NATIONAL-BANK
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ANNUAL REPORT 2019

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ANNUAL FINANCIAL STATEMENTS

Statement of Financial Position

ANNUAL STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Assets	12/31/2019	12/31/2018
Cash reserve	**465,277,165.19**	**691,248,173.22**
a) Cash on hand	12,576,671.16	13,461,449.52
b) Balances with central banks	452,700,494.03	677,786,723.70
including:		
At the German Federal Bank	452,700,494.03	677,786,723.70
Receivables from banks	**43,939,188.01**	**65,710,551.47**
a) On demand	23,201,617.52	44,661,522.13
b) Other receivables	20,737,570.49	21,049,029.34
Receivables from customers	**3,419,315,916.61**	**3,283,716,288.43**
including:		
Secured by mortgages	1,515,815,344.75	1,403,203,508.89
Communal loans	43,433,722.64	36,565,109.26
Bonds and other fixed-income securities	**746,127,231.68**	**523,028,803.58**
a) Bonds and notes	746,127,231.68	523,028,803.58
aa) Public issues	490,814,693.72	244,367,977.93
including:		
Eligible as collateral for borrowings from German Federal Bank [Deutsche Bundesbank]	490,814,693.72	244,367,977.93
ab) Other issuers	255,312,537.96	278,660,825.65
including:		
Eligible as collateral for borrowings from German Federal Bank [Deutsche Bundesbank]	217,879,115.66	199,730,295.54
Shares and other non-fixed interest securities	**19,745.18**	**90,642.21**
Equity investments	**672,900.76**	**448,086.45**
including:		
Investments in banks	11,877.31	11,877.31
Shares in financial institutions	(-)	(-)
Shares in affiliated companies	**387,166.42**	**413,833.42**
including:		
Investments in banks	(-)	(-)
Shares in financial institutions	251,929.84	251,929.84
Trust assets	**429.55**	**1,132.12**
including:		
Trust loans	429.55	1,132.12
Intangible assets	**1,871,558.17**	**2,235,964.17**
Purchased concessions, industrial property and similar rights and assets, and licenses in such rights	1,871,558.17	2,235,964.17
Tangible assets	**57,635,875.33**	**57,398,614.86**
Other assets	**18,858,248.40**	**16,317,038.78**
Prepaid expenses	**2,248,653.21**	**2,821,988.26**
Excess of plan assets over pension liabilities	**133,590.20**	**995,157.00**
Total assets	**4,756,487,668.71**	**4,644,426,273.97**

ANNUAL STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Liabilities	12/31/2019	12/31/2018
Liabilities to banks	**520,262,386.39**	**447,082,336.87**
a) On demand	31,647,856.85	9,417,203.65
b) With agreed maturity or periods of notice	488,614,529.54	437,665,133.22
Liabilities to customers	**3,782,622,292.56**	**3,757,358,436.98**
a) Savings deposits	233,215,714.40	248,672,449.47
aa) Redeemable at a period of notice of three months	232,451,684.77	246,471,177.78
ab) Redeemable at a period of notice of more than three months	764,029.63	2,201,271.69
b) Other liabilities	3,549,406,578.16	3,508,685,987.51
ba) On demand	2,970,852,955.04	2,969,706,633.18
bb) With agreed maturity or periods of notice	578,553,623.12	538,979,354.33
Securitized liabilities	**5,112.92**	**5,112.92**
a) Bonds issued	5,112.92	5,112.92
Trust liabilities	**429.55**	**1,132.12**
including:		
Trust loans	429.55	1,132.12
Other liabilities	**5,097,932.87**	**4,414,400.88**
Prepaid expenses	**2,225,067.79**	**2,751,383.36**
Provisions	**85,640,610.33**	**76,079,961.92**
a) Provisions for retirement pensions and similar obligations	72,233,200.10	61,755,448.47
b) Provisions for taxes	279,408.64	0.00
c) Other provisions	13,128,001.59	14,324,513.45
Subordinated liabilities	**10,470,890.41**	**10,470,890.41**
Fund for general banking risks	**15,500,000.00**	**15,500,000.00**
including: Special item pursuant to Section 340e of the German Commercial Code [HGB]	0.00	0.00
Equity capital	**334,662,945.89**	**330,762,618.51**
a) Called capital		
Subscribed capital	39,742,773.00	39,817,866.00
including: Purchased treasury shares	-193,227.00	-118,134.00
b) Capital reserves	163,476,801.77	163,301,864.98
c) Retained earnings	120,793,771.12	116,993,287.53
ca) Legal reserves	990,883.67	990,883.67
cb) Other retained earnings	119,802,887.45	116,002,403.86
d) Net retained profits	10,649,600.00	10,649,600.00
Total liabilities	**4,756,487,668.71**	**4,644,426,273.97**

	12/31/2019	12/31/2018
Contingent liabilities	**95,972,418.25**	**97,444,013.35**
Liabilities from guarantees and warranties	95,972,418.25	97,444,013.35
Other liabilities	**486,584,325.93**	**425,415,598.94**
Irrevocable loan commitments	486,584,325.93	425,415,598.94

Income Statement

INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2019 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Expenses	**2019**	**2018**
Interest expenses	**10,364,387.26**	**12,582,455.96**
including:		
Negative interest from liabilities	887,566.56	638,951.45
Commission expenses	**7,306,783.54**	**4,157,425.74**
General administrative expenses	**88,492,388.53**	**89,494,079.35**
a) Personnel expenses	52,514,088.98	52,199,371.83
aa) Wages and salaries	43,014,094.53	42,235,646.65
ab) Social security contributions and expense for pensions and other benefits	9,499,994.45	9,963,725.18
including:		
For pensions	2,584,306.32	3,237,425.42
b) Other administrative expenses	35,978,299.55	37,294,707.52
Amortization/depreciation on and valuation allowances to intangible and tangible assets	**3,394,700.95**	**3,965,077.28**
Other operating expenses	**8,012,768.10**	**7,133,182.49**
Write-downs and allowances on receivables and certain securities and transfers to provisions for loan losses	**2,012,419.58**	**2,379,837.38**
Amortizations and write-downs and allowances on equity investments, shares in affiliated companies and securities recognized as assets	**67,505.61**	**178,880.62**
Transfers to funds for general banking risks	**0.00**	**500,000.00**
Extraordinary expenses	**6,161,193.88**	**1,026,865.56**
Taxes on income	**13,220,575.79**	**11,373,877.50**
Other taxes not disclosed in "other operating expenses"	**341,921.89**	**281,271.16**
Net Income	**15,099,600.00**	**13,881,066.55**
Total expenses	**154,474,245.13**	**146,954,019.59**

	2019	**2018**
Net Income	**15,099,600.00**	**13,881,066.55**
Transfers to retained earnings	**4,450,000.00**	**3,231,466.55**
Other retained earnings	4,450,000.00	3,231,466.55
Net retained profits	**10,649,600.00**	**10,649,600.00**

INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2019 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Income	**2019**	**2018**
Net interest income from	**98,273,909.36**	**95,870,186.35**
a) Loan and money markets transactions	97,057,120.43	95,004,554.18
b) Fixed interest securities and debt-register claims	1,216,788.93	865,632.17
including:		
Positive interest on receivables	2,014,336.10	3,277,757.84
Recurring income from	**237.97**	**100,331.94**
a) Shares and other non-fixed interest securities	237.97	6,736.16
b) Equity investments	0.00	93,595.78
c) Shares in affiliated companies	0.00	0.00
Commission income	**53,011,351.08**	**47,825,627.30**
Income from write-ups to equity investments, shares in affiliated companies and securities recognized as assets	**0.00**	**0.00**
Other operating income	**3,188,746.72**	**3,157,874.00**
Extraordinary income	**0.00**	**0.00**
Total income	**154,474,245.13**	**146,954,019.59**

MANAGEMENT REPORT

Fundamentals of the Company

NATIONAL-BANK pursues the strategy to be one of the leading independent private regional banks in Germany for discerning private and corporate customers, as well as for medium-sized institutional investors. In addition to our competitive and customer group specific financial solutions, our individualized consulting and personalized services are a distinct competitive advantage. The same applies to our longstanding customer relationships, as well as the maintaining of the highest degree of customer satisfaction. Its regional core market is North Rhine-Westphalia. The Bank plans to continue to develop its defined target groups within its regional core market.

