NORINCHUKIN BANK
EUROPE N.V.

Annual Report

2023

Dedicated to sustaining all life.

Contents

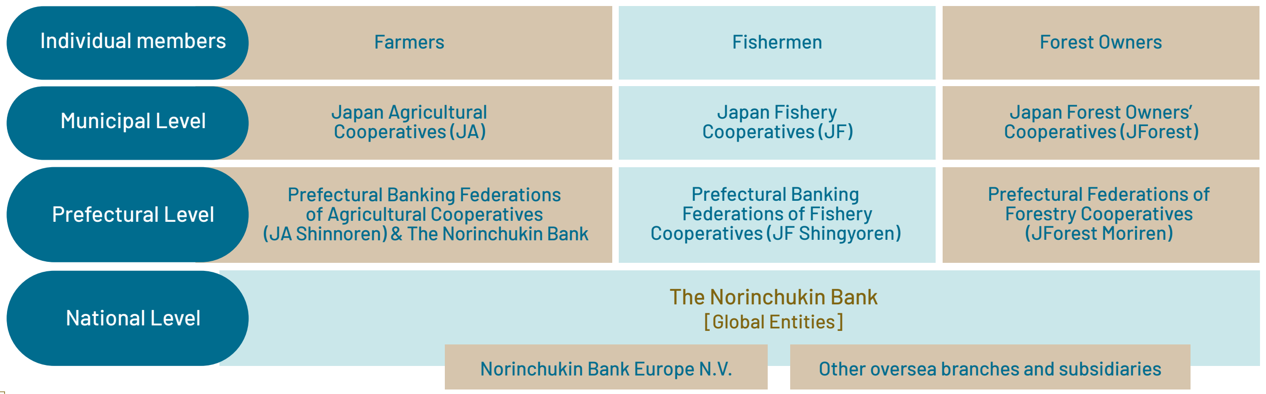
About Norinchukin Bank Europe N.V.

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”). At present, and looking to the future, The Norinchukin Bank mainly focuses on three business areas: “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. For more information on NBE’s organization, please refer to Organization in About Norinchukin Bank Europe N.V.

Structure of Japanes Cooperatives System and NBE



Business Model

NBE focuses on three business areas:

- Strengthening the F&A banking business to support Japanese firms in (Continental) Europe.
- Increasing the group's Structured Finance business in Europe, thus strengthening the group's diversified investment strategy and supporting sustainable financing.
- Attracting stable funding from the European repurchase transaction (hereafter “repo”) markets to ensure the stability of the group’s Euro funding business.

The Norinchukin Bank aims to further grow the agriculture, fishery and forestry industries and to exert stronger international presence on ‘food’. The Norinchukin Bank provides financial support to Japanese firms in the F&A Banking business within continental Europe while being considerate to sustainability. NBE serves as an intermediary for Norinchukin Group in Japan with regard to corporate lending opportunities in the F&A banking business. NBE currently offers corporate time deposits and corporate bilateral and syndicated loans. In doing so, NBE obtains new lending opportunities for its own account using the EU passporting rights of the banking license. NBE wants to increase its sustainable finance sectors.

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

The Euro funding activities that The Norinchukin Bank currently exercises primarily relate to repo transactions.

NBE’s repo transactions are traded through a Central Clearing Counterparty (hereafter “CCP”) in France, which is located at the center of liquidity of the EU based repo transactions. Issuance of Negotiable Certificates Deposit (NCD) and interbank transactions are other sources of EUR funding.

Key Figures

Amounts in thousands of euros

Key Figures	31 December 2023	31 December 2022
Cash and balances with central banks	401,790	131,966
Loans and advances to banks	8,529	7,423
Loans and advances to customers*	1,295,526	917,728
Debt securities at amortized cost	1,410,009	1,435,342
Total assets	**3,132,135**	**2,512,388**
Total shareholder's equity	**2,000,823**	**1,976,349**
Net result for the year	**24,474**	**8,432**
Total operating income	56,021	31,284
Total operating expenses	22,983	19,260
Result for the year before tax	32,986	11,531
Income tax expense/(-) benefit	8,512	3,099
Others		
Total capital ratio	112%	157%
Leverage ratio	47%	58%
NSFR**	198%	243%
LCR**	296%	306%
Number of employees (total in FTE)	**68.4**	**56.7**

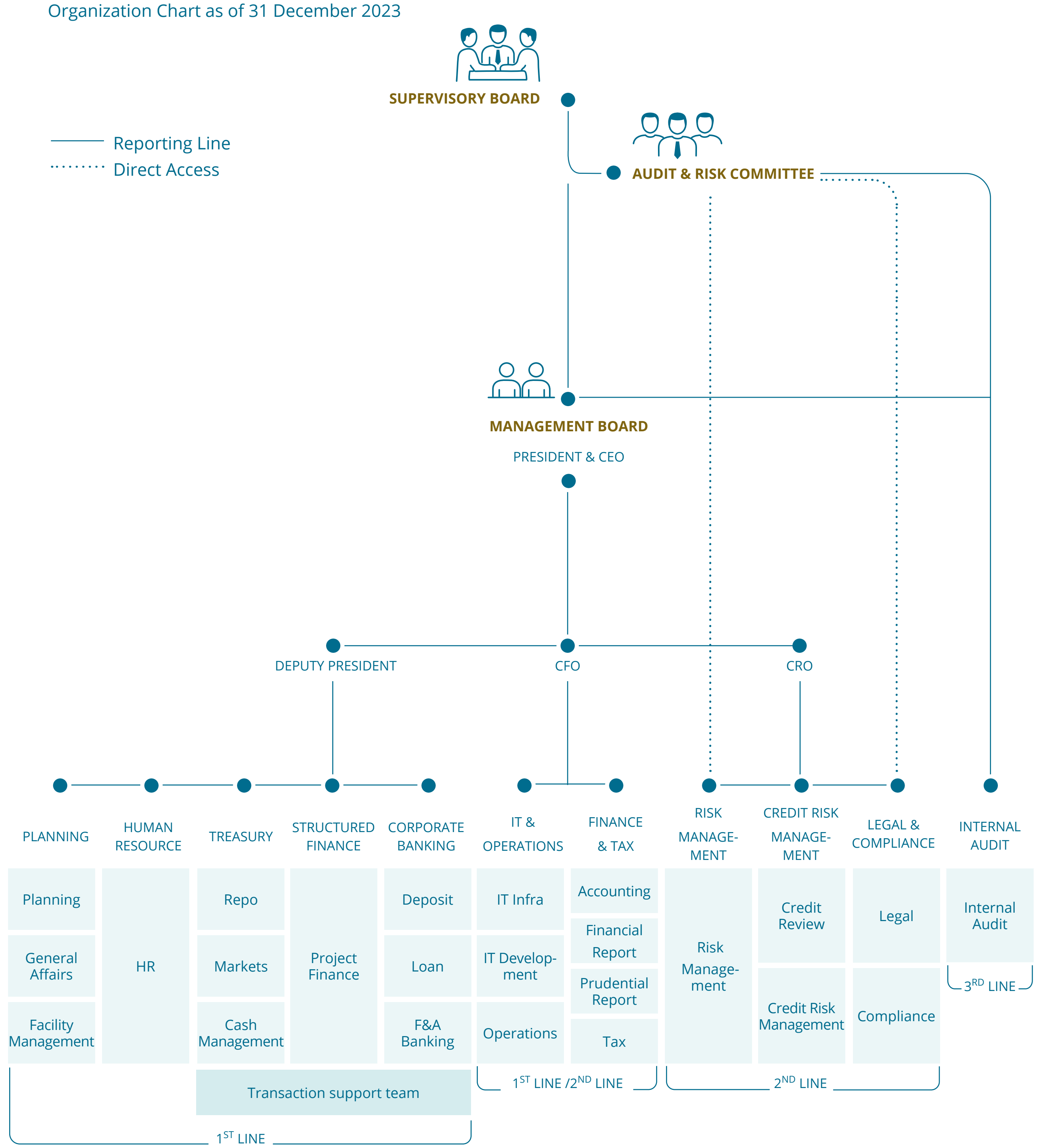
*The component has been reclassified compared to the previous year on the up-front fee related to project finance which is considered to be an integral part of the effective interest rate under “Loans and advances to customers” instead of “Other liabilities”.
**LCR: Liquidity Coverage Ratio. NSFR: Net Stable Funding Ratio. Both LCR and NSFR are under Basel III framework.

Organization

NBE has a robust two-tier governance structure, which is comprised of a Supervisory Board and a Management Board with the addition of supporting committees of specialists for each business area.

As per 31 December 2023, NBE had 68.4 full-time employees (2022: 56.7).

Organization Chart as of 31 December 2023



Composition of the Supervisory Board

The Supervisory Board consists of Mr. Imai, Mr. van Eeghen, Mr. Kuijpers, and Mr. Kitabayashi. 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 the core of NBE's business and strategy. He has broad experience in senior management positions. In his current position, Mr. Imai is Director and Managing Executive Officer, Member of the Board of Directors, Co-Chief Investment Officer and Head of Global Banking.

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 various banks including bunq, ABN AMRO and RBS. He 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 an adviser to the Board of Dutch online bank bunq B.V. and is a non-executive board member in a number of organizations.

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 foreign subsidiaries of international 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. Taro Kitabayashi (effective 21 April 2023)

Mr. Kitabayashi joined The Norinchukin Bank in 1994 and performed managerial functions, especially in corporate planning, financial planning, and sustainability. As he has a lot of experience of these subjects and knows The Norinchiukin Bank and its culture very well; he can add significant value to NBE and its core business and strategy. Mr. Kitabayashi is currently Representative Director and Managing Executive Officer, Member of the Board of Directors, Chief Financial Officer and Co-Chief Sustainability Officer.

Mr. Hiroaki Fukuda (resigned on 31 March 2023)

Mr. Fukuda joined The Norinchukin Bank in 1992. He has extensive knowledge on the risk management framework, global financial regulatory compliance, internal control framework, and non-yen currency funding. Mr. Fukuda resigned from the Member of Supervisory Board on 31 March 2023 and was succeeded by Mr. Kitabayashi.

Composition of the Management Board

The Management Board consists of Mr. Nomura, Mr. Kasahara, Mr. Wingelaar and Mr. Sakurada. The Management Board is collectively responsible for NBE's management, general affairs and the business connected with it.

President and Chief Executive Officer - Mr. Atsushi Nomura (effective 1 April 2024)

Mr. Nomura joined the Management Board of NBE as Deputy President on 1 April 2022 and was appointed Chief Executive Officer (hereafter "President & CEO") on 1 April 2024. Mr. Nomura has broad and deep experience in The Norinchukin Bank business strategy, extensive knowledge of the global investment and banking business, and good understanding of corporate lending and investments in infrastructure projects.

Deputy President - Mr. Ryuta Kasahara (effective 1 April 2024)

Mr. Kasahara joined NBE and was appointed to the Management Board as Deputy President on 1 April 2024. Mr. Kasahara has a broad understanding and deep knowledge of global investment and lending business, including structured finance. In addition, Mr. Kasahara has held corporate planning and human resource functions in the London Branch of The Norinchukin Bank. Mr. Kasahara's knowledge and expertise will help NBE and further development of the business activities.

Chief Financial Officer - Mr. Alexander Wingelaar (effective 1 January 2024)

Mr. Wingelaar joined NBE on 1 January 2024 and was appointed to the Managing Board as Chief Financial Officer (hereafter "CFO"). Through his more than 28 year experience in the Dutch financial sector as well as his experience in several CFO/CRO/COO positions in the Netherlands, Spain and France at ING Group N.V. and Triodos Bank N.V., Mr. Wingelaar gained extensive understanding and experience in financial planning, finance, regulatory reporting, taxation, information technology, and operations.

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

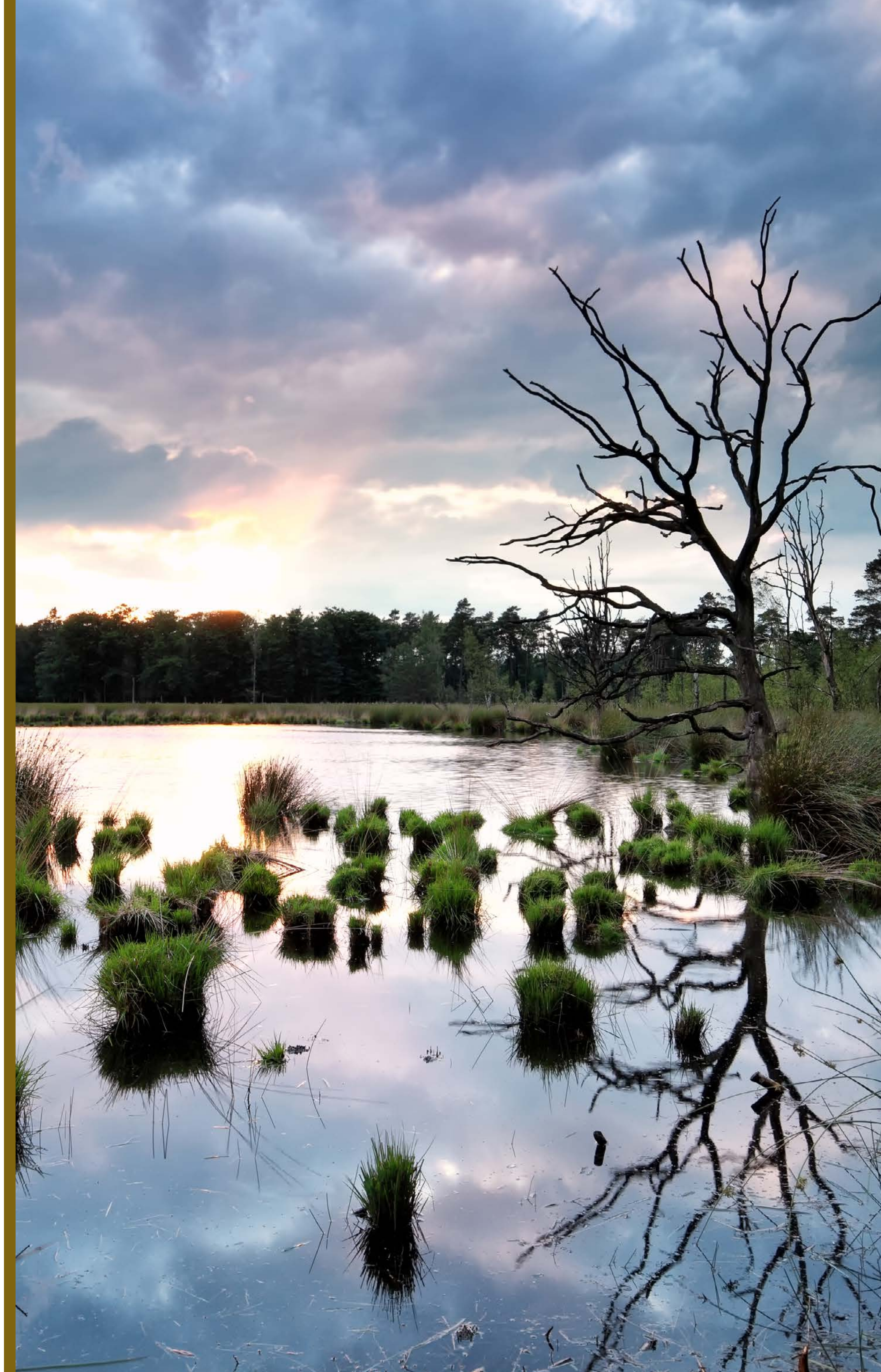
Mr. Sakurada joined the Management Board of NBE on 21 September 2018 and was appointed as Chief Risk Officer (hereafter "CRO") on 10 July 2019. Through his broad experience in risk management, Mr. Sakurada has gained various techniques and skills related to risk management, and he has an in-depth understanding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

Mr. Marcel van Wees (resigned on 10 December 2023)

Mr. van Wees joined NBE on 1 July 2019. He has extensive experience in the field of financial planning, financial and regulatory reporting, taxation, and information technology. Mr. van Wees resigned from the Management Board as CFO on 10 December 2023 and was succeeded by Mr. Wingelaar as per 1 January 2024.

