Nomura Bank (Luxembourg) S.A.

Financial Statements
Directors' report and
Independent auditor's report

as of 31 March 2020

Connecting Markets East & West

NOMURA

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Directors' Report

Year ended 31 March 2020

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Directors' report

Year ended 31 March 2020

TO OUR SHAREHOLDERS

As we begin a new decade, the world is facing an unprecedented situation with the rapid spread of the novel coronavirus (COVID-19). The impacts of such a global public health crisis on the economy led to an intense stress on the financial markets and the asset servicing industry.

In such a difficult period and even more than ever, it is our duty to constantly support our clients in line with the unswerving "raison d'être" of Nomura Bank (Luxembourg) S.A. (hereinafter referred to as NBL or the Bank) since its inception, thirty years ago, which is to place them at the heart of everything we do. In that respect, we have been addressing the COVID-19 situation since its emergence. Well prepared, we have enacted our Business Continuity Planning to continuously support our clients as well as our people and their respective families. Accordingly, we managed to avoid any disruption of our services which allowed us to constantly deliver the excellence we owe to our clients while ensuring our people's safety.

Besides the COVID-19 context, we continued during the fiscal year to focus on shaping our organization to address the evolving crucial needs of our clients and keep pace with the transformation of the asset servicing industry.

As a client-oriented Company and in response to the legitimate expectations of our Japan based clients, we have, for instance, successfully deployed a partnership with a Nomura Group entity to provide support to them during Japanese business hours and ultimately offer around the clock support enhanced experience. Concurrently and in view to market the uniqueness of our service offering in Japan, NBL has materialized another partnership to expand its salesforce capabilities in its core Market.

Overall, we have continuously focused on improving our operational efficiency in all areas of our business while securing further our processes to ensure the utmost possible quality of our deliveries and mitigate inherent risks.

Business profile

As of 31 March 2020, NBL employed a workforce of 324 professionals compared to 330 a year ago. The observed slight decrease partly reflects actions undertaken to steadily enhance our business platform to gain further in efficiency and support our cost base enhancement focus. While technology is an important driver of the effectiveness of an asset servicer such as NBL, we remain convinced that our primary differentiator is our human capital who provides our services. To shape our future, we continuously invest in our talents through notably business aligned trainings to develop them further and encourage the deployment of innovative solutions for our clients.

Supported by our client-centric strategy, our market share remains stable until the emergence of the COVID-19 crisis and the sudden and intense impacts it has caused on the financial markets. Our Assets under Administration (hereinafter referred to as AuA) ended up at USD 42,9 billion as of 31 March 2020 compared to USD 47,3 billion as of 31 March 2019. The domicile split between the 262 serviced investment funds remained rather steady with a 79:21 ratio of the AuA respectively pertaining to Cayman and Luxembourg based investment structures. Year-on-year, this represents a decrease of 9% in the AuA.

Financial results

Our largest source of revenues (custody and fund administration businesses) generated EUR 44 million in fees (identical to the previous year) while our treasury activities generated robust revenues of EUR 24 million (compared to EUR 21 million a year ago).

Even though the Bank performance over the fiscal year has been strong, its financial result has been impacted by the financial consequences of a strategic decision taken in December 2019 with respect to the discontinuation of a legacy IT project. In that regard, NBL has recognized that environmental changes occurred since the inception of that project which led to a mismatch between the project objectives and the anticipated business needs at the time of its planned delivery. This has resulted in a material impairment of all capitalized costs linked to the project.

As a result, the Bank's loss before tax for the fiscal year amounted to EUR 6.4 million compared to a profit before tax of EUR 21.9 million for the previous year. The Bank's balance sheet remained strong from a liquidity and capital perspective and it totalled EUR 3,771 million as of 31 March 2020 (EUR 3,978 million as of 31 March 2019) while shareholders' equity amounted to EUR 341 million (EUR 536 million as of 31 March 2019).

From a Corporate structure perspective, NBL has neither bought its own shares nor created any branches or subsidiaries during the considered period. Moreover, there are no post-balance sheet events to report that would affect the financial results for the year ended 31 March 2020 or that would otherwise require a disclosure in the notes to the financial statements.

Luxembourg subsidiary

Global Funds Management S.A. (hereinafter referred to as GFM), which is NBL's wholly owned Luxembourg Super Management Company, is continuously adapting itself in order to meet its clients' needs and further develop its products and assets classes servicing capabilities.

In addition to its Chapter 15 (UCITS) Management Company' status, Alternative Investment Fund Manager' status ("AIFM") and Money Market Fund's AIFM as per article 5 of the Money Market Funds – Regulation (EU) 2017/1131, GFM is further expanding its license coverage in order to service vehicles investing in private equities, real estates and infrastructure assets through equity and loans holdings.

Once the approval of this latest license extension is secured with its supervisory authority, GFM will focus on the further alignment of its operating capabilities to the specificities of these asset classes. GFM will be in position to propose to its legacy clients and third-party ones with the Luxembourg's broadest range of investment fund solutions and product regimes whilst being operated in a strong regulatory environment.

Service Organisation Control Report

In order to demonstrate the top-notch quality of its level of services and the effectiveness of its control environment to its existing and potential clients, the Bank has mandated Ernst & Young to issue a combined ISAE 3402 / U.S. AT section 801 report for the fiscal year ended 31 March 2020, our fifth Service Organisation Control report.

Risk management and regulatory compliance

The Bank is constantly enhancing its Risk Management Framework in order to align it with the principles and the sound risk culture promoted by Nomura Group and meet regulatory requirements. The Bank regards risk excellence as a core pillar of its financial sustainability and feels, in that respect, accountable towards its clients and shareholders.

From a governance standpoint, the Bank has proportionate internal resources and committees designed to continuously identify, monitor and mitigate all relevant risks to which it is exposed.

From a Financial soundness perspective, NBL continued to strengthen its monitoring of capital and liquidity related risk components:

- Bank's solvency ratio stands at 35,44% as of 31 March 2020 (compared to 82,56% a year ago and before the dividend payments that occurred during the scrutinized fiscal year) which is significantly above the 10,75% regulatory requirement (8% minimum ratio and 2,75% combined buffers) which illustrates the robustness of NBL's Tier 1 capital.
- The Liquidity Coverage Ratio requirement is being met with a ratio of 297% as at 31 March 2020 (compared to 277% at the end of the previous fiscal year).

In accordance with its regulatory obligations and in line with Nomura Group Risk framework, NBL has performed its internal capital and liquidity adequacy assessment process and developed capital forecasts over a 3-year period. The exercise included stress tests analysis of all the material risk universes. The conclusion of the exercise was that NBL continues to be adequately capitalised and that its liquidity situation is adequately monitored and managed, in line with the overarching principles of serving its clients' liquidity and ensuring the Bank's long term viability.

With respect to the COVID-19 situation, the Bank considers that it would remain adequately capitalized even under the assumption that the AuA levels and future related revenues would be materially and adversely impacted.

Like in previous years, regulatory waves affecting the asset servicing industry remained significant. In that regard, timely addressing the increased complexity of the regulatory landscape remains a priority for NBL which remains abreast of these changes and supports its clients in leveraging connected business opportunities that may arise from those. NBL has a dedicated regulatory changes management's arm which is managed by its Compliance function and involves all subject-matter experts within the Bank. When deemed necessary, NBL also liaises with other Nomura Group entities outside of Luxembourg for sharing of best practices. During the past fiscal year, NBL notably achieved proper implementation of a new set of regulations including but not limited to the Register of Beneficial Owners and kept pace with the implementation of the Securities Financing Transactions Regulation (SFTR), the automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements (DAC 6) and the Shareholders Rights Directive (SRD II).

Looking ahead: Leverage our service excellence to provide tailored solutions to our clients

At the time of the writing of this Report, the COVID-19 situation is not over and nobody can predict its overall scale and duration.

Confident in the soundness of our business model, we plan to continue to navigate carefully and thoughtfully through this challenge as we did since its inception and to stick to our founding principle: our commitment to partner with our clients to put in motion individualized solutions fully adapted to their specific needs.

Gratitude

We value each of our clients and consider the trustworthy business relationships we have built since the inception of NBL as our most precious foundation. We are fortunate for the confidence our clients place in NBL and look forward to continuing to support their growth in the years ahead.

4 June 2020

Kenji KIMURA

Chairman
Nomura Bank (Luxembourg) S.A.

Takashi OKAMOTO

President & CEO
Nomura Bank (Luxembourg) S.A.

Independent auditor’s report

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Independent auditor's report

To the Board of Directors of
Nomura Bank (Luxembourg) S.A.
Société Anonyme
33, rue de Gasperich
L-5826 Hesperange

Report on the audit of the Financial Statements

Opinion

We have audited the Financial Statements of Nomura Bank (Luxembourg) S.A. (the "Bank"), which comprise the statement of financial position as at 31 March 2020, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Bank as at 31 March 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the « Responsibilities of the "Réviseur d'Entreprises Agréé" for the audit of the Financial Statements» section of our report. We are also independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the Financial Statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period. These matters were addressed in the context of the 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.

<u>Completeness and valuation of provisions for operational risk linked to the investment funds-related activities (including Fund Administration, Transfer Agent and Custodian activities)</u>

Description

Operational risk mainly relates to errors that could occur through the day to day execution of transactions and performance of services to customers, including inter alia the execution of transactions on behalf of customers, of subscriptions and redemptions of investors in the investment funds, the identification of corporate actions, the periodic calculation of the Net Assets Value (NAV) of the investment funds, the monitoring of investment restrictions compliance as well as the safekeeping of the customers' assets.

The Bank is subject to operational risk in relation with the above mentioned activities and we consider this as a key audit matter as the Bank is executing a high volume of transactions and operations of significant amounts on behalf of customers, and operational errors could lead to significant operational losses, to breaches of regulatory obligations and thus impact the reputation of the Bank.

As at 31 March 2020, the Bank has not recorded any provision for operational risk since it is not aware of any operational errors which would require a provision. Gains and losses resulting from operational errors are recorded respectively in the captions "Other operating income" and "Other operating expenses".
For the year ended 31 March 2020, net losses from operational errors amount to EUR 42,995.
See Note 32 (f) to the Financial Statements for more information on operational risk.

How the matter was addressed in our audit

We assessed and tested the design and operating effectiveness of the key controls implemented by the Bank over the execution of transactions, the calculation of the Net Assets Value, the monitoring of investment restrictions and the safekeeping of the customers' assets.

We performed the following main procedures:

- We reviewed the Service Organization Control Report (ISAE 3402) covering the Global Custody, Fund Accounting, Transfer Agency and Information Technology activities for the period from 1 April 2019 to 31 March 2020 issued by Ernst & Young Luxembourg and assessed the appropriateness of the controls' descriptions and the outcome of the testing of the effectiveness of such controls on operational risks;
- We tested the design and operating effectiveness of the relevant IT General Controls implemented by the Bank (access management, change management, proper segregation of duties);
- We obtained an understanding of the operational risk monitoring procedures and tested how identified operational losses and gains that occurred from 1 April 2019 to 31 March 2020 have been monitored and reported to the Management;
- We obtained the incident reports and checked the completeness of such reports. We also checked that each incident has been carefully analyzed and that a financial impact has been determined by the Bank;
- We assessed the analysis performed by the Bank and checked that operational gains or losses determined by the Bank have been adequately recorded in the Financial Statements;
- We obtained and assessed the reports issued by Internal Audit, Compliance and Risk Management and the issues identified in these reports as well as the key risk indicators implemented to monitor the Bank's activities;
- We obtained and assessed the reports sent to the Management that we considered relevant for audit purposes;
- We read the correspondence between the Bank and the CSSF;
- We obtained the list of all the existing claims and litigations and assessed the related risks and potential financial impacts;
- We obtained and assessed the answers received from all lawyers of the Bank further to our confirmation requests;
- We assessed the level of provisions for operational errors recorded by the Bank as at 31 March 2020 as well as the movements during the year then ended;
- In the context of our procedures on subsequent events, we ensured that no operational error has been identified after 31 March 2020 which would require an adjustment of the financial statements as of 31 March 2020.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' report but does not include the Financial Statements and our report of "Réviseur d'Entreprises Agréé" thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the Financial Statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d'Entreprises Agréé" for the audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;
- Obtain 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 Bank's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of Board of Directors' 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises Agréé" 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 report of the "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Bank to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises Agréé" by the Board of Directors on 4 June 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 17 years.

The Directors' report, which is the responsibility of the Board of Directors, is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in EU Regulation N° 537/2014 were not provided and that we remained independent of the Bank in conducting the audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Charles Dequaire
Luxembourg, 15 June 2020

Statement of financial position

As of 31 March 2020
(expressed in EUR)

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Assets

	Notes	31 March 2020	31 March 2019
Cash, cash balances at central banks and other demand deposits	4, 32, 33	**736,178,403**	**864,920,856**
Derivatives held for trading	5, 32, 33, 36	**532,701,846**	**248,426,255**
Financial assets mandatorily at fair value through profit or loss	6, 32, 33	**836,184,073**	**1,003,108,049**
Debt instruments		836,184,073	1,003,108,049
Financial assets at fair value through other comprehensive income	7, 32, 33, 36	**14,051,407**	**13,128,526**
Equity instruments		14,051,407	13,128,526
Financial assets at amortised cost	8, 32, 33, 36	**1,603,468,273**	**1,787,677,622**
Loans and advances to credit institutions		1,360,575,291	1,188,062,626
Loans and advances to customers		242,892,982	599,614,996
Tangible assets	9, 32	**6,327,377**	**2,538,991**
Intangible assets	9, 32	**10,248,244**	**38,230,017**
Tax assets	14, 32	**12,715,475**	**2,361,415**
Current tax assets		7,955,168	---
Deferred tax assets		4,760,307	2,361,415
Other assets	10, 32	**18,860,005**	**18,070,500**
Total assets		**3,770,735,103**	**3,978,462,231**

The accompanying notes form an integral part of these Financial Statements.