The independence of the Bank is an essential foundation for its success. The Bank's independence is to be bolstered and secured through active investor relationship measures. The objective is the creation of a sustainable shareholder structure. The Bank's objective is to generate sustainable added value for its customers, shareholders and employees.

The Bank pursues a customer-driven business model. The target groups are discerning private and corporate customers. The Bank is pursuing a comprehensive consultation approach for these target groups. Private and corporate customers are discerning, if they hold competent and individualized consulting and personalized services in high regard. The same applies to the willingness to employ several financial solutions. Private and corporate customers not classified as discerning, also receive consultation based on their individual needs. In these cases, it is the Bank's objective to develop a business relationship with its customers by offering individualized financial solutions. The Bank continues to expand its collaboration with medium-sized institutional investors, such as foundations, regional utility companies and pension schemes, as well as smaller institutional investors.

Transactions with the target customers form our Bank's strategic areas of business in the business model. The sales organization and the sales-related i.e. profit-oriented management of the Bank are geared toward these business areas.

The Bank's objective is to consequently gear its financial solutions to the needs of its target customers. The Bank develops its financial solutions in-house or purchases them from independent third parties (Open Architecture). Cooperation partners are carefully selected and undergo regular reviews. The loan and deposit business is an integral component of the business model. In compliance with our business and risk strategy and the complementing credit risk strategy, loans are to be provided with the objective of having customers take advantage of the other financial solutions our Bank offers (strategic loan business). In each case, the price of the loan must cover the Bank's equity return target rate for the loan business. The Bank's objective is to optimally coordinate the sale of its financial solutions. This relates, on the one hand, to demand-oriented optimized sales within the individual areas (cross selling), and on the other hand, to a sustainable optimized interrelationship between the service units of the individual customer segments (connectivity).

The net interest and commission income are the essential income components of the Bank. Based on its current distribution, a growing share of the overall income is to continue to be generated by commission business, which does not tie up equity.

The Bank considers, in particular, savings institutions and people's banks in the Rhine/ Ruhr region, the Bergisches Land and the Münsterland, as well as major banks, and private banks in asset management business, as its main competitors. The Bank expects continuing intensive competition within its market territory from domestic and foreign major banks in the medium sized corporate business and private customer business segments.

Overall Economic Environment

After a long lasting economic upturn phase, the rate of expansion in Germany continued to cool down during the 2019 summer half-year and finally even turned into stagnation. The season and calendar effects adjusted real gross domestic product (GDP) did hardly change during the second and third quarter. The trigger for this development was the cross-country feeling of uncertainty among the industry, which was accompanied by reduced investment activities of enterprises. In addition to the new trade barriers, various special factors also put a strain on the outlook. Especially auto manufacturers are facing an abrupt change in technology, which involves, in part, enormous adaptation requirements. Due to the fact that the automobile sector is the key industry of the German economy, the value added in the export-oriented manufacturing industry fell noticeable. Within the scope of this development, the negative impulses also spread more and more to the other domestic sectors of the economy. While employment in the manufacturing industry declined since spring, the previously strong growth in the private service providers segment and the construction industry came also to a standstill during the summer. On the other hand, unchanged high income increases of private households, which resulted from significant increases of negotiated wages and an expansion of government transfer payments, supported the economic development. Overall economic growth in 2019 of 0.5 % was, as compared to the previous year, markedly lower than during the previous years of the economic upturn. Also for the year 2020, a calendar effect adjusted real GDP growth rate of only 0.6 percentage points is to be expected. Economic perspectives beyond 2020, continue, however, to point upwards, because it is to be expected that exports will gradually overcome their weakness phase and will subsequently grow stronger in line with foreign demand. Accordingly and subject to a repeated intensification of geopolitical risks, the economic situation of the industry should also improve and investment activities of enterprises should, at a minimum in the perspective, noticeable strengthen again.

At year’s end 2019, the economic development in North Rhine-Westphalia (NRW) was significantly more robust than in the federal territory. This fact is confirmed by the Ifo indicators, which also allow for a direct comparison between North Rhine-Westphalia and Germany as a whole. For example, during the whole summer half-year the Ifo indicators for NRW were clearly above the corresponding indicators for the nation. At year’s end, this development even further intensified. From our perspective, this completely untypical pattern for the economic development’s consonance between the nation and NRW’s economy can only be explained by sectoral special developments.
Normally, NRW’s economy reacts significantly more pro-cyclical to the global economic environment than the nation, because NRW’s economy has a greater share of capital goods industry. In substance, this is probably primarily founded in the fact that the automotive industry has only minor importance in NRW and that for this reason NRW’s economy is less affected by the automotive industry’s problems in other federal states. By its very nature, problems in the automotive sector are by now also noticeable in NRW’s industry, because the automotive sector is an important consumer of basic materials, in particular steel. The repeated intensification of the divergence at year’s end in spite of the perspectives for Germany as a whole were bottoming out points, however, to persistent sectoral problems in the Federal German automotive sector. The automotive industry is, beyond a cyclical weakness, in the midst of a pervasive structural transformation process to adjust and adapt for a changed user behavior and technological changes. The announcements of job cuts in this area, not only in Germany, are an indication that this phase should still continue.

Analogous to the development in the nation, the Ifo business climate for trade and industry in NRW could improve anew at year’s end 2019 and the skepticism which one could observe during the prior five months regarding future business developments gave way to a cautious optimism. The development in trade and industry points to a bottoming out and business climate also improved in the service sector. The current business situation was once more assessed to be somewhat more positive and also in the case of business expectations, positive voices were even more predominant than recently. The still excellent business climate for the primary construction sector became overcast, the outlook remains, however, excellent. The climate for trade was also only marginally less favorable in December than recently. Overall, there are more and more indications that the downward trend of the underlying economic dynamic can be broken. Against the backdrop of a robust performance of the Ifo indicators for North Rhine-Westphalia, we assume therefore that the GDP growth is currently markedly closer to the federal trend than usually. For the past year we estimate that the overall economic growth rate was around 0.5 %. The above described special development of the early indicators also indicates for the year 2020 that the NRW growth rate should be on par with the nation, so that the calendar effect adjusted growth rate should be around 0.6 %.

Course of Business

During the year 2019, which was characterized by international trade conflicts, economic uncertainties and technological upheavals, the Bank was successful in increasing the return on equity to 8.9 % (8.1 %). The Bank's exclusively customer-driven business model, which we have been pursuing for decades, was also successful even in the face of extremely low interest rates.

Net income reached € 15.1 (13.9) million. Based on this result and subject to the adoption of a corresponding resolution by the functional committees, the Bank is in a position to pay the same dividend as in the previous year of € 0.80 per share. This represents a total dividend of € 10.7 million and an additional € 4.5 (€ 3.2) million to the reserves.

Both, net interest income and net commission income, contributed with an increase of 5.4 % and 4.7 % to the net income increase. Positive is also the development of administrative expenses, which could be reduced to € 91.9 (93.5) million. The cost income ratio decreased accordingly to 71.3 (75.9) %.

The average lending volume could be expanded to € 3,452.8 (3,351.6) million. The expansion includes the compensation of repayments in the amount of € 425.0 million. Refinancing remained almost unchanged with average customer deposits of € 3,660.4 (3,697.3) million.

Financial Performance

NET INTEREST INCOME

Net interest income increased to € 87.9 (83.4) million. This positive development was primarily supported by the expansion of the lending volume, credit balance charges and loan commitment fees. The increased lending volume resulted in net lending positions in the Bank's interest book cash flow. To reduce the associated increased interest rate risk, interest swaps were liquidated during the year having a positive effect on the result in the amount of € 2.4 million.

COMMISSION NET INCOME

The net commission income increased to € 45.7 (43.7) million. Asset management, account and card services, as well as the referral of real estate financing and insurances contributed in particular to the increase.

OTHER OPERATING INCOME AND EXPENSES

The balance from other operating income and expenses was € -4.8 (-4.0) million. The reason for this were, in particular, interest expenses for pension provisions of € 7.5 (6.9) million, which are the result of a further decrease of the relevant discount rate from 3.21 % to 2.71 %. These expenses were, in part, compensated through the reversal of no longer required provisions.

GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses decreased to € 88.5 (89.5) million, in spite of manifold new regulatory requirements, which routinely cause IT expenses. Personnel expenses of € 52.5 (52.2) million remained almost unchanged; the slight increase resulted primarily from greater transfers to pension provisions due to the lower mortality rate as compared to the Heubeck Mortality Table, while operating expenses could be decreased to € 36.0 (37.3) million.

DEPRECIATION OF TANGIBLE FIXED ASSETS

Depreciation of tangible fixed assets and amortization and write-downs of intangible fixed assets reduced to € 3.4 (4.0) million.

RISK PROVISION

Expenses for risk provisions decreased to € 2.1 (2.6) million. The continued low loan risk provisions is, on the one hand, based on the still good economic development and, on the other hand, based on the long-standing conservative credit risk strategy of the Bank. Global valuation allowances for loan losses were created in the amount of € 1.3 (€ -0.2) million. The global valuation allowances are calculated according to the tax code and are contained in the risk provisions for loan business. Increased risk concentrations or systematic deteriorations of ratings were not identified in the Bank's lending portfolio.

OPERATING PROFIT

The operating result amounted to € 34.8 (27.1) million. The reason for this were increased gross profits, € 128.8 (123.1) million, as well as lower expenses, € 91.9 (93.5) million. This was also supported by lower risk provisions of € 2.1 (2.6) million.

EXTRAORDINARY RESULT

Under the Accounting Law Modernization Act 2009, the liability amount for pension provisions had to be recalculated. The required transfer could be effected over a period of 15 years. In previous years, this resulted in extraordinary expenses of annually € 1.0 million. On the reporting date, the remaining expenses through the year 2024 of in total € 6.2 million have been provided for.

TAXES

Tax expenses amounted to € 13.6 (11.7) million. The increased tax rate, from 45.6 % to 47.3 %, was, in particular, characterized by non-tax deductible expenses for transfers to pension provisions and the bank levy, which is also not tax deductible.

NET INCOME

Net income increased to € 15.1 (13.9) million. The reason for this were increased net interest and commission income, reduced administrative expenses and lower risk provisions, which exceeded the extraordinary expenses for the anticipated transfers to pension provisions.

Financial Position

TOTAL ASSETS AND BUSINESS VOLUME

Total assets at € 4,756.5 (4,644.4) million were again slightly above the previous year's level.

REFINANCING STRUCTURE AND LIQUIDITY

The Bank predominately refinances itself through customer deposits and equity capital. Liabilities to customers were € 3,782.6 (3,757.4) million on the balance sheet date. This results in the Bank being largely independent of capital market refinancing.

In light of the sustained low interest rate phase, the share of highly liquid investments in the form of demand deposits and overnight money deposits was, as in previous years, around approx. 80 % of total customer deposits. The contractual capital lock-up on the liability side of the balance sheet is significantly shorter than on the asset side of the balance sheet. This creates a theoretical refinancing risk. History shows, however, that overall also short-term deposits were available to the Bank on a stable basis. For this reason, a longer availability period for these short-term deposits can be assumed within the scope of the Bank's liquidity management applying the concept of dynamic replication based on the "deposit base".

The Bank has unchanged a stable and broad based financing structure at its disposal.

The Bank's liquidity was guaranteed at any time during the course of the year. The liquidity coverage ratio achieved 127.0 % at year's end and significantly exceeded the regulatory minimum requirement of 100 %.
The Bank's liquidity and risk measurement and control system ensures that adequate liquidity is always available. For complementary refinancing purposes, the Bank may advance money on securities and use the KEV procedure (credit claims - submission and administration) with the German Federal Bank.

LOAN BUSINESS

In spite of moderate loan demand, new business volume could be increased to € 586.0 (€ 537.4) million. This new business increase also significantly over-compensated the high loan repayments. The high loan repayment amount of € 425.0 million is mainly due to low interest rates.

Holdings of customer loans increased to € 3,419.3 (3,283.7) million. Loans, construction financing and bank overdrafts contributed in particular to this development. In regard to our lending portfolio control, we continued our broad diversification policy, also with a view to our internal capital adequacy. We continued to apply strict credit rating standards to creditworthiness and collaterals to new business.

DEPOSIT BUSINESS

Liabilities to customers increased to € 3,782.6 (3,757.4) million. While short-term demand deposits were essentially unchanged at € 2,970.9 million. Time deposits and savings deposits, slightly increased together to € 811.8 (787.7) million.

INTERBANK BUSINESS

Regarding liabilities to banks in the amount of € 520.3 (447.1) million, the emphasis remained on long-term funding under public sector lending programs. Loan holdings increased due to increased corresponding customer loans. On the asset side, receivables from banks decreased from € 65.7 million to € 43.9 million. Liquidity maintained with the German Federal Bank and other cash reserves held at the end of the reporting period of € 465.3 million was below the previous year's figure of € 691.2 million. As in previous years, the Bank made use of the money market for liquidity controlling purposes in 2019 and entered into overnight and time deposit transactions with other banks. During the course of the year, the Bank maintained at any time a sufficiently dimensioned liquidity reserve with the German Federal Bank, consisting of balances with the central bank, as well as a collateral pool of securities and loan receivables eligible as collateral with the German Federal Bank. Within liquid securities holdings, in total € 259.8 (€ 187.0) million were securities issued by financial institutions.

SECURITIES HOLDINGS

The existing investments in bonds and other fixed interest securities in the amount of € 746.1 (523.0) million include investments with high credit ratings, thereof domestic government bonds of € 490.8 (244.4) million, which to a large extent are eligible as collateral at the German Federal Bank.

DERIVATIVES

The bank does not trade in derivatives with the intention to generate significant profits. Financial derivative transactions are almost exclusively made to cover customer positions. The nominal volume of derivatives was in total € 1,505.1 (1,428.6) million. Of this, 96.2 % was related to OTC products. In addition, the Bank held € 56.7 million of publicly traded products. Broken down by business segments, a nominal volume of € 501.7 million was attributable to currency and € 946.7 million to interest rate related contracts, including positions to control the Bank's interest rate risk. Since transactions with customers are directly collateralized by transactions with other banks or on the stock exchange via "micro hedges" and the Bank's positions serve to limit interest rate and currency risks of the bank book, the Bank's positions were virtually not exposed to any market price-dependent risks arising from financial derivatives, the Bank was only exposed to market price-dependent counterparty default risks.

FUND FOR GENERAL BANKING RISKS

During the reporting year, the fund for general banking risks remained unchanged at € 15.5 million.

EQUITY CAPITAL

Within the scope of the annual financial statements 2019, € 4.5 (3.2) million can be transferred to retained earnings from the 2019 annual result. The regulatory own funds, whose components are presented in detail in the disclosure report, amount to — including subordinated loans and the fund for general banking risks — € 354.8 (€ 356.7) million. The Bank's own funds — measured as the ratio of regulatory relevant equity capital in terms of the Capital Requirements Regulation [CRR] to risk-weighted assets – after the approval of the annual financial statements — were 12.1 % (12.4 %). Equity Tier 1 capital ratio is 11.3 (11.3) %.

STRATEGIC KEY FIGURES

The target ranges for the strategic key figures were defined at a time when other general monetary and regulatory conditions applied than those manifested during the second half of the reporting year. Insofar general monetary conditions are affected, the zero interest i.e. negative interest policy of the European Central Bank has in the meantime - against our expectations - increasingly solidified, and there are no indications when the reversal of this policy will be initiated. Insofar general regulatory conditions are affected, the requirements in connection with Basel III turn out - also against our expectations - to be not conclusive.

Return on equity of 8.9 % is below the target range of 10 to 15 %. This corresponds to our expectations from the previous year.

In spite of an increased net income, the Equity Tier 1 capital ratio of 11.3 % remained at the previous year's level and as such below the target range of 12 to 15 %, because the expansion of the lending volume required a greater equity backing. This outcome corresponds to our previous year's prognosis.

The cost income ratio, i.e. the ratio between administrative expenses and gross profits, decreased from 75.9 % to 71.3 %, which is still above the target range of 65 to 70 %. This means that the cost income ratio, also under eliminating of the previous year’s costs for major projects, slightly improved (72,0 %). The previous year’s report stated the expectation that this ratio will be above 70 %.