Mr. Atsushi Yasutake (resigned on 31 March 2024)

Mr. Yasutake joined the Management Board of NBE on 21 September 2018 and was appointed as President & CEO on 10 July 2019. Mr. Yasutake was a general manager of The Norinchukin Bank's Corporate Planning Division and has insightful experience with the European banking business. For example, Mr. Yasutake had a leading role in setting up and executing the strategic alliance between The Norinchukin Bank and Rabobank. Mr. Yasutake resigned from the Management Board as CEO on 31 March 2024, and was succeeded by Mr. Nomura as per 1 April 2024.



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 market of Euro denominated repo transactions. In 2023, NBE achieved a surplus through the expansion of the businesses described above.

Corporate Governance

For the design of its organization NBE has applied the Three lines 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 a sound governance structure and compliance with Dutch and EBA 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 accept, mitigate, or reduce risks, i.e., uncertain factors that may have a potentially negative impact on the managerial strategies and business policies that achieve NBE's strategic goals". This objective is stipulated in the NBE's Risk Management Policy. The Risk Appetite Statement (hereafter "RAS") defines the types of risk and amount of risk 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 multiple categories: Capital, Credit & Market Risk (including interest rate risk in banking book), Liquidity & Funding Risk as well as Non-Financial Risk such as IT and Operational risks. In the annual top-down risk assessment, ICAAP/ILAAP process and stress testing, the overarching risk profile is compared with the RAS and the strategy of the NBE. Outcomes of the top-down risk assessment are mainly linked to the stage where NBE is in. As a bank in transition from start-up to scale-up, risks such as concentration risk and scalability of IT and operations are recognized as well as the more general credit risk and interest rate risk.

For the period ended 31 December 2023, the risk profile of NBE has changed little compared to the previous year. The outcome of the ICAAP and ILAAP show that NBE has more than sufficient Capital and Liquidity to accommodate future growth. The SREP decision by the Dutch Central Bank (hereafter "DNB") is set bi-annually and based on the growth forecast.

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 2023 the focus was to grow the loan portfolio while remaining well within the pre-defined risk appetite. The Norinchukin Bank has provided NBE with sufficient capital to accommodate future growth. For our Euro funding business with repo and reverse repo, all transactions are collateralized with high quality European government bonds and thus the credit risk is well mitigated. One of the material risks for NBE is the interest rate risk in the banking book, which arises from our investments in long-maturity fixed income European government bonds, which are valued at hold to collect. No material foreign currency risk was actively taken as the growth of loan and repo book are funded with the loans from same currency from The Norinchukin Bank. Liquidity & Funding Risk in NBE is managed within the RAS by monitoring liquidity positions and maintaining high quality liquid collateral and cash. As for Non-Financial Risk, the risk profile of NBE is limited and has not changed as 2023 has been a year to build up banking activities further, as NBE started its business in September 2020. In the years since the business has started, no non-financial incidents with (significant) losses occurred. Non-Financial Risk consists of Process risk, Business Continuity Risk, Outsourcing Risk, Cyber Security Risk, Regulatory Compliance & Integrity Risk covering fraud.

The RAS ensures that NBE manages the risks that arise from business processes in a controlled manner. NBE has taken the necessary steps so that its employees are aware of the risks associated with NBE's chosen business strategy and that they exhibit prudent attitudes toward risks that could affect the mission and strategy of the organization. For NBE, to maintain its reputation in Europe among various stakeholders, including society, clients, regulators, and other industry players, is of the utmost importance.

Regulatory compliance & integrity risk, such as for example fraud, are managed within the Legal & Compliance framework. NBE establishes and maintains business relationships with reputable customers. Many customers of NBE are listed or regulated (through subsidiary). In the past year no fraud cases have been identified, similar to the years before. 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

Following a long historical relationship between Japan and the countries within the EU, NBE will further expand its F&A Banking business in Continental Europe 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.

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

- 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 and sustainability, generally feel comfortable with EU food products, as they know food regulations in the EU are strict and both European consumers and producers are strongly aware of sustainability.
- Japanese F&A related firms are well positioned to service European consumers, comply with European standards and 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 that more business opportunities in Europe in the global investment and finance business will present themselves. Within these opportunities 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 that have good opportunities for green infrastructure projects.

In the Euro funding business, The Norinchukin Bank aims to have a stable source of Euro funding from European repo markets. NBE has secure access to the center of liquidity of the EU-based repo business upon the relocation of European repo clearing services to Continental Europe.

In order to fulfil the Norinchukin group's strategy, NBE is pursuing to the "Glocal Front Runner European Bank within the Norinchukin Group". NBE will

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make quantitative and qualitative contributions to stakeholders through utilizing its local international ("Glocal") network NBE will further develop its existing business lines while incorporating "Glocal" sustainability practices. To achieve its plan, NBE expects to increase the number of employees in line with the development of our business. NBE will continue to improve its corporate functions such as Finance, IT and Operations to develop data management, to increase accessibility, and to create robust and resilient systems to report and manage. It is envisaged that some financial investments in IT systems will be needed in the coming period. NBE has been increasing the amount of sustainable finance transactions and a green related deposit product to create continuous positive impacts. The funding of the loan growth will be provided by The Norinchukin Bank with a maturity, currency, and interest rate profile to match the assets being financed. As a result, much of the liquidity and foreign currency risks are mitigated. For more details on our risk management framework, please see the Risk Management section in the notes to the Financial Statements.

NBE carefully expanded its business operations in 2023 taking into account the relevant external factors such as high inflation and monetary policy changes and internal progress of sustainbility improvements including sustainability related disclosure preparation.

As part of the reviewing and monitoring process, NBE performed various scenario analyses of financial markets and the credit quality of existing and potential clients/counterparties. NBE does not have direct exposure to Russia, Eastern European countries and Middle East countries. NBE also closely monitors the potential impact of other external factors and their potential impact on our businesses and clients/counterparties to be able to respond timely to identified extra risks.

NBE assesses that the sensitivity of its assets and liabilities due to global rate hikes and monetary policy changes In particular the government bond investment portfolio experienced fair value losses due to higher market rates. However the government bond investments aim to generate stable interest income until their maturity, and thus valued at Hold to collect. Furthermore, NBE has more than sufficient capital in place to mitigate the unrealized losses in the portfolio. A larger part of NBE's loan portfolio is floating and less sensitive to interest rate movement while NBE also has stable funding from The Norinchukin Bank. Although it is essential to pay attention to a further interest rate rise that could worsen the economic outlook and trigger credit deterioration, NBE's business as a whole is considered to be reasonably resilient to interest rate fluctuations.

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. This initiative is fundamental to the existence of humanity, 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 recognizes the importance of sustainability initiatives. NBE publishes its climate-related disclosure as a part of NBE's annual report as per the 2021 recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). This climate-related disclosure is not in scope of the auditor's opinion, audit, or review procedures conducted by the external auditor.

To perform NBE's sustainability-oriented management and assess climate-related and environmental risks based on TCFD, NBE will enhance its procedures to manage climate risks in its portfolio in order to mitigate and adapt to climate change through its business activities. NBE manages its transitional risk and physical risk as NBE develops its financial portfolio as of FY2023, and NBE supports the transition to a decarbonized society through our financing services. For more information regarding 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'.

Initiatives

The Norinchukin Bank, Group as a member of the Net-Zero Banking Alliance, has committed to realizing Net Zero emissions by 2050 and aims to reduce Greenhouse Gasses (GHG) emissions and achieve Net Zero from its own facilities by 2030. To achieve this commitment, the Norinchukin group will promote reduction of GHG emissions of its financial counterparts, reduce its own CO2 emissions, and execute JPY10 trillion of new sustainable finance transactions. NBE is also committed to contribute to these group initiatives.

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As a financial institution, NBE steers its business activities in accordance with its parent's strategy by reducing GHG emission, accelerating sustainable finance transactions, and preparing sustainability related disclosure. NBE is expected to comply with the Corporate Sustainability Reporting Directive (CSRD) which is applicable from FY2025. NBE is still in the process of building its portfolio since starting its business in 2020, and as a result has seen NBE's GHG emission of Scope 1 and Scope 2 increase to 91 tCO2e in 2023 (87 tCO2e in 2022 and 71 tCO2e in 2021). NBE will continue to pursue NBE-Uniqueness within the Norinchukin Group and to build its portfolio in order to contribute to parent's stragegy. NBE organized Sustainability Task Force (STF) to work on sustainability issues including CSRD on a cross divisional basis. NBE is carrying out CSRD implementation activities towards CSRD compliance. In 2023 NBE conducted its first double materiality assessment to prepare for compliance with the CSRD requirements. The risks identified as part of our risk management process have been used as input to perform this assessment.

Governance

NBE is developing its ESG 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. NBE endorses the Norinchukin group's Environmental Policy, Human Rights Policy, and Basic Policy for Investment and Loans which are based on the Norinchukin group's Code of Ethics on a group-wide basis. The 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 follows its own Sector Policy to prohibit and restrict financial transactions in sectors that have a potential negative impact on ESG in line with parent.

ESG Risks Management

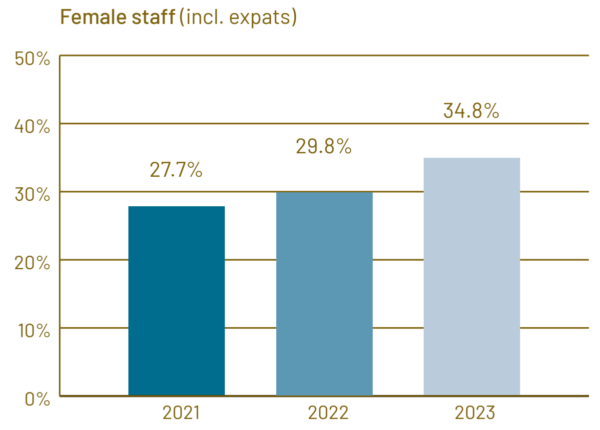
NBE manages ESG risks, especially financial risks stemming from climate change to address climate-related and environmental considerations in the risk management framework. NBE manages financial risks related to the physical consequences of climate change's "physical risks" as well as the transition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

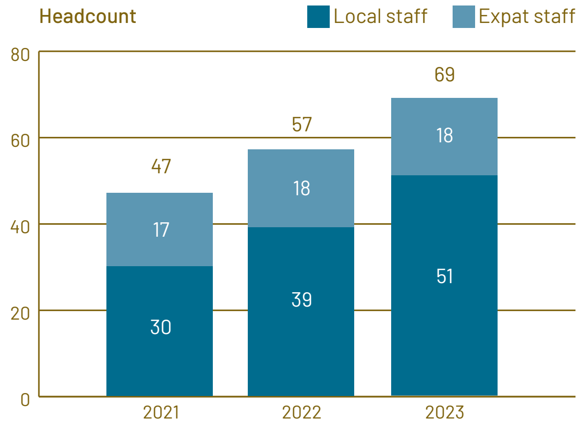
NBE recognizes physical and transition risks that are related to the transition to a decarbonized society and climate change. NBE manages these climate change-related risks: Physical risk, Transition risk, and results of Climate Stress tests appropriately under an integrated risk management framework.

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

In order to continuously contribute to sustainable future of related local communities, society and food, NBE is a sponsor of Food Education Platform in the Netherlands which aims to increase the children's interest in sustainable nutrition. Considering the Japanese origin of the Norinchukin group and desire/goal to strengthen the relationship between relationship between the Netherlands and Japan, NBE has been sponsoring events and organizations related to the connection between Dutch communities and Japanese communities as well as supporting Food&Agri learning to Japanese schools in Europe.





Our People and Value

NBE is promoting diversity, equality, and inclusion (DE&I) in its hiring and remuneration policies. As per 31 December 2023, NBE had a total of 69 employees consisting of 24 female and 45 male employees (including expats). Considering NBE's local staff, the balance is almost equal (47% female, 53% male) and represent 19 different nationalities.

As NBE keeps growing and onboards new employees, NBE continues to strive to increase its diversity, equality, and inclusivity further. This includes workshops on DE&I and sessions on a global level together with other branches and the parent. In addition, NBE strives for a more diverse management body in both gender and nationality. NBE's policies and processes, such as Remuneration, Recruitment, and Learning & Development, are designed to support and achieve those ambitions. Additionally, NBE periodically monitors the Gender Equal Pay Gap to promote equality among staff.

To build and preserve a sustainable inclusive corporate culture, NBE continues to promote its Corporate Values: Openness, Sensitivity, Engagement and Cooperation (OSEC). These values scored a 4.2 on a 1-5 scale in our 2023 engagement survey. Of NBE's employees, 88% participated in this annual engagement survey. The overall engagement score also was 4.2 on a 1-5 scale. The results were followed by cross-divisional workshops to discuss and enquire about employee input in more detail, providing the basis for the action plan for 2024.

Learning & Development

As a subsidiary based in the Netherlands, the significant presence of different cultures enables NBE's staff to learn from and about each other. Helping employees develop and enhance in their jobs and on a personal level continues to have NBE's attention. Additionally, NBE has had a lot of initiatives for individual and team development, for example several in-house training sessions, as well as the continuation of the successful culture workshops twice a year. Newly introduced this year is the additional learning & development budget for employees to learn the languages of colleagues and our clients.

Health and safety

At NBE we value our employees' health and safety. After adding a new floor to NBE's workspace, the RI&E (Risk Inventory & Evaluation) has successfully been updated to reflect this to ensure employee safety.

NBE has taken several initiatives to enhance and facilitate healthy lifestyles, which are highly appreciated by our employees, for instance, the Vitality app that has been launched in 2022. Additionally, our Vitality Ambassadors, a volunteer-led employee organization, continuously organizes and addresses vitality activities for our staff.