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Liabilities and shareholders' equity

Liabilities	Notes	31 March 2020	31 March 2019
Derivatives held for trading	11, 32, 33, 36	**544,946,353**	**250,731,917**
Financial liabilities designated at fair value through profit or loss	12, 32, 33	**11,399,367**	**20,637,436**
Financial liabilities at amortised cost	13, 32, 33, 36	**2,854,797,415**	**3,156,095,056**
Amounts due to credit institutions		7,011,570	16,378,860
Amounts due to customers		2,825,992,559	3,125,535,765
Other financial liabilities		21,793,286	14,180,431
Tax liabilities	14, 32	**5,193,879**	**3,781,490**
Current tax liabilities		772,132	217,499
Deferred tax liabilities		4,421,747	3,563,991
Other liabilities	15, 32	**12,988,475**	**11,520,987**
Total liabilities		**3,429,325,489**	**3,442,766,886**
Shareholders' equity			
Issued capital	16	28,000,000	28,000,000
Reserves (including Retained earnings)	17	306,067,451	479,548,998
Accumulated other comprehensive income		12,012,118	11,227,894
Profit/(Loss) for the year		(4,669,955)	16,918,453
Total shareholders' equity		**341,409,614**	**535,695,345**
Total liabilities and shareholders' equity		**3,770,735,103**	**3,978,462,231**

Income statement

For the year ended 31 March 2020
(expressed in EUR)

	Notes	31 March 2020	31 March 2019
Net interest income	19, 20, 36	**6,986,583**	**1,332,743**
Interest and similar income		27,900,017	26,874,669
Interest and similar expenses		(20,913,434)	(25,541,926)
Dividend income	21	---	---
Net fee and commission income	22, 36	**59,093,544**	**57,138,966**
Fee and commission income		60,639,266	57,578,505
Fee and commission expenses		(1,545,722)	(439,539)
Net (un)realised gains (losses) on financial assets and liabilities held for trading	23	**12,475,546**	**18,518,472**
Net (un)realised gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss	6, 24	**26,497**	**(8,614)**
Net (un)realised gains (losses) on financial liabilities designated at fair value through profit or loss	12, 25, 33	**2,533,516**	**(663,430)**
Foreign exchange differences	26	**(259,902)**	**(411,931)**
Net other operating income/expenses		**(1,450,491)**	**(1,977,366)**
Other operating income		269,741	694,670
Other operating expenses		(1,720,232)	(2,672,036)
Administrative expenses	27, 29, 30, 31, 35, 36	**(48,316,332)**	**(49,106,801)**
Amortisation	9, 28	**(5,342,361)**	**(2,938,824)**
Tangible assets		(3,444,827)	(950,368)
Intangible assets		(1,897,534)	(1,988,456)
Impairment on financial assets		**(7,492)**	**(267)**
Impairment on non-financial assets	28	**(32,095,172)**	---
Profit /(Loss) before tax		**(6,356,064)**	**21,882,948**
Income tax	14	**1,686,109**	**(4,964,495)**
Profit/(Loss) for the year		**(4,669,955)**	**16,918,453**

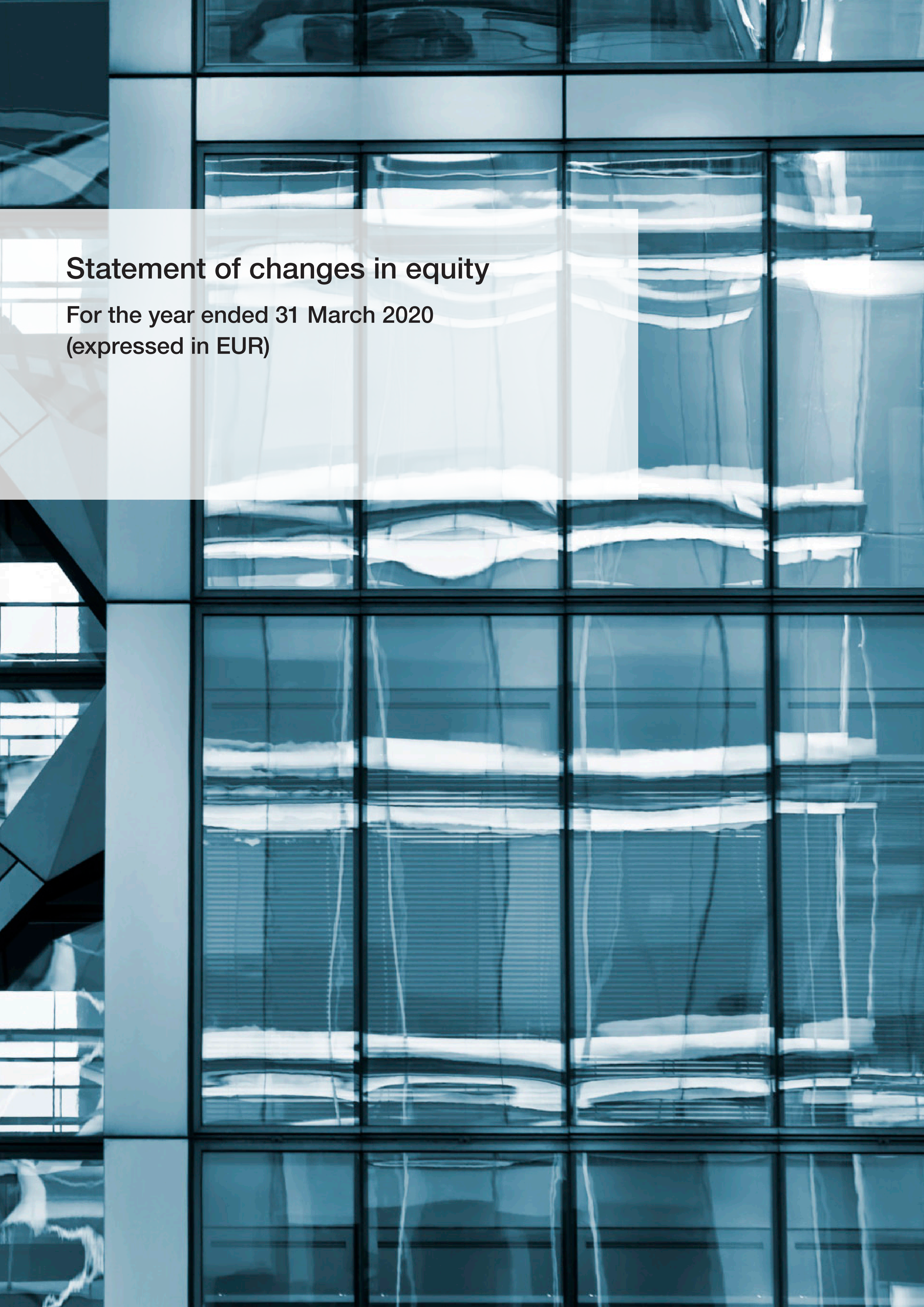
The accompanying notes form an integral part of these Financial Statements.

Statement of comprehensive income

For the year ended 31 March 2020
(expressed in EUR)

	31 March 2020	31 March 2019
Profit/(Loss) for the year	*(4,669,955)*	*16,918,453*
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Net unrealized gains on financial assets at fair value through OCI – Equity instruments	922,880	668,455
Deferred tax relating to the above item	(138,656)	(58,981)
Other comprehensive income for the year, net of tax	*784,224*	*609,474*
Total comprehensive income for the year, net of tax	(3,885,731)	17,527,927

The accompanying notes form an integral part of these Financial Statements.



Statement of changes in equity

For the year ended 31 March 2020
(expressed in EUR)

	Balance at 31-Mar-19	Allocation of prior year's profit	Dividend and net transfer to reserves	Interim dividend	Total comprehensive income	Balance at 31-Mar-20
Issued capital	28,000,000	---	---	---	---	28,000,000
Retained earnings	414,897,325	6,558,453	(6,500,000)	(180,040,000)	---	234,915,778
Dividend to distribute	---	10,360,000	(10,360,000)	---	---	---
FTA Reserve *	3,201,673	---	---	---	---	3,201,673
Reserves:	61,450,000	---	6,500,000	---	---	67,950,000
a) Legal reserve (1) *	2,800,000	---	---	---	---	2,800,000
b) Special reserves (2) *	58,650,000	---	6,500,000	---	---	65,150,000
FVOCI reserve *	11,227,894	---	---	---	784,224	12,012,118
Profit/Loss for the year	16,918,453	(16,918,453)	---	---	(4,669,955)	(4,669,955)
Shareholders' equity	**535,695,345**	**---**	**(10,360,000)**	**(180,040,000)**	**(3,885,731)**	**341,409,614**

	Balance at 31-Mar-18	IFRS 9 FTA impact	Balance after IFRS9 adoption at 01-Apr-18	Allocation of prior year's profit	Dividend and net transfer to reserves	Total comprehensive income	Balance at 31-Mar-19
Issued capital	28,000,000	---	28,000,000	---	---	---	28,000,000
Retained earnings	421,297,889	(10,032)	421,287,857	6,809,468	(13,200,000)	---	414,897,325
Dividend to distribute	---	---	---	13,356,000	(13,356,000)	---	---
FTA Reserve *	3,201,673	---	3,201,673	---	---	---	3,201,673
Reserves:	48,250,000	---	48,250,000	---	13,200,000	---	61,450,000
a) Legal reserve (1) *	2,800,000	---	2,800,000	---	---	---	2,800,000
b) Special reserves (2) *	45,450,000	---	45,450,000	---	13,200,000	---	58,650,000
AFS reserve *	10,618,420	(10,618,420)		---	---	---	---
FVOCI reserve *	---	10,618,420	10,618,420	---	---	609,474	11,227,894
Profit for the year	20,165,468	---	20,165,468	(20,165,468)	---	16,918,453	16,918,453
Shareholders' equity	**531,533,450**	**(10,032)**	**531,523,418**	**---**	**(13,356,000)**	**17,527,927**	**535,695,345**

(*) Unavailable reserves

(1) Legal reserve in accordance with Luxembourg law (see Note 17)

(2) Reserves linked to exoneration of Net Wealth Tax charge subject to conditions (see Note 17)

The accompanying notes form an integral part of these Financial Statements.

Statement of cash flows

For the year ended 31 March 2020
(expressed in EUR)

	31 March 2020	31 March 2019
Profit/(Loss) before tax	**(6,356,064)**	**21,882,948**
Adjustments:		
Amortisation of tangible and intangible assets (Note 28)	2,740,516	2,938,824
Impairment on intangible assets (Note 28)	32,095,172	---
Fair value adjustments and other adjustments	8,601,691	(2,480,310)
Cash flows from operating profits before changes in operating assets and liabilities	**37,081,315**	**22,341,462**
Net (increase)/decrease in loans and advances to credit institutions	287,075,195	(357,821,598)
Net (increase)/decrease in loans and advances to customers	356,722,014	(308,709,852)
Net (increase)/decrease in financial assets at fair value through OCI	---	(13,128,526)
Net (increase)/decrease in available-for-sale financial assets	N/A	766,785,615
Net (increase)/decrease in financial assets mandatorily at FVTPL	166,923,976	(1,003,108,049)
Net (increase)/decrease in other assets	(789,505)	392,791
Net increase/(decrease) in amounts due to credit institutions	(9,367,290)	10,169,753
Net increase/(decrease) in amounts due to customers	(299,543,206)	748,827,619
Net increase/(decrease) in other financial liabilities (excl. IFRS 16)	4,306,384	(4,678,978)
Net increase/(decrease) in other financial liabilities at FVTPL (Note 33)	(7,900,915)	(24,792,171)
Net increase/(decrease) in other liabilities	1,467,488	910,962
Income tax paid	(7,400,000)	(7,400,000)
Net variations in other operating assets/liabilities	(652,367)	19,997
Net cash flows from operating activities	**527,923,089**	**(170,190,975)**
Acquisition of intangible/ tangible assets (Note 9)	(6,677,682)	(11,233,394)
Net cash flows from investing activities	**(6,677,682)**	**(11,233,394)**
Dividends paid	(190,400,000)	(13,356,000)
Net cash flows from financing activities	**(190,400,000)**	**(13,356,000)**
Net increase/(decrease) in cash and cash equivalents	**330,845,407**	**(194,780,369)**
Cash and cash equivalents at the beginning of the year	**1,397,213,436**	**1,591,993,805**
Net increase/(decrease) in cash and cash equivalents	330,845,407	(194,780,369)
Cash and cash equivalents at the end of the year	**1,728,058,843**	**1,397,213,436**
of which: not available	42,970,645	153,872,462

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition:

	31 March 2020	31 March 2019
Cash, cash balances at central banks and other demand deposits (Note 4)	**736,178,403**	**864,920,856**
Loans and advances to credit institutions	**991,880,440**	**532,292,580**
repayable with less or three months maturity from the date of acquisition	991,880,440	532,292,580
Cash and cash equivalents	**1,728,058,843**	**1,397,213,436**

The accompanying notes form an integral part of these Financial Statements.

Notes to the Financial Statements

As of 31 March 2020

NOTE 1 - CORPORATE INFORMATION

Corporate matters

Nomura Bank (Luxembourg) S.A. (the "Bank" or "NBL") was incorporated in Luxembourg on 2 February 1990 as a Société Anonyme.

Nature of the Bank's business

The object of the Bank is to undertake all banking, financial securities and fiduciary operations and to engage in leasing and factoring activities for its own account or for account of its customers.

The Bank can establish or take part in finance and other companies or acquire, encumber or dispose of real estate for its own or for account of its customers.

A significant volume of the Bank's transactions is concluded directly with companies of the Nomura Group or with their Japanese clients.

Financial Statements

The Bank's accounting year ends on 31 March of each year. The Financial Statements were authorized for issue by the Bank's Board of Directors on 4 June 2020.

Parent undertaking

The Bank is a subsidiary of Nomura Europe Holdings Plc (the "Parent company"), a holding company incorporated under the laws of United Kingdom and whose registered office is in London. The consolidated accounts of Nomura Europe Holdings Plc may be obtained at 1 Angel Lane, London, EC4R 3AB, UK.

The Bank's ultimate parent is Nomura Holdings, Inc., a holding company incorporated under the laws of Japan whose registered office is in Tokyo. The consolidated accounts of Nomura Holdings, Inc. may be obtained at 1-9-1, Nihonbashi, Chuoku, Tokyo 103-8645, Japan.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Statements are prepared on the historical cost basis except for derivatives held for trading, available-for-sale financial assets and debt certificates designated at fair value through profit or loss which are measured at fair value.

Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the relative interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") as adopted for use in the European Union.

The preparation of Financial Statements in accordance with IFRS requires the Board of Directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense items. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the Board of Directors in the application of IFRS that have significant effect on the Financial Statements and estimates with a significant risk of material adjustments in the next year are developed in Note 3.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year, except for the following amendments to IFRS effective as of 1 January 2019 (for the avoidance of doubt, only the new standards, amendments to standards and IFRIC which may have an effect on the Bank's Financial Statements are mentioned below). The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IASB and IFRIC texts endorsed by the European Commission and applied as from 1 January 2019

- Amendments to IFRS 9 "Prepayments Features with Negative Compensation":

  Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments;

- IFRIC 23 "Uncertainty over income tax treatments":

  This interpretation provides clarifications about the measurement and the accounting treatment of income tax when there is uncertainty over income tax treatments. It must be determined whether the treatment is likely to be accepted by the relevant authorities, assuming that they will control the treatment in question and will have all the relevant information. If the probability of acceptance of the tax treatment is less than 50%, this uncertainty must be reflected in the amount of tax assets and liabilities, based on a method that provides the best prediction of the resolution of the uncertainty;

- Annual improvements to IFRS standards 2015-2017 Cycle (issued on 12 December 2017). These improvements are applicable as from 1 January 2019;
- Amendments to IAS 19 "Plan amendment, curtailment or settlement" (issued on 7 February 2018). These amendments are applicable as from 1 January 2019:

  These amendments clarify how pension expenses are determined in the event of amendment, curtailment or settlement of defined benefit pension plans. In these cases, IAS 19R currently calls for the net cost of the defined benefit asset or liability to be remeasured.

The Bank has considered the above-mentioned amendments and standards but has come to the conclusion that they do not affect its financial situation.