The loan to deposit ratio of 0.79 is almost at the previous year’s level (0,76) and continues to be significantly below the specified maximum target value of 1.00, as expected in the previous year.

PARTICIPATION OF WOMEN AND MEN IN LEADERSHIP POSITIONS

Based on the Act on the Equal Participation of Women and Men in management positions in the Private and Public Sectors of April 24, 2015, companies with more than 500 employees that are subject to the one-third co-determination at the Supervisory Board level, such as the bank, are obligated to determine target figures for an increase in the representation of women on the Supervisory Board, Management Board (Vorstand) and the top two management levels reporting to the Management Board and are to decide on a schedule according to which the target figures are to be met.

The Supervisory Board resolved that the target figure for women represented on the Supervisory Board will be one member on or before June 30, 2022. Due to the risk that a separation of the women’s quota into the employer and the employee side could result in an “empty chair”, such separation was not considered. This does not mean that there will be a targeted reduction of the current number of female Supervisory Board members (three of nine Supervisory Board members).

The target figure for women represented on the Management Board will be unchanged zero on or before June 30, 2022.

For the management levels reporting to the Management Board, until June 30, 2022, the target quota for first management level (area, branch and regional managers) is 10 % and 18 % for the second management level (department managers).

At 6 % and 15 %, both quotas are below the target quota. The main reason for this situation was that management positions that were opened during the reporting year were filled with male applicants, who were professionally and personally better qualified.

Risk and Opportunity Report

RISK STRATEGY / RISK INVENTORY

The Bank’s risk management guidelines are defined in the form of a risk strategy. The risk strategy is derived from the Bank’s business activities, as defined in the Bank’s business strategy and their associated risks. The risk strategy forms the framework for risk type-specific sub-strategies, which in turn put in concrete terms the requirements for the management of risks within the structural and process-oriented organization.

The Bank’s business strategy principally only includes such business activities for which reasonable risk management has been adopted in advance in the risk strategy, including sub-strategies and which have been implemented in the Bank’s structural and process-oriented organization.

From these business activities arise the following risks, which the Bank classifies as material in terms of MaRisk:

- counterparty default risk,
- market price risks, including foreign currency risks,
- interest rate risks,
- operational risks, including legal risks and associated sub-risks and cross-sectional risks,
- liquidity risks,
- business risks and
- reputational risks.

Regarding the quantitative analysis i.e. the inclusion within the analysis of the internal capital adequacy from an economic perspective, the following table provides the current detailed status on the reporting date as the result of the risk inventory.

RESULT OF THE RISK INVENTORY

Risk category (1st and 2nd level)	Inclusion into the internal capital adequacy analysis from an economic perspective
Counterparty default risks	**yes**
Credit default risk	Via counterparty default risks
Counterparty risk	Via counterparty default risks
Issuer risk	Via counterparty default risks
Migration risk	Via spread risk
Country risk	Via counterparty default risks
Investment risk	Via counterparty default risks
Market price risks	**yes**
Price risk (share, funds and bond price risks)	Via market price risks
Credit rating risk (spread risk)	Via market price risks
Market price risk arising from commodity trades	No
Foreign exchange risk	Via market price risks
Interest rate risks	**yes**
Interest rate risk banking business	Via interest rate risks
Business risk interest-earning operations	Via interest rate risks
Interest structure risk	Via interest rate risks
Interest rate risk arising from pension obligations (pension risk)	Via interest rate risks
Operational risks	**yes**
Personnel risk	Via operational risks
Conduct risk	Via operational risks
General legal risk	Via operational risks
Compliance risk	Via operational risks
Fraud risk	Via operational risks
Information security risk	Via operational risks
Outsourcing risk	Via operational risks
Going concern risk	Via operational risks
Data protection risk	Via operational risks
Tax law risk	Via operational risks
Methods and model risk	Via operational risks
Liquidity risks	**yes**
Own illiquidity	No
Liquidity cost risk (increased refinancing cost)	Yes
Market illiquidity	Via spread risk
Business risks	**No**
Commission business	for methodological reasons no
Interest-earning operations (see above interest rate risk)	for methodological reasons no
Other income and expense risk	for methodological reasons no
Reputational risks	**yes**

Initially each individual risk type is analyzed separately. The comprehensive internal capital adequacy calculation from the economic perspective then integrates the quantitative results for counterparty default risk, market price risk, interest rate risk, operational risk, liquidity risk and the reputational risk into a standard model and subjects the risks to a stress test. A risk contribution is not determined for the business risk classified as material, because the corresponding current result is not included with the risk covering potential. Risk concentrations and interactions with the other material risk types are analyzed and assessed to determine, if controlling actions are required.

The risk management focus is to contain the material risks within the specified limits from an economic perspective for the internal capital adequacy or to reduce such risks within the specified limit, as well as to counterbalance foreseeable unfavorable developments of internal capital adequacy, liquidity, as well as the reputation of the Bank. The business and risk strategy provides for the enforcement of risk-adjusted terms in the market for all business activities from which quantifiable risks for the Bank's internal capital adequacy arise. However, the risk situation in a market, a business segment or for a business partner may subsequently develop negatively for the bank, without the option of being able to adjust the terms accordingly. For this reason active risk management within the Bank's processes is necessary, in addition to the enforcement of reasonable terms at the conclusion of a business transaction.

The risk management implemented in the Bank's processes contains the following four basic strategies:

RISK ASSUMPTION

The assumption of risks is a prerequisite for the generation of income. The Bank pursues business, which corresponds to the business strategy and internal risk-return requirements. Principally, the Bank assumes the risks associated with these business transactions. Transactions that show an insufficient opportunity risk profile at the closing date are not completed. An insufficient opportunity risk profile exists e.g., if loans do not meet the minimum margin requirement and such insufficient margin cannot be compensated by other income from the associated customer base.

RISK REDUCTION

In the event, assumed risks for individual transactions or for a portfolio increase, the Bank may demand additional securities or enter into hedging transactions and reduce the respective business activities.

RISK TRANSFER TO THIRD PARTIES

The Bank may transfer partial risks or the entire risk to other market participants (e.g. insurances), if business transactions do not meet the Bank's risk profile requirements and risk reduction is not possible.

RISK AVOIDANCE

Business transactions with customers, whose potential risk could threaten the Bank's internal capital adequacy, may not be entered into. This applies, in particular, to business transactions with customers, in which the monetary damage could exceed major portions of the operating profit before risk provisions minus expected losses, if such risks materialize. In addition, business activities that may damage the Bank's reputation are also to be avoided or discontinued.

OVERALL RISK POSITION / INTERNAL CAPITAL ADEQUACY

The determination of internal capital adequacy serves both, the objective of a going-concern for the institute and the protection of creditors against losses. To meet these two protection objectives, the German banking supervisory authorities expect from the institutes that they analyze two perspectives within the scope of its internal capital adequacy concept: a normative and an economical perspective.

The normative perspective is to be understood as the regulatory requirements as a whole. The relevant controlling parameters are, in particular, the supervisory requirements

- regarding capital (Common Equity Tier 1 Capital requirement, SREP total capital requirement and the combined buffer requirement),
- regarding the own funds target key figure and
- regarding the capital structure.

For this reason, the starting point for these analyses are the regulatory key figures, as well as their calculation logic, which are all taken from the supervisory reporting system. In addition to meeting the regulatory requirements as of the reporting date, a capital planning is prepared that covers at least a period of three years and which is updated at least once a quarter. The calculation logic for future periods is also specified by the supervisory authorities. Only the parameter variation for various scenarios (plan scenario and at least one adverse scenario) may be determined by the institute.

In the normative perspective of internal capital adequacy, the Bank consistently complied with the regulatory requirements on equity, including all buffer requirements, during the past fiscal year. Within the scope of capital planning under the normative perspective a simulation of the requirements regarding own funds, as well as the development of the equity components was conducted for the period from 2020 through 2024. This simulation is based on a series of assumptions, which are derived from the annual financial statements 2019, as well as the currently valid planning for the years 2020 through 2024. In addition to the planned retention of earnings, a capital increase in mid 2020 to strengthen the capital basis is assumed. The valid capital requirements on the reporting date will be supplemented by known changes and updated. The simulation result indicates that the regulatory requirements on equity, including all buffer requirements, are consistently complied with also during the plan period. Also the Equity Tier 1 capital ratio as a strategic target key figure will be within the target range of 12 % to 15 % until 2023. In 2024, the Equity Tier 1 capital ratio will drop slightly under the target range due to the roughly estimated effects from Basel IV.