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Financial Statements

NBE became profitable by the end of year 2022 for the first time and maintained profitability for two consecutive years by the end of 2023. For 2023, we achieved a net profit of EUR 24.5 million after tax, which is € 16 million higher than 2022 (€ 8.4 million). This was driven by the effect of loan business expansion, our Euro funding activities, and the favourable developments in the interest environment in 2023. In general, growth of business has been steady and progress is in line with NBE's business plan and financial plan. Based on the financial result and dividend policy, the Management Board of NBE proposes to the General Meeting of Shareholder to pay out € 0.82 million as dividend, which is 100% of the positive retained earnings, please refer to Note 25 for details.

Considering the nature of NBE's business strategy, the Management Board expects that NBE continues to achieve stable growth through F&A banking business, structured finance business, and Euro funding business. The Management Board continues to strive to improve NBE's financial result by further developing these business activities and improving the operational effiencies. NBE does not expect huge investment on R&D but continues to make the investments necessary to improve business efficiencies and maintain competitive advantage. For details of how NBE manages liquidity and solvency risk, please refer to the Risk Management under Financial Statements section.

Closing

NBE successfully developed business operations with good profit to the shareholder while several external factors such as high inflation and monetary policy changes as well as and geopolitical conflicts. NBE's banking activities and financial performance are expected to improve further in 2024 and will be steadily preparing sustainability requirements for CSRD reporting as from FY2025. The Management Board would like to express its sincere appreciation to all stakeholders involved for their continuous support in 2023. The Management Board looks forward to working together to continue servicing and working with all stakeholders to make 2024 another successful year, and to contribute to a sustainable environment and society of the future.

Amsterdam, 23 May 2024
Atsushi Nomura
Ryuta Kasahara
Alexander Wingelaar
Hiroki Sakurada

Report of the Supervisory Board

Supervisory Board

The Supervisory Board is charged with the supervision of the strategies and policies pursued by the Management Board and the general course of affairs in NBE. The Supervisory Board takes all stakeholders' interests into account when supervising and providing 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 professional background and expertise.

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 2023, the Supervisory Board held six meetings and all members were present by means of physical or video conferencing access. The roles and responsibilities of the Supervisory Board are stipulated in the Supervisory Board's Charter. The Supervisory Board discussed various topics with the Management Board to assess and oversee NBE's business and enhance key policies; topics included, but were not limited to: board composition, business and financial plan, risk appetite, corporate governance, risk management, and compliance and audit. The Supervisory Board had extensive discussion on 1) board composition, 2) business plan including mid-term vision, financial plan, and RAS, 3) sustainability related including sector policy.

In the period ending 31 December 2023, the ARC held six meetings and all members were present by means of physical and/or video conferencing access. The ARC discussed with the Management Board broad topics regarding the internal control framework, asset and liability management, investment strategy, risk management, audit and compliance. During the year, the ARC extensively discussed 1) audit plan and audit report, 2) SREP, and 3) communication with regulators. The Supervisory Board will remain in close contact with the Management Board to ensure that the business will develop well notwithstanding the uncertainties in the business environment.

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, DNB, the NIS 2/Dora, 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.

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 2023 one meeting to oversee and/or determine the remuneration was held.

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

Fixed remuneration
Fixed remuneration primarily reflects relevant professional experience and organizational responsibility as set out in an employee's job description as part of the terms of employment. The compensation (fixed fee) for members of the Supervisory Board will be determined on the basis of their roles and responsibilities. If a member of the Supervisory Board is also a board member or executive officer of The Norinchukin Bank, no compensation will be paid by NBE. In line with The Norinchukin Bank's rules and/or regulations, this member should only receive compensation from The Norinchukin Bank. The fixed remuneration for all employees amounted to €8 million (2022: €7 million).

Variable remuneration
Variable remuneration reflects a risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description as part of the terms of employment. At least 50% of the variable remuneration is based on non-financial performance criteria such as strategic goals, customer satisfaction, leadership, management skills, compliance with the Risk Management Policy of NBE, creativity, and motivation. While financial performance criteria, such as NBE's financial/business results, are a part of the performance assessment, non-financial performance criteria form a large part of the performance assessment in order to not incentivize excessive risk taking and to contribute to NBE's long-term business continuity.
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 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.

The variable remuneration for all employees amounted to €0.4 million (2022: €0.3 million).

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 2023, as well as in 2022, 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 2023, NBE held three courses as part of the lifelong learning programs with the Supervisory Board and the Management Board members as follows:

- Basic Concept of Next HTM Investment Strategy
- Compliance update on financial economic crime risk
- NBE CSRD Planning - CSRD Plan of approach (high-level) roadmap

The Supervisory Board evaluated its own functioning under independent supervision to ensure the quality of its own performance. Such independent supervisionis required once every three years in line with the Dutch Banking Code. All members assessed the involvement, culture, and relationship between the Supervisory Board and NBE staff including the Management Board.

Financial Statements

In compliance with Dutch laws and NBE's Articles of Association, NBE will submit the Financial Statements for the period 1 January 2023 to 31 December 2023 together with the Report of the Management Board to the General Meeting of Shareholder. As NBE is a standalone entity, without any subsidiaries as of 31 December 2023, the unconsolidated statutory financial statements are the same as the consolidated financial statements.

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 2023 to 31 December 2023 as submitted by the Management Board.

Closing

The Supervisory Board not only monitored but also supported the Management Board with advice to develop business operations and activities during 2023. This has resulted in a healthy growth and good financial results of NBE. Also the parent, Norinchukin Bank Group, has expressed its statisfaction with the contribution of NBE and how it has developed. The Supervisory Board recognizes and highly appreciates the efforts and hard work of NBE's staff and its Management Board. The Supervisory Board looks forward to continuing the trustful and fruitful cooperation.

Amsterdam, 23 May 2024
Masato Imai
Idzard L. van Eeghen
Arnold J.A.M. Kuijpers
Taro Kitabayashi

Dutch Banking Code

The Dutch Banking Code has been drawn up by the Dutch Banking Association (Nederlandse Vereniging van Banken, hereafter the "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 has implemented a 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 2023.

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 function as examples to all of the NBE's employees.

Supervisory Board

Mindful of the characteristics of and circumstances surrounding NBE as explained in the paragraph below, we have decided not to fully apply to the following provision of the Dutch Banking Code "(Variable) remuneration of Supervisory Board (SB) members". The reasons for not applying this provision of the Dutch Banking Code results from the following specific characteristics and circumstances of NBE:

- The Norinchukin Bank is the sole (100%) shareholder of NBE; as a consequence, the shares of NBE are not listed;
- The sole shareholder, The Norinchukin Bank, also acts as our global head office, implying central oversight in key areas such as risk management, compliance, internal audit and financial and management accounting and reporting;
- Important statutory authorities are assigned to the sole shareholder, such as the appointment of SB and MB members and the external auditor;
- In terms of organisation and management control, NBE is part of a larger, internationally operating banking group, also supervised by the financial supervisory authorities of the home country, Japan, next to the local supervision of DNB;
- The size and nature of NBE's commercial activities results in a relatively limited complexity of clients and products.

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 and two of which are part of Norinchukin's group entities. The Supervisory Board has a delegated ARC and elects the ARC members from its mids. The members of the Supervisory Board have specific competencies and experience to perform their supervising duties critical and independent. In case of vacancies, attention is given to the composition of the Supervisory Board with respect to balance between competencies/experience and affinity with the nature and culture of 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.

The independent members of the Supervisory Board receive appropriate compensation for their work, which does not contain a variable component and 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

NBE's Management Board consists 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. All important issues addressed in the Banking Code and similar rules and regulations are discussed in the MB and the committee meetings including risk management, compliance, audit and internal control framework, remuneration and the new product approval process.

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 Management Policy

NBE's Risk Management Framework ("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 change to the risk appetite requires 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, which has 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 has implemented a 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.

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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 2023	31 December 2022
Assets			
Cash and balances with central banks	2	401,790	131,966
Loans and advances to banks	3	8,529	7,423
Loans and advances to customers*	4	1,295,526	917,728
Debt securities at amortized cost	5	1,410,009	1,435,342
Property and equipment	6	545	848
Intangible assets	7	169	236
Right-of-use assets	8	2,200	2,714
Deferred tax assets**	9	5,596	10,121
Other assets	10	7,771	6,010
Total assets		**3,132,135**	**2,512,388**
Liabilities			
Due to banks	11	909,435	496,714
Due to customers	12	214,098	29,885
Lease liabilities	13	2,249	2,771
Current tax liabilities	9	1,065	1,422
Deferred tax liabilities**	9	568	700
Provisions	14	222	208
Other liabilities*	15	3,675	4,339
Total liabilities		**1,131,312**	**536,039**
Shareholder's equity			
Issued capital		2,000,000	2,000,000
Retained earnings**		-23,651	-32,083
Net result for the year**		24,474	8,432
Total shareholder's equity	**16**	**2,000,823**	**1,976,349**
Total liabilities and shareholder's equity		**3,132,135**	**2,512,388**
Commitments	**22**	**3,970,696**	**3,690,047**

*The component has been reclassified compared to the previous year on the up-front fee related to project finance which is considered to be an integral part of the effective interest rate under "Loans and advances to customers" instead of "Other liabilities".

**Amounts for the prior year have been restated due to implementation of amendments to IAS 12. Please refer to Note 9 for more information.

Statement of Profit or Loss

For the year ended 31 December

Amounts in thousands of euros

	Notes	2023	2022
Interest and similar income		877,554	209,840
Interest and similar expense		830,139	184,380
Net interest income	**17**	**47,415**	**25,460**
Fee and commission income		12,441	9,958
Fee and commission expense		4,005	4,241
Net fee and commission income	**18**	**8,436**	**5,717**
Other operating income		170	107
Total operating income		**56,021**	**31,284**
Personnel expenses	19	10,291	8,569
Depreciation of property, plant and equipment	6	319	321
Amortization of intangible assets	7	67	80
Depreciation of right-of-use assets	8	656	648
Other operating expenses	20	11,650	9,642
Total operating expenses		**22,983**	**19,260**
Impairment charges/(-) reversal on financial assets	3,4,5,14	52	493
Result for the year before tax		**32,986**	**11,531**
Income tax expense/(-) benefit*	9	8,512	3,099
Net result for the year*		**24,474**	**8,432**
Attributable to:			
Owner of NBE* (Equity attributed to the shareholder of NBE)		24,474	8,432

*Amounts for the prior year have been restated due to implementation of amendments to IAS 12. Please refer to the Note 9 for more information.

Statement of Comprehensive Income

For the year ended 31 December

Amounts in thousands of euros

	2023	2022
Net result for the year*	24,474	8,432
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year, net of tax*	**24,474**	**8,432**

*Amounts for the prior year have been restated due to implementation of amendments to IAS 12. Please refer to the Note 9 for more information.

Statement of Changes in Equity

For the year ended 31 December

Amounts in thousands of euros

	Notes	Issued capital	Retained earnings	Result for the year	Total Equity
Balance at 31 December 2022*		2,000,000	-32,095	8,429	1,976,334
Impact IAS 12 on opening balance**		-	12	3	15
Balance at 1 January 2023		**2,000,000**	**-32,083**	**8,432**	**1,976,349**
Appropriation of 2022 result			8,429	-8,429	-
Impact IAS 12 on opening balance**			3	-3	
Total comprehensive income		-	-	24,474	24.474
Balance at 31 December 2023	**16**	**2,000,000**	**-23,651**	**24,474**	**2,000,823**

*The negative retained earnings by the end of 2022 were mainly due to the losses incurred during the establishment phase of NBE and its commencement on banking activities in Europe from September 2020. NBE has achieved profitability since 2022 and recovered all retained loss as of 31 December 2023.

**Amounts for the prior year have been restated due to implementation of amendments to IAS 12. Please refer to the Note 9 for more information.

All shares of NBE are held by The Norinchukin Bank.

Statement of Cash Flows

For the year ended 31 December

Amounts in thousands of euros

	Notes	2023	2022
Operating activities:			
Result for the year before tax		32,986	11,531
Adjusted for:			
Amortization and depreciation	6	1,042	1,049
Impairment charges /(-) reversal	3,4,5,14	52	493
Changes in:			
Loans and advances to banks other than on demand	3	374	443
Loans and advances to customers*	4	-379,140	-645,991
Debt securities	5	25,333	25,332
Other assets	10	-1,761	-2,399
Due to banks	11	412,721	491,757
Due to customers	12	184,213	9,941
Other liabilities*	15	639	1,869
Income tax paid	9	-4,476	-
Other changes	8	21	22
Net cash flows from /(-) used in operating activities		**272,004**	**-105,953**
Investing activities:			
Purchases of property and equipment	6	-16	-42
Purchases of intangible assets	7	-34	-29
Disposal of intangible assets	7	34	-
Net cash flows from / (-) used in investing activities		**-16**	**-71**
Financing activities:			
Payment of lease liabilities	13	-684	-656
Net cash flows from / (-) used in financing activities		**-684**	**-656**
Net cash flows		**271,304**	**-106,680**
Cash and cash equivalents at start of year		**134,525**	**241,205**
Cash and cash equivalents at end of year		**405,829**	**134,525**
Cash and cash equivalents comprise:			
Due from banks - on demand	3	4,039	2,559
Cash and balances with central banks	2	401,790	131,966
Cash and cash equivalents at end of year		**405,829**	**134,525**
Interest received and paid			
Interest received		815,779	207,494
Interest paid		745,646	158,475

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.

*The component has been reclassified compared to the previous year on the up-front fee related to project finance which is considered to be an integral part of the effective interest rate under "Loans and advances to customers" instead of "Other liabilities".

Notes to the Financial Statements

1. Accounting policies

General Information

NBE is a public limited liability company (N.V.) established on 21 September 2018 and a 100% subsidiary of The Norinchukin Bank, the direct as well as the ultimate parent of NBE. After being granted a banking license by ECB, NBE commenced its banking business from September 2020.

NBE is registered at Gustav Mahlerlaan 1216, 4th Floor, 1081LA, Amsterdam, the Netherlands, and under Chamber of Commerce number 34334259.

The Norinchukin Bank defined the F&A banking business as one of the main global business pillars. It aims to amplify the agriculture, fishery and forestry industries and to exert stronger international presence on Japanese 'food' related businesses. 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 increase their business in the EU.

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 center of liquidity of the EU-based repo business within the complex business environments.

Material 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.

The Financial Statements have been prepared on a going concern basis. NBE's management made an assessment of NBE's ability to continue as a going concern and concluded that NBE has, if and when required, access to sufficient resources to continue in business for the foreseeable future. The losses occurred in the first three financial periods (i.e. 2019-2021) 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. NBE became profitable by the end of year 2022 for the first time (2022: net result after tax €8.4 million) and maintained profitability for two consecutive years by the end of 2023 (2023: net result after tax €24.5 million), as also projected in NBE's mid-long term business plan. As of now no material uncertainties are known by 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 (Note 16).

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.

