. The board is supported and advised by two work-streams i.e. Climate Disclosure and Climate Resilience, which are coordinated by Credit Risk Management and involved by relevant divisions of NBE. The roles and responsibilities of two work-streams are defined in below chart.

Management Board chaired by CEO
to define NBE's Climate Change Stragegy, direct and co-ordinate activities to deliver climate strategy

Credit committee for discussion

Two working groups supported by staff from across NBE

Work stream	Climate resilience	Climate disclosure
Goal & Objectives	Identify existing and emerging climate resilience related risks. Direct strategy to mitigate risk and maximize opportunity.	Plan and co-ordinate sufficient climate related disclosure based on climate resilience work stream.

Expertise from the external consultants

Climate Resilience
For Climate Resilience work stream, this includes roles and responsibilities for:
- Ensure that the bank adequately embeds climate-related and environmental risks in the overall business strategy and risk management framework
- Development, performance and validation of the climate risk stress testing framework
- Update climate risk in the risk appetite of NBE
- Communicate the results of the climate risk stress test across business lines and management levels, both internal and external

Climate Disclosure
For Climate Disclosure work stream, this includes roles and responsibilities for:
- GHG emissions measurement and management
- Climate related disclosure based on TCFD
- Ongoing climate metrics management

Strategy

NBE performs sustainability-oriented management to contribute to a sustainable environment and society, which represent the foundation of Norinchukin group's operations. NBE establishes Sector Policy as basic policies to solve environmental and social challenges and engages in appropriate risk management. To achieve the group's Medium/Long-Term Goals: reduction of GHG emissions and accumulating sustainable finance transactions, assessment and management of climate risks prior to making investment and financing decisions for transactions. Sustainable finance is measured by Norinchukin group's internal clarifications which include transactions for renewable projects and social infrastructure projects.

As NBE is building up its banking business activities and accumulating sustainable finance, NBE manages climate risks in order to mitigate and adapt to climate change through its business activities. NBE also focuses on climate-related opportunities and risk management to address climate-related and environmental considerations. NBE is addressing the impact and risks of climate change on its business, engaging in initiatives including The Norinchukin Bank's Medium/Long-Term Goals, and enhancing its disclosures.

Climate-related risks commonly comprise two main risk drivers: physical risk and transition risk. Physical risk refers to the risk of increased damage due to disasters stemming from climate change. Transition risk refers to the risk that occurs in transitioning to a society with low greenhouse gas emissions (a low-carbon society). Both risks could result in credit costs for financial institutions through negative financial impact on financing clients. NBE understands the importance of these risks, and have initiated analyses on these risks to develop NBE's sustainability-oriented management.

Phisical risks assessment by country

Risk country	Inland flooding	Drought/ heatwave	Relative changes in annual expected damage from river floods				Change in labour productivity due to heat stress			
			2025	2030	2040	2050	2025	2030	2040	2050
France	Yes	Yes								
Spain	Yes	Yes								
Japan	Yes	-					-	-	-	-

Low risk | Medium risk | High risk

Climate risks

The scope of NBE's qualitative and quantitative assessment on climate risk is set as following:
- Financial risks from climate change arise for NBE through two primary channels: physical risk and transition risk. The scope of NBE's assessment of physical risks focuses on two extreme weather events representing key climate risks in Europe: (1) a large floods and (2) a severe drought and heatwave as per ECB 2022 climate risk stress test exercise guidance.
- The materiality assessment of NBE's financial portfolio is performed by asset class, ultimate risk country, and sector (based on Global Industry Classification Standard code) and defines the material portfolio as:
- Material Asset Class: Government Bond
- Material Countries: France, Spain and Japan
- Material Sectors: Utilities (renewable electricity), Utilities (mid-stream), Materials and Consumer Discretionary.
- NBE considers three long-term scenarios based on the high-level Network for Greening the Financial System (NGFS) scenarios which are widely adopted by central banks and supervisors. Each scenario spans a horizon from the present day up to 2050. NBE selected three scenarios namely: Net Zero 2050, Delayed Transition and Current Policies.

Physical risks

NBE has qualitatively analysed physical risks based on NGFS scenarios and has concluded having an immaterial impact from heatwave. However, it is considered material for inland flooding.