The internal capital adequacy analysis in the economic perspective is used to secure the substance of the institute for the long-term and as such to protect creditors against losses. Within the scope of internal capital adequacy analysis from the economic perspective, the sum of risk contributions is compared with the risk covering potential. The internal capital adequacy requirement is met, if the risk covering potential is at least equal to or exceeds the sum of risk contributions.

Internal capital adequacy requirements were met throughout the reporting period. As of the reporting date, a free risk capital of € 213.8 million results from the difference between risk covering potentials of € 314.7 million and risk potentials of € 101.0 million based on the analysis of the internal capital adequacy from the economic perspective.

ECONOMIC INTERNAL CAPITAL ADEQUACY OVERVIEW
IN € MILLION

Internal capital supply risk covering potential (RCP)	Qualifying date
Risk covering potential	**314.7**
Internal economic capital needed risk potentials	
VaR counterparty default risk	58.4
VaR market price risks liquid securities holdings plus spread risks	10.0
VaR market price risks money market transaction plus spread risks	0.0
VaR market price risks foreign currency	0.1
Interest rate risk	27.3
Operational risks	4.7
Liquidity cost risk	0.3
Reputational Risk	0.1
Total risk position	**101.0**
Available risk capital	**213.8**

Within the scope of the internal capital adequacy analysis from an economic perspective a comprehensive stress scenario simulating a severe economic downturn is conducted. In addition, stress tests are performed on material risk types, as well as an inverse stress test and cross-risk stress tests based on causes originating from the Bank and/or the market at large. The stress scenarios take risk concentrations into account.

STRUCTURE OF RISK MONITORING AND CONTROL

The implementation of an effective risk management in the structural and process-oriented organization is the responsibility of all Management Board members. The Management Board is responsible for the Bank's overall risk management, specifically risk-bearing capacity, including the set limits, liquidity and the Bank's reputation. The Management Board is hereby supported by cross-functional committees, such as e.g. the risk committee.

Relating to risks associated with the individual business activities, risk management is performed by the following organizational units:

- The management of counterparty default risks is the responsibility of Credit Risk Management — Quality Management.
- The management of the interest rate and liquidity risk is the responsibility of the Treasury department.
- The management of market price risks is the responsibility of Credit Risk Management — Quality Management.
- The management of operational risk is performed in a decentralized manner by all organizational units.
- Controlling of the business risk is the responsibility of the units managing sales.
- The management of the Bank's reputation, as well as potential reputational risks is the responsibility of all Management Board members. Operational execution is the responsibility of the reputational risk representative.

Risk Management area/ Risk Controlling department is responsible for the identification, measurement and analysis of risk potentials, as well as the determination and analysis of internal capital adequacy from an economic perspective and has, in particular, the following responsibilities:

- Consultation of management in risk policy issues, in particular as regards the development and implementation of risk strategies and the design/ implementation of a system to limit risks.
- Support of management regarding risk inventory and preparation of an overall risk profile.
- Responsibility for the implementation and development of risk management and risk controlling processes.
- Monitoring of internal capital adequacy and risk limit compliance from an economic perspective.
- Preparation of risk reports for managemen.t
- Immediate communication of material risk-related information to management, the respective managers and, if needed, to the Internal Audit department.

The head of Risk Management assumes the risk controlling function according to AT 4.4.1 MaRisk.

RISK CATEGORIES

To identify, assess, manage, monitor and communicate all individual risks, as well as the Bank's internal capital adequacy, a continually developed comprehensive risk management and reporting system is implemented. Regarding risk reporting, we refer to the respective segment. The handling and processing of the individual risk categories that are considered material is illustrated below.

COUNTERPARTY DEFAULT RISK

Counterparty default risk is defined as the risk that occurs when the Bank suffers a loss through the default of a counterparty with whom the bank maintains a business relationship.

In regard to the essential loan business, the counterparty default risk is defined as the risk that a borrower does not meet or only partially meets its contractually agreed obligations to make interest or redemption payments when due and in the specified amount. Regarding the issuer and counterparty business segments, the counterparty default risk is defined as the risk that the Bank suffers a loss through the default of an issuer or a counterparty with which the Bank entered into a debt or equity instrument or derivative transaction. The default of an equity investment is also a counterparty default risk. The counterparty default risk also takes negative changes to the assessed value of loan collaterals into account.

In relation to the internal capital adequacy, the counterparty default risk represents - besides the interest rate risk at net present value - in accordance with the business model the greatest quantitative risk share among the individual risk types. This results from the Bank's strategic emphasis on customer loan business.

The sales units and back office are integrated into the loan process. The sales units and back office functions are separated — also in the case of substitution — up to and including the management level and the organizational structure.

The weekly quantification of risks is based on the expected loss and unexpected loss concepts (value at risk). Quantification, analysis and control of the counterparty default risk is performed on the individual transaction level, as well as on the portfolio level and includes the sub-portfolios Private Customers, Freelance Professions, Corporate Customers, Treasury (issuers and counterparties), and Equity Investments. All individual credit risks are aggregated into internal risk units, which include, in addition to loan customer entities according to Section 19 Para 2 German Banking Act, also groups of affiliated customers according to Art. 4 Para 1 No. 39 Capital Requirements Regulation (CRR). Risk concentrations are mapped and controlled at this level.

Central parameters for the determination of the expected and unexpected loss are the defaulting probability of the borrowers and the unsecured total loan. The unsecured total loan in the primary customer loan business is determined by subtracting the measurable loan collaterals from the total loan. In the sub-portfolio Treasury, also issuer-and counterparty group-related loss ratios are applied. In relation to the essential customer loan business in the sub-portfolios Private Customers, Freelance Professions and Corporate Customers, the defaulting probability is determined on the basis of the annually validated rating system CredaRate. The default probabilities in the sub-portfolios Treasury and Equity Investments are primarily derived from external ratings.

At the end of the reporting period, the Bank's expected loss was € 22.6 (€ 20.8) million according to the standard scenario. Of that, the main portion of € 21.6 (€ 19.7) million is attributable to the essential customer loan business in the sub-portfolios Private Customers, Freelance Professions and Corporate Customers:

SUB-PORTFOLIOS WITHIN THE LENDING PORTFOLIO IN € MILLION

	12/31/2018	12/31/2019
Private Customers	0.5	0.6
Freelance Professions	2.4	2.6
Corporate Customers	16.8	18.4
Treasury	1.0	0.9
Equity investments	0.1	0.1
Total	**20.8**	**22.6**

Regarding, individual borrowers of the primary customer loan business, total loan, unsecured total loan and the expected loss of € 21.6 million are distributed between the rating scales and the corresponding average default probabilities of the respective rating scales as follows:

LENDING PORTFOLIO ACCORDING TO RATING CLASSES

IN %

Rating scale	Average default probability of the rating classes	Share of total loan	Share of unsecured total loan	Share of expected loss
not rated	0.340	3.2	4.5	1.3
1	0.030	5.5	7.2	0.2
2	0.058	2.6	2.1	0.1
3	0.108	7.0	5.1	0.5
4	0.190	8.0	6.6	1.1
5	0.340	13.9	13.0	3.9
6	0.553	9.7	9.7	4.7
7	0.808	13.0	15.8	11.4
8	1.188	13.6	14.1	14.8
9	1.788	12.5	11.4	18.1
10	2.725	6.3	6.0	14.4
11	4.150	2.2	2.1	7.7
12	6.250	1.5	1.4	8.0
13	9.375	0.2	0.2	2.0
14	14.000	0.3	0.3	3.9
15	20.000	0.5	0.4	7.8
Total		**100.0**	**100.0**	**100.0**

Value at risk is a risk measure that indicates, which loss value is not exceeded by a risk position (in this case the loan portfolio) under the assumption of a set probability (confidence level) and within a set period (as a rule one year). The basic idea behind value at risk determination is that the repeated simulation of borrower defaults provides a basis for the projection of the probability for potential loss arising from loan business. The risk calculation system applies the statistical portfolio model "Credit Risk+" for the value at risk determination and complements this model with a correlation model for industry-specific default rates based on Federal Office of Statistics data.