- IFRS 16 - Leases (issued on 13 January 2016 and endorsed on 31 October 2017)

Background

IFRS 16 "Leases" replaced the former standard IAS 17 "Leases" (and IFRIC 4, SIC-15 and SIC-27) and became effective for annual periods beginning on or after 1 January 2019.

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and introduces significant changes to lease accounting by removing the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use ("ROU") asset and a lease liability at commencement for all leases, except for short-term leases and leases of low values.

Impact of the IFRS 16 standard

The Bank has decided to apply the modified retrospective approach whereby the right-of-use asset is recognised at the date of initial application as an amount equal to the lease liability, using the entity's prevailing incremental borrowing rate as at the date of initial application, adjusted for any prepaid or accrued lease payments relating to that lease that were recognised in the statement of financial position immediately before the date of initial application.

Accordingly, the Bank has performed an inventory of the existing leases that meet the recognition requirements of IFRS 16 and concluded that they are mainly composed of property leases.

The following table is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 as at 1 April 2019 (in EUR):

	Carrying amount as at 31 March 2019	Right-of-Use assets reclassification	Remeasurement	Carrying amount as at 1 April 2019
Property, plant and equipment	2,538,991	6,263,307	---	8,802,298

	Carrying amount as at 31 March 2019	Lease liabilities reclassification	Remeasurement	Carrying amount as at 1 April 2019
Lease liabilities	---	5,590,272	---	5,590,272

Statement of financial position

The caption "Property, plant and equipment" includes right-of-use assets being operating lease of the office building and of the disaster recovery center. The owned assets are essentially IT equipment.

in EUR	Carrying amount as at 1 April 2019	Additions	Amortization	Carrying amount as at 31 March 2020
Total Property, plant and equipment	**8,802,298**	**969,906**	**(3,444,827)**	**6,327,377**
of which:				
Owned assets	2,538,991	666,749	(842,982)	2,362,758
Right-of-Use assets	6,263,307	303,157	(2,601,845)	3,964,619

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table discloses the maturity analysis of lease liabilities at 31 March 2020:

	Lease payments due				
in EUR	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	Total
Lease payments	2,277,671	400,868	400,868	267,245	3,346,652
Finance charges	(20,548)	(11,571)	(6,265)	(1,797)	(40,181)

The lease contract of the building will terminate on 31 March 2021. As of today, the Bank has not decided yet on the new terms regarding office space rental.

The Bank did not apply IFRS 16 recognition requirements for the leases where:

- the term is less than one year;
- the underlying asset is of low-value and not material for the Bank.

IFRS 16 defines the lessee's incremental borrowing rate ("IBR") as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment.

The Bank has determined its IBR as the risk-free rate in the currency of payment of the lease and based on the lease term of the lease and the credit spread of the Bank.

Nomura Bank (Luxembourg) S.A. having no publicly available credit rating, the credit rating of the holding company, Nomura Holdings, Inc. has been considered. The median credit rating of the latter is Baa according to Moody's Analytics. The median credit spread of global financial institutions rated like Nomura Holdings, Inc. for durations similar to the lease terms have been used.

Standards issued but not yet effective

The following IFRS standards and IFRIC interpretations were issued with an effective date for financial periods beginning on or after 1 January 2020. The Bank has chosen not to early adopt these standards and interpretations before their effective dates. The Bank having its end of fiscal year on March 31, the applicable date for these standards is April 1, 2020.

Only accounting policies and disclosures applicable or potentially applicable to the Bank are mentioned below.

IASB and IFRIC texts endorsed by the European Commission during the current period but not yet applicable as from 1 January 2019

- Amendments to References to the Conceptual Framework in IFRS standards (issued on 29 March 2018). These amendments are applicable as from 1 January 2020.
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018). These amendments are applicable as from 1 January 2020.

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS and IFRIC texts issued during previous periods and neither endorsed by the European Commission nor applicable as at 1 January 2019

- IFRS 17, "Insurance contracts" (issued on 18 May 2017). The standard is applicable as from 1 January 2023.
- Amendments to IFRS 3 "Business Combinations" (issued on 22 October 2018). These amendments are applicable as from 1 January 2020.

IFRS and IFRIC texts issued during the current period and neither endorsed by the European Commission nor applicable as at 1 January 2019

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7 issued on 26 September 2019). These amendments are applicable as from 1 January 2020.

The Bank has considered the above mentioned amendments and standards but does not foresee any impact on its financial situation.

Exemption from preparing consolidated accounts

These Financial Statements are prepared on a stand-alone basis.

According to the current Luxembourg regulation, the Bank is exempt from the requirement to publish consolidated accounts and a consolidated management report.

(a) Foreign currency translation

The Financial Statements are presented in Euro ("EUR"), which is also the Bank's functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rates prevailing at the reporting date. All differences arising on non-trading activities are taken to "Foreign exchange differences" in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The main exchange rates used as of 31 March 2020 and 2019 are as follows:

	31 March 2020	31 March 2019
EUR/USD	1.102	1.123
EUR/JPY	119.385	124.377

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial assets classification and measurement

Financial asset classification and measurement is based on both the business model for managing financial assets and the contractual cash flow characteristics of the financial assets. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL").

All debt instrument financial assets, including loans, that do not meet a solely payment of principal and interest ("SPPI") condition, including those that contain embedded derivatives, are classified as mandatorily measured at fair value through profit or loss. For those that meet the SPPI condition, classification at initial recognition is determined based on the business model under which these assets are managed.

(c) Financial liabilities

Financial liabilities are measured at amortised cost except those subjected to the fair-value option as elected by the Management. The Bank has decided to use the fair value option to measure the debt certificates issued under a medium term notes program due to their embedded derivatives.

(d) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognised on the value date. This includes purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics.

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Derivatives held for trading

Derivatives held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in "Net (un) realised gains (losses) on financial assets and liabilities held for trading". Interest income or expense is recorded in "Net interest income" according to the terms of the contract, or when the right to the payment has been established.

(iv) Hedging derivatives

The Bank may use derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities.

The treatment of any resulting gains and losses is set out below.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

A hedging relationship exists when:

- At the inception of the hedge there is formal documentation of the hedge;
- The hedge is expected to be highly effective throughout the period and prospectively;
- The effectiveness of the hedge can be reliably measured;
- For hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect net profit or loss.

(v) Financial liabilities designated at fair value through profit or loss

Financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in “Net (un) realised gains (losses) on financial assets and liabilities designated at fair value through profit or loss” in the income statement.

As of 31 March 2020 and 2019, included in this category are structured medium term notes issued by the Bank which contain embedded derivatives not separately recorded. These financial instruments are not listed on an active market (see Note 12).

(vi) Loans and advances

Under IFRS 9, loans and advances follow the business model ”Held To Collect” cash flows. Therefore, they are valued at amortised cost and subjected to the ECL calculation.

(e) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either:
    - The Bank has transferred substantially all the risks and rewards of the asset; or
    - The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(f) Reverse repurchase agreements

Securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in the caption "Net interest income" and is accrued over the life of the agreement using the effective interest rate ("EIR").

(g) Determination of fair value

The fair value for financial instruments traded in active markets is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models.

Also, profit or loss calculated when such financial instruments are first recorded ("Day 1" profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 33.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of financial assets

IFRS 9 has introduced a new impairment model based on Expected Credit Loss ("ECL").

The expected credit loss model requires the recognition of impairment at an amount equal to the probability-weighted 12-month ECL or lifetime ECL depending on whether there has been a significant increase in credit risk since initial recognition of the financial instrument. If a significant increase in credit risk has occurred since initial recognition, then impairment is measured as lifetime ECL otherwise 12-month ECL are measured, which represent the portion of lifetime ECL that are expected to occur based on default events that are possible within 12 months after the reporting date.

Evidence of impairment could include indications that the borrower or a group of borrowers was experiencing significant financial difficulty, the probability that they would enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicated that there was a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlated with defaults.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest and similar income". Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading assessment.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience, if any, is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

As of 31 March 2020 and 2019, no impairment losses on financial assets carried at amortised cost have been recorded by the Bank.

(i) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

(j) Recognition of income and expenses

Revenue recognition under IFRS 15 is applied using a five-step model:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation in the contract;
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest and similar income and expenses

For all financial instruments measured at amortised cost and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate ("EIR"), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as "Other operating income".

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income has to be divided into the following two categories:

<u>Fee income earned from services that are provided over a certain period of time</u>

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees, if any, are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

<u>Fee income from providing transaction services</u>

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, if any, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(iii) Dividend income

Dividend income is recognised when the Bank's right to receive the payment is established.

(k) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprises cash on hand, current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

(l) Tangible assets

Tangible assets are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of tangible assets to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Computer hardware: 3 to 5 years;
- Other fixtures and fittings, tools and equipment: 5 years.

Tangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the caption "Other operating income/expenses" in the income statement in the year the asset is derecognised.

For Right-of-Use assets and Lease liabilities, refer to Note 2, paragraph Changes in accounting policies, section "IFRS 16 – Leases".

(m) Intangible assets

The Bank's intangible assets include the value of computer softwares and licenses. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Development expenditures on an individual project are recognised as an intangible asset when the Bank can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software and licenses: 3 to 5 years.

(n) Impairment of non-financial assets

The carrying amounts of the Bank's assets, except deferred income tax assets and financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are

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discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

As of 31 March 2020, the Bank has recognised an impairment on intangible assets amounting to EUR 32,095,172 as referred to in Note 28.

(o) Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within "Other liabilities") at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the income statement. The premium received is recognised in the income statement in the caption "Net fee and commission income" on a straight-line basis over the life of the guarantee.

(p) Pension benefits

The Bank operates a defined contributions pension plan. The contributions payable to a defined contributions plan is in proportion to the annual gross salary of the concerned employees and is recorded as an expense under "Administrative expenses". Unpaid contributions are recorded as a liability.

(q) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

(r) Taxes

Income tax on the income statement for the year comprises current and deferred taxes. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date.

(ii) Deferred income tax

Deferred income tax is provided using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

(s) Comparative figures

Certain comparative figures as of 31 March 2019 have been modified to allow a better comparison.

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NOTE 3 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Going concern

The Bank's Board of Directors has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

(b) Estimation of fair values of financial instruments

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Securities

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

(ii) Derivatives

The fair value of derivatives is calculated, for listed instruments, on the basis of market prices ruling at the end of reporting period. When market prices are not available and/or reliable, valuation methods and models are used based on market-derived data (e.g. valuation of listed instruments with similar characteristics, discounted cash flow analysis, option price calculation methods, or valuation used in comparable transactions).

When discounted cash flow techniques are used, estimated future cash flows are based on Board of Directors' best estimates and the discount rate is a market related rate for a similar instrument at the reporting date. Where other pricing models are used, inputs are based on market related data at the reporting date.

(iii) Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Where quoted market prices or broker/dealer quotations are not available, prices for similar instruments or valuation pricing models are considered in the determination of fair value. Valuation pricing models consider contractual terms, position size, underlying asset prices, interest rates, dividend rates, time value, volatility and other statistical measurements for the relevant instruments or for instruments with similar characteristics. These models also incorporate adjustments relating to market liquidity adjustments. These adjustments are fundamental components of the fair value calculation process. The valuation technique used maximises the use of market inputs and recognizes the use of entity-specific inputs which are unobservable in the market.

Valuation pricing models and their underlying assumptions impact the amount and timing of recognised gains and losses recognised, and the use of different valuation pricing models or underlying assumptions could produce different financial results. Any changes in the fixed income, equity, and foreign exchange and commodity markets can impact the Bank's estimates of fair value in the future, potentially affecting trading gains and losses. The Bank's estimates of fair value may involve greater subjectivity due to the lack of transparent market data available upon which to base assumptions underlying valuation pricing models.

(iv) Other financial assets / liabilities

For other financial assets / liabilities with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

(c) Impairment

Assets are subject to impairment tests at the end of reporting periods. In determining whether an impairment loss should be recognised, the Bank makes judgements to ascertain whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is evidence of a long-term reduction in the value of the asset concerned, this is recognised in income statement on the basis of market prices in the case of listed instruments, and of estimated future cash flows discounted according to the original effective interest rate in the case of unlisted instruments. If the reasons for which the loss was recorded subsequently cease to apply, the impairment is written back to profit or loss accounts.

(d) Deferred taxes

Provisions for income taxes have been calculated on the basis of current, advance and deferred obligations. Advance and deferred taxes are calculated on the basis of temporary differences – without time limits – between the carrying amount of an asset or liability and its tax base.

Deferred tax assets and liabilities have been stated using the assumptions that the tax base of the assets and liabilities are determined by reference to Luxembourg tax principles.

The Bank has suffered a loss for the year ending on 31 March 2020 due to a one time impairment on intangible assets (Note 28) and has subsequently recognised deferred tax assets as it is confident that it will generate sufficient taxable profit over the coming years (Note 14).

NOTE 4 - CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS (IN EUR)

	31 March 2020	31 March 2019
Cash on hand	2,387	2,037
Cash balances at central banks	420,109,958	648,599,961
Other demand deposits	316,066,058	216,318,858
Total	**736,178,403**	**864,920,856**

Credit institutions established in Luxembourg are required to hold minimum reserves with the Luxembourg Central Bank. These deposits represent 1% of some of their liabilities. Compliance with the reserve requirement is determined on the basis of the institutions' average daily reserve holdings over the maintenance period. Thus, reserves of credit institutions can vary from one day to another following their treasury management, the money market or their expectations in terms of interest rates.

Mandatory reserve deposits with the Luxembourg Central Bank are not used in the Bank's day to day operations.

Refer to Note 32 for information on ECL.

NOTE 5 - DERIVATIVES HELD FOR TRADING - ASSETS (IN EUR)

They are composed of the positive fair values of equity linked swaps with an interest component contracts ("ELS") and forward foreign exchange transactions.

The Bank has entered into equity linked swaps contracts mainly in the context of its medium term notes program (see Note 12). These transactions do not qualify for hedge accounting in accordance with IFRS 9 provisions.

The Bank has entered into forward foreign exchange contracts mainly in the context of clients' transactions (these positions are then covered by a reverse transaction in the market) and, to a non significant extent, for dealing purposes.

	31 March 2020 Unlisted	31 March 2019 Unlisted
Derivatives on interest rates	1,583	---
Derivatives on foreign exchange rates	532,700,263	248,426,255
Total	**532,701,846**	**248,426,255**

As of 31 March 2020, the global notional amount of the ELS contracts, including ELS with negative fair values, amounts to EUR 22,636,820 (2019: EUR 29,341,372), which is equal to the nominal of the notes (see Note 12).

Type of derivatives / Underlying items	Interest rates		Foreign currency		Total - 31 March 2020	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Unlisted financial derivatives	251,288	1,583	11,232,774,495	532,700,263	11,233,025,783	532,701,846
Total	**251,288**	**1,583**	**11,232,774,495**	**532,700,263**	**11,233,025,783**	**532,701,846**

Type of derivatives / Underlying items	Interest rates		Foreign currency		Total - 31 March 2019	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Unlisted financial derivatives	---	---	13,471,944,140	248,426,255	13,471,944,140	248,426,255
Total	**---**	**---**	**13,471,944,140**	**248,426,255**	**13,471,944,140**	**248,426,255**

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NOTE 6 - FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS (IN EUR)

Debt instruments

They are composed of:

	31 March 2020	31 March 2019
Listed financial assets	836,184,073	1,003,108,049
Total	**836,184,073**	**1,003,108,049**

As of 31 March 2020, listed debt instruments are composed of Japanese, Chinese and European countries highly liquid bonds with residual maturity less than 6 months.