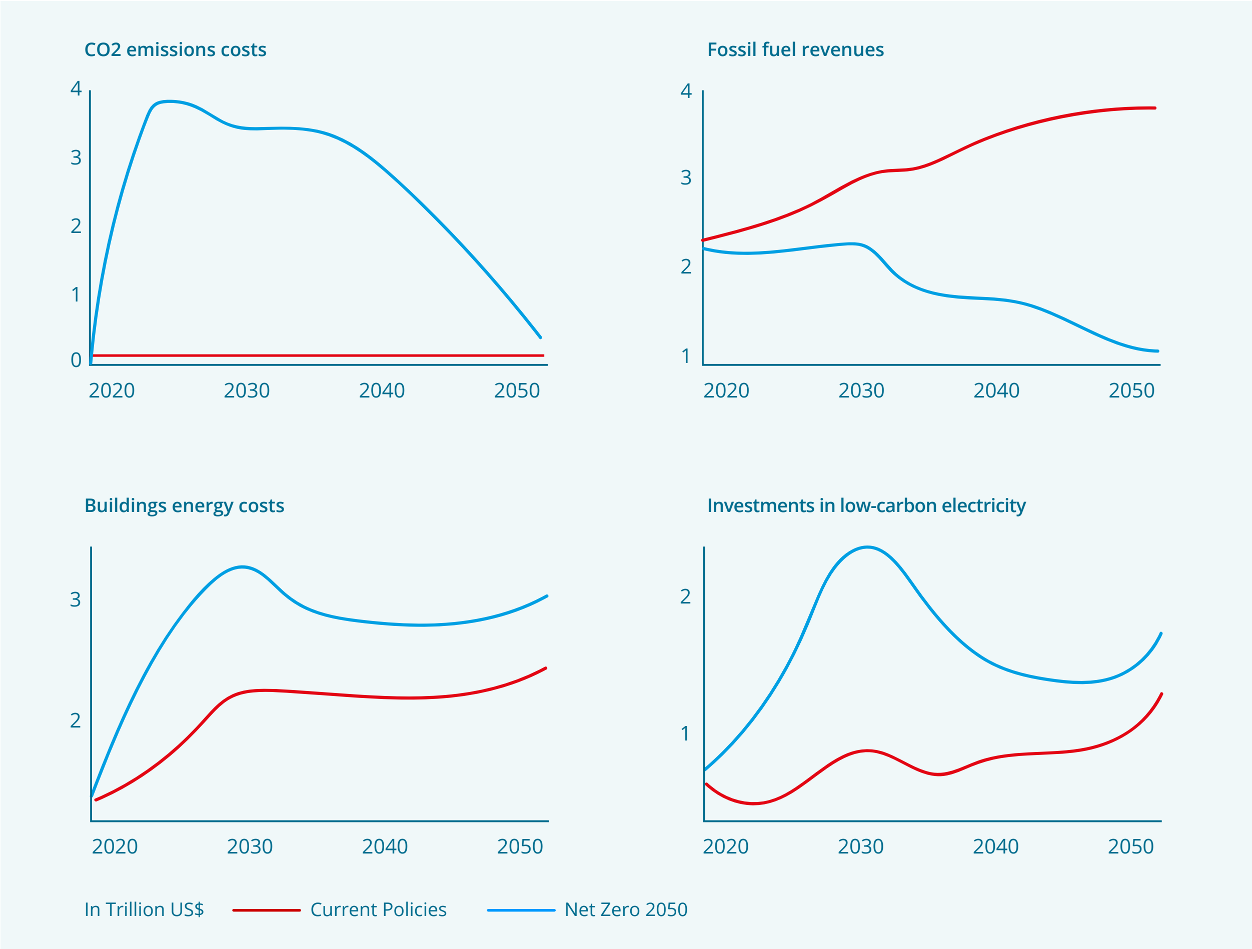
Transition risks

The NGFS scenarios explore a range of emission pathways and corresponding global warming trajectories (as compared to pre-industrial levels). Across all scenarios, energy use is de-linked from its historical correlation with growth. Deep reductions in carbon intensity are further needed to reach net-zero carbon emissions.