The unexpected loss of € 58.4 (€ 56.8) million is determined on the basis of the internal categorization system and is quantified with a confidence level of 99.9 % and an observation period of one year.

Risk concentration analyses for regions, industry sectors and credit rating categories are also components of risk reporting, in addition to volume concentrations that are principally considered in the determination of unexpected losses in the value at risk model. The main regional focus of our customer loan business is North Rhine-Westphalia (91.7 % of committed loans that did not default). 77.2 % of the committed credit lines in the issuer and counterparty business segments are attributable to domestic issuers and counterparties.

Collateral values are generally determined prior to each loan decision to measure expected collateral revenues. For this purpose, minimum haircuts are defined for the determination of the collateral values depending on the provided collateral type. If there are indications that these values have changed, the collateral values are updated. Within the scope of risk measurement these collateral valuations are applied.

Imminent default risks are taken into account through the creation of specific valuation allowances and provisions. An imminent default risk arises, if the Bank considers it improbable that a debtor is in a position to pay all of its liabilities to the Bank. An important criterion for the identification of an imminent risk is the assessment of the borrower's sustained capacity to provide net debt service i.e. to which extent the borrower will likely be in a position to provide net debt service from expected future inflows (cash flow, salary, other income). The assessment of the individual risk provision considers the probable realization value from available collaterals. In addition, payment inflows are taken into account that can be used during the next five years for the reduction of the Bank's claim.

On the reporting date, the share of non-performing loans was unchanged to the previous year 2.2 % and since 2014 this share could be reduced in total by 4.5 % points.

MARKET PRICE RISK

Market price risk is defined as the risk that market parameters and consequently the value of positions exposed to market price risks develop unfavorably for the bank due to general market movements. Corresponding to the different market transaction parameters, market price risks are differentiated into price, interest and currency risks. Price risk is defined as the risk that may result from currency or price fluctuations within a certain period of time. The individual funds risk is depending on the funds composition (shares, bonds and property funds or hybrid forms). Negative economic developments on markets, market segments, in industries or companies may result in lower funds valuations. Potential price declines of interest-bearing instruments due to deteriorating credit ratings (changes of the spreads), are also classified as market price risk.

The Bank invests in securities and enters into money market transactions within the investment book. The Bank holds investment funds to a limited extent, without trading intent, for the processing of routine investments in capital-forming schemes and securities saving. In addition, the Bank's investment book, macro interest swaps are also included to hedge the fiscal year's net interest income. These are components of interest rate risk management.

Open foreign currency positions from interest and currency transactions with customers within the scope of interest and currency management (currency exchange rate peaks) are to be kept to a strict minimum. The Bank does not engage in proprietary trading on this basis. Corresponding processes for the daily monitoring and immediate closure of open positions have been implemented.

Option risks result exclusively from interest and currency transactions with customers and are generally hedged by equivalent transactions in the interbank market.

The weekly market price risk report, as well as the market price risk report at month's end is prepared by the Risk Management area / Risk Controlling department. Within the scope of interest and currency management for customers, a risk contribution is determined and reported weekly and at month's end for all of the Bank's own investments, as well as for interest and currency transactions. The report is provided to the Management Board, the responsible area and department heads, as well as to Credit Risk Management / Quality Management and the functional responsible employees of the affected area. In addition, the market price risks are reported within the scope of quarterly reporting.

The material elements of risk management are risk and loss limits. Risk limits and warning levels are set on an annual basis for the Bank's own investments, as well as for interest and currency transactions. Loss limits are also defined for shares, funds and bonds. These limits cap the permitted pending portfolio losses. Expected losses from the purchase of interest bearing securities above par price are proportionately added to the loss limits for bonds on a daily basis. During the course of the year realized losses also cut the set loss limits.

To monitor used limits, the Risk Controlling department provides a market risk report on the existing risk and loss limits to Credit Risk Managemen / Quality Management on a weekly basis and at month's end.

If warning levels, risk limits or loss limits are reached or exceeded, as well as in the case of controlling relevant back testing deviations, Risk Controlling calls a Market Price Risk Committee meeting.

If warning levels, risk limits or loss limits are reached or exceeded, this committee will prepare a base strategy in accordance with the business and risk strategy for the next steps, as well as associated controlling measures in a timely manner. In the case of controlling relevant back testing deviations, the Market Price Risk Committee proposes possible measures. Permanent participants in the Market Price Risk Committee for controlling relevant back testing deviations are representatives of the risk controlling department, as well as of the department Treasury and Credit Risk Management and in the case risk limits, loss limits or their warning levels are exceeded, representatives of the Accounting & Controlling department will also participate in Market Price Risk Committee meetings.

For the value at risk determination the risk calculation system applies the so-called variance-covariance approach. The determination of the value at risk with the support of the variance-covariance approach is based on the assumption that past fluctuation ranges (volatilities) measured for various assets is a good indicator for the fluctuation range of the future market prices of these assets. According to the portfolio theory, the fluctuation range of the market price of an entire portfolio can be derived from the fluctuation ranges of the market prices of the individual assets of a portfolio, if the weights of the individual positions (investments) in the portfolio and their correlations amongst each other are known. In this context, the focus is not placed on the volatilities and correlations of the specific investment objects' market prices, rather the focus is placed on categorized standard market objects.

For weekly quantification and for the quantification at month's end, as well as for the management of the market price risk of the Bank's own investments, as well as transactions within the scope of interest and currency management, a value at risk model is applied, which determines the value at risk for a holding period of 250 days with a confidence level of 99.9 %. Furthermore, the value at risk concept is supplemented by hypothetical and historical scenario calculations and a comprehensive stress test.

Spread risks are determined using a scenario analysis. For this purpose, a premium is added to the interest curves used for the valuation and the portfolio's modified daily quotes. Prices calculated on the basis of this fictitious interest curve are subsequently compared with the prices calculated without the premium.

The Risk Controlling department checks the forecast quality of the risk model underlying the market price risk report during the preparation back testing reports. Back testing compares the value at risk calculated on the day before the qualifying date with the actual market movements on the qualifying date. The Risk Controlling department calls for a meeting of the Market Price Risk Committee, as soon as the calculated value at risk varies from the actual market movements to a controlling relevant extent.

On the reporting date, the value at risk contribution (value at risk and spread risks) for the market price risk from the Bank’s own investments was around € 10.0 (€ 8.8) million. The value at risk for the market price risk from interest and currency transactions was around € 0.1 (0.1) million on the reporting date.

INTEREST RATE RISK

Interest rate risk is a sub-category of the market price risk. Interest rate risk is understood as the risk of negative effects on the Bank's financial performance and financial position arising from interest rate level and interest structure developments, as well as developments regarding the interest book’s volume and structure. The interest rate risk is assessed on the one hand based on a periodic dimension and on the other hand based on a net present value dimension.

The interest rate risk quantification and the interest rate risk reports are prepared by the Risk Management area / Risk Controlling department. The management of the Bank’s entire bank book is the responsibility of the Management Board on the basis of suggestions put forth by the Treasury department and the interest rate risk committee.

The interest rate risk quantification is based on a periodic net interest income simulation, as well as an analysis of the interest book at net present value. The interest book contains all of the Bank’s business transactions that are exposed to an interest rate risk. In addition, the interest rate risk arising from pension obligations is also considered. Reports are provided to the Management Board and the Supervisory Board at least on a quarterly basis.

Within the scope of the interest income simulation for the fiscal year, the net interest income for the next twelve months is determined based on various interest scenarios under the assumption of a constant balance sheet structure. The applied interest rate scenarios include a constant interest rate level, parallel shifts and reversals of the interest rate structure curve upward and downward, as well as the Bank’s interest rate forecast.

In addition, historically derived and hypothetical stress scenarios are simulated. Increases or decreases in holdings are also simulated, in addition to interest structure changes, to take risk concentrations in the analyses into account. Furthermore, depending on the scenario the simulation period is extended.