	31 March 2020	31 March 2019
France	189,513,210	180,074,844
Japan	586,421,263	764,138,412
Belgium	5,012,865	50,016,535
China	26,228,843	---
Netherlands	9,001,000	---
Sweden	20,006,892	---
USA	---	8,878,258
Total	**836,184,073**	**1,003,108,049**

As of 31 March 2020 and 2019, the composition of listed debt instruments by counterparty type is the following:

	31 March 2020	31 March 2019
Public bodies	586,421,262	1,003,108,049
Other entities	249,762,811	---
of which Credit Institutions	---	---
Total	**836,184,073**	**1,003,108,049**

NOTE 6 - FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS (IN EUR) (continued)

Collateral posted

As of 31 March 2020, the Bank has pledged debt securities which have a total fair value of EUR 265,430,440 (2019: EUR 166,629,160) of which EUR 265,147,976 (2019: EUR 150,046,408) in favour of Euroclear in order to benefit from a credit facility of USD 400 million maximum to cover daily settlement activity.

	31 March 2020	31 March 2019
Fair value of pledged securities	265,430,440	166,629,160

NOTE 7 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (IN EUR)

Equity instruments

They were composed of:

	31 March 2020	31 March 2019
Unlisted equity investments	14,051,407	13,128,526
Total	**14,051,407**	**13,128,526**

As of 31 March 2020, investments in subsidiaries are composed of shares in the following affiliated undertakings:

Name:	Global Funds Management S.A.
Registered office:	33, rue de Gasperich L-5826 Hesperange
Proportion of the capital held:	100%
Amount of capital and reserves as of 31.03.2020:	EUR 9,034,729
Profit for the year ended 31.03.2020:	EUR 345,544
Amount of capital and reserves as of 31.03.2019:	EUR 8,667,810
Profit for the year ended 31.03.2019:	EUR 366,919

Name:	Global Funds Trust Company
Registered office:	c/o Maples & Calder P.O. Box 309, Ugland House George Town, Grand Cayman Cayman Islands
Proportion of the capital held:	100%
Amount of capital and reserves as of 31.03.2020:	EUR 2,966,963
Profit for the year ended 31.03.2020:	EUR 379,347
Amount of capital and reserves as of 31.03.2019:	EUR 2,659,859
Profit for the year ended 31.03.2019:	EUR 307,104

Financial assets at fair value through other comprehensive income are also composed, for a not significant amount, of other unlisted securities.

NOTE 8 - FINANCIAL ASSETS AT AMORTISED COST (IN EUR)

	31 March 2020	31 March 2019
Loans and advances to:		
- Credit institutions	1,360,575,291	1,188,062,626
- Other financial corporations	242,228,823	598,883,458
- Households	664,159	731,538
Total	**1,603,468,273**	**1,787,677,622**

As of 31 March 2020, in accordance with IFRS 9, the Bank has recorded an ECL on its financial assets at amortised cost for an amount of EUR 21,786 (2019: EUR 12,523).

Credit institutions - breakdown:

	31 March 2020	31 March 2019
Reverse Repurchase agreements	377,801,505	403,975,460
Other term loans	975,611,158	776,015,479
Advances that are not loans	7,162,628	8,071,687
Total	**1,360,575,291**	**1,188,062,626**

Other financial corporations - breakdown:

	31 March 2020	31 March 2019
Reverse Repurchase agreements	227,675,880	592,750,395
Other term loans	8,886,398	24,325
Advances that are not loans	5,666,545	6,108,738
Total	**242,228,823**	**598,883,458**

Advances that are not loans are accounts receivable for the account of third parties. These accounts are “Transitory accounts” maintained by the Bank for operational purposes and are linked to the accounts payable for the account of third parties disclosed in the caption “Other financial liabilities” (Note 13).

Guarantees received as collateral

The reverse repurchase agreements are fully secured by government or corporate bonds.

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NOTE 8 - FINANCIAL ASSETS AT AMORTISED COST (IN EUR) (continued)

Financial assets at amortised cost to households - breakdown:

	31 March 2020	31 March 2019
Credit cards, personal loans and loans guaranteed by payrolls	664,159	731,538
Total	**664,159**	**731,538**

NOTE 9 - MOVEMENTS IN TANGIBLE AND INTANGIBLE ASSETS (IN EUR)

The following table presents the movements in tangible and intangible assets during the financial year:

Tangible and intangible assets	Gross value at the beginning of the financial year	Additions	Impairment	Gross value at the end of the financial year	Accumulated depreciation at the beginning of the financial year	Accumulated depreciation at the end of the financial year	Net carrying value as of 31 March 2020	Net carrying value as of 31 March 2019
Tangible assets of which:	**22,805,480**	**969,906**	**-**	**23,775,386**	**(14,003,182)**	**(17,448,009)**	**6,327,377**	**2,538,991**
Computer hardwares	11,776,387	662,868	-	12,439,255	(9,399,846)	(10,199,015)	2,240,240	2,376,541
Office furniture, fixtures, fittings and equipment	4,765,786	3,881	-	4,769,667	(4,603,336)	(4,647,149)	122,518	162,450
Right of use assets on buildings	6,263,307 [1]	303,157	-	6,566,464		(2,601,845)	3,964,619	
Intangible assets of which:	**70,713,483**	**6,010,933** [2]	**(32,095,172)** [3]	**44,629,244**	**(32,483,466)**	**(34,381,000)**	**10,248,244**	**38,230,017**
Computer softwares and licences	70,713,483	6,010,933	(32,095,172)	44,629,244	(32,483,466)	(34,381,000)	10,248,244	38,230,017

(1) This amount relates to the application of IFRS16.
(2) This amount relates mainly to the work in progress concerning IT developments.
(3) Refer to Note 28.

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NOTE 10 - OTHER ASSETS (IN EUR)

	31 March 2020	31 March 2019
Commissions receivable	9,627,465	9,582,478
Prepaid expenses	3,075,282	3,400,985
Other items	6,157,258	5,087,037
Total	**18,860,005**	**18,070,500**

Commissions receivable refer to fees receivable for the services (mainly Custodian, Administration and Paying Agency services) rendered by the Bank. A significant part of those commissions are usually claimed on a quarterly basis. Other items are mainly composed of fees to be received from Group counterparties.

NOTE 11 - DERIVATIVES HELD FOR TRADING - LIABILITIES (IN EUR)

They are composed of the negative fair values of the ELS and the forward foreign exchange contracts.

The Bank has entered into ELS in the context of the medium term notes program (see Note 12). These transactions do not qualify for hedge accounting in accordance with IFRS 9 provisions.

The Bank enters into forward foreign exchange contracts mainly in the context of clients' transactions (these positions are then covered by a reverse transaction in the market) and, to a non-significant extent, for dealing purposes.

	31 March 2020 Unlisted	31 March 2019 Unlisted
Derivatives on interest rates	11,239,036	8,703,937
Derivatives on foreign exchange rates	533,707,317	242,027,980
Total	**544,946,353**	**250,731,917**

NOTE 11 - DERIVATIVES HELD FOR TRADING - LIABILITIES (IN EUR) (continued)

Type of derivatives / Underlying items	Interest rates		Foreign currency		Total - 31 March 2020	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Unlisted derivative products						
Financial derivatives	22,385,532	11,239,036	12,128,231,082	533,707,317	12,150,616,614	544,946,353
Total	**22,385,532**	**11,239,036**	**12,128,231,082**	**533,707,317**	**12,150,616,614**	**544,946,353**

Type of derivatives / Underlying items	Interest rates		Foreign currency		Total - 31 March 2019	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Unlisted derivative products						
Financial derivatives	29,341,372	8,703,937	13,314,774,803	242,027,980	13,344,116,175	250,731,917
Total	**29,341,372**	**8,703,937**	**13,314,774,803**	**242,027,980**	**13,344,116,175**	**250,731,917**

NOTE 12 - FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (IN EUR)

The Bank issued structured medium term notes with a nominal value of EUR 22,636,820 (2019: EUR 29,341,372) and with structured coupon rates, including embedded derivatives.

The Bank has decided to use the fair value option (see Note 2 (d) *(v)*) to measure these debt certificates under the medium term notes program due to their embedded derivatives. These financial instruments are not listed on an active market. Their fair value is calculated using a valuation technique (see Note 32).

In the context of the medium term notes program, the Bank has entered into equity linked swap transactions (see Notes 5 and 11).

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NOTE 13 - FINANCIAL LIABILITIES AT AMORTISED COST (IN EUR)

Amounts due to credit institutions

As of 31 March 2020 and 2019, they are composed of:

	31 March 2020	31 March 2019
Current accounts, margin calls and deposits on demand	7,011,570	16,378,860
Total	**7,011,570**	**16,378,860**

Amounts due to customers

As of 31 March 2020 and 2019, they are composed of:

	31 March 2020	31 March 2019
Current accounts	2,808,132,837	3,116,273,722
Term deposits	17,859,722	9,262,043
Total	**2,825,992,559**	**3,125,535,765**

Other financial liabilities

As of 31 March 2020 and 2019, they are composed of:

	31 March 2020	31 March 2019
Other financial liabilities	21,793,286	14,180,431
of which lease liabilities	*3,306,471*	*N.A.*
Total	**21,793,286**	**14,180,431**

Other financial liabilities are accounts payable for the account of third parties. These accounts are “Transitory accounts” maintained by the Bank for operational purposes and are linked to the accounts receivable for the account of third parties disclosed in the caption “Financial assets at amortised cost” (Note 8).

NOTE 14 - TAX EXPENSE/INCOME, TAX ASSETS AND TAX LIABILITIES (IN EUR)

The components of income tax expense/income, tax assets and tax liabilities for the years ended 31 March 2020 and 2019 are as follows:

	31 March 2020	31 March 2019
Current tax assets	7,955,168	---
Deferred tax assets	4,760,307	2,361,415
- due to temporary deductible differences	3,080,307	2,361,415
- due to carry-forward of unused tax credits	100,000	---
- due to carry-forward of unused tax losses	1,580,000	---
Total tax assets	**12,715,475**	**2,361,415**
Current tax liabilities	772,132	217,499[1]
Deferred tax liabilities		
- due to temporary taxable differences	4,421,747	3,563,991
Total tax liabilities	**5,193,879**	**3,781,490**

[1] For the year ended 31 March 2019, the amount of EUR 217,499 disclosed under Current tax liabilities is the net amount (tax liabilities of EUR 3,936,132 - tax assets of EUR 3,718,633).

Income tax	31 March 2020	31 March 2019
Current taxes	---	(5,014,000)
Deferred taxes	1,686,109	49,505
Related to the fiscal year	*1,686,109*	*36,868*
Changes in income tax rate	*---*	*12,637*
Total	**1,686,109**	**(4,964,495)**

NOTE 14 - TAX EXPENSE/INCOME, TAX ASSETS AND TAX LIABILITIES (IN EUR) (continued)

The reconciliation between the tax expense/income and the accounting profit multiplied by Luxembourg tax rate for the years ended 31 March 2020 and 2019 is as follows:

	31 March 2020	31 March 2019
Profit/(loss) before tax	(6,356,064)	21,882,948
Theoretical tax expense/income (24,94% rate)	1,585,202	(5,457,607)
+/- adjustments linked to:		
income not subject to tax	---	---
non-deductible expenses	(13,520)	15,850
Other	114,427	477,262
Total	**1,686,109**	**(4,964,495)**

The Bank has recognised deferred tax assets due to the carry-forward of unused tax credits and due to the carry-forward of unused tax losses as it is confident that it will generate sufficient taxable profit over the next 3 years in order to use the unused tax losses carried forward.

NOTE 15 - OTHER LIABILITIES (IN EUR)

	31 March 2020	31 March 2019
Salary related contributions	2,479,800	2,393,217
Deferred income	6,479,813	5,059,944
Other	4,028,862	4,067,826
Total	**12,988,475**	**11,520,987**

Deferred income include payments received by the Bank for its agency activities within its own medium term notes program and within other debt securities programs carried out by other companies of the Nomura Group for which the Bank delivers agency services (Calculation Agent, Paying Agent and Settlement Agent).

NOTE 16 - ISSUED CAPITAL (IN EUR)

As of 31 March 2020 and 2019, the Bank's authorised, subscribed and paid-up capital amounts to EUR 28,000,000 represented by 2,800 ordinary shares with a nominal value of EUR 10,000 each.

NOTE 17 - RESERVES (INCLUDING RETAINED EARNINGS) (IN EUR)

Under Luxembourg law, the Bank must appropriate to a legal reserve an amount equivalent to at least 5% of the annual net profit until such reserve is equal to 10% of the share capital. This appropriation is made in the following year. Distribution of the legal reserve is restricted.

Luxembourg tax legislation provides for a reduction in the net worth tax equal to its global amount on the condition that a special reserve is established in an amount equal to 5 times the net worth tax reduction for the current year, and maintained for 5 years.

Allocation of the profit for the year ended 31 March 2019:

Profit for the year ended 31 March 2019	16,918,453
Distribution of dividend	(10,360,000)
Release of the NWT reserve 2014	8,500,000
Transfer to a special reserve for NWT 2020 reduction	(15,000,000)
Allocation to retained earnings	(58,453)

Interim dividend distribution:

On 22 November 2019, the Board of Directors has decided to proceed to a distribution of an interim dividend to its shareholders. The interim dividend, amounting to EUR 180,040,000 (representing a dividend of EUR 64,300 per share), was paid on10 December 2019.

NOTE 18 - ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of 31 March 2020, the aggregate amount of the Bank's assets denominated in currencies other than EUR, translated into EUR, amounts to EUR 2,840,526,003 (2019: EUR 2,713,352,443).

As of 31 March 2020, the aggregate amount of the Bank's liabilities denominated in currencies other than EUR, translated into EUR, amounts to EUR 3,132,083,846 (2019: EUR 3,200,973,313).

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NOTE 19 - INTEREST AND SIMILAR INCOME (IN EUR)

	31 March 2020	31 March 2019
Derivatives - trading	938,734	952,029
Debt securities	274,210	330,667
Loans and advances	26,603,961	25,514,396
Deposits	83,112	77,577
Total	**27,900,017**	**26,874,669**

NOTE 20 - INTEREST AND SIMILAR EXPENSES (IN EUR)

	31 March 2020	31 March 2019
Debt securities (negative interest rates)	(2,260,179)	(2,252,774)
Loans and advances (negative interest rates)	(970,878)	(999,472)
Deposits	(16,788,760)	(21,414,171)
Debt securities issued	(859,667)	(875,509)
Interest on lease liabilities	(33,950)	---
Total	**(20,913,434)**	**(25,541,926)**

NOTE 21 - DIVIDEND INCOME

No dividend has been received for the years ended 31 March 2020 and 2019.