The transition towards a more carbon-neutral economy can take different paths. Based on NGFS Scenarios, several metrics are being used to understand the impact of transition risk on the assets, including:

- Carbon pricing
- Fossil fuel pricing
- Building energy costs
- Investment in low-carbon electricity

The charts below demonstrate the implications of above metrics under NGFS current policies and net zero 2050 scenarios.



NBE has qualitatively analysed the transition risks for each material sector based on the above implication on the key metrics under Net Zero 2050 scenario.

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | **Other Information**

Transition risks assessment by sector

Sector	2030	2040	2050
Utilities (renewable electricity)			
Utilities (mid-stream)			
Materials			
Consumer Discretionary			

Low risk	Medium risk	High risk

NBE has concluded the transition risks by sectors:

Low transition risk sector – low transition risk is exposed to the utilities (renewable electricity) sector, namely the offshore wind for NBE. Offshore wind is widely viewed as a key enabler of this global energy transformation and is backed up by policy makers. The transition risk of the exposure for this sector is considered as having minimum impact for NBE.

High transition risk sector – a high transition risk is expected in the utilities (mid-stream) and materials, with a medium to high impact over the next 30 years due to the need to transition towards a low carbon society. The perceived relative increase in the carbon price and the need to change business model make these two sectors bear the material risk for NBE. Based on the Net Zero 2050 scenario, fossil fuel revenues will significantly impact the energy mid-stream sector despite the rising energy demand. This will materialize further beyond 2030, hence perceived as a high transition risk exposure. On the other hand, due to the increase of energy costs from 2030 onwards, the materials sector will gradually experience a higher cost, impacting profitability.

Impact on business operations, strategy and financial planning

Climate change is a systemic risk. At the same time, NBE can find business opportunities in mitigating and adapting to this climate risk. One example is the potential for shifting electricity generations from renewable energy. The shift from conventional thermal power to offshore wind power generation will lead to corporate lending opportunities for NBE. This is one way in which NBE can support the transition to a decarbonized society through financing services.

Strategy resilience taking into account different climate scenarios

NBE performs a quantitative assessment of climate risk to determine the financial impact on NBE's financial portfolio from the asset level. This quantitative assessment is assisted by a third party climate risk modeler and is undertaken on an annual basis.

Methodology

Financial risks from climate change arise for NBE through two primary channels: physical risk and transition risk. In order to quantify the financial impact of transition and physical risks, scenario analysis is used and ECL is chosen as an indicator to quantify the climate risk. NBE adopts NGFS Phase 2 Scenarios, which provide granular data on energy, land-use, greenhouse gas emissions and temperature (transition pathways).

NBE is then assisted by a third party climate risk modeller to perform the quantitative assessment. The modeller's climate change scenario model can be conceptualised as the following process:

- The modeller's models are scenario analysis engines which establish the conditions in which firm's operate within, for a given climate scenario. The models utilise NGFS Scenarios parameters. Key outputs of this step are carbon prices, hydrocarbon demand and price, power capacity and production by technology etc.
- The modeller's models then forecast company financials given the influence of transition and physical outputs associated with the climate scenarios which are forecasted in the above step. Key outputs of this step are Income statement, Cashflows & other key financial performance metrics in addition to the firm's operational profile and GDP growth of a country.

- In the third step, the modeller's models then examine the impact of different climate scenarios on credit default risk (credit rating) across all counterparties of NBE's financial portfolio based on outputs of the above step. The models output an estimated impact on the probability of default and credit rating for all three scenarios relative to the baseline scenario.
- In the last step, NBE then utilise the estimated impact on the probability of default and credit rating of the counterparties of NBE's financial portfolio to calculate the ECL impact against ECL of the last financial year under all three scenarios.

Outcomes
Based on the above process, NBE's financial portfolio as of FY2021 has limited transitional risk and physical risk as the quantitative results demonstrated in below table.