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:

Taxation

Judgements and estimates are used when determining NBE's deferred tax assets. The tax regulation and treatment are not always clear or certain, and prior year tax returns often remain open and subject to approval from the tax authorities for lengthy periods. Thus, the tax related positions reported here are estimated based on the best available information, and where applicable, on external advice. 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 are recoverable based on the likelihood level of future taxable profit in accordance with latest NBE's business plan. Please refer to Note 9 Taxation. Differences between the final outcome and the original estimates are accounted for in the current and deferred tax assets in the period in which reasonable certainty is obtained. Other than deferred tax assets, certain judgement from management is also applied with regard to transfer pricing when assessing and determining whether certain transactions comply with the arm's length principle.

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 judgement 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.

NBE did not have any financial instruments recorded at fair value in the statement of financial position by 31 December 2023, therefore the information relates to fair value under this chapter only serves for disclosure purpose. 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 Principal 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 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 the effect on Probability Default.
- Any other management overlay applied which is deemed to be necessary by the management of NBE. For overlay applied as of 31 December 2023, please refer to "Impairment allowance – Expected credit losses" under Risk Management section for details.

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

Impact of recent business environment
NBE carefully expanded its business operations in 2023 in accordance with external factors such as high inflation and monetary policy changes as well as and geopolitical conflicts and internal progress of sustainability improvements including sustainability related disclosure preparation.

As part of the reviewing and monitoring process, NBE performed various analyses of financial markets and the credit quality of existing and potential clients/counterparties under pressure from challenging business environment including inflation, monetary policy changes, and geopolitical conflicts. NBE also closely monitors the potential impact of other external factors and their potential impact on our businesses and clients/counterparties to be able to respond timely to identified extra risks.

NBE assesses that the sensitivity of its assets and liabilities due to global rate hikes and monetary policy changes In particular the government bond investment portfolio experienced fair value losses due to higher market rates. However the government bond investments aim to generate stable interest income until their maturity, and thus valued at Hold to collect. Furthermore, NBE has more than sufficient capital in place to mitigate the unrealized losses in the portfolio. A larger part of NBE's loan portfolio is floating and less sensitive to interest rate movement while NBE also has stable funding from The Norinchukin Bank. Although it is essential to pay attention to a further interest rate rise that could worsen the economic outlook and trigger credit deterioration, NBE's business as a whole is considered to be reasonably resilient to interest rate fluctuations.

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.

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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".

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:

a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch");
b) 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 NBE's key management personnel; or
c) a financial liability contains one or more embedded derivatives that meet certain conditions.

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. Debt securities that are used as collateral by NBE under standard repurchase agreements are not derecognized because NBE still retains all the risks and rewards and the criteria for derecognition are therefore not met.

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).

Repurchase transactions and reverse repurchase transactions
Financial assets that are sold subject to repurchase agreements (repos), continue to be recognized in the Statement of Financial Position. The liability to the counterparty is included under "Due to banks".

Financial assets purchased under agreements to resell (reverse repos), are not recognized in the Statement of Financial Position, the consideration paid to purchase financial assets is recognized as "Loans and advances to banks". The difference between the sales and repurchasing prices is recognized as interest income or expense over the term of the agreement using the effective interest method.

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.

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.

Significant increase in credit risk ("SICR") and staging

Determination of whether a financial instrument is subject to 12-month ECL (stage 1) or lifetime ECL (stage 2 and 3) depends on whether there has been a significant increase in credit risk since initial recognition. NBE considers the credit risk of an asset to have significantly increased when

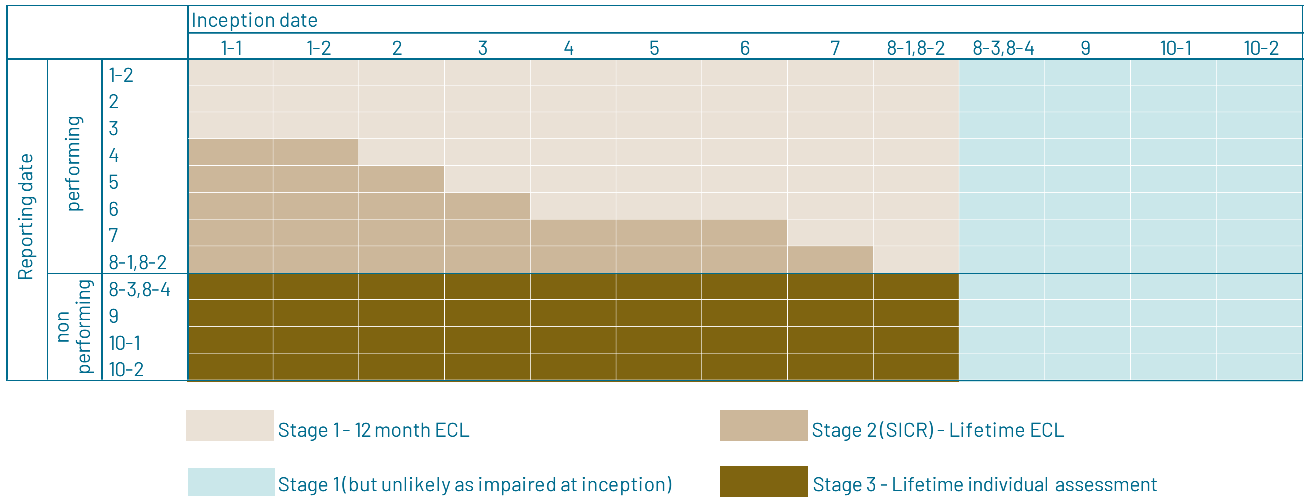
- Threshold for change of notches in the borrower's internal credit rating is reached. Internal credit ratings are assigned based on assessment of the obligor's capacity to meet its financial obligations. Ratings are determined based on creditworthiness of the obligor, which is evaluated by assessing the obligor's financial conditions, external ratings, information provided by credit information agencies and other relevant information. Please see below for a mapping table on internal credit rating to staging movement.
- Or other SICR triggers, such as early warning indicators, watchlist, forbearance.
- A backstop of number of days on pass due: financial asset is, among others, considered to have a sigfinicant increase in credit risk (i.e. stage 2) if 30 days have passed since its repayment date or to be defaulted (i.e. stage 3) if 90 days have passed since its repayment date.

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



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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;
- 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 economics 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:

a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
b) 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 lives of NBE's property and equipment are:

- Leasehold improvements: 1 to 9 years (according to lease term)
- Office equipment: 5 years
- Computer hardware: 1-5 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 lives of NBE's intangible assets are:

- Computer software with finite useful life: 1 to 5 years (according to contractual term)
- Computer software with indefinite useful life: not amortized. NBE reviews annually if events and circumstances still support indefinite useful life. If it is no longer indefinite, it will be changed to finite useful life.

Commitments and contingent liabilities
Committed facility to The Norinchukin Bank
Committed facility granted to The Norinchukin Bank is considered an off-balance sheet position, as it is undrawn per reporting date and is expected to remain undrawn unless emergency situations occur at the parent. A fixed fee agreed for the commitment facility is recognized as fee and commission income.

Loan commitment to customers
Loan commitment to customers is considered an off-balance sheet position, as it is undrawn per reporting date while the customer has the right under the contract to draw at a later date. A fixed fee agreed for the loan commitment is recognized as fee and commission income.

Borrowed securities from The Norinchukin Bank
In order to facilitate possible draw-downs from The Norinchukin Bank under the committed facility, NBE borrowed the equivalent in securities from The Norinchukin Bank. The securities deposited at DNB are eligible as collateral to obtain short-term cash from DNB if needed. Since economic ownership of the bonds remains at The Norinchukin Bank, the borrowed securities will remain off-balance sheet. Timing of securities borrowing is in line with the committed facility agreement.

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 of 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.

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 2023.

IFRS 17 Insurance Contracts; Including Amendments to IFRS 17
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 had no impact on NBE since NBE does not have insurance business.

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.
The change had no impact on NBE in 2023.

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. The change is applicable but had no impact on NBE's disclosures of accounting policies.

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. The change had limited impact on NBE for recognition of deferred tax arising from a lease liability and the corresponding right-of-use asset applying IFRS 16, please refer to the Note 9 for more information.

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information
In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17) to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information. The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17.
The amendments are effective from annual reporting periods beginning on or after 1 January 2023.
The change had no impact on NBE since NBE does not have insurance business.

Amendments to IAS 12 Income taxes: International Tax Reform - Pillar two Model Rules
In December 2021 the Organization for Economic Co-operation and Development (OECD) released a draft legislative framework that is designed to ensure, from 2024 onwards, that large multinational groups pay income tax at a minimum rate of 15% in all the countries they have activities in.
In May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 (the Amendments) to clarify the application of IAS 12 Income Taxes to income taxes arising from tax law enacted or substantively enacted to implement the Organization for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules (Pillar Two income taxes).
The amendments introduce a mandatory exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.
The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.
This change had no numerical impact on NBE's Financial Statements since NBE's effective tax rate is above 15%. Additional information is added in Note 9 Taxation to comply with disclosure requirement.

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 2023 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 16 Leases: Lease liability in a Sale and Leaseback

In September 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

The amendments are effective from annual reporting periods beginning on or after 1 January 2024.

It is expected that the change will have no impact on NBE as NBE does not expect to have lease liability in a sale and leaseback.

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 also aim to improve information an entity provides related to liabilities subject to these conditions.

The amendments are effective from annual reporting periods beginning on or after 1 January 2024.

It is expected that the change will have no impact on NBE as NBE applies the annual report layout specified for banks. The layout applied does not differentiate between current and non-current.

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 and their impact is not yet known, the implementation of these amendments is expected to have no significant impact on NBE’s financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require specific disclosures about supplier finance arrangements (SFAs). The amendments respond to investors that said they urgently need more information about SFAs to be able to assess how these arrangements affect an entity's liabilities, cash flows and liquidity risk. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some risk companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.

The amendments are effective from annual reporting periods beginning on or after 1 January 2024.

Amendments to IAS 21 The Effect of Changes in Foreign Exchange Rates: Lack of Exchangeability

In August 2023, the IASB issued amendments to IAS 21 to help entities: assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking.

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with anormal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

The amendments are effective from annual reporting periods beginning on or after 1 January 2025.

Amounts in thousands of euros unless otherwise stated

2. Cash and balances with central banks

Among total amount of balances with central banks, €7,830 (2022: €2,949) was the mandatory minimum reserve to be held at central banks (DNB). The reserve deposits are not immediately available for NBE's day-to-day operations, please refer to liquidity related elaborations under the Risk Management section.

	2023	2022
Balances with Dutch central bank	401,790	131,966
Cash and balances with central banks	**401,790**	**131,966**

3. Loans and advances to banks

Loans and advances to banks are all held at amortized cost. Due from banks relates 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.

	2023	2022
Due from banks - on demand	4,039	2,559
Cash collateral at clearing parties	2,500	2,500
Netted amount of repos and reverse repos	1,990	2,364
Allowance for expected credit losses*	-	-
Loans and advances to banks	**8,529**	**7,423**

*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. Among these amounts, none was held as collateral as at 31 December 2023.

	2023	2022
Structured finance loans*	945,881	667,557
Corporate loans to F&A banking customers	350,119	250,606
Allowance for expected credit losses**	-474	-435
Loans and advances to customers	**1,295,526**	**917,728**

*The component has been reclassified compared to the previous year on the up-front fee related to project finance which is considered to be an integral part of the effective interest rate under "Loans and advances to customers" instead of "Other liabilities".

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

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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.

	2023	2022
EU government bonds	1,339,210	1,364,500
SSA bonds	70,830	70,873
Allowance for expected credit losses*	-31	-31
Debt securities at amortized cost	**1,410,009**	**1,435,342**

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

Among the debt securities, a nominal amount of €31,564 (2022: €0) is pledged as collateral for the purpose of repurchase transactions (repo funding), with the objective of providing security for the counterparty. Should NBE enter into default, the counterparties may use the security to settle the debt.

6. Property and equipment

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

	2023			2022		
	Operations equipment	Leasehold improvements	Total	Operations equipment	Leasehold improvements	Total
Opening balance	**356**	**492**	**848**	**540**	**587**	**1,127**
Additions	16	-	16	42	-	42
Disposals	-	-	-	-	-	-
Depreciation	-224	-95	-319	-226	-95	-321
Closing balance	**148**	**397**	**545**	**356**	**492**	**848**

All additions are due to the purchase of new operations equipment. The depreciation period of property and equipment varies between 1 and 9 years.

7. Intangible assets

Intangible assets mainly consist of software with licenses.

	2023	2022
Opening balance	**236**	**287**
Additions	34	29
Disposals	-34	-
Amortization	-67	-80
Closing balance	**169**	**236**

All additions are due to the purchase of new software. The amortization period of intangible assets with finite useful life is 1 to 5 years (according to contractual term). The amortization period of intangible assets with indefinite useful life are not amortized. NBE reviews annually if events and circumstances still support indefinite useful life. If it is no longer indefinite, it will be changed to finite useful life.

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.

	2023	2022
Opening balance	**2,714**	**3,044**
Additions	142	365
Disposals	-	-47
Depreciation	-656	-648
Closing balance	**2,200**	**2,714**

9. Taxation

Deferred Tax

The table below shows the deferred tax position of NBE.

Deferred tax position	2023	2022
Deferred tax assets	**5,596**	**10,121**
Deferred tax assets in connection with unused tax losses carried forward	5,016	9,406
Deferred tax assets in connection with leasing	580	715*
Deferred tax liabilities	**568**	**700**
Deferred tax liabilities in connection with leasing	568	700*
Net deferred tax position	**5,028**	**9,421**

*Amounts for the prior year have been restated due to implementation of amendments to IAS 12.

The amount of deferred tax assets is €5,596 (2022: €10,121). The deferred tax assets per the end of year 2023 are due to the cumulative losses carried forward since the establishment of NBE. NBE became profitable in 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. The amount of deferred tax assets €5,016 is related to the unused tax losses carried forward from previous years.

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

- The tax rate of 25.8% (2022: 25.8%) which became effective from 1 January 2023 was applied when estimating deferred tax assets position by the end of FY2023. In FY2023 there has been no change on deferred tax assets which resulted from tax rate change.
- In FY2023, there has been no increase on deferred tax assets since NBE started to be profitable in FY2022, instead there has been decrease by utilization on offsetting taxable profit arising in the current period, but only to the extent that it is allowed to be carried forward and utilized.
- Based on NBE's latest business plan for the coming years, deferrable losses are expected to be fully absorbed in 2025.
- Potential tax adjustment items such as non-deductible expenses.
- Other new or changed rules in tax reforms of each year that are applicable to NBE.