NOTE 22 - NET FEE AND COMMISSION INCOME (IN EUR)

	31 March 2020	31 March 2019
Administration fees	31,077,317	31,063,799
Custody fees	16,081,999	14,275,957
Other fees	13,479,950	12,238,749
Total fee and commission income	**60,639,266**	**57,578,505**
Total fee and commission expenses	**(1,545,722)**	**(439,539)**
Net fee and commission income	**59,093,544**	**57,138,966**

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NOTE 23 - NET (UN)REALISED GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING (IN EUR)

For the years ended 31 March 2020 and 2019, this caption includes the realised and unrealised gains and losses on derivative financial instruments held for trading.

	31 March 2020	31 March 2019
Derivatives on interest rates	(2,533,516)	663,430
Derivatives on foreign exchange rates	15,009,062	17,855,042
Total	**12,475,546**	**18,518,472**

NOTE 24 - NET (UN)REALISED GAINS OR (-) LOSSES ON NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS (IN EUR)

	31 March 2020	31 March 2019
Debt securities	26,497	(8,614)
Total	**26,497**	**(8,614)**

NOTE 25 - NET (UN)REALISED GAINS (LOSSES) ON FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (IN EUR)

	31 March 2020	31 March 2019
Debt securities issued	2,533,516	(663,430)
Total	**2,533,516**	**(663,430)**

NOTE 26 - FOREIGN EXCHANGE DIFFERENCES (IN EUR)

	31 March 2020	31 March 2019
Spot exchange on derivatives and other financial instruments		
Gains	410,011,028	475,053,933
Losses	(410,270,930)	(475,465,864)
Total	**(259,902)**	**(411,931)**

NOTE 27 - ADMINISTRATIVE EXPENSES (IN EUR)

	31 March 2020	31 March 2019
Wages and salaries		
- Wages and salaries	26,192,811	26,644,720
- Social contributions	2,528,925	2,973,086
- Other expenses	1,510,200	1,532,300
- Defined contributions plan	223,171	503,279
Total wages and salaries	**30,455,107**	**31,653,385**
Other administrative expenses		
- Advisory and audit fees (1)	673,726	1,117,511
- Legal fees	94,344	28,158
- Maintenance, repairs and refurbishment	25,890	10,104
- Rents and leases	186,004	2,436,521
- Service providers	135,689	133,188
- Couriers	*28,404*	*24,552*
- Telephone and web services	*107,285*	*108,636*
- Agency and travel expenses	225,485	181,226
- Membership subscription	1,539,575	1,490,492
- IT costs	8,966,212	6,363,120
- Pricing and other services	5,445,743	5,194,536
- Other	568,557	498,560
Total other administrative expenses	**17,861,225**	**17,453,416**
Total administrative expenses	**48,316,332**	**49,106,801**

(1) Refer to Note 31 for the detail of the fees paid to the Réviseur d'entreprises agréé.

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NOTE 28 - AMORTISATION AND IMPAIRMENT (IN EUR)

For the years ended 31 March 2020 and 2019, amortisation and impairment are as follows:

31 March 2020	Amortisation	Impairment	Total
Tangible assets	**3,444,827**	**---**	**3,444,827**
of which:			
Owned assets	842,982	---	842,982
Right-of-Use assets	2,601,845	---	2,601,845
Intangible assets	**1,897,534**	**32,095,172**	**33,992,706**
Total	**5,342,361**	**32,095,172**	**37,437,533**

31 March 2019	Amortisation	Impairment	Total
Tangible assets	**950,368**	**---**	**950,368**
of which:			
Owned assets	950,368	---	950,368
Right-of-Use assets			
Intangible assets	**1,988,456**	**---**	**1,988,456**
Total	**2,938,824**	**---**	**2,938,824**

On 7 November 2019, after reassessing the feasibility and re-planning the continuation from both a timeline and cost perspective, the Bank's Executive Committee has taken the decision to discontinue the Equinox Project. On 3 December 2019, after careful consideration, the Board of Directors unanimously approved this decision. This resulted in an impairment of all capitalized costs linked to the project amounting to EUR 32,095,172. Consequently, a Termination agreement has been concluded with the software provider for an amount of EUR 1,799,900 (without VAT), which is reported under the caption "Other administrative expenses" (see Note 27).

NOTE 29 - GUARANTEES, CONTINGENT LIABILITIES AND COMMITMENTS (IN EUR)

As of 31 March 2020 and 2019, the Bank's guarantees and commitments may be analysed as follows:

	31 March 2020	31 March 2019
Guarantees given		
Financial guarantees	106,110	106,720
Total	**106,110**	**106,720**

As of 31 March 2020 and 2019, guarantees given are composed of guarantees given on behalf of some of the Bank's employees to third parties for an amount of EUR 106,110 (2019: EUR 106,720).

NOTE 29 - GUARANTEES, CONTINGENT LIABILITIES AND COMMITMENTS (IN EUR) (continued)

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial position.

Deposit guarantee schemes – Fonds de garantie des dépôts Luxembourg (« FGDL ») and Fonds de résolution (« FRL »)

The law related to the resolution, reorganization and winding-up measures of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes (the “Law”), transposing into Luxembourgish law the directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and the directive 2014/49/EU related to deposit guarantee and investor compensation schemes, was passed on 18 December 2015.

This new system will cover eligible deposits of each depositor up to an amount of EUR 100,000 and investments up to an amount of EUR 20,000. The Law also provides that deposits resulting from specific transactions or fulfilling a special social or other purpose are covered for an amount above EUR 100,000 for a period of 12 months.

The funded amount of the FRL shall reach by the end of 2024 at least 1% of covered deposits, as defined in article 1 number 36 of the Law, of all authorized credit institutions in all participating Member States. This amount will be collected from the credit institutions through annual contributions during the years 2015 to 2024. The amount paid by the Bank for the year ended 31 March 2020 in that respect is EUR 859,343 and is included under “Administrative expenses” (31 March 2019: EUR 911,728).

NOTE 29 - GUARANTEES, CONTINGENT LIABILITIES AND COMMITMENTS (IN EUR) (continued)

The target level of funding of the FGDL is set at 0,8% of covered deposits, as defined in article 163 number 8 of the Law, of the relevant credit institutions and is to be reached by the end of 2018 through annual contributions. The contributions are to be made in the form of annual payments during the years 2016 to 2018. No contribution was made for the year ended 31 March 2020 as the Bank had no covered deposits.

When the level of 0,8% is reached, the Luxembourg-based credit institutions should continue contributing for 8 additional years in order to reach an additional safety buffer of 0,8% of covered deposits as defined in article 163 number 8 of the Law.

NOTE 30 - STAFF

For the years ended 31 March 2020 and 2019, the average number of Bank's staff is as follows:

	31 March 2020	31 March 2019
Management – Senior	4	4
Management – Middle	43	49
Other staff	277	277
Total	**324**	**330**

As of 31 March 2020 and 2019, the Bank has granted advances and credits to members of its managerial bodies and has entered into guarantees on their behalf as follows (in EUR):

	31 March 2020	31 March 2019
Guarantees		
Managerial bodies	22,430	9,500
Total	**22,430**	**9,500**

NOTE 31 - FEES PAID TO THE RÉVISEUR D'ENTREPRISES AGRÉÉ (IN EUR)

For the years ended 31 March 2020 and 2019, the fees paid to the Réviseur d'entreprises agréé are split as follows (excluding VAT):

	31 March 2020	31 March 2019
Statutory audit of the financial statements	178,480	178,480
Other assurance services	117,125	102,125
Tax consulting services	---	---
Other services	---	---
Total	**295,605**	**280,605**

For the year ended 31 March 2020, "Other assurance services" consisted of the issuance of a Service Organization Control ("SOC") Report Type II on global custody, fund accounting, transfer agency and information technology activities, and the issuance of an Independent auditor's report in accordance with article 461-3 of the law of 10 August 1915 on commercial companies, as subsequently amended, on the proposed distribution of an interim dividend.

For the year ended 31 March 2019, "Other assurance services" consisted of the issuance of a Service Organization Control ("SOC") Report Type II on global custody, fund accounting, transfer agency and information technology activities, and the issuance of an Agreed Upon Procedures ("AUP") Report in relation to the IAS 39/IFRS 9 transition as at 31 March 2018/ 1 April 2018 as requested by the CSSF.

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NOTE 32 - RISK MANAGEMENT (IN EUR)

In the Note 32, the concept of "hedging" is to be understood from an economic point of view and not from an IFRS point of view.

1. Three Lines of Defence Model

The Bank has adopted the "Three Lines of Defence" model as the outline for risk governance, comprising the following elements:

1) First line of defence – risk owners: the business owns and manages its risks in accordance with agreed risk policies, limits and controls, at the operational level. It is composed of the Bank's business activities, including Fund Administration Division, Depositary & Custody Division, Banking Services Division, and Client Support Division.

2) Second line of defence – risk control functions: formed of support functions, responsible for defining risk policies and risk processes and controls that contribute to the Bank's overall risk control. For instance: Risk Management Department, Compliance Department, Corporate Legal Department, Fund Legal Department, Corporate Planning & Strategy Division, IT-Strategic Change Management Division, the Data Privacy Manager and Information Security Department.

3) Third line of defence – risk assurance function: provides independent, objective and critical review of the first two lines of defence. This is performed by Internal Audit Department.

2. Embedding risk governance across the Bank

- Board of Directors

  The Board of Directors has the ultimate responsibility for setting up the Bank's appetite for risks and the tolerance limits. In case that the risk appetite is significantly breached, the Board of Directors shall require corrective measures, which may need to be reported to the regulator as per regulatory requirements.

  The Board of Directors shall globally define strategies and supervise the risk management and capital adequacy. The Board of Directors also ensures that Management establishes a framework for assessing the various risks, develops a system to relate risk to the Bank's capital level and establishes a method for monitoring compliance with internal policies. The Board of Directors shall promote the risk culture across the Bank.

- Executive Committee ("ExCom")

The ExCom has the responsibility to manage the Bank's day-to-day activities. Regarding risk management, the ExCom has to:

1) Implement the Risk Appetite;

2) Adopt and support Risk Management policies and procedures, including controls;

3) Set guidelines for the Risk Management framework;

4) Promote the risk culture across the Bank;

5) Define and review the risk strategy of the Bank.

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

- Risk Management Committee

The purpose of this Committee is to assist the ExCom in fulfilling its responsibility with respect to:

1) Assess the adequacy between the risks incurred, the Bank's ability to manage these risks and the internal and regulatory own funds and liquidity reserves;

2) Oversight of the Bank's Risk Management framework, including the significant policies, procedures and practices used in managing the Bank's risks;

3) Review certain risk limits and regular risk reporting and make recommendations to the ExCom when appropriate;

4) Review operational risk events and root causes analysis.

The Risk Management Committee meets on a monthly basis and it is well represented by ExCom members as well as Senior Management of the business units.

- Other Committees or Groups

The following Committees meet also on a regular basis to complement the risk governance of the Bank:

1) Asset and Liability Committee ("ALCO");

2) Audit Committee;

3) Business Continuity Management Committee;

4) Change Advisory Board;

5) Due Diligence Steering Committee;

6) NBL ExCom and HR Committee;

7) Information Security Committee;

8) Monthly Interest Review Meeting;

9) New Product Approval Committee;

10) Nostro Committee;

11) Pricing Advisory Group Committee;

12) Program Board;

13) Regulatory Steering Committee.

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

- Risk Management Department ("RMD")

Risk Management department covers two activities.

1) Financial Risk, covering market risk, credit risk, liquidity risk and other financial risks;

2) Operational Risk, covering operational risk events, Risk Control Self-Assessment ("RCSA"), Key Risk Indicators ("KRI") and Scenario analysis.

(a) Market Risk: qualitative information

Market risk is the risk of losses arising from fluctuations in values of financial assets or debts (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others). Exposure to this type of risk primarily results from liquidity placement and FX transaction dealing activities.

The related exposure to market risk is considered as non-material by the Bank.

(i) Interest Rate Risk

Interest rate risk is the potential adverse change in the economic value of a financial instrument or portfolio due to fluctuating interest rates.

The Market Risk Appetite of the Bank is to maintain a low materiality of interest rate risk as measured through stress tests.

The analysis of the balance sheet split by time bucket reveals that the Bank is mainly exposed to interest rate risk for periods less than 1 year.

The long term debt schedule, corresponding to the notes issued within the MTN program, is offset by the notional amount of the ELS reported on the assets and liabilities side.

Despite this observation, according to the CSSF circular 16/642, a calculation is performed twice a year to assess the impact on NBL balance sheet of a +/-200 bps movement in interest rates.

The results indicate that the impact of a 200 bps increase of the interest rates on the economic value of the Bank as of 31 December 2019 (last available calculation) would be EUR 4,568,180 (31 December 2018: EUR 2,668,949).

On the other hand, the impact of a decrease of 200 bps would be EUR -845,036 (31 December 2018: EUR -395,824).

This stress test confirmed the non-material nature of interest rate risk to the Bank.

(ii) Foreign Exchange Risk

Exchange rates risk is the risk of loss arising from future movements in the exchange rates applicable to the currency positions maintained by the Bank. Similarly to all market risks, foreign exchange risk arises from both open and imperfectly offset or hedged positions.

- **Foreign Exchange Risks on Own Positions**

Acting upon the clients' orders, the Bank deals spot and forward transactions in JPY, USD, and other currencies. The highest transaction volumes are being performed on USD and JPY currencies.

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

The Forex Dealing Department has to cover each customer's intra-day position. As such, no significant speculative transactions are carried out by the Bank for its own account.

The Banks has adopted an Open Currency Position Policy which defines the following open currency position limits:

- Open currency position less than EUR 150,000 equivalent per actively traded currency (with the exception of USD and JPY less than EUR 500,000 equivalent each);
- EUR 50,000 equivalent per other currency;
- Aggregate open position of EUR 2,500,000 equivalent.

Risk Management Department also performs an independent check against Forex Dealing Department figures and reports to ExCom on a daily basis.

The stress testing scenarios resulted in the worst case to a potential impact of EUR 1,960 as of end of March 2020 (2019: EUR 156,121), which is deemed not material.

- Foreign Exchange Risks on the Custody and Administration Fees

Another source of foreign exchange risk relates to the mismatch between expenses (mainly in EUR) and revenues as the invoices to funds clients are mainly denominated in non-EUR currencies (in USD and JPY).

The Forex Dealing Department has set up a procedure for converting estimated cash inflows resulting from its main source of revenues: the fund custody and administration fees.

The Forex Dealing Department monitors the trends of exchange rate curves and may suggest converting measures to cope with the risk attached to the negative variation of exchange rates.

This process allows the Bank to reduce its exposure on foreign exchange risk.

(b) Credit risk

Credit risk is the risk of loss arising from an obligor's default, insolvency or administrative proceeding which results in the obligor's failure to meet its contractual obligations in accordance with the agreed terms.

(i) Counterparty Credit Risk

Counterparty credit risk is the risk associated to the deterioration of the creditworthiness of a counterparty.

Because of the nature of its activity, the Bank enters into a reduced set of transactions for its own account.