Risk events	Scenarios	Sectors	Countries	Tarket of Analysis	Horizon	Risk indicator	Results	
Transition risk refers to financial losses that an institution may incur, directly or indirectly, as a result of the process of adjustment towards a lower carbon and more environmentally sustainable economy.	Net Zero 2050 scenario, delayed transition scenario, current policies scenario aligned to Network for Greening the Financial System (NGFS) "Phase 2" Scenarios.	Utilities (green), Utilities (mid-stream), Materials, Consumer Discretionary, Consumer Staples and Industrials.	France, Spain, Japan, Netherlands, Belgium and Germany	**Corporate Finance:** Borrower (if there is no guarantor) or Guarantor who bears the ultimate risk **Project Finance:** SPC and Main Off-taker **Government Bond:** the issuer country	Up to 2050	Credit cost	Net Zero 2050 scenario	€15.308
							Delated Transition Scenario	€15.727
							Current Policies Scenario	-
Transition risk refers to financial losses that an institution may incur, directly or indirectly, as a result of the process of adjustment towards a lower carbon and more environmentally sustainable economy.	Net Zero 2050 scenario, delayed transition scenario, current policies scenario aligned to Network for Greening the Financial System (NGFS) "Phase 2" Scenarios.	Utilities (green), Utilities (mid-stream), Materials, Consumer Discretionary, Consumer Staples and Industrials.	France, Spain, Japan, Netherlands, Belgium and Germany	**Corporate Finance:** Borrower (if there is no guarantor) or Guarantor who bears the ultimate risk **Project Finance:** SPC and Main Off-taker **Government Bond:** the issuer country	Up to 2050	Credit cost	Net Zero 2050 scenario	€845
							Delated Transition Scenario	€653
							Current Policies Scenario	€653

The limited climate risk is because NBE's lending portfolio as of FY2021 is mainly consisted of the exposure in utilities (renewable electricity) sector which has no transition risk. With regards to physical risk, France, being the ultimate risk country which NBE has the largest exposure, does not have high level of physical risk. NBE's climate risk is mainly driven by its exposure towards utilities (mid-stream) sector. Overall, the quantitative results are in line with the qualitative analysis as can be derived from the heat map in Section 2.1.

NBE's exposure towards materials sector is mainly linked to the European subsidiaries of Japanese corporates, where the Japanese parent companies provide guarantees. However, such exposure is not significant as of FY2021 thus results in a limited climate risk.

Risk management

Identifying, assessing and managing climate-related risks
NBE further enhanced its capability of managing climate-related risks and has included climate-related risks in all relevant stages of the credit-granting process and credit processing by the end of FY2021:

- NBE maintains and regularly updates Sector Policy to prevent and restrict transactions in sectors that have the strong potential for significant negative impact on the environment and society.
- NBE uses climate-related risks heat map to identifying climate-related risk for the transactions in sectors that outside of Sector Policy.
- NBE performs climate-related stress test on an annual basis to quantitatively identify climate-related risks.
- NBE currently monitors 1) % of CO2-intensive sectors; 2) GHG emission intensity for Scope 1-2 and 3 respectively; 3) Climate-related Risks Heat Map on a regular basis.
- As a newly established bank, NBE plans to accumulate more historical data and then start to manage climate-related metrics and set climate-related targets in order to manage NBE's climate-related risks.

The integration into the bank's overall risk management
NBE further enhanced the integration of Climate-related risk management into the bank's overall risk management over FY2021:

- NBE's 1st LoD utilizes Materiality Assessment results to construct their business plan.
- NBE's 2nd LoD includes climate-related risks into identifying, assessing and managing its credit taking process.
- NBE's 3rd LoD closely follows up the development of NBE's climate-related risk management and performs an internal audit during the audit cycle of 2022-2023.

GHG measurement and results

NBE has an internal procedure in place i.e. GHG Measurement Procedures to guide NBE's greenhouse gas (GHG) calculation and disclosure.

The carbon footprint of NBE

Measuring Methodology

NBE adopts the GHG Protocol (GHGP), which is the most commonly used GHG accounting method, to measure the direct and indirect emissions that occur throughout the value chain as a result of organizational and business activities.

NBE has adopted the operational control approach as this is the most widely applied method across the market and aligned with NBE's peers.

NBE has selected to report on scope 1, 2 and 3, as recommended by the reporting framework Task-force on Climate-related Financial Disclosures (TCFD) launched by the Financial Stability Board (FSB).

NBE has performed a feasibility assessment in 2021 concluding that the following emission sources are within the organization reporting process:

- Scope 1: emissions originating from mobile combustion sources
- Scope 2: emissions originating from heat and electricity sources
- Scope 3:
    - Emissions originating from Business travel activities
    - Emissions originating from Financing, i.e. financed emissions

NBE reports financed emissions on the asset classes (1) business loans and (2) project finance based on the Partnership for Carbon Accounting Financials (PCAF). PCAF was launched in September 2019 globally to harmonize greenhouse gas (GHG) accounting methods and enable financial institutions to consistently measure and disclose the GHG emissions financed by their loans and investments.