Deferred tax in connection with unused tax losses carried forward	2023	2022
Total unused tax losses carried forward	**36,458**	**42,970**
Unused tax losses carried forward recognized as a deferred tax asset	36,458	42,970
Utilization from current year	17,019	6,512
Total unused tax losses	**19,439**	**36,458**
Tax rate	25.8%	25.8%
Deferred tax assets	**5,016**	**9,406**

Income tax expense

Current tax liabilities relate to amounts payable in relation to unsettled income tax returns. Current tax is measured using tax rates at the balance sheet date, taking into account non-deductible expenses and utilization of loss carried forward. The income tax expense position is elaborated in the following table:

	2023	2022*
Result before tax from continuing operations	32,986	11,531
Expenses not deductible for tax purposes	52	493
Limit of loss carry forward	17,019	6,512
Result before tax (after deduction of carry forward)	16,019	5,512
Income tax expense	**8,512**	**3,099**

*Amounts for the prior year have been restated due to implementation of amendments to IAS 12.
Reconciliation of the income tax rate to effective income tax rate

	2023	2022*
Result before tax from continuing operations	32,986	11,531
Weighted average applicable tax rate	25.76%	25.80%
Statutory tax amount	8,497	2,975
Tax effect of non-deductible expenses	13	127
IAS 12 Amendments impact on deferred tax	2	-3
Effective tax amount	8,512	3,099
Effective tax rate	25.81%	26.88%

*Amounts for the prior year have been restated due to implementation of amendments to IAS 12.

The Pillar II rules have entered into force in the Netherlands on 31 December 2023. Based on the most recent information available, the implementation of IAS 12 - Pillar II related, had no material impact on NBE's tax position. The Parent has performed an assessment of its potential exposure to Pillar II income taxes. Based on the assessment, the Pillar II effective tax rate of NBE is above 15% and NBE is not currently aware of any circumstances under which this might change.

10. Other assets

Among items included in "Other assets" elaborated in the table below, rental deposit for the office building is receivable in the year of 2028 upon termination of current lease agreement, other than this the majority amount of the other items were current as of 31 December 2023 (i.e. receivable within one year).

	2023	2022
Accrued commitment fee income	2,938	2,250
VAT receivable*	1,821	3,146
Prepayment of expenses	567	377
Rental deposit for the office building	271	228
Other**	2,174	9
Other assets	**7,771**	**6,010**

*The VAT receivable position relates to the VAT expenses NBE paid in FY2021-2023, which is likely to be recovered from the Dutch Tax Authority according to the applicable recovery rates.

**Among the "Other", €2,132 (2022: EUR 0) was the short-term receivable amount in suspense account.

11. Due to banks

Since NBE commenced the repos by utilizing own debt securities in FY2023, the netted amount of such repos and reverse repos in scope of offsetting is presented under "Due to banks". Please refer to Note 28 Offsetting financial assets and liabilities.

	2023	2022
Term deposits from The Norinchukin Bank	884,271	496,714
Repurchase agreements	25,164	-
Due to banks	**909,435**	**496,714**

12. Due to customers

	2023	2022
Term deposits from corporate customer	214,098	29,885
Due to customers	**214,098**	**29,885**

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.

	2023	2022
Opening balance	**2,771**	**3,087**
Additions	142	365
Disposals	-	-47
Interest expenses	20	22
Payments	-684	-656
Closing balance	**2,249**	**2,771**

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2023	< 1 year	1-5 years	> 5 years	Total
Office building				
Lease payment	569	1,673	-	2,242
Present value	555	1,656	-	2,211
Expat housing				
Lease payment	38	-	-	38
Present value	38	-	-	38
Total lease payment	**607**	**1,673**	**-**	**2,280**
Total present value	**593**	**1,656**	**-**	**2,249**

2022	< 1 year	1-5 years	> 5 years	Total
Office building				
Lease payment	525	2,156	-	2,681
Present value	508	2,126	-	2,634
Expat housing				
Lease payment	104	35	-	139
Present value	102	35	-	137
Total lease payment	**629**	**2,191**	**-**	**2,820**
Total present value	**610**	**2,161**	**-**	**2,771**

14. Provisions

	2023	2022
Expected credit losses on commitments*	222	208
Provisions	**222**	**208**

*Please refer to Note 22 Off-balance sheet information for details of the commitments.

15. Other liabilities

Other liabilities consist of three major items as elaborated in the table below. The amount of all the items were current as per 31 December 2023 (i.e. payable within one year).

	2023	2022
Accrued operational expenses	2,369	1,811
Accrued personnel expenses	809	746
Accrued security borrowing fee	445	429
Up-front fee related to project finance*	-	1,303
Other	52	50
Other liabilities*	**3,675**	**4,339**

*The component has been reclassified compared to the previous year on the up-front fee related to project finance which is considered to be an integral part of the effective interest rate under "Loans and advances to customers" instead of "Other liabilities".

Among the accrued operational expenses, €486 (2022: €429) was an amount payable to The Norinchukin Bank (including its London Branch).

16. Total shareholder's equity

All shares of NBE are held by The Norinchukin Bank. Net result for the period ended 31 December 2023 amounts to €24,474.

The authorized capital stayed at €2,000,000 (same as 2022). The net profit for the period ended 31 December 2022 amounting to €8,429 was transferred to the retained earnings with the approval of the General Meeting of Shareholder on 31 May 2023. (Please refer to Note 9 for the impact of IAS 12 on the restatement.) 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 statement of profit or loss.

The increase of the total net interest income is partly from loans and advances to customers as a result of the expansion of both Structured finance and F&A banking business. Interest on F&A banking business reached €9,456 (2022: €3,192) and Structured finance business €40,945 (2022: €8,410). Net interest income increased compared to FY2022 which is a reflection of interest rate increase in positive interest environment resulted from the macroeconomic environment.

	2023	2022
Interest income on cash and balances with central banks	6,898	49
Interest income on loans and advances to banks	819,068	72,404
Interest income on loans and advances to customers	50,401	11,609
Interest income on debt securities	1,181	1,181
Negative interest on liabilities	6	124,597
- Due to banks	-	124,463
- Due to customers	6	118
- Debt issued	-	16
Total interest income	**877,554**	**209,840**
Due to banks	825,268	71,427
Due to customers	4,851	-
Debt issued	-	94
Interest on leases	20	22
Negative interest on assets	-	112,837
- Loans and advances to banks	-	112,255
- Cash and balances with central banks	-	582
Total interest expense	**830,139**	**184,380**
Net interest income	**47,415**	**25,460**

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18. Net fee and commission income

	2023	2022
Committed facility to The Norinchukin Bank	6,996	6,996
Loan commitments	5,434	2,949
Other fee and commission income	11	13
Total fee and commission income	**12,441**	**9,958**
Securities borrowing	1,521	1,521
Repo business*	2,396	2,636
Other fee and commission expense	88	84
Total fee and commission expense	**4,005**	**4,241**
Net fee and commission income	**8,436**	**5,717**

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

19. Personnel expenses

As per 31 December 2023 the number of FTEs was 68.41 (2022: 56.66), total headcount was 69 (2022: 57). Other staff costs mainly include costs related to staff allowances, similar to 2022.

	2023	2022
Salaries	7,516	6,441
Social security costs	792	654
Pension costs (defined contribution plan)	620	487
Other staff costs	1,363	987
Total personnel expenses	**10,291**	**8,569**

20. Other operating expenses

	2023	2022
IT outsourcing	2,930	2,081
Operation outsourcing	783	766
Contractors costs	2,653	2,699
External advisory costs	1,469	1,093
External information costs	831	712
Regulatory and supervisory expenses	1,079	450
VAT*	175	117
Others**	1,730	1,724
Total other operating expenses	**11,650**	**9,642**

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

**Others include IT expenses (other than outsourcing) and external audit costs.

Cost of external independent audit

Fees related to audit services provided by the external auditor, Deloitte Accountants B.V., are presented in the table below.

Audit	2023	2022
Financial Statements audit fees	396	261
Other audit fees	81	71
Total audit fees	**477**	**332**

Other audit fees relate to regulatory reports audit and Deposit Guarantee Scheme audit. Deloitte Accountants B.V. did not provide any non-audit services.

21. Related parties (including remuneration of MB and SB)

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 2023.

Transactions with related parties

Balances with The Norinchukin Bank	2023	2022
Assets	**1,936**	**1,859**
- Accrued assets (committed facility fee)	1,936	1,859
- Gross carrying amounts of reverse repurchase agreements (with London Branch) [1]	26,820,540	25,059,495
Liabilities	**885,178**	**497,547**
- Short term borrowing	274,089	-
- Long-term borrowing	610,182	496,714
- Accrued liabilities (securities borrowing fee)	421	404
- Accrued liabilities (outsourcing fee to London Branch)	486	429
Net interest income	**788,809**	**-43,856**
- Interest income	814,915	72,489
- Interest expense	26,106	116,345
Net commission income [2]	**5,475**	**5,475**
- Fee and commission income	6,996	6,996
- Fee and commission expense	1,521	1,521
Off-balance		
- Committed facility	3,000,000	3,000,000
- Securities borrowed [3]	4,044,744	3,959,314

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 statement of financial position.
2) 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.
3) 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 € 2,930 (2022: €2,081), and personnel costs related with expats of € 3,791 (2022: €2,097). The personnel expenses were reimbursed by The Norinchukin Bank and therefore paid on behalf of NBE. For the IT outsourcing fees of €2,930, an amount of € 2,857 (2022: €1,981) was already paid before 31 December 2023 and €365 (2022: €293) was accrued as a liability.

Transactions with key management

Key management is defined as those persons being member of the Supervisory Board or the Management Board of NBE. As per 31 December 2023, NBE had no loans or other balances with members of the key management. Members of the key management also had no shares in NBE.

Key management personnel compensation

Key management remuneration overview	2023	2022
Supervisory Board		
- Fixed remuneration	90	90
Total Supervisory Board	90	90
Management Board		
- Fixed remuneration	1,377	1,252
- Variable remuneration	35	34
Total Management Board	1,412	1,286
Total	**1,502**	**1,376**

Key management compensation overview*	2023	2022
Supervisory Board		
- Short-term benefits	90	90
Total Supervisory Board	90	90
Management Board		
- Short-term employee benefits	1,481	1,361
- Post-employment benefits	75	65
Total Management Board	1,556	1,426
Total	**1,646**	**1,516**

*Compensation includes other types of benefits such as social security costs, insurance costs etc. besides remuneration.

22. Off-balance sheet information

NBE provided The Norinchukin Bank a committed facility of €3 billion (2022: €3 billion) and borrowed securities from The Norinchukin Bank that serve as collateral for the committed facility. The fair value of collateral amounts to €4.0 billion (2022: €4.0 billion). These debt securities deposited at DNB are eligible as collateral to obtain short-term cash from DNB. In 2023 The Norinchukin Bank has not drawn any amount from the credit facility, therefore NBE did not require any drawdown from DNB.

Besides, in 2023 NBE also provided loan commitments on Structured finance business of €970,696 (2022: €690,047). For further information on NBE's liquidity relating to drawdown of contingent liabilities, please refer to liquidity related elaborations under the Risk Management section.

	2023	2022
Committed facility to The Norinchukin Bank	3,000,000	3,000,000
Loan commitments to customers	970,696	690,047
Commitments	**3,970,696**	**3,690,047**

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

There are no subsequent events that are material to 31 December 2023.

25. Proposed profit appropriation

The allocation of the net profit is based on article 24 of the Articles of Association. The net profit for the period ended 31 December 2023 amounts to €24,474, resulting in a positive retained earnings of €823 for the first time since NBE was established.

In accordance with the Bank's dividend policy, NBE intends to optimize the pay-out ratio to the extent allowed under the applicable legislation and internal policies, and taking into account the fiduciary responsibility of the Management Board and Supervisory Board, while ensuring NBE's capital, leverage and liquidity in line with the Bank's Risk Appetite as well as regulatory requirements.

For 2023 financial result, the Management Board of NBE proposes to the General Meeting of Shareholder to pay out €823 as dividend, which is 100% of the positive retained earnings.

The proposed appropriation of profit (in thousands of EUR) is as follows:

	2023
Net profit	24,474
Addition to the retained earnings	- 23,651
Dividend	**823**

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 2023

Financial Assets	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Cash and balances with central banks	401,790	401,790	401,790	-	-
Loans and advances to banks – on demand	4,039	4,039	4,039	-	-
Loans and advances to banks – other than on demand	4,490	4,490	4,490	-	-
Loans and advances to customers*	1,295,526	1,295,890	-	1,295,890	-
Debt securities at amortized cost	1,410,009	1,195,947	1,195,947	-	-
Financial assets	**3,115,854**	**2,902,156**	**1,606,266**	**1,295,890**	**-**

Financial Liabilities	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Due to banks	909,435	905,885	25,164	880,721	-
Due to customers	214,098	213,063	-	213,063	-
Financial liabilities	**1,123,533**	**1,118,948**	**25,164**	**1,093,784**	**-**

*The component has been reclassified compared to the previous year on the up-front fee related to project finance which is considered to be an integral part of the effective interest rate under "Loans and advances to customers" instead of "Other liabilities".

As at 31 December 2022

Financial Assets	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Cash and balances with central banks	131,966	131,966	131,966	-	-
Loans and advances to banks – on demand	2,559	2,559	2,559	-	-
Loans and advances to banks – other than on demand	4,864	4,864	4,864	-	-
Loans and advances to customers	917,728	916,134	-	916,134	-
Debt securities at amortized cost	1,435,342	1,127,324	1,127,324	-	-
Financial assets	**2,492,459**	**2,182,847**	**1,266,713**	**916,134**	**-**

Financial Liabilities	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Due to banks	496,714	487,511	-	487,511	-
Due to customers	29,885	29,885	-	29,885	-
Financial liabilities	**526,599**	**517,396**	**-**	**517,396**	**-**

As per both 31 December 2023 and 31 December 2022, all financial assets and liabilities were carried at amortized cost.

NBE determines the fair value of its financial instruments using the following methodology:

The fair value of cash and balances with central banks and loans and advances to banks is their carrying amount. The fair value of debt securities at amortized cost is the market price. All the instruments mentioned above are classified as level 1.

The fair value of loans to customers is calculated by level 2 valuation techniques. For loans with a floating rate, the carrying value is assumed to be the same as the carrying amount unless there is a rating change. In case of a rating change, an adjustment on spread is made. For long-term loans with fixed rate, it has been determined by calculating the net present value with the risk free rate and then and making further adjustments for credit spread.

The fair value of due to customers is classified as level 2. If the remaining maturity is less than three months, the carrying amounts are considered as the approximation of the fair value. If the remaining maturity is longer than three months, it has been determined by calculating the net present value with the risk free rate and then and making further adjustments for credit spread.

For due to banks, the netted position of repo business is classified as level 1 and the carrying amounts are considered as the approximation of fair value. NBE applies level 2 valuation techniques to calculate the fair value for borrowing from the parent bank. If remaining maturity is less than three months, the carrying amounts are considered as the approximation of their fair value. If remaining maturity is longer than three months, it has been determined by calculating the net present value with the risk free rate and then and making further adjustments for credit spread.