The credit risk management and monitoring is performed at two levels:

- Firstly, at local level, by the Risk Management Department;
- Secondly, at the level of the Nomura Group Credit Risk Management.

The applicable framework is defined in the Credit Risk Management Policy.

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

- **On-Balance Sheet Transactions**

The counterparty risk for on-balance sheet activities mainly concerns cash placements that are done on a daily basis by the Liquidity Management Department.

The major part of this liquidity comes from the cash held on the funds cash accounts under the Bank's custody. These cash positions are then placed on the market by the Bank as short-term deposits or reverse repos, or invested in short term securities.

Every day, the Liquidity Management Department monitors its credit limits on the peak exposure of outstanding trades and the maximum tenor, which is a time limit of the exposure, as well as the regulatory large exposures limits.

These exposures are compared to the credit limits to define which initial or additional positions may be taken with a specific counterparty.

At the end of the day, Risk Management Department performs relevant exposure control and monitoring. Moreover, a credit risk report is sent by RMD on a daily basis to the ExCom.

Every morning, an extraction of all cash placements as of last business day is provided to the Nomura Group Credit Risk Management and the same day, the Liquidity Management Department and the Risk Management Department receive back from NIP a detailed report containing all the limits (exposure and tenor) and the actual positions by counterparty.

On top of the Bank's internal applicable controls, Nomura Group Credit Risk Management also performs the credit exposure monitoring of the nostro accounts the Bank holds with its counterparties and for the overdrafts of the funds accounts in the Bank's books.

- **Off-Balance Sheet Transactions**

  Foreign exchange transactions

  The Bank enters into foreign exchange transactions with the investment funds under administration (in this case, the Bank is the counterparty of the funds) and then an opposite foreign exchange is performed with market counterparties (mainly Nomura Group).

  Equity Linked Swaps

  The Bank's exposure to ELS comes from the Medium-Term Notes ("MTN") program where the Bank is issuing its own Notes.

  In that respect, the Bank, as an issuer, is not exposed to credit risk but may be exposed to interest rate risk.

  In order to cover this risk, the Bank enters into Equity Linked Swaps with Nomura Securities Co, Ltd. ("NSC") every time a Note is issued.

  This systematic ELS transaction covers the interest rate risk but creates an exposure to a counterparty risk with NSC.

  As of 31 March 2020, the exposure to NSC represented EUR 22,636,820 (nominal amount), of which EUR 20,940,625 with a residual maturity less than one year (2019: exposure to NSC: nominal of EUR 29,341,372, of which EUR 6,349,659 with a residual maturity less than one year).

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

- **Netting agreements**

  The Bank enters into ISDA agreements with its counterparties with whom foreign exchange transactions are dealt.

  The Bank benefits from the netting clause of those agreements, such that, in the event of a counterparty's failure to perform owing to default, bankruptcy, liquidation or any other similar circumstances, it would have a claim to receive or an obligation to pay only the net sum of the positive and negative mark-to-market values of included individual transactions.

  To benefit from the netting clause, ISDA agreements are submitted to the CSSF for recognition as credit risk mitigation technique.

- **Collateral Management Activities**

  The Bank is engaged in the following collateral management programmes:

  Pledge of assets

  Main credit risk exposure towards the investment funds comes from forward foreign exchange transactions. In order to reduce this exposure, the Bank has entered into Credit Support Deeds (CSDs) with certain investment funds allowing taking financial collateral (cash or securities).

  In case the exposure with one investment fund is going to exceed the Bank's Risk Appetite, the adequate amount of eligible collateral is transferred from the investment fund's portfolio and pledged to the collateral account in order to keep the exposure below the limit.

- **Margin calls under CSA**

  For the forward foreign exchange transactions subject to regulatory margin rules and concluded between the Bank and investment funds or external counterparties, both counterparties to the transaction manage the economic potential loss or gain and require that collateral is allocated to cover the exposure, through a margining process.

  The Bank has entered into ISDA/CSA agreements, which describe all the collateral requirements (eligibility, valuation, conditions) that must be followed to cover the mark-to-market exposure arising from these transactions.

  In order to make sure that the margin calls are correctly handled, the Bank actively monitors the forward foreign exchange mark-to-market exposure and coverage on a daily basis. The conditions are negotiated by the Bank with the counterparties, and are in line with the Nomura Group Credit Risk guidelines.

- **Securities Lending**

  For the securities lending activity, the Bank acts as an agent to allow Nomura International plc ("NIP"), which is the exclusive borrower, to borrow securities from the portfolios of the investment funds that agree to participate as lenders.

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NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

All the securities lent to NIP are pledged by collateral (USD cash amount or G-10 government bonds) in order to cover the counterparty risk. This collateral must represent 105% of the market value of the lent securities.

As agent, the Bank has the responsibility to manage the collateral pledged to cover the counterparty risk. The high eligibility criteria ensure appropriate liquidity of the collateral and the 105% margin covers the potential losses and costs generated by the lent securities buy-in.

- **Exposures classes**

  The table below shows the credit risk exposure arising from financial assets following the standardised approach. Counterparty credit risk exposure arising from derivatives contracts are measured according to the mark-to-market method. Net exposure consists of the gross exposure less the amount of the collateral received at the reference date.

Balance sheet exposures

31 March 2020	Gross exposures	Credit risk mitigation	Residual net exposures
Central Governments or Central Banks	1,006,531,221	---	1,006,531,221
Regional Governments or local authorities	---	---	---
Public Sector Entities	---	---	---
Multilateral Development Banks	---	---	---
Institutions	313,751,796	(223,586,760)	90,165,036
Corporates	462,222,499	(296,349,832)	165,872,667
Retail	770,269	---	770,269
Short-Term Credit Assessment	1,877,254,186	(363,791,060)	1,513,463,126
Equity Exposures	972,020	---	972,020
Other Items	28,176,574	---	28,176,574
Total	**3,689,678,565**	**(883,727,652)**	**2,805,950,913**

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

31 March 2019	Gross exposures	Credit risk mitigation	Residual net exposures
Central Governments or Central Banks	1,412,738,373	---	1,412,738,373
Regional Governments or local authorities	200,077,423	---	200,077,423
Public Sector Entities	30,013,956	---	30,013,956
Multilateral Development Banks	8,878,258	---	8,878,258
Institutions	657,898,939	(572,492,252)	85,406,687
Corporates	194,440,484	(129,650,791)	64,789,693
Retail	838,258	---	838,258
Short-Term Credit Assessment	1,391,988,162	(322,453,668)	1,069,534,494
Equity Exposures	967,880	---	967,880
Other Items	13,427,574	---	13,427,574
Total	**3,911,269,307**	**(1,024,596,711)**	**2,886,672,596**

Off balance sheet exposures

	Exposure 31 March 2020	Exposure 31 March 2019
Guarantees	106,110	106,720
Total	**106,110**	**106,720**

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

Credit quality per class of financial assets

The table below shows the credit quality by class of credit risk assets, based on the Bank's credit rating system (gross exposure amounts at the reference date).

31 March 2020	Neither past due nor impaired					Past due or individually impaired	Impairment	Total
	Prime Quality	High grade	Standard grade	Sub-standard grade	Not rated			
Central Governments or Central Banks	420,109,958	586,421,263	---	---	---	---	---	1,006,531,221
Regional Governments or local authorities	---	---	---	---	---	---	---	---
Public Sector Entities	---	---	---	---	---	---	---	---
Multilateral Development Banks	---	---	---	---	---	---	---	---
Institutions	---	34,869,720	12,286,524	---	266,595,552	---	---	313,751,796
Corporates	---	31,241,709	---	---	430,980,790	---	---	462,222,499
Retail	---	---	---	---	770,269	---	---	770,269
Short-Term Credit Assessment	---	1,662,346,005	214,908,181	---	---	---	---	1,877,254,186
Equity Exposures	---	---	---	---	972,020	---	---	972,020
Other Items	---	---	---	---	28,176,574	---	---	28,176,574
Grand Total	**420,109,958**	**2,314,878,697**	**227,194,705**	**---**	**727,495,205**	**---**	**---**	**3,689,678,565**

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

31 March 2020	Neither past due nor impaired: Prime Quality	High grade	Standard grade	Sub-standard grade	Not rated	Past due or individually impaired	Impairment	Total
Central Governments or Central Banks	648,599,961	764,138,412	---	---	---	---	---	1,412,738,373
Regional Governments or local authorities	---	200,077,423	---	---	---	---	---	200,077,423
Public Sector Entities	---	30,013,956	---	---	---	---	---	30,013,956
Multilateral Development Banks	8,878,258	---	---	---	---	---	---	8,878,258
Institutions	---	5,370,162	5,006,491	---	647,522,286	---	---	657,898,939
Corporates	---	---	---	---	194,440,484	---	---	194,440,484
Retail	---	---	---	---	838,258	---	---	838,258
Short-Term Credit Assessment	---	1,289,127,916	102,860,246	---	---	---	---	1,391,988,162
Equity Exposures	---	---	---	---	967,880	---	---	967,880
Other Items	---	---	---	---	13,427,574	---	---	13,427,574
Grand Total	**657,478,219**	**2,288,727,869**	**107,866,737**	**---**	**857,196,482**	**---**	**---**	**3,911,269,307**

Notes:
Prime quality: AAA
High grade: AA-A
Standard grade: BBB-BB
Sub-standard grade: B and less

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

Geographical allocation of risks

As of 31 March 2020 and 2019, the distribution by geographical area of the risks before taking into account collateral held and other credit enhancements can be summarized as follows:

	31 March 2020	31 March 2019
Australia	169,342	2,158,589
Belgium	32,047,647	85,256,805
Japan	1,075,231,103	1,103,857,024
Canada	3,055,566	36,213,574
Germany	106,929,738	4,716,102
Denmark	308,871	1,221,996
Finland	10,230	30,331,508
France	288,388,908	246,293,335
United Kingdom	548,005,775	777,867,072
Luxembourg	460,018,953	716,144,978
The Netherlands	13,624,675	28,379,808
USA	166,648,494	225,214,145
Cayman Islands	438,721,889	189,303,982
Singapore	118,756,976	45,629,562
Sweden	24,664,845	8,167,533
Switzerland	328,332,773	306,020,219
Other	84,762,770	104,493,075
Total	**3,689,678,565**	**3,911,269,307**

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NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

Collateral received or posted

The Bank posts or receives collateral with its counterparties in order to reduce the risk exposure arising from the forward foreign exchange transactions according to the legal agreements signed between parties.

The securities received under reverse repurchase transactions are credit risk mitigants that reduce the credit risk exposure to the concerned counterparties.

	31 March 2020	31 March 2019
Fair value of cash collateral posted	190,508,164	56,171,305
Fair value of cash collateral received	284,560,958	118,474,143
Fair value of securities collateral posted	88,192,694	16,582,752
Fair value of securities collateral received from Funds	39,292,436	187,337,117
Fair value of securities collateral received under Reverse Repurchase transactions	605,677,966	886,702,353

Encumbered assets and unencumbered assets

As of 31 March 2020, they are broken down as follows:

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets	**480,404,472**		**3,290,330,632**	
Loans on demand	214,974,032		521,201,984	
Equity instruments	---	---	14,051,407	14,051,407
Debt securities	265,430,440	265,430,440	570,753,633	570,753,633
Loans and advances other than loans on demand	---		1,603,468,273	
Other assets	---		580,855,335	

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NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

Collateral received by the Bank	Fair value of encumbered collateral received or own debt securities issued	Unencumbered	
		Fair value of collateral received or own debt securities issued available for encumbrance	Nominal amount of collateral received or own debt securities issued not available for encumbrance
Loans on demand	---	---	---
Equity instruments	---	13,271,852	---
Debt securities	88,192,694	582,359,072	---
Loans and advances other than loans on demand	---	---	---
Other collateral received	---	---	---
Own debt securities issued other than own covered bonds or ABS	---	---	---

Sources of encumbrance	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs
Carrying amount of selected financial liabilities	**544,946,353**	**2,368,421**
Derivatives	544,946,353	2,368,421
Deposits	---	---
Debt securities issued	---	---
Other sources of encumbrance	**589,681,205**	**566,228,744**

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

As of 31 March 2019, they were broken down as follows:

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets	**245,663,989**		**3,732,798,242**	
Loans on demand	79,034,829		785,883,990	
Equity instruments	---	---	13,128,526	13,128,526
Debt securities	166,629,160	166,629,160	836,478,889	836,478,889
Loans and advances other than loans on demand	---		1,787,677,622	
Other assets	---		309,629,215	

Collateral received by the Bank	Fair value of encumbered collateral received or own debt securities issued	Unencumbered	
		Fair value of collateral received or own debt securities issued available for encumbrance	Nominal amount of collateral received or own debt securities issued not available for encumbrance
Loans on demand	---	---	---
Equity instruments	---	55,159,381	---
Debt securities	106,571,153	957,115,751	---
Loans and advances other than loans on demand	---	---	---
Other collateral received	---	---	---
Own debt securities issued other than own covered bonds or ABSs	---	---	---

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NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

Sources of encumbrance	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs
Carrying amount of selected financial liabilities	**250,731,917**	**---**
Derivatives	250,731,917	---
Deposits	---	---
Debt securities issued	---	---
Other sources of encumbrance	**435,112,829**	**352,235,142**

Concentration risk

Concentration risk arises where the Bank becomes overly exposed on one particular counterparty, business area, issuer or geographical region thereby meaning the Bank's performance could be overly influenced by a small number of factors.

Large Exposures

The Bank complies with the Large Exposure limits defined by the applicable regulation, namely the EU Regulation 575/2013 which transposes Basel 3 framework at European level. The total risk exposure towards a single client or group of connected clients must not exceed 25% of the own funds of the Bank. In this context, the Bank has asked for and has been granted by CSSF a partial exemption for its intra-group transactions.

Intragroup exposures, in particular towards Nomura International plc ("NIP"), has been reduced through the use of short-term reverse repurchase transactions (secured loans).

Exposures with third-party financial institutions are limited to EUR 150 million per counterparty or group of connected clients.

As the Bank is mainly involved with high rated financial institutions established in OECD countries with stable political and economic environment, the country risk can be considered as limited.

Solvency ratio (or Capital ratio)

This ratio, as defined by the applicable regulation, defines the minimum amount of own funds that the Bank has to maintain in relation to the total risk-weighted assets and off-balance sheet items. The minimum level is 8%.

The Bank's own funds are fully composed of Tier 1 Capital (retained earnings).

As of 31 March 2020, the solvency ratio of the Bank was 35,44 % under the EU Regulation 575/2013 (2019: 82,56%). The decrease is twofold. Firstly, the Bank distributed an interim dividend of EUR 180 million to its parent company Nomura Europe Holdings plc in December 2019. Secondly, the Bank has recorded an exceptional impairment as described in Note 28.

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NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

Impairment on financial assets

As of 31 March 2020, the ECL calculated on the financial assets amounts to EUR 24,034 (2019: EUR 14,053). There is no ECL on off balance-sheet exposures. During the year ended 31 March 2020, there were no transfer between Stage 1, Stage 2 and Stage 3.