The data to be used to assess its associated financed emissions are Enterprise Value (EVIC) and the company's scope 1 and 2 emissions tCO2e. They are sourced from the counterparties' disclosure. In instances in which actual data is not available, NBE relies in proxy data which is the emission intensity of a relevant sector or a country. NBE is expected to engage with portfolio companies to improve their climate-related disclosure to enhance data quality in the coming years.

NBE absolute GHG emissions

NBE's own operations emissions: e.g. Scope 1 and 2 and due to the company business are not the most material emission sources for the company. Scope 1 emissions are 0 tCO2e, referring to the Scope 1 category included fuel and mobile consumption. as NBE does not use gas and have leased cars for their employees, Scope 1 emissions are expected to remain null. Scope 2 emissions refer to emissions coming from heating and electricity, which the latter has been calculated based on both location-based and market-based methodologies.

NBE's supply chain emissions

NBE's indirect upstream emissions: refer to the category: business travel.

NBE's emission from their financial portfolio: NBE's first-time disclosure on absolute emissions for its lending portfolio is line with the new Partnership for Carbon Accounting Financials (PCAF) Global Standard (Please refer to PCAF website for more information). NBE's outstanding portfolio estimated emissions, which includes corporate loans and project finance.

Contents | About NBE | Report of the Management Board | Report of the Supervisory Board | Dutch Banking Code | Financial Statements | Risk Management | Other Information

GHG Emissions Reporting

	Summary of Reported GHG Emissions	2021	Unit
Basic reporting	Scope 1		
	Total Scope 1	-	tC02e
	Scope 2		
	Electricity	61	tC02e
	Heat & Cold	10	tC02e
	Total Scope 2	71	tC02e
	Total Scope 1 + 2	71	tC02e
Best practices light	Scope 3		
	Business Travel	1	tC02e
	Financed emissions	56,712	tC02e
	Total Scope 3	56,713	tC02e
	Avoided emissions	10,748	tC02e
	Total Scope 1+2+3	56,784	tC02e
	Net Total Scope 1+2+3	46,036	tC02e

	GHG metrics dashboard	2021	Unit
Best practices full	Scope 1		
	Total Scope 1	-	tC02e
	Scope 2		
	Electricity location-based	61	tC02e
	Electricity market-based	12	tC02e
	Heat	10	tC02e
	Total Scope 2 (location-based)	71	tC02e
	Total Scope 2 (market-based)	21	tC02e
	Total Scope Consumption (kWh)	183,295	kWh
	Average energy intensity	134	kWh/m2
	Average emission intensity (scope 1+2) per FTE	1	tC02e/FTE
	Scope 3		
	Business Travel	1	tC02e
	Financed emissions	56,712	tC02e
	Avoided emissions	10,748	tC02e
	Total Scope 3	56,713	tC02e
	Net total Scope 3	45,965	tC02e

Summary of Financed Emissions	2021	
Asset Class	Coverage %	Data Quality Scores
Corporate Lending	100%	2.08
Project Finance	84%	2.45
Total	89%	2.34

Climate-related risk metrics

NBE monitors of CO2-intensive sectors during FY2021 and has further improved its monitoring of climate-related risk metrics and starts to monitor GHG emission intensity for Scope 1-2 and 3 respectively and Climate-related Risks Heat Map on a regular basis from FY2022 onwards.

Climate-related risk targets

GHG emission intensity for Scope 1-2 and 3: As a newly established bank, although NBE foresees the increase of its portfolio, NBE will keep GHG emissions and its intensity at relatively low level. NBE has established internal controls to manage its climate risks associated with its portfolio.

Carbon Related Exposures : The following table shows NBE's Carbon Related Exposure as of 31/12/2021. NBE has established internal check point/control on Carbon Related Exposures, defined as Energy & Utility (GICS) ex. renewable electricity & midstream.

Carbon Related Exposure as of 31/12/2021

Definition	Percentage
Energy & Utility (GICS) ex renewable electricity & midstream	**0%**