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 2023

	On demand	< 3 months	3-12months	1-5 years	> 5 years	Total
Assets						
Cash and balances with central banks	393,960	7,830	-	-	-	401,790
Loans and advances to banks	4,039	4,490	-	-	-	8,529
Loans and advances to customers	-	214,657	6,028	259,841	815,000	1,295,526
Debt securities at amortized cost	-	-	7,148	-	1,402,861	1,410,009
Total	**397,999**	**226,977**	**13,176**	**259,841**	**2,217,861**	**3,115,854**
Liabilities						
Due to banks	-	299,253	-	610,182	-	909,435
Due to customers	-	-	214,098	-	-	214,098
Total	**-**	**299,253**	**214,098**	**610,182**	**-**	**1,123,533**

As at 31 December 2022

	On demand	< 3 months	3-12months	1-5 years	> 5 years	Total
Assets						
Cash and balances with central banks	129,017	2,949	-	-	-	131,966
Loans and advances to banks	2,559	4,864	-	-	-	7,423
Loans and advances to customers	-	114,849	6,014	282,156	514,709	917,728
Debt securities at amortized cost	-	-	7,149	-	1,428,193	1,435,342
Total	**131,576**	**122,662**	**13,163**	**282,156**	**1,942,902**	**2,492,459**
Liabilities						
Due to banks	-	-	-	496,714	-	496,714
Due to customers	-	29,885	-	-	-	29,885
Total	**-**	**29,885**	**-**	**496,714**	**-**	**526,599**

28. Offsetting financial assets and liabilities

As per 31 December 2023, the only financial instruments within the scope of IFRS offsetting requirements were repurchase transactions (repos) and reverse repurchase transactions (reverse repos). Transactions are offset and presented on net basis in the statement of financial position in case 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).

	2023	2022
Gross carrying amount before offsetting:		
- Reverse repurchase agreements	26,820,540	25,059,495
- Repurchase agreements	26,843,714	25,057,131
Net carrying amount after offsetting:		
- Reverse repurchase agreements	1,990	2,364
- Repurchase agreements	25,164	-

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 includes impact on the climate and environment. This definition is aligned with The Norinchukin Bank's definition as defined in the Basic Policies of Risk Management. Uncertainty involving upside (positive) influence must also be included in risk, as per NBE's Risk Management Policy.

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

- Every employee at NBE is responsible for the effective management of risk.
- Risk management creates and protects value and is an essential element of the overall governance of NBE.
- NBE applies risk management consistently and on a systematic basis in all divisions and functions.
- NBE adequately allocates resources to risk management activities.
- NBE ensures that all employees have necessary training, skills and assistance to undertake effective risk management.
- NBE uses the best available information to regularly monitor and report on the status of risk it faces.
- NBE is dynamic, iterative and responsive in its approach to change.
- NBE implements a clear IT infrastructure based on a sound and prudent data quality framework 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 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" model in line with industry standards. The model defines clear responsibilities and accountabilities and ensures that effective independent assurance activities take place covering key decisions. For each Line, NBE applies a systematic approach to assessing risk.

First Line

The business, the First Line, 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

The Risk Management function, as a Second Line function is 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 Legal & Compliance function is also part of the Second Line and is responsible for defining NBE's integrity related policies, such as the Financial Crime Policy, in line with global and local laws and regulations and oversight and challenge to assure that policies are adhered to.

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

Third Line

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

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

Risk Management Committees

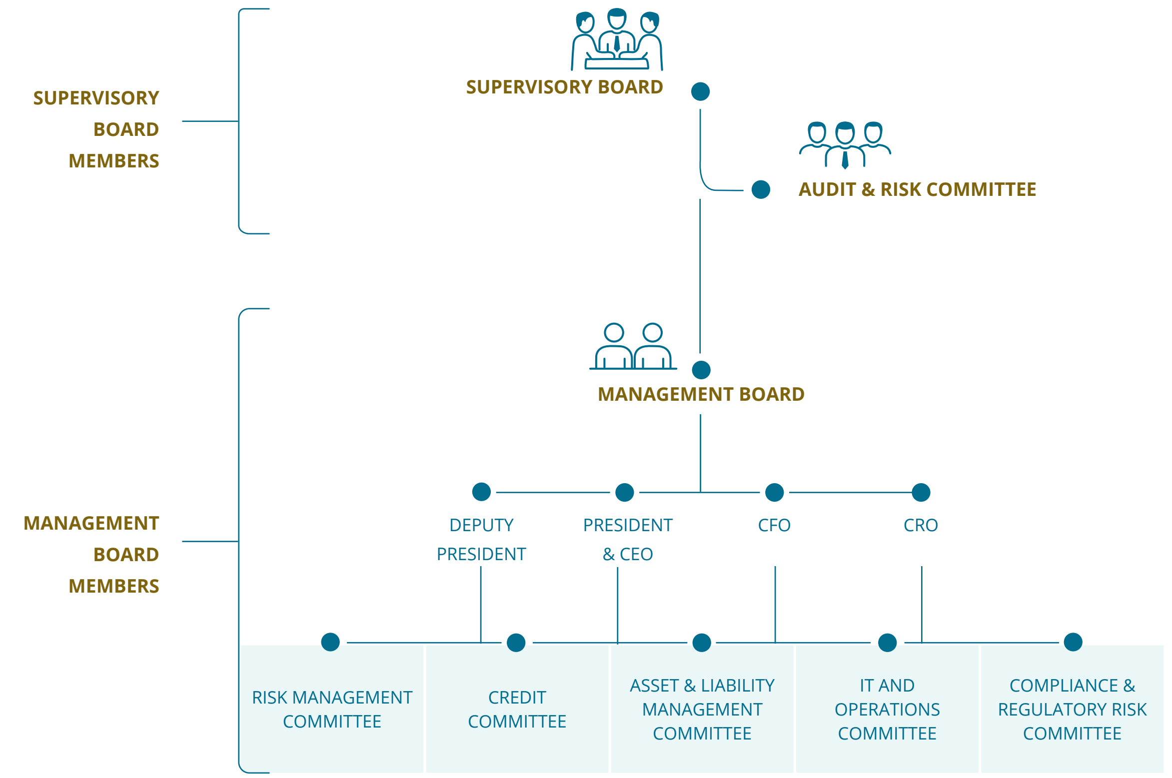
To assist the Supervisory Board in fulfilling its responsibilities, the ARC was established. For the Management Board to fulfil its responsibilities, in total five risk management committees were established to ensure the adequate risk management, namely the Risk Management Committee, the Credit Committee, the Asset and Liability Management Committee, the IT and Operation 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 also assists the Management Board by providing advice related to ensuring the integrity of NBE's Financial Statements, NBE's compliance with legal and regulatory requirements, the external auditor's qualifications and independence and the performance of NBE's Internal Audit function and external auditor.



Management Board
The 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 setting the risk management policies of NBE's operations and oversight of the operation of NBE's RMF. The committee assists 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. Since 2023 the oversight responsibility includes climate and environmental risk. The Risk Management Committee is chaired by the CRO and composed of the Management Board members and heads of relevant divisions.

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

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

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

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

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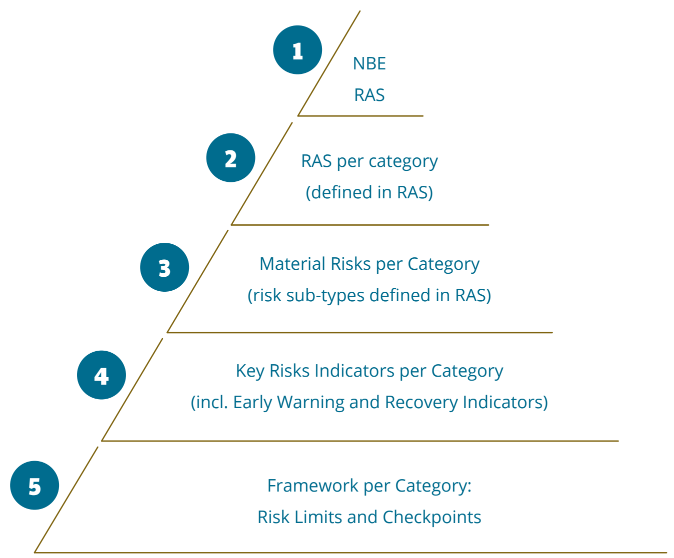
Risk Appetite
NBE aims to maintain a robust financial base in order to ensure stable Euro funding for the parent by constraining its risk-taking activities.

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 ESG risks manifest themselves in other defined risk types. As such ESG risks are not separately defined in the risk taxonomy of NBE but as part of the other defined risk types. 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 Capitalization:* risk resulting from low capital levels or high leverage. Not having enough capital to comfortably meet regulatory and internal requirements may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets.
- *Strategic Risk*: risk that overarching goals (including sustainable profitability goals), aligned with and supporting the organization's mission are not achieved and sound businesses at the Bank 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.
- *Climate and Environmental risks:* – risks stemming from climate and environmental change and which translate into more original risk categories like an increase in credit risk. Given the importance for stakeholders also strategic risk and reputational risk are impacted. As of 31 December 2023, there was no material impact from climate risk identified on NBE's portfolio.

For the period ended 31 December 2023, the risk profile of NBE has changed little compared to the previous year. 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 2023 the focus was on a gradual increase of the loan portfolio and to remain well within the pre-defined risk appetite.

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

Credit risk is managed by NBE within the set-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 the 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 a counterparty will fail to fulfil contractual obligations, according to The Norinchukin Bank's internal credit rating scheme (i.e. probability of default – PD). Credit risk factors (PD, LGD, and EAD) are used for ECL calculation. Internal Credit Ratings are reviewed at least annually. In addition, they are reviewed promptly when events affecting credit risk occur. In the review, first line prepares a draft based on the most recent information and data available. Second line verifies the adequacy of the draft. CEO is the decision maker for internal ratings. Internal Credit Ratings are divided into 15 levels, ranging from 1-1 to 10-2.10 stages from 1-1 to 8-2 are judged as Performing. On the other hand, 5 stages from 8-3 to 10-2 are judged as non-performing and the ECL stage is Stage 3.

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 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.

NBE develops and implements a robust internal quality assurance policy and procedures for collateral valuations completed internally and externally. All immovable property collateral are valued on the basis of market value or mortgage lending value as allowable under Article 229 of the CRR. In the meantime, NBE does not utilise that valued amount of collateral in the calculation of LGD and ECL, so LGD and ECL are estimated more conservatively.

The gross carrying amounts* by country and sector are as follows.

	31 December 2023	31 December 2022
Per Sector		
Debt securities at amortized cost		
General governments	1,339,210	1,364,500
Other financial corporations	70,830	70,873
Total	**1,410,040**	**1,435,373**
Loans and advances to banks		
Credit institutions	8,529	7,423
Total	**8,529**	**7,423**
Loans and advances to customers		
Consumer Staples	23,553	25,941
Materials	117,664	58,548
Consumer Discretionary	101,997	87,508
Industrials	168,752	136,112
Financials	71,873	45,704
Utilities	537,579	400,686
Communication Services	282,302	163,664
Total	**1,303,720**	**918,163**
Tota gross carrying amounts	**2,722,289**	**2,360,959**
Off balance facilities		
Credit Institutions	3,000,000	3,000,000
Consumer Discretionary	2,964	9,278
Financials	51,210	78,483
Utilities	439,806	181,074
Communication Services	476,716	421,212
Total off balance facilities	**3,970,696**	**3,690,047**

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	31 December 2023	31 December 2022
Per country		
Debt securities at amortized cost		
Spain	565,127	569,842
France	844,913	865,531
Total	**1,410,040**	**1,435,373**
Loans and advances to banks		
France	8,529	7,423
Total	**8,529**	**7,423**
Loans and advances to customers		
Japan	181,367	114,493
The Netherlands	229,958	204,123
Luxembourg	39,560	36,336
France	537,491	352,618
Germany	195,210	89,507
Belgium	120,134	121,086
Total	**1,303,720**	**918,163**
Total gross carrying amounts	**2,722,289**	**2,360,959**
Off balance facilities		
Japan	3,000,000	3,000,000
The Netherlands	8,092	8,092
Luxembourg	24,050	28,389
France	635,933	428,247
Germany	295,738	212,122
Belgium	6,883	13,197
Total off balance facilities	**3,970,696**	**3,690,047**

*The gross carrying amount is not adjusted by EUR7,720 “Up-front fee related to project finance” reclassification.

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

In Accounting Policy 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:

31 December 2023

Carrying amount and expected credit loss allowance*	Stage 1	Stage 2	Stage 3	Total
Debt securities at amortized cost				
Gross carrying amount	1,410,040	-	-	1,410,040
Expected credit loss allowance	-31	-	-	-31
Carrying amount	1,410,009	-	-	1,410,009
Loans and advances to banks				
Gross carrying amount	8,529	-	-	8,529
Expected credit loss allowance	-	-	-	-
Carrying amount	8,529	-	-	8,529
Loans and advances to customers				
Gross carrying amount	1,303,720	-	-	1,303,720
Expected credit loss allowance	-474	-	-	-474
Carrying amount	1,303,246	-	-	1,303,246
Off-Balance facilities				
Gross carrying amount	3,970,696	-	-	3,970,696
Expected credit loss allowance	-222	-	-	-222
Total credit loss allowance at closing balance	**-727**	**-**	**-**	**-727**

*The gross carrying amount and carrying amount are not adjusted by EUR7,720 "Up-front fee related to project finance" reclassification.

31 December 2022

Carrying amount and expected credit loss allowance	Stage 1	Stage 2	Stage 3	Total
Debt securities at amortized cost				
Gross carrying amount	1,435,373	-	-	1,435,373
Expected credit loss allowance	-31	-	-	-31
Carrying amount	1,435,342	-	-	1,435,342
Loans and advances to banks				
Gross carrying amount	7,423	-	-	7,423
Expected credit loss allowance	-	-	-	-
Carrying amount	7,423	-	-	7,423
Loans and advances to customers				
Gross carrying amount	918,163	-	-	918,163
Expected credit loss allowance	-435	-	-	-435
Carrying amount	917,728	-	-	917,728
Off-Balance facilities				
Gross carrying amount	3,690,047	-	-	3,690,047
Expected credit loss allowance	-208	-	-	-208
Total credit loss allowance at closing balance	**-674**	**-**	**-**	**-674**

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As per 31 December 2023, a management overlay was applied to reflect more appropriately the potential expected credit losses in the portfolio, based on consideration of sensitivity of scenario weighting for PD and economic outlook, sensitivity for history period for LGD, and general uncertainty on parameters considering relatively new model that NBE is applying. The overlay resulted in an amount of €168 thousand (2022 €154 thousand) and was approved by the Management Board of NBE.

The following table provides detailed information on the credit risk for each internal credit risk rating. All instruments are at stage 1.

31 December 2023

Carrying amount and expected credit loss allowance*	Gross carrying amount	Carrying amount	ECL
Items by risk class			
Debt securities at amortized cost			
1-1	774,083	774,083	-
1-2	70,830	70,830	-
3	565,127	565,096	-31
Loans and advances to banks		**-**	
1-2	8,529	8,529	-
Loans and advances to customers	**-**	**-**	**-**
1-2	138,702	138,696	-6
2	180,867	180,863	-4
3	126,950	126,925	-25
4	512,549	512,395	-154
5	303,917	303,695	-222
6	33,607	33,545	-62
7	7,128	7,127	-1
Total outstanding balance by risk class	**2,722,289**	**2,721,785**	**-505**
Off balance facilities			
2F	3,000,000	-	-
3	27,206	-	-2
4	385,503	-	-46
5	557,987	-	-174
Total off balance facilities by risk class	**3,970,696**	**-**	**-222**

*The gross carrying amount and carrying amount are not adjusted by EUR7,720 "Up-front fee related to project finance" reclassification.