Balance-sheet exposures	Gross amount before ECL	Stage 1	Stage 2	Stage 3	ECL	Carrying Amount
Cash, cash balances at central banks and other demand deposits	**736,178,623**	**736,178,623**	**---**	**---**	**(220)**	**736,178,403**
Financial assets at amortised cost	**1,603,490,059**	**1,603,490,059**	**---**	**---**	**(21,786)**	**1,603,468,273**
Loans and advances to credit institutions	1,360,593,653	1,360,593,653	---	---	(18,362)	1,360,575,291
Loans and advances to other financial corporations	242,228,861	242,228,861	---	---	(38)	242,228,823
Loans and advances to households	667,545	667,545	---	---	(3,386)	664,159
Other assets	**18,862,033**	**18,862,033**	**---**	**---**	**(2,028)**	**18,860,005**
Total balance-sheet	**2,358,530,715**	**2,358,530,715**	**---**	**---**	**(24,034)**	**2,358,506,681**

Balance-sheet exposures	Gross amount before ECL	Stage 1	Stage 2	Stage 3	ECL	Carrying Amount
Financial guarantees given	**106,110**	**106,110**	**---**	**---**	**---**	**106,110**

(c) Liquidity risk

Liquidity for a bank is the ability to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses, in both normal and stressed circumstances.

Liquidity risk is the risk of losses arising from difficulty in securing necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of the Bank's creditworthiness or deterioration in market conditions (funding liquidity risk). It is also the risk of losses arising from an inability to easily liquidate assets at the market price because of market stresses or inadequate market depth (market liquidity risk).

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

(i) Liquidity Risk Profile

The Bank is a liability-driven bank which does not rely on the interbank market to fund its business. Liquidity is placed with both external and intra-group financial counterparties and in both secured and unsecured form, mainly on an overnight basis. The Bank maintains a securities portfolio as liquidity buffer or for collateral sourcing needs. Therefore, NBL has a very limited exposure to funding-liquidity risk and market-liquidity risk.

NBL holds separately identified portfolios of securities for Liquidity Buffer purpose and as collateral to secure credit lines when required or to meet regulatory margin requirements. Portfolios are not for trading intent.

Regarding derivatives positions, the Bank has entered into:

- Equity Linked swaps with Nomura Securities Co. Ltd ("NSC") to hedge the MTN program;

- Foreign exchange ("FX") forward contracts taken for the funds (undertakings for collective investment administered by the Bank): 1 leg with the funds, 1 leg with brokers, both legs offset each other after consideration of market spread and currency position rounding.

Given the hedging and back-to-back structure of the above mentioned derivative positions, these positions do not have a material impact on the Bank's liquidity position.

NBL may be subject to liquidity risk as a consequence of other risks, as identified hereafter:

- Counterparty-Credit Risk:

  For NBL, the failure of its counterparties could impair its cash flows and hence its ability to meet its commitments as they fall due. This risk is mitigated at two levels. On one hand, Forex Dealing Department and Liquidity Management Department deal with selected counterparties within the limits that are in the NBL Risk Appetite Statement and, with particular reference to foreign exchange trades, daily collateral exchange allows the reduction of net exposures.

- Concentration Risk:

  Concentrations of assets or liabilities can lead to liquidity problems. This risk is mitigated with the respect of credit and Large Exposures limits which prevent unacceptable concentration of counterparty exposures. Furthermore, the Bank complies with Nomura Global Investment Guidelines setting forth concentration limits in terms of country and product exposures.

- Operational Risk:

  Significant problems can arise if the systems that process payment transactions or participants fail or delay transactions. Similarly, disruptions can be caused by operational problems at the level of critical participants or key third-party service providers. Cash Management activities are monitored by the Liquidity Management and Back Office departments. These activities are governed by clearly defined processes and procedures, which are periodically reviewed.

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

(ii) Liquidity Risk Appetite

The Bank's liquidity risk appetite is based on both internal and regulatory stress test models:

- Internal – Maximum Cumulative Outflow ("MCO"): The MCO is the Bank's primary Liquidity Risk Management tool for measuring and monitoring on a daily basis the liquidity pool against two internally defined stress scenarios.

  The Risk Appetite requires that NBL maintains an excess Liquidity Buffer over the 12-month (Market Stress MCO) and 30-day (Acute MCO) outflows. The 30-day Acute MCO survival horizon is consistent with the Nomura Group Risk Appetite and the LCR model, and provides sufficient time to execute actions contained within the Bank's Contingence Funding Plan (CFP).

- External – Liquidity Coverage Ratio ("LCR"): The LCR is a regulatory Liquidity Risk measure of a financial institution's resilience to a stressed net cash outflow over a 30 day period, which is calculated in accordance with rules as set out in the CRR.

(iii) Liquidity Measurement and Stress Testing

The main Liquidity Risk Measuring and Monitoring tools for the Bank are:

1) Maximum Cumulative Outflow ('MCO'): the MCO is the Bank's Liquidity Risk management stress test tool for measuring and monitoring on a daily basis the Bank's liquidity position against internally defined stress scenarios. The purpose of the model is to assess whether the size and composition of NBL's liquidity pool meets the Bank's liquidity risk appetite under normal and stressed circumstances.

2) Liquidity Buffer: a portfolio of highly liquid and unencumbered assets which serves as liquidity reserve and that can be monetized over a short time frame whenever deemed necessary to address stressed situations and according to the CFP. It cannot be lower than the internally defined minimum amount of liquidity that the Bank targets to keep available at any time, the Minimum Required Liquidity (MRL);

3) Liquidity Coverage Ratio (LCR): the Bank calculates and reports to the CSSF the LCR on a monthly basis as requested by the regulation EU 680/2014. As of 31 March 2020, the LCR is 296,69 % (2019: 277,16%).

(iv) Liquidity Risk Controls and Mitigation

The MCO is run on a daily basis by Risk Management Department.

Liquidity Management Department is responsible for managing the liquidity buffer with "no trading intent" to ensure that the portfolio is classified within the banking book and not trading book. Risk Management Department monitors the value of the liquidity buffer and compares it to the minimum required level of liquidity on a daily basis.

Liquidity Management Department provides ExCom members with a daily report which gives an overview of the liquidity situation of the Bank, including a high-level status of the intra-group concentration. The same information is also used for reporting to Nomura Group Global Treasury and group consolidation.

A liquidity report is run daily and submitted to the BCL. This report identifies the cash inflows and outflows expected in the upcoming five days.

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

Financial Accounting Department performs the Liquidity Coverage Ratio calculation and reporting to the CSSF and the BCL as required by the authorities.

Lastly, in case of emergency situation of liquidity shortage, the Head of Liquidity Management Department may invoke the Liquidity Task Force which will decide on the activation of the Contingency Funding Plan.

These procedures have been set-out to deal with serious adverse market conditions. They operate on an incremental escalation basis where the triggers and related actions depend on the defined severity level (green, red, amber).

Duration analysis: the tables below present the analysis of financial liabilities of the Bank by contractual maturity dates (initial maturity):

31 March 2020	< 1month	≥ 1 month < 3 months	≥ 3 months < 6 months	≥ 6 months < 1 year	≥ 1 year < 2 years	≥ 2 years < 5 years	≥ 5 years	Total
Derivatives held for trading	67,390,576	455,841,651	10,475,090	---	---	1,197,829	10,041,207	**544,946,353**
Financial liabilities designated at fair value through profit or loss	---	---	---	---	---	1,482,571	9,916,796	**11,399,367**
Amounts due to credit institutions	7,011,570	---	---	---	---	---	---	**7,011,570**
Amounts due to other financial corporations	2,825,992,559	---	---	---	---	---	---	**2,825,992,559**
Other financial liabilities	21,793,286	---	---	---	---	---	---	**21,793,286**
Total financial liabilities	**2,922,187,991**	**455,841,651**	**10,475,090**	**---**	**---**	**2,680,400**	**19,958,003**	**3,411,143,135**

31 March 2019	< 1month	≥ 1 month < 3 months	≥ 3 months < 6 months	≥ 6 months < 1 year	≥ 1 year < 2 years	≥ 2 years < 5 years	≥ 5 years	Total
Derivatives held for trading	50,656,598	179,285,929	12,085,453	---	---	1,464,166	7,239,771	**250,731,917**
Financial liabilities designated at fair value through profit or loss	---	---	---	---	---	5,662,793	14,974,643	**20,637,436**
Amounts due to credit institutions	16,378,860	---	---	---	---	---	---	**16,378,860**
Amounts due to other financial corporations	3,125,535,765	---	---	---	---	---	---	**3,125,535,765**
Other financial liabilities	14,180,431	---	---	---	---	---	---	**14,180,431**
Total financial liabilities	**3,206,751,654**	**179,285,929**	**12,085,453**	**---**	**---**	**7,126,959**	**22,214,414**	**3,427,464,409**

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NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

Duration analysis: the tables below present the analysis of the guarantees of the Bank by contractual maturity dates (initial maturity):

31 March 2020	< 1 month	≥ 1 month < 3 months	≥ 3 months < 6 months	≥ 6 months < 1 year	≥ 1 year < 2 years	≥ 2 years < 5 years	≥ 5 years	Undetermined	Total
Guarantees	---	---	---	---	93,710	12,400	---	---	**106,110**

31 March 2019	< 1 month	≥ 1 month < 3 months	≥ 3 months < 6 months	≥ 6 months < 1 year	≥ 1 year < 2 years	≥ 2 years < 5 years	≥ 5 years	Undetermined	Total
Guarantees	---	---	---	---	76,170	30,550	---	---	**106,720**

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

(d) Foreign exchange risk

Foreign exchange risk is the risk that the value of an asset or liability will fluctuate due to changes in foreign exchange rates.

As of 31 March 2020 and 2019, the assets and liabilities denominated in EUR, in JPY, in USD and in other currencies are as follows:

31 March 2020	EUR	JPY	USD	Other	Total
Cash, cash balances at central banks and other demand deposits	422,992,575	103,405,621	200,954,757	8,825,450	**736,178,403**
Derivatives held for trading	5,414,282	129,736,966	373,940,997	23,609,601	**532,701,846**
Financial assets mandatorily at FVTPL					
Debt securities	215,300,597	586,421,262	34,462,214	---	**836,184,073**
Financial assets at fair value through OCI					
Equity instruments	14,051,407	---	---	---	**14,051,407**
Financial assets at amortised cost					
Loans and advances to credit institutions	229,699,270	134,011,791	972,185,040	24,679,190	**1,360,575,291**
Loans and advances to other financial corporations	5,068,204	227,739,501	9,198,080	223,038	**242,228,823**
Loans and advances to households	664,159	---	---	---	**664,159**
Tangible assets	6,327,377	---	---	---	**6,327,377**
Intangible assets	10,248,244	---	---	---	**10,248,244**
Current tax assets	7,955,168	---	---	---	**7,955,168**
Deferred tax assets	4,760,307	---	---	---	**4,760,307**
Other assets	7,727,510	3,489,624	7,338,442	304,429	**18,860,005**
Total assets	**930,209,100**	**1,184,804,765**	**1,598,079,530**	**57,641,708**	**3,770,735,103**

31 March 2020	EUR	JPY	USD	Other	Total
Derivatives held for trading	2,661,668	104,186,520	29,665,254	408,432,911	**544,946,353**
Financial liabilities designated at fair value through profit or loss	---	11,217,244	182,123	---	**11,399,367**
Financial liabilities at amortised cost					
Amounts due to credit institutions	701,321	---	6,310,249	---	**7,011,570**
Amounts due to customers	274,250,901	1,026,666,854	1,475,507,600	49,567,204	**2,825,992,559**
Other financial liabilities	8,166,114	55,446	13,311,848	259,878	**21,793,286**
Tax liabilities	5,193,879	---	---	---	**5,193,879**
of which: deferred tax liabilities	4,421,747	---	---	---	**4,421,747**
Other liabilities	6,267,760	5,946,054	774,001	660	**12,988,475**
Total liabilities	**297,241,643**	**1,148,072,118**	**1,525,751,075**	**458,260,653**	**3,429,325,489**

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

31 March 2019	EUR	JPY	USD	Other	Total
Cash, cash balances at central banks and other demand deposits	652,430,190	113,187,987	69,379,416	29,923,263	**864,920,856**
Derivatives held for trading	1,601,941	82,838,493	161,223,610	2,762,211	**248,426,255**
Financial assets mandatorily at FVTPL					
Debt securities	230,091,379	764,138,412	8,878,258	---	**1,003,108,049**
Financial assets at fair value through OCI					
Equity instruments	13,128,526	---	---	---	**13,128,526**
Financial assets at amortised cost					
Loans and advances to credit institutions	314,981,357	---	839,699,019	33,382,250	**1,188,062,626**
Loans and advances to other financial corporations	1,378,679	592,835,474	1,299,464	3,369,841	**598,883,458**
Loans and advances to households	731,538	---	---	---	**731,538**
Tangible assets	2,538,991	---	---	---	**2,538,991**
Intangible assets	38,230,017	---	---	---	**38,230,017**
Deferred tax assets	2,361,415	---	---	---	**2,361,415**
Other assets	7,635,755	2,982,081	7,099,523	353,141	**18,070,500**
Total assets	**1,265,109,788**	**1,555,982,447**	**1,087,579,290**	**69,790,706**	**3,978,462,231**

31 March 2019	EUR	JPY	USD	Other	Total
Derivatives held for trading	3,666,101	20,563,654	22,771,001	203,731,161	**250,731,917**
Financial liabilities designated at fair value through profit or loss	---	19,617,352	1,020,084	---	**20,637,436**
Financial liabilities at amortised cost					
Amounts due to credit institutions	987,220	---	15,391,640	---	**16,378,860**
Amounts due to customers	225,847,747	1,440,032,356	1,394,891,308	64,764,354	**3,125,535,765**
Other financial liabilities	1,505,808	63,219	8,430,984	4,180,420	**14,180,431**
Tax liabilities	3,781,490	---	---	---	**3,781,490**
of which: deferred tax liabilities	3,563,991	---	---	---	**3,563,991**
Other liabilities	6,005,207	5,039,706	475,031	1,043	**11,520,987**
Total liabilities	**241,793,573**	**1,485,316,287**	**1,442,980,048**	**272,676,978**	**3,442,766,886**

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

(e) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The tables below show the interest rate risk by maturity dates (residual maturity):

31 March 2020	< 1 month	≥ 1 month < 3 months	≥ 3 months < 6 months	≥ 6 months < 9 months	≥ 9 months < 12 months	≥ 12 months or Undetermined	Total
Cash, cash balances at central banks and other demand deposits	736,178,403	---	---	---	---	---	**736,178,403**
Derivatives held for trading (ELS)	1,583	---	---	---	---	---	**1,583**
Financial assets mandatorily at fair value through profit or loss	357,428,220	473,742,987	---	5,012,866	---	---	**836,184,073**
Loans and advances							
Loans and advances to credit institutions	1,102,003,496	258,571,795	---	---	---	---	**1,360,575,291**
Loans and advances to customers	242,238,223	3,080	20,765	18,833	40,797	571,284	**242,892,982**
Total	**2,437,849,925**	**732,317,862**	**20,765**	**5,031,699**	**40,797**	**571,284**	**3,175,832,332**