At the end of the reporting period, periodic interest rate risk was around € 3.3 (1.4) million. The interest rate risk at the net present value, which is relevant for the analysis of internal capital adequacy from an economic perspective, is derived from a negative change of the economic value in the case of a sudden and unexpected positive or negative interest rate change by 100 base points. At the end of the reporting period 2017, the interest rate risk at the net present value was € 27.3 (€ 27.7) million.

In addition to the interest rate risk at the net present value, the interest rate coefficient is determined based on Section 25a Para 2 German Banking Act according to the 09/2019 circular of the Federal Financial Supervisory Authority. This key indicator shows the highest negative change of the interest book’s economic value in relation to the regulatory own funds in the event of an upward or downward parallel shift in the interest rate yield curve by 200 base points. If this interest rate coefficient exceeds 20.0 %, the institute is considered to be a “credit institute with an increased interest rate risk”. Reporting is provided quarterly according to the regulatory requirements. The determined net present value development remained below this value on all qualifying dates. At the end of the year, the negative net present value development was 15.4 % (15.4 %).

In addition to this so-called standard test, six interest scenarios (parallel shock up, parallel shock down, steepener shock, flattener shock, short rates shock up, short rates shock down) were used for the calculation of the early warning indicator. For these tests, the change of the interest book's economic value is put in relation to the regulatory Common Equity Tier 1 Capital.

LIQUIDITY RISK

Under the term liquidity risk several risk factors are summarized. The definition of the liquidity risk includes, in addition to the risk of the Bank's illiquidity, the liquidity cost risk and the risk of market illiquidity (or market liquidity risk). Liquidity costs can arise, if liquidity can only be achieved through higher prices. The market illiquidity risk includes the risk that assets can be converted into cash in principle, cannot be converted into cash or only if price reductions are accepted.

The Bank's liquidity risk management is to ensure that current and future payment obligations can be met in full at any time. In addition to the regulatory liquidity requirements, liquidity risk management must also ensure short-term (dispositive) and long-term (structural) liquidity.

The liquidity risk management is anchored in the line processes of the bank under consideration of required organizational separations. The daily dispositive liquidity risk measurement is performed by the Risk Management area / Accounting & Controlling department. The Risk Management area / Risk Controlling department is responsible for the structural liquidity risk measurement. Liquidity risk management is the responsibility of the Treasury department. The determination of the liquidity cost risk is performed within the scope of the monthly internal capital adequacy analysis from an economic perspective by the Risk Management area / Risk Controlling department.

Liquidity management is performed on the basis of daily liquidity key indicators, i.e. on the strategic liquidity positions. The investment and refinancing options offered by the European Central Bank are used within the scope of dispositive liquidity management. In addition, money transactions are entered into with other banks and a select group of non-banks. Measures such as issuance of promissory notes or sale of promissory notes or of securities that are not eligible for the pool of pledged assets, as well as potential structural customer deposit changes are available for structural liquidity controlling.

Close monitoring by the Treasury department and the Risk Management area / Risk Controlling department provides for initiating measures at an early stage to optimize the liquidity structure and thus avoid potential liquidity shortfalls. The purpose of the liquidity risk committee is to ensure consistency of activities and measures.

The dispositive liquidity controlling core responsibilities are to ensure the Bank's ability to meet its payment obligations, to invest excess liquidity, to efficiently perform refinancing, to ensure compliance with minimum reserve requirements, as well as to ensure compliance with regulatory requirements concerning the liquidity coverage ratio. Various key indicators are determined on a daily basis to monitor the dispositive liquidity situation. In 2019, indications of a liquidity bottleneck were not identified.

A liquidity overview with expected funds inflows and outflows is prepared to assess the structural liquidity position. Assumptions on customer deposit withdrawals, including deposit concentrations, credit line use, as well as disposal of securities, are made, in particular, to determine these liquidity cash flows. The liquidity cash flows are simulated in the form of a standard scenario and of stress scenarios. The standard scenario (observation period five years) and the stress scenario (observation period six months) produced only positive cumulated liquidity cash flows.

CUMULATED CASH FLOWS IN THE STRUCTURAL LIQUIDITY RISIK

IN € MILLION

Period of time	Cumulative cash flow standard analysis	Cumulative cash flow stress analysis
12/31/2019 through 1/31/2020	1,005.5	597.1
12/31/2019 through 2/29/2020	980.5	514.2
12/31/2019 through 3/31/2020	941.3	401.5
12/31/2019 through 4/30/2020	953.9	348.3
12/31/2019 through 5/31/2020	940.9	269.6
12/31/2019 through 6/30/2020	976.3	223.7
12/31/2019 through 7/31/2020	975.5	209.8
12/31/2019 through 8/31/2020	964.3	185.5
12/31/2019 through 9/30/2020	966.7	174.6
12/31/2019 through 10/31/2020	962.8	157.5
12/31/2019 through 11/30/2020	983.2	164.8
12/31/2019 through 12/31/2020	1,000.3	168.8
12/31/2019 through 12/31/2021	1,169.1	179.6
12/31/2019 through 12/31/2022	1,314.2	171.1
12/31/2019 through 12/31/2023	1,501.4	357.7
12/31/2019 through 12/31/2024	1,656.7	512.4

The liquidity cost risk (refinancing risk) is taken into account within the scope of the Risk Controlling department's monthly internal capital adequacy analysis from an economic perspective. Due to the high concentration of refinancing via customer deposits, liquidity costs (all other things being equal) may be incurred on the liabilities side of the balance sheet through an increase in interest rates to be paid to the customers and the associated liquidity-based margin reduction. The liquidity cost risk was € 0.3 (€ 0.3) million on the reporting date.

OPERATIONAL RISK

Operational risk is the risk of losses that are caused by inadequate or failing internal procedures, individuals and systems or that are caused by external events, including residual risks.

The objective of operational risk management is to minimize these risks to the extent possible under consideration of cost-benefit aspects. The characteristics of the specific risk (probability, effects of its occurrence, in particular the potential loss amount) determine how the Bank manages operational risks.

The identification of operational risks, as well as damages arising from materialized operational risks, the assessment of such operational risks and the development and implementation of controlling measures for specific operational risks is not performed centrally in the organizational units and in the affiliated companies, which caused the operational risks. For these purposes, the Risk Management area / Risk Controlling department is the central contact for the entire Bank.

Identification of significant operational risks is determined by an expert survey based on a risk identification sheet. The heads of the Bank's organizational units are responsible for the preparation and updating of the so-called risk inventory for their areas/departments. In addition to the risks identified in the risk inventory, an overall Bank assessment is performed; i.e. branch risks, branch office risks, as well as risks for the affiliated companies are also included in the risk inventory. The expert and scenario based assessment of the operational risks is updated quarterly. The Risk Management area / Risk Controlling department assesses the plausibility of the individual risk inventories, which are then aggregated into the overall Bank risk inventory.

The Bank adopted guidelines for Business Continuity Management within the scope of its emergency management. The emergency scenario "Pandemic and Staff Shortages" was promptly supplemented due to the Virus SARS-CoV-2 caused illness Covid-19, in particular regarding work organization, by a comprehensive works agreement, which puts the Bank into a position to act flexible in the case the Bank is affected by the Pandemic. The effects on other risk types, in particular counterparty default risk, is being analyzed.

The risk inventory was further detailed due to banking law, regulatory and technological developments in the Bank's business environment. The risk contribution from operational risks was € 4.7 (€ 4.9) million on the reporting date.

Risk contribution is attributable to loss cause categories as follows:

LOSS CAUSE CATEGORY
IN %

internal procedures	35.5
human causes	35.6
external events	20.7
systems	8.2
Total	**100.0**

This includes legal and tax risks. These risks are evaluated on an ongoing basis. Known risks are provided for on the balance sheet. Insofar these risks must not be accounted for on the balance sheet, these risks are accounted for with the risk contribution for the operational risk.

The risk contribution in the stress test was € 6.9 (7.7) million.

Losses arising from operational risks exceeding € 1.0 thousand are entered into a central loss database. The Management Board receives routine reports, as well as event-driven ad-hoc reporting on the current risk situation, as well as control measure recommendations, if required.

BUSINESS RISK

Business risk is defined as the negative deviation between the realized i.e. expected items of the income statement and the budgeted items of the income statement. The Bank's business risk is comprised of the respective risks arising from commission and interest business, as well as the other income and expense risk.