31 December 2022

Carrying amount and expected credit loss allowance	Gross carrying amount	Carrying amount	ECL
Items by risk class			
Debt securities at amortized cost			
1-1	794,657	794,657	-
1-2	70,873	70,873	-
3	569,843	569,812	-31
Loans and advances to banks		-	
1-2	7,423	7,423	-
Loans and advances to customers	**-**	**-**	**-**
1-2	136,114	136,107	-7
2	113,593	113,591	-2
3	176,193	176,132	-61
4	305,476	305,296	-180
5	144,936	144,801	-135
6	34,725	34,676	-49
7	7,126	7,125	-1
Total outstanding balance by risk class	**2,360,959**	**2,360,493**	**-466**
Off balance facilities			
2F	3,000,000		-
3	73,128	-	-9
4	117,224	-	-37
5	499,695	-	-162
Total off balance facilities by risk class	**3,690,047**	**-**	**-208**

All the financial assets and off-balance facilities were classified as Stage 1 as per 31 December 2023 as 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 2023 which were all measured at amortized cost. Loans and advances to banks consisted of only of low credit risk and short-term instruments (please refer to 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 (please refer to Note 22 of the Financial Statements). All the financial assets and off-balance facilities were at stage 1 and measured collectively based on ECL methodology as per 31 December 2023.

Macroeconomic scenarios and ECL sensitivity:
A base-scenario, an up-scenario and a down-scenario are determined to reflect an unbiased and probability-weighted ECL amount. The probability factors as per 31 December 2023 are: Up: 25%, Base: 50%, Down: 25% (2022: Up: 25%, Base: 50%, Down: 25%).

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.

		2024	2025	2026	Unweighted ECL	Probability	Weighted ECL per 31 December 2023	Weighted ECL per 31 December 2022
Upside scenario	Global GDP	3.7%	4.2%	4.4%	603	25%	727	674
	EU GDP	2.2%	2.8%	2.8%				
Baseline scenario	Global GDP	2.7%	3.2%	3.4%	734	50%		
	EU GDP	1.5%	2.1%	2.0%				
Downside scenario	Global GDP	2.3%	2.8%	3.0%	836	25%		
	EU GDP	0.8%	1.4%	1.3%				

Past due assessment:
The key considerations for the loan impairment determination are whether any principal or interest payments are past due, or if there are any identified issues in counterparties' cash flows, credit rating downgrades, or breach of the original contract terms.

Past-due loans are closely tracked, and default is deemed to occur, among other things, if the obligor is unlikely to pay its credit obligations, without recourse by NBE to actions such as realizing security and/or obligor is past due more than 90 days on any material credit obligation to NBE. As of 31 December 2023, there were no overdue payments.

Capital risk
For capital risk, the most important measurements are the CET1 ratio, Leverage ratio and the Total Risk/Internal Capital ratio. For calculation of the latter ratio NBE uses both Pillar I and II whereby Pillar II includes capital for interest rate risk in the banking book (IRRBB), Credit Concentration Risk, Operational Risk and Strategic/Business Risk.

The shareholder has provided NBE with sufficient capital to accommodate future growth. The capital ratios have evolved as NBE grew its lending business in 2023. The CET1 ratio decreased from 157% at the end of 2022 to 112% at the end of 2023 whereas the Leverage ratio decreased from 58% at the end of 2022 to 47% at the end of 2023. As a consequence of the growing business the Total Risk/Internal Capital ratio increased from 18% to 23%. NBE ensures and monitors the adequacy of the capital and the prudential ratios to meet the regulatory requirements. DNB most recent SREP decision is valid for two years which indicates more than sufficient capital available compared with current and foreseeable risk taking by NBE. The current capital levels are still far off the regulatory requirements and the capital of NBE only consists of CET1 capital. The SREP is based on NBEs three years business plan which is approved by our Supervisory Board.

	2023	2022
CET1 Ratio	112%	157%
Total Risk/Internal Capital Ratio	23%	18%
Leverage Ratio	47%	58%
Common Equity Tier 1 (CET1)	1,970,584	1,958,263

Market risk
The most important market risk is 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

	2023			2022		
Currency	**Assets**	**Liabilities**	**Net exposure**	**Assets**	**Liabilities**	**Net exposure**
USD	1	-	1	1	-	1
JPY	8	-	8	9	-	9
GBP	138,722	138,700	22	136,120	136,112	8
Total	**138,731**	**138,700**	**31**	**136,130**	**136,112**	**18**

Interest Rate Risk in the Banking Book (IRRBB)

IRRBB results are at least monitored and reported on a monthly basis. IRRBB is the current or prospective risk to both earnings and economic value arising from adverse movements in interest rates that affect interest rate sensitive instruments. In assessing NBE's exposure to IRRBB, the bank considers two different approaches: changes in Economic Value of Equity (EVE) and changes in Net Interest Income (NII). 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 standardized yield-curve shocks. Interest rate risk is calculated and IRRBB results are monthly monitored and reported to the Asset and Liability Management Committee.

The main driver for the IRRBB position is the investment portfolio which consists of high-quality Government Bonds with a duration of approximately 6.9 years. This position explains the risk for rising interest rates. The investment portfolio is valued at Hold to collect contractual cashflows. The loan portfolios have a much shorter duration and are in general floating rates. In 2023 the green deposit was introduced. The duration profile of the client deposits is shorter than 1 year. The management and measurement methods have not changed in the past year.

		Changes of the economic value of equity		Changes of the net interest income (1 year)	
	Supervisory shock scenarios	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
1	Parallel up (+200 bps)	– 151,777	–154,642	18,874	15,328
2	Parallel down (-200 bps)	175,804	182,960	– 18,698	- 15,081
3	Steepener	– 38,420	– 48,200		
4	Flattener	13,842	23,689		
5	Short rates up	– 33,397	– 25,618		
6	Short rates down	34,417	26,271		

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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 2023, similar to category 1 risks, the risk profile of NBE was limited as 2023 has been a year to build up banking activities further. Due to the low and hedged nature of the foreign currency exposures the foreign currency liquidity risk was also very limited and not recognized as a material risk in the risk universe.

NBE provided, as mentioned in Note 22 of the Financial Statements, The Norinchukin Bank a committed facility of €3 billion and borrowed securities from The Norinchukin Bank that serves as collateral for the committed facility. The fair value of collateral amounts to €4.0 billion. These debt securities deposited at DNB are eligible as collateral to obtain short-term cash from DNB. In 2023 The Norinchukin Bank has not drawn any amount from the credit facility, therefore NBE did not require any drawdown from DNB. Besides, in 2023 NBE also provided loan commitments on project finance business for which drawdowns are expected in the coming years.

These commitments are included in NBE's liquidity risk management including survival period calculations. Due to the large available liquidity buffers that are in place because NBE is still building up the balance sheet, the liquidity and funding risks remained low, as shown by the healthy LCR of 296% and NSFR of 197%.

Analysis of financial assets & liabilities by remaining contractual maturity
The tables below shows the maturity profile of NBE's financial assets and liabilities as of 31 December 2023.

As of 31 December 2023

	On demand	< 3 months	3-12months	1-5 years	> 5 years	Total
Assets						
Cash and balances with central banks	393,960	7,830	-	-	-	401,790
Loans and advances to banks	4,039	5,811	-	-	-	9,850
Loans and advances to customers	891	226,376	11,699	259,412	819,784	1,318,162
Debt securities at amortized cost	-	-	26,514	-	1,197,600	1,224,114
Total	**398,890**	**240,017**	**38,213**	**259,412**	**2,017,384**	**2,953,916**
Liabilities						
Due to banks	-	275,046	100	633,759	-	908,905
Due to customers	-	-	218,241	-	-	218,241
Total	**-**	**275,046**	**218,341**	**633,759**	**-**	**1,127,146**

As of 31 December 2022

	On demand	< 3 months	3-12months	1-5 years	> 5 years	Total
Assets						
Cash and balances with central banks	129,017	2,949	-	-	-	131,966
Loans and advances to banks	2,559	6,797	-	-	-	9,356
Loans and advances to customers	-	174,730	10,326	281,703	570,291	1,037,050
Debt securities at amortized cost	-	-	26,514	-	1,197,600	1,224,114
Total	**131,576**	**184,476**	**36,840**	**281,703**	**1,767,891**	**2,402,486**
Liabilities						
Due to banks	-	910	99	505,754	-	506,763
Due to customers	-	29,878	-	-	-	29,878
Total	**-**	**30,788**	**99**	**505,754**	**-**	**536,641**

The table below shows the contractual expiry by maturity of NBE's commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

Commitments by contractual maturity:
As of 31 December 2023

	On demand	< 3 months	3-12 months	<5 years	> 5 years	Total
Commitments by contractual maturity						
Commitment facility to The Norinchukin Bank	3,000,000	-	-	-	-	3,000,000
Loan commitments to customers	970,696	-	-	-	-	970,696
Total commitments	**3,970,696**	**-**	**-**	**-**	**-**	**3,970,696**

As of 31 December 2022

	On demand	< 3 months	3-12 months	<5 years	> 5 years	Total
Commitments by contractual maturity						
Commitment facility to The Norinchukin Bank	3,000,000	-	-	-	-	3,000,000
Loan commitments to customers	690,047	-	-	-	-	690,047
Total commitments	**3,690,047**	**-**	**-**	**-**	**-**	**3,690,047**

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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 including system outage.
- *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. This risk includes loss from system outage, data loss etc..
- *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 and regulatory expectations covering a broad range of Compliance and Integrity risk topics.

For the period ended 31 December 2023, similar to category 1 and category 2 risks, the risk profile of NBE was limited as 2023 has been a year to build up banking activities further, 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.

There were no operational incidents with significant losses in 2023, similar to previous years. The number of smaller incidents also remained stable. NBE has an annual Risk Control Self- Assessment (RCSA) process for the assessment of risks and controls.

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

On Incident Register, there are 18 records which is recorded in 2023 and within ICT and Security domain. All of these record's severity classified as either Level 1 (Lowest Level of Incident) or Close Call (Not an incident). Everday new threats and risks are arising on Security Domain. Because of this nature of the topic, ICT and Security processes needs continues attention.

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, Management Board and the Supervisory Board of Norinchukin Bank Europe N.V.

Report on the audit of the financial statements 2023 included in the annual report

Our opinion

We have audited the financial statements 2023 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 2023, and of its result and its cash flows for 2023 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 2022.
2. The following statements for 2022: 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.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 6,600,000. The materiality is based on 1% of gross income consisting out of gross interest and gross fee income. We consider this to be the most appropriate benchmark given the growth of the bank and the relative high amount of equity that is used to finance Norinchukin Bank Europe N.V.'s activities. 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 € 330,000, 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 refer to section "Risk management" of the annual report for the Management Board's fraud risk assessment.

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 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. 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:

- Management override of controls (presumed significant risk).

We rebutted the presumed fraud risk on revenue recognition, as the accounting of interest income and commission income is mainly based on automatically generated accruals in the source system and therefore concern routine transactions not subject to management judgement. These are high volume transactions with a relative low value per transaction.

We evaluated the design and implementation of the financial closing and reporting process. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgement areas and significant accounting estimates as disclosed in the financial statements.

We have used data analysis to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

Additionally, we performed further procedures including, amongst others, the following:

(i) 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 non-compliance.
(ii) We considered available information and made enquiries of relevant executives, directors including Internal Audit, Legal and Compliance, Risk Management, and the Supervisory Board.
(iii) We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
(iv) We evaluated whether the selection and application of accounting policies by the bank, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.
(v) 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, such as the expected credit loss impairment model under IFRS 9 for impairment losses on financial assets, reflected in prior year financial statements.

Our procedures performed did not lead to indications for fraud potentially resulting in material misstatements.

Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the entity through discussion with management, Internal Audit, Risk Management, Legal & Compliance, and the Supervisory Board, reading minutes, communication with regulatory authorities, and reports of internal audit. We involved internal compliance specialists as part of 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: (corporate) tax law, 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 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, Norinchukin Bank Europe N.V. is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation.

Given the nature of the Norinchukin Bank Europe N.V.'s business and the complexity of these other laws and regulations, 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 the entity'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) Obtaining an understanding of the legal and regulatory requirements for Norinchukin Bank Europe N.V. and involving internal compliance specialists, considering that Norinchukin Bank Europe N.V. is operating in a highly regulated environment.
(ii) Inquiry of management, the Supervisory Board, the Managing Board, and others within the Norinchukin Bank Europe N.V. as to whether the entity is in compliance with such laws and regulations.
(iii) 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.
(iv) Obtaining an understanding of the processes around transaction monitoring, customer due diligence, and sanction screening.

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. Our procedures did not result in reportable matters regarding compliane with laws and regulations.

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 Norinchukin Bank Europe N.V.'s ability to continue as a going concern for the next 12 months and considered key regulatory ratios including liquidity and solvency ratios.

The Management Board has performed its going concern assessment and has not identified any going concern risks. Our main procedures to assess the Management Board going concern assessment were:

- considering whether the Management Board's going concern assessment includes all relevant information of which we are aware as a result of our audit;
- inquiring with the Management Board about its knowledge of going concern risks after the period of the continuity assessment performed by the Management Board and considering the impact of financial, operational, and other conditions;
- analyzing Norinchukin Bank Europe N.V.'s financial position as at year-end and comparing it to the previous financial year in terms of indicators that could identify going concern risks;
- inspecting documentation of stress testing of the economic and regulatory capital position performed during the year by management;
- assessing the duration gap between financial assets and liabilities and reported liquidity ratios to the Dutch Central Bank. In addition, we inspected the most recent internal liquidity adequacy assessment ("ILAAP") prepared by management;
- assessing the solvency position of Norinchukin Bank Europe N.V. by inspecting the reported capital ratios as imposed by the Capital Requirements Regulation. In addition, we inspected the most recent internal capital adequacy assessment ("ICAAP") prepared by management;
- inspecting regulatory correspondence to obtain an understanding of Norinchukin Bank Europe N.V.'s capital and liquidity position, which underpins management's assessment of the going concern assumption for financial reporting; and
- obtaining an understanding of economic hedge policy and the overall risk framework of the bank.

Based on our procedures performed, we did not identify significant doubts about Norinchukin Bank Europe N.V.'s ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained, and inquiries with the Management Board, 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 matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters are 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 these matters.

Key audit matter
Impairment allowance for Loans & Advances to Customers

Description
As of 31 December 2023, the recorded Loans & Advances to Customers of Norinchukin Bank Europe N.V. amount to EUR 1,296.0 million with an associated Expected Credit Loss ("ECL") provision of EUR 474 thousand. The loans & advances to customers consist of corporate loans and project finance loans.