31 March 2020	< 1 month	≥ 1 month < 3 months	≥ 3 months < 6 months	≥ 6 months < 9 months	≥ 9 months < 12 months	≥ 12 months or Undetermined	Total
Derivatives held for trading (ELS)	962,565	4,772,172	3,640,779	664,203	437,927	761,390	**11,239,036**
Debt certificates designated at fair value through profit or loss	881,793	3,645,960	4,274,777	1,011,047	650,985	934,805	**11,399,367**
Financial liabilities at amortised cost							
Amounts due to credit institutions	7,011,570	---	---	---	---	---	**7,011,570**
Amounts due to customers	2,825,992,559	---	---	---	---	---	**2,825,992,559**
Other financial liabilities	21,793,286	---	---	---	---	---	**21,793,286**
Total	**2,856,641,773**	**8,418,132**	**7,915,556**	**1,675,250**	**1,088,912**	**1,696,195**	**2,877,435,818**
Gap	**(418,791,848)**	**723,899,730**	**(7,894,791)**	**3,356,449**	**(1,048,115)**	**(1,124,911)**	**298,396,514**

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

31 March 2019	< 1 month	≥ 1 month < 3 months	≥ 3 months < 6 months	≥ 6 months < 9 months	≥ 9 months < 12 months	≥ 12 months or Undetermined	Total
Cash, cash balances at central banks and other demand deposits	864,920,856	---	---	---	---	---	**864,920,856**
Derivatives held for trading (ELS)	---	---	---	---	---	---	**---**
Financial assets mandatorily at fair value through profit or loss	210,061,513	345,307,087	447,739,449	---	---	---	**1,003,108,049**
Loans and advances							
Loans and advances to credit institutions	985,915,626	202,147,000	---	---	---	---	**1,188,062,626**
Loans and advances to customers	598,883,741	23,606	31,429	45,987	25,066	605,167	**599,614,996**
Total	**2,659,781,736**	**547,477,693**	**447,770,878**	**45,987**	**25,066**	**605,167**	**3,655,706,527**

31 March 2019	< 1 month	≥ 1 month < 3 months	≥ 3 months < 6 months	≥ 6 months < 9 months	≥ 9 months < 12 months	≥ 12 months or Undetermined	Total
Derivatives held for trading (ELS)	---	383,607	292,549	212,699	497,366	7,317,716	**8,703,937**
Debt certificates designated at fair value through profit or loss	---	581,199	750,677	189,303	3,442,259	15,673,998	**20,637,436**
Financial liabilities at amortised cost							
Amounts due to credit institutions	16,378,860	---	---	---	---	---	**16,378,860**
Amounts due to customers	3,125,535,765	---	---	---	---	---	**3,125,535,765**
Other financial liabilities	14,180,431	---	---	---	---	---	**14,180,431**
Total	**3,156,095,056**	**964,806**	**1,043,226**	**402,002**	**3,939,625**	**22,991,714**	**3,185,436,429**
Gap	**(496,313,320)**	**546,512,887**	**446,727,652**	**(356,015)**	**(3,914,559)**	**(22,386,547)**	**470,270,098**

NOTE 32 - RISK MANAGEMENT (IN EUR) (continued)

(f) Operational risk

The Bank has an Operational Risk Management Policy in place which defines the applicable Operational Risk Management Framework (Risk Appetite, incidents reporting, Key Risk Indicators, Risk and Control Self-Assessment).

Operational Risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions) but includes the risk of breach of legal and regulatory requirements, and the risk of damage to the Bank's reputation if caused by an Operational Risk event.

Operational Risk is deemed to be material for NBL.

Segregation of duties, internal procedures, and technological systems in place mitigate the risk of losses due to errors or inadequacies.

Besides, NBL has an insurance cover up to an amount of EUR 5 million per annum in the aggregate and once this limit has been reached the Bank is covered by a Group insurance up to an amount of GBP 20 million per loss and in the aggregate.

Finally, NBL has business continuity management in place (including a Disaster Recovery Plan) to ensure ability to operate on an ongoing basis and limit losses in the event of severe business disruption.

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NOTE 33 - FAIR VALUE OF FINANCIAL INSTRUMENTS (IN EUR)

The following table summarises the carrying amounts and fair values of financial assets and liabilities at amortised cost in the statement of financial position.

	Carrying amount		Fair value	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Assets				
Cash, cash balances at central banks and other demand deposits	736,178,403	864,920,856	736,178,403	864,920,856
Loans and advances	1,603,468,273	1,787,677,622	1,603,468,273	1,787,677,622
Liabilities				
Financial liabilities at amortised cost	2,854,797,415	3,156,095,056	2,854,797,415	3,156,095,056

The fair value of the financial assets and liabilities corresponds to the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

As of 31 March 2020 and 2019, the Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and exchanges traded derivatives like futures (for example, Nasdaq, S&P 500);
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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NOTE 33 - FAIR VALUE OF FINANCIAL INSTRUMENTS (IN EUR) (continued)

31 March 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Derivatives held for trading	---	532,701,846	---	532,701,846
Financial assets mandatorily at fair value through profit or loss – Debt instruments	836,184,073	---	---	836,184,073
Financial assets at fair value through other comprehensive income – Equity instruments	---	---	14,051,407	14,051,407
Total financial assets	**836,184,073**	**532,701,846**	**14,051,407**	**1,382,937,326**
Financial liabilities				
Derivatives held for trading	---	544,946,353	---	544,946,353
Financial liabilities designated at fair value through profit or loss	---	---	11,399,367	11,399,367
Total financial liabilities	**---**	**544,946,353**	**11,399,367**	**556,345,720**

31 March 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Derivatives held for trading	---	248,426,255	---	248,426,255
Financial assets mandatorily at fair value through profit or loss – Debt instruments	1,003,108,049	---	---	1,003,108,049
Financial assets at fair value through other comprehensive income – Equity instruments	---	---	13,128,526	13,128,526
Total financial assets	**1,003,108,049**	**248,426,255**	**13,128,526**	**1,264,662,830**
Financial liabilities				
Derivatives held for trading	---	250,731,917	---	250,731,917
Financial liabilities designated at fair value through profit or loss	---	---	20,637,436	20,637,436
Total financial liabilities	**---**	**250,731,917**	**20,637,436**	**271,369,353**

During the years ended 31 March 2020 and 2019, in relation with financial instruments measured at fair value, there were no transfers between the Level 1 and Level 2 categories, and no transfers into and out of the Level 3 category.

During the year ended 31 March 2020, the movement in the financial assets at fair value through other comprehensive income classified in the Level 3 category mainly results from the revaluation of the related assets at their fair value.

NOTE 33 - FAIR VALUE OF FINANCIAL INSTRUMENTS (IN EUR) (continued)

During the year ended 31 March 2020, the movement in the financial liabilities designated at fair value through profit or loss can be analysed as follows:

Financial liabilities designated at fair value through profit or loss as of 31 March 2019	**20,637,436**
Gains/losses recognised in the income statement	(2,533,516)
Issuances	---
Redemptions	(7,900,915)
Foreign exchange rates fluctuations	1,196,362
Financial liabilities designated at fair value through profit or loss as of 31 March 2020	**11,399,367**

NOTE 34 - CAPITAL MANAGEMENT

The Bank maintains an actively managed capital base to cover risks inherent in the business.

The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the Commission de Surveillance du Secteur Financier supervising the Bank.

During the years ended 31 March 2020 and 2019, the Bank had complied in full with all its externally imposed capital requirements.

NOTE 35 - RETIREMENT BENEFIT PLAN

Since 2002, the Bank has entered into an agreement for payment of the retirement pension charges under the corporate defined contributions pension plan organized by its Parent company.

Only expatriate employees of the Bank are entitled to participate into this corporate pension plan.

NOTE 36 - RELATED PARTY DISCLOSURES (IN EUR)

The Bank has a related party relationship with its Parent company, entities of its Group and with its directors and executive officers.

The amounts of assets, liabilities, income and expenses as of 31 March 2020 and 2019 concerning Group entities, including the Parent company and subsidiaries, are split between subsidiaries and other Group companies as follows:

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NOTE 36 - RELATED PARTY DISCLOSURES (IN EUR) (continued)

Subsidiaries:	31 March 2020	31 March 2019
Financial assets at fair value through other comprehensive income	13,954,387	13,035,646
Financial assets at amortised cost – Loans and advances	---	9,846
Other assets	3,449,294	3,363,294
Total assets	**17,403,681**	**16,408,786**
Financial liabilities at amortised cost	16,927,505	15,701,678
Total liabilities	**16,927,505**	**15,701,678**

Income and expenses	31 March 2020	31 March 2019
Net fee and commission income	7,057,175	7,102,500

Other group entities:	31 March 2020	31 March 2019
Derivatives held for trading	58,454,547	48,418,581
Financial assets at amortised cost – Loans and advances	250,361,243	615,101,748
Other assets	1,493,841	404,338
Total assets	**310,309,631**	**663,924,667**
Derivatives held for trading	231,663,509	115,787,808
Financial liabilities at amortised cost	47,560,599	156,875,153
Total liabilities	**279,224,108**	**272,662,961**

Income and expenses	31 March 2020	31 March 2019
Net interest income	71,073	165,852
Net fee and commission income	2,893,500	2,638,157
Total	**2,964,573**	**2,804,009**

The Bank's incurred expenses with respect to the remuneration of the members of the administrative, management and supervisory bodies of the Bank are as follows:

	31 March 2020	31 March 2019
Supervisory bodies	---	---
Managerial bodies	982,238	1,088,740
Corporate pensions	67,235	45,318
Total	**1,049,473**	**1,134,058**

Refer to Note 30 for the guarantees granted on behalf of the members of the Managerial bodies.

NOTE 37 - SUBSEQUENT EVENTS

The Bank is not aware of any adjusting or non-adjusting event that would have occurred between 31 March 2020 and the date when the present Financial Statements were authorised for issue.

As part of the annual capital planning exercise, NBL Authorized Management has performed capital simulations, using as a basis the budget-approved scenario for fiscal year 2020/21 and consecutive extrapolation over the next 2 years.

The scenario is based on the most recent assets under administration ("AuA") evolution, which was however dislocated in last part of the fiscal year by the emergence of the COVID-19 crisis. Prior to that, the AuA were fairly stable, supported by the inflows in funds for institutional clients that compensated the ongoing outflows from retail funds. The COVID-19 accelerated the reduction in size of these funds, however there is still no visibility on whether the impact will be permanent or if assets value will recover and to which level.

AuA are nevertheless expected to increase over the next three years due to new mandates foreseen, and due to the still large amount of unpaid commitment in the Private Equity funds that remains to be paid over the coming years.

At this stage, it cannot be determined if the March 2020 AuA levels are a good representation of their future state but, should they be considered, the Bank's revenues would be on average 8% lower than originally projected.

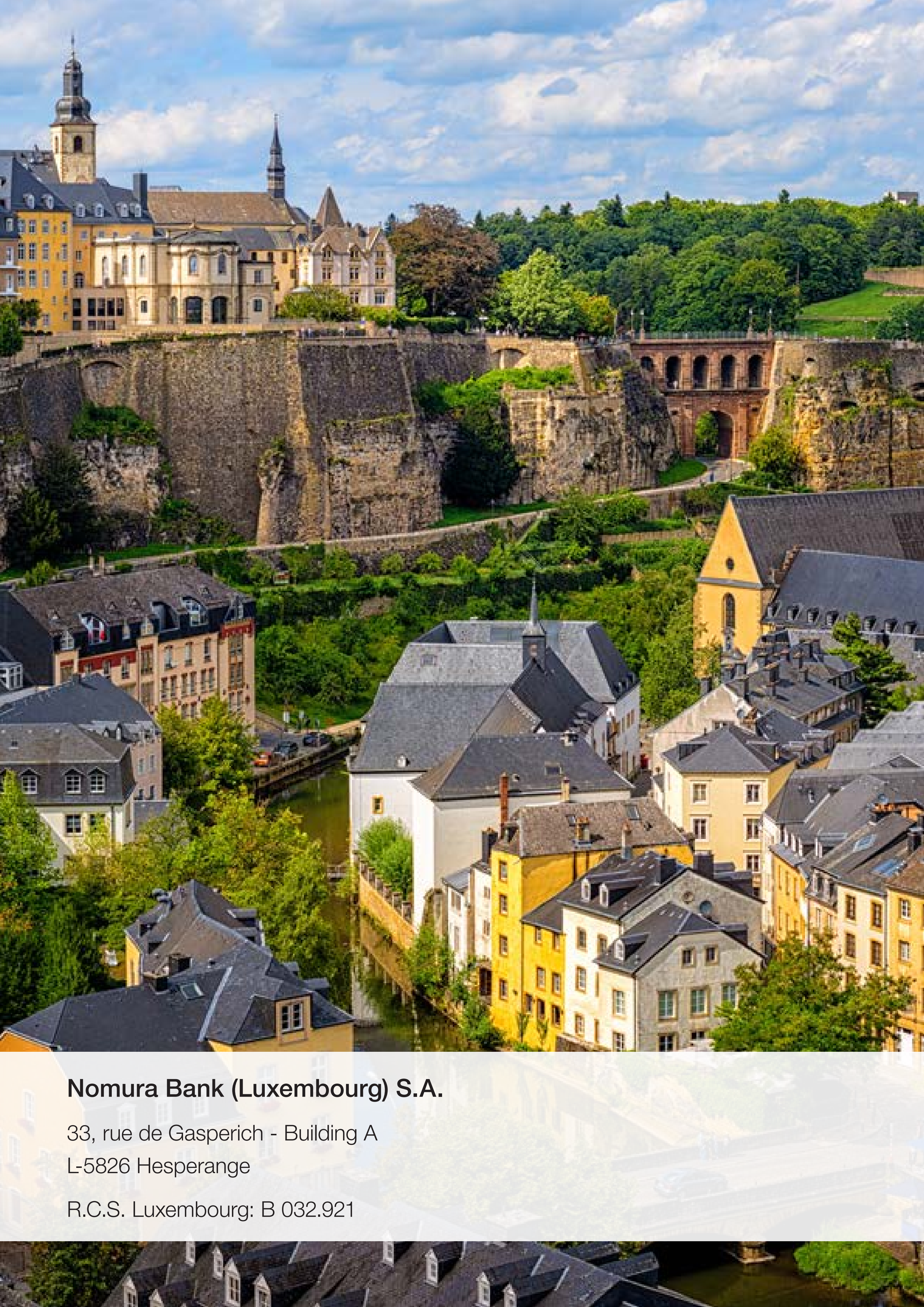
In light of the above projections, even in the consideration of a most adverse scenario, the Bank is confident that it will remain profitable over the next 3 years.

NOTE 38 - PROPOSED ALLOCATION OF RESULT (IN EUR)

The Board of Directors proposes the following allocation of result:

Transfer of the 2015 NWT reserve from special reserves to retained earnings	1,500,000
Allocation of the loss for the year ended 31 March 2020 to retained earnings	(4,669,955)

This proposition will be submitted to the approval of the shareholders on 1 July 2020



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