Because of the inherent uncertainty and risks in several areas when determining the impairment allowance for the loans and advances to customers, the impairment allowance is an important area of judgement and estimate by the Management Board. Due to the high estimation uncertainty on the impairment allowance for loans and advances to customers, we consider this a key audit matter for our audit. All exposures have been classified as stage 1 and calculated collectively for stage 1.

Norinchukin Bank Europe N.V.'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.

We obtained an understanding of the credit monitoring process and the provisioning process within Norinchukin Bank Europe N.V. For the collective impairment allowance, we tested the accuracy of the input data used by management to calculate the expected credit losses. We challenged management's assumption made around macroeconomic variables, the scenarios and weights applied in the ECL model and tested the timely recognition and measurement of the impairment allowances.

For a selection of loan exposures, we assessed whether Norinchukin Bank Europe N.V. correctly applied its provisioning and staging policy and in accordance with the criteria defined in IFRS 9.

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

Our observations
Our procedures performed on the impairment allowance for loans and advances to customers did not result in any reportable matters.

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Key audit matter
Reliability and continuity of the automated systems

Description
An adequate infrastructure ensures the reliability and continuity of NBE's business processes and financial reporting. Reference is made to section "Risk Management" of the financial statements.

Due to the substantial increase in the number transactions since the origination in 2018, in line with the nature NBE's current activities and business plan, the dependency on IT infrastructure has become even more important.

Therefore, we consider reliability and continuity of the automated systems a key audit matter during our audit.

How the key audit matter was addressed in the audit
We have obtained an understanding of Norinchukin Bank Europe N.V.'s Information Technology environment and tested the design and implementation of the General Information Technology Controls around the main Information Technology systems for our audit of the financial statements. For this purpose, we made use of Information Technology auditors within our audit team.

Our observations
Based on the procedures performed we determined that we were not able to rely on the general Information Technology controls ("GITC") due to identified control deficiencies regarding the design and implementation of these controls as reported to those charged with governance.

We have therefore designed and performed a substantive audit approach. As a result, we have performed additional substantive audit procedures on accounts which rely on the Information Technology system. Using a substantive approach, we have been able to obtain sufficient and appropriate audit evidence to reduce the identified inherent risk of material misstatement to acceptable low levels.

Report on the other information included in the annual accounts

The annual accounts contain other information, in addition to the financial statements and our auditor's report thereon.

The other information consists of:

- About Norinchukin Bank Europe N.V.
- Report of the Management Board.
- Report of the Supervisory 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 all the information regarding the management report and the other 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

We were engaged by the Supervisory Board as auditor of Norinchukin Bank Europe N.V. 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 scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- 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, 23 May, 2024
Deloitte Accountants B.V.

A. den Hertog

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Appendix

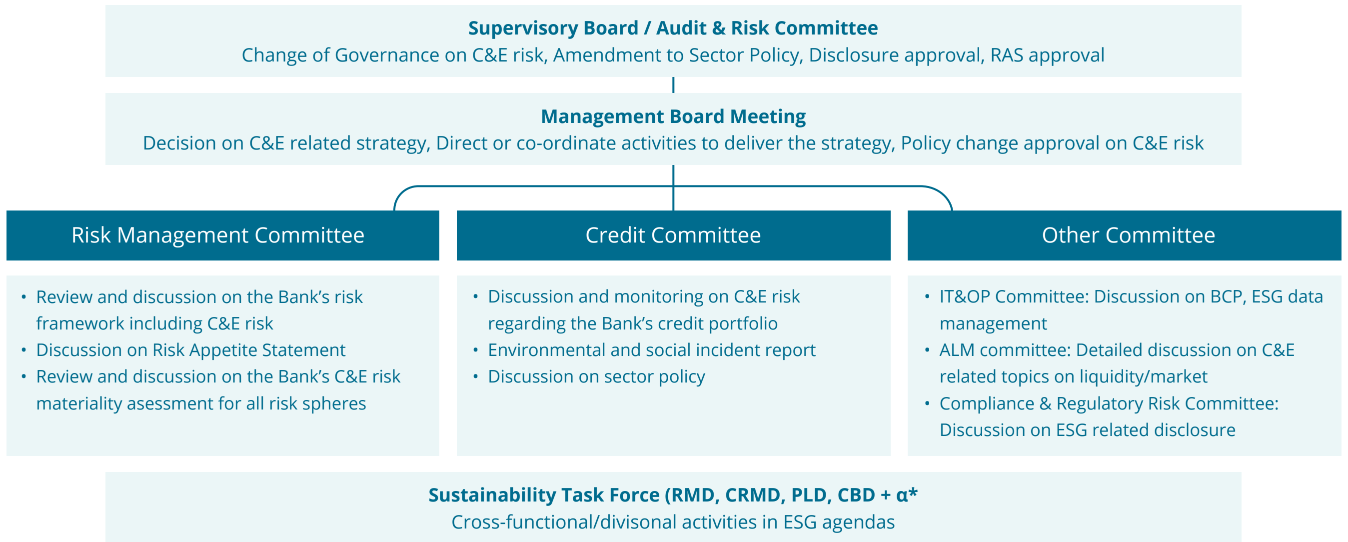
Climate-Related Disclosure

This climate-related disclosure is compiled to reflect portions of 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 CO_2 emissions. NBE's climate-related strategy, direction and coordination, climate risk mitigation and CO_2 emission reductions are discussed in the Risk Management Committee.

The board is supported and advised by the Sustainability Task Force, which is coordinated by the Planning Division and involved by relevant divisions of NBE. The roles and responsibilities are defined in below chart.



*RMD stands for Risk Management Division, CRMD stand for Credit Risk Management Division, PLD stands for Planning Division, and CBD stands for Corporate Banking Division.

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Strategy

NBE performs sustainability-oriented management to contribute to a sustainable environment and society, which represents 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 Norinchukin Bank's commitment to realizing Net Zero emissions by 2050 as a member of Net-Zero Banking Alliance and to reduce GHG from its own facilities to Net Zero by 2030, NBE assesses and manages 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, and enhancing its disclosures. NBE is expected to comply Corporate Sustainability Reporting Directive (CSRD) reporting from FY2025. Please refer to Sustainability section under Report of the Management Board for more details.

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 has initiated analyses on these risks to develop NBE's sustainability-oriented management.

Globally, environmental risk is also another growing concern. In 2023 NBE conducted climate-related and environmental (C&E) risk materiality assessment for wide range of risk areas, following the ECB guideline on C&E risk management.

Qualitative Assessment on Climate Risk

NBE assessed Climate risk on its credit portfolio in both qualitative and quantitative approach.

The qualitative assessment has both a top-down as well as a bottom-up approach. The top-down approach has an assessment on a geographical level as well as an assessment on sector level. External sources are used and the external assessments are mapped to NBE's portfolio.

The bottom-up approach is based on the individual credit assessments: Climate risks are assessed on the individual credit level.

NBE uses fic scale classification of materiality; High, Moderate-High, Moderate, Moderate-Low and Low.

Climate risk for this assessment includes,

- Transition risk: Policy and regulation, Technology risk, Market risk, Any other transition risk related risks
- Physical risk: Droughts/Heat waves, Floods/Sea level rise, Storms hurricanes, Any other physical risk related risks.

The table below shows the outcome of qualitative assessment.

Portfolio	Climate risk
Corporate Banking	Moderate
Project Finance	Low
Overall	Moderate-Low

The climate risk profile of the Project Finance portfolio is classified as "Low". For Corporate Banking the classification is "Moderate".

With Project Finance representing 75% of the exposure, the overall climate risk is classified as "Moderate-Low".

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 The Norinchukin Bank in Tokyo, Japan 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 increase against FY2023 due to climate change over the forecast period is chosen as an indicator to quantify the climate risk.

Transition Risk Analysis

NBE adopts NGFS Phase 2 Scenarios (i.e. Current Polices, Delayed Transition and Net Zero 2050), which provide granular data on energy, land-use, greenhouse gas emissions and temperature (transition pathways).

NBE is then assisted by The Norinchukin Bank to perform the quantitative assessment. The Norinchukin Bank's climate change scenario model covers four sectors: 1) Electricity; 2) Oil & Gas; 3) Chemicals; 4) Food, Agriculture and Beverages. The transition risk analysis can be conceptualized as the following process:

Step 1: NBE selected clients for analysis based on above four sectors and the bank's financial portfolio as of YE2023. NBE then prepared individual company data and external scenario data.

Step 2: Based on the data from Step 1, NBE conducted an analysis using the quantitative transition risk model provided by The Norinchukin Bank.

Step 3: In the third step, NBE conducted an analysis of the medium to long term (until 2050) financial condition of each target company. Our calculations reflected the level of net sales, expenses, investments, etc. NBE then estimated the credit ratings of each target company based on the forecast of the financial condition of each company under all three scenarios.

Step 4: In the last step, NBE then utilise the estimated credit rating of the target company to calculate the ECL increase over the forecast period against ECL of the last financial year under all three scenarios.

Physical Risk Analysis

The scope of NBE's physical risk analysis is acute risk – flood damage. Other types of physical risk is not included.

NBE is then assisted by The Norinchukin Bank to perform the physical risk assessment. The physical risk analysis can be conceptualized as the following process:

Step 1: NBE identified sectors that are highly vulnerable to floods based on their business. For example, advertising was excluded from the analysis due to limited potential sales loss in floods.

Step 2: NBE identified critical sites that would experience a decline in sales in the event of flood damage for the sectors identified in Step 1. For instance, NBE assumed that plants are critical sites as they serve as the foundation of the manufacturing industry.

Step 3: NBE calculated the extent of damage for the critical sites identified in Step 2 based on the degree of impact from the flooding. The total amount of damage was calculated for each company across all the critical sites. Then, the total amount of damage was used to adjust each company's latest annual financial statements.

Step 4: NBE estimated the credit ratings of each company based on the adjusted annual financial statements from Step 3. Then, NBE utilized the estimated credit rating of each company to calculate the increase in ECL compared to the ECL of the last financial year.

Outcomes

Based on the above process, the results of the quantitative assessment of climate risk are demonstrated in below table.

In conclusion, NBE's financial portfolio as of 31/12/2023 bears a limited transition risk and a limited physical risk.

The limited transition risk is because NBE's lending portfolio as of FY2023 is mainly consists of the exposure in utilities (renewable electricity) sector which has no transition risk. The main contributor of the transition risk under Net Zero 2050 scenario are the clients from corporate banking.

With regards to physical risk – acute risk – flood damage, the main contributor of the physical risk is also the clients from the corporate banking.

Overall, NBE's quantitative assessment results are in line with NGFS Phase 2 Scenarios narratives and also in line with NBE's qualitative assessment results presented in Section 2.1.

	Risk events	Scenarios	Sectors	Target of Analysis	Horizon	Risk Indicator	Results	
Transition Risk	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	Energy (Electricity, Oil-Gas-Coal), Food and agriculture, Beverages, Chemicals	**Corporate Finance:** Borrower (if there is no guarantor) or Guarantor who bears the ultimate risk **Project Finance:** Main Off-taker	Up to 2050	Credit cost	Net Zero 2050 scenario	€89.206
							Delayed transition scenario	€164.275
							Current policies scenario	€35.101

	Risk events	Scenarios	Sectors	Target of Analysis	Horizon	Risk Indicator	Results
Physical Risk	Acute Risk: Flood Damage	**IPCC RCP 8.5** *Intergovernmental panel on Climate Change	All NBE Sectors	**Corporate Finance:** Borrower (if there is no guarantor) or Guarantor who bears the ultimate risk **Project Finance:** Main Off-taker	Up to 2100	Credit cost	€2.795

Risk management

NBE has continued its progress in 2023 to align with the ECB expectations for Climate and Environmental risk management. Furthermore, the first steps in preparation for CSRD haven been taken.

Identification, assessment and management of climate-related risks

NBE has conducted a materiality assessment to identify the possible impact of climate and environmental risks. The analysis covers the full risk spectrum. See also paragraph 2.1.

The Credit risk area is the most relevant risk in terms of climate-related risks. NBE includes climate-related risks in all relevant stages of the credit-granting process and credit processing:

- 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 identify climate-related risk for the transactions in sectors that outside of Sector Policy.
- NBE is developing its climate stress test framework to quantitatively identify climate-related risks according to the requirements of ECB guidance and CSRD.
- 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 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 FY2023. NBE's 1st LoD utilizes Materiality Assessment results to construct their business plan.

- NBE's 2nd LoD includes climate-related risks in identifying, assessing, and managing its credit approval process. 2nd LoD established overall governance and related policies following ECB sub-expectations and integrated Materiality Assessment results into the consideration of NBE's ICAAP and ILAAP.
- 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.

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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 regards 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 on 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.

In December 2022, PCAF launched a standard for reporting on sovereign bonds. During 2023, NBE developed a model for estimating sovereign bond financed emissions based on the aforementioned PCAF standard. However, we have not included the estimated financed emissions of sovereign bonds in the GHG emission reporting below. This is because NBE primarily holds sovereign bonds for liquidity management purposes and has limited ability to influence the climate outcomes of these nations.

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 including fuel and mobile consumption. As NBE does not use gas or 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 disclosure on absolute emissions for its lending portfolio is in line with the 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.

GHG Emissions Reporting

	Summary of Reported GHG Emissions	2023	Unit
Basic reporting	**Scope 1**		
	Total Scope 1	-	**tC02e**
	Scope 2		
	Electricity	82	tC02e
	Heat & Cold	9	tC02e
	Total Scope 2	91	tC02e
	Total Scope 1 + 2	**91**	**tC02e**
Best practices light	**Scope 3**		
	Business Travel	58	tC02e
	Financed emissions	323,929	tC02e
	Total Scope 3	323,987	tC02e
	Avoided emissions	90,095	tC02e
	Total Scope 1+2+3	**323,079**	tC02e

	GHG metrics dashboard	2023	Unit
Best practices full	**Scope 1**	-	
	Total Scope 1	-	**tC02e**
	Scope 2		
	Electricity location-based	82	tC02e
	Electricity market-based	16	tC02e
	Heat	9	tC02e
	Total Scope 2 (location-based)	**91**	**tC02e**
	Total Scope 2 (market-based)	**25**	**tC02e**
	Total Energy Consumption (kWh)	**220,021**	**kWh**
	Average energy intensity	**162**	**kWh/m2**
	Average emission intensity (scope 1+2) per FTE	**1**	**tC02e/FTE**
	Scope 3		
	Business Travel	58	tC02e
	Financed emissions	323,929	tC02e
	Avoided emissions	90,095	tC02e
	Total Scope 3	**323,987**	**tC02e**

Summary of Financed Emissions	2023	
Asset Class	**Coverage %**	**Data Quality Scores**
Corporate Lending	100%	2.17
Project Finance	96%	2.82
Total	**99%**	**2.64**

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Climate-related risk metrics

NBE monitored CO2-intensive sectors during FY2023, further improved its monitoring of climate-related risk metrics, continued to monitor GHG emission intensity for Scope 1, 2, and 3 respectively, and maintained a Climate-related Risks Heat Map on a regular basis.

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 a 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 31/12/2023. 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 31/12/2023

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