The business risk is managed by the sales managing units heads and other managers responsible for income and expenses. Controlling of result figures by the Accounting & Controlling department is primarily based on the monthly profit and loss statement, as well as the Management Information System (MIS).

The risk of sales objective shortfalls is monitored by ongoing plan-actual checking at the sales managing units level, supported by the MIS. In relation to the remaining profit and loss items, the monthly profit and loss statement, as well as decentralized evaluations and information are used for controlling purposes.

REPUTATIONAL RISK

Reputational risk is defined as the risk of an unexpected loss due to reactions of stakeholders based on a changed perception of NATIONAL-BANK.

The NATIONAL-BANK business model's sustainability concerning its market success, its capital basis, as well as the quality of its products and services is determined to a high degree by its reputation in the public (customer, shareholders, creditors, business partners, banking supervisory authorities, other governmental institutions) and the perception by its employees. Safeguarding an impeccable reputation at any time is a central maxim within the NATIONAL-BANK strategy.

The management of the Bank's reputation, as well as potential reputational risks is the responsibility of all Management Board members. Operational execution is the responsibility of the reputational risk representative and, if necessary, in cooperation with the involved areas, departments or functions. To ensure adequate bank-wide risk control, this task is also supported by the reputational risk committee and the Management Board.

The Bank took adequate measures against all identifiable risks to the Bank's reputation.

METHODS, PROCESSES AND IT SYSTEMS

The Bank conducts routine reviews on the adequacy of the methods and processes used to determine and analyze risk potentials and internal capital adequacy; adjustments are made as needed. Within the scope of internal capital adequacy assessment from an economic perspective, risk-reducing effects resulting from diversification among individual risk types are not taken into account. However, assumptions on risk reducing diversification are applied to the value at risk calculations of the counterparty default risk and the market price risk. These are based on customary models used in the banking industry; the Bank's individual parameters are routinely reviewed and adjusted as needed.

A state-of-the-art risk information technology system is used to prepare the Bank's risk calculation, analysis and reporting. This system is based on externally developed standard software and a central data warehouse for the calculation of counterparty default risk, interest rate risk, market price risk and liquidity risk. The Risk-IT system is operated by an organizational unit that is separate from the Risk Management area.

COMPENSATION AND SUPPORT MEASURES

Due to our membership in the Compensation Scheme of German Banks [Entschädigungseinrichtung deutscher Banken GmbH] and based on the European Bank Levy, special payments may be requested from the Bank in the event of compensation and support measures. In which amount such payments could materialize is currently not foreseeable due to the calculation scheme, which, in particular, considers the relative development of bank-specific parameters as compared to the banking industry for the calculation of payments. In general, such payments may, however, put pressure on the Bank's financial position and performance, as well as the Bank's liquidity position.

ONGOING DEVELOPMENT IN 2020

One of NATIONAL-BANK's principles is the ongoing development of risk management. We are committed to ensuring that the full depth and breadth of market developments are taken into account and that all regulatory requirements are complied with. In the year 2020, the committee structure for the management of the risks classified as material will be refined. NATIONAL-BANK will, in addition, establish a committee for sustainability and climate risks.

RISK REPORTING

		Reporting Cycle	Created by	Recipient
All Risk Types	The quarterly report (on all risk types, including stress tests, including internal capital adequacy calculations under normative and economic perspectives, as well as new regulatory requirements regarding risk relevant topics).	Quarterly	Risk Controlling among others	Management Board / Supervisory Board
	Analysis internal capital adequacy economic perspective	Monthly	Risk Controlling	Management Board
	Profit and loss statement	Monthly	Accounting & Controlling	Management Board / Supervisory Board
	Risk Inventory	Annually	Risk Controlling	Management Board
Counterparty default risk	Loan Risk Report	Monthly	Risk Controlling / Credit Risk Management	Management Board
	Major commitments according to the Audit Report of the Annual Financial Statements	Annually	Credit Risk Management	Management Board / Supervisory Board
	Loan commitments with risk-relevant circumstances	Quarterly	Credit Risk Management	Management Board / Supervisory Board
	Loans to executive bodies	Event-driven	Credit Risk Management/ Personnel	Management Board / Supervisory Board
	Counterparty and Issuer risks	Annually	Credit Risk Management	Management Board / Supervisory Board
	Development loan risk provisions and commitments with special risks	Monthly	Credit Risk Management	Management Board
Market price risk	Market Price Risk Report	Weekly	Risk Controlling	Management Board
	Back-testing analysis market price risk	Event-driven	Risk Controlling	Management Board
Liquidity risk	Liquidity Risk Report	Quarterly	Risk Controlling	Management Board
	Liquidity status	Weekly	Treasury	Management Board
Interest rate risk	Interest Rate Risk Report	Quarterly	Risk Controlling	Management Board
	Treasury Report	Monthly	Treasury	Management Board
Operational Risk	OpRisk Report	Annually	Risk Controlling	Management Board
	Report on Significant Losses	Event-driven	Responsible area	Management Board
Reputational Risk	Reporting on reputational risks	Event-driven or quarterly	Responsible area/ reputational risk representative	Management Board / Supervisory Board
Internal Control Functions	Quarterly / annual Report of Internal Audit	Quarterly/ annually	Audit	Management Board / Supervisory Board
	Quarterly / annual report of the compliance representative within the report of the staff functions	Quarterly/ annually	Compliance Officer	Management Board / Supervisory Board
	Quarterly / annual report of the money laundering representative within the report of the staff functions	Quarterly/ annually	Anti-Money Laundering Officer	Management Board / Supervisory Board
	Quarterly / annual report of the information security representative within the report of the staff functions	Quarterly/ annually	Information security representative	Management Board / Supervisory Board
	Quarterly / annual report of the data protection coordinator within the report of the staff functions	Quarterly/ annually	Data Protection Coordinator	Management Board / Supervisory Board

OPPORTUNITIES

Regarding the internal capital adequacy of the Bank and considering all risks, it is possible that, the actual risks fall short of the imputed risks.

The model-based quantification of the expected and unexpected loss in the counterparty default risk segment is performed on the basis of statistical methods and on the basis of historical observations. Opportunities arise, if the actual credit rating development of the loan risk-carrying positions takes on a more positive course than that observed in the past. In this case the loan risk provisions are below the calculated credit default risk and fewer migrations occur into the weaker (lower) credit rating levels.

In addition, in regard to positions with a counterparty default risk that meet the default definition, higher revenues than estimated can be realized within the scope of the disposal of securities or the credit rating of such positions can develop more favorably than estimated.

The development of the interest rate level and the interest structure — under consideration of the structure of the Bank's interest book — can create opportunities in regard to net interest income and the interest book's economic value.

The market price risk is determined according to a model. High volatilities, which result in a high market price risk, can, however, be associated with a positive overall development of the instruments with a market price risk.

Liquidity potentials held to ensure liquidity may be used to react flexibly to arising business opportunities.

In regard to the development of the Bank's business, opportunities can arise, if the realized net interest income and net commission income is, e.g. due to a business volume expanded above plan, above the respective planned income.

Opportunities from the operational risk arise if the actual loss occurrences fall short of the imputed risk potentials. Loss occurrences are the impetus for continued improvements.

In addition to risks, opportunities for the Bank's reputation may also arise through e.g. external positive reports.

Internal Control System regarding the Financial Reporting Process and the Risk Controlling

The Internal Control System (ICS) in Accounting is a component of the Bank's comprehensive overall internal control system. It is comprised of principles, processes and measures, designed to ensure that the Bank's accounting is correct, complete and efficient and that all statutory requirements are complied with. It ensures that the annual financial statements give a true and fair view of the Bank's financial position and performance.

The Bank employs standardized software components throughout the Bank, so that business transactions are predominantly posted and recorded electronically. The systems used for this can only be operated by employees specifically authorized for this purpose. Manual postings are limited to certain types of commission business. Manual postings are subject to dual control, if manual posting is required in individual cases.
The system parameters are set under strict compliance with the separation of functions and is expressly provided for in numerous guidelines and policies.

A comprehensive process for new business ensures that new financial products are accounted for appropriately in the accounting system and risk controlling through the inclusion of the accounting & controlling and risk controlling departments. Numerous established coordination processes also ensure that all business transactions recorded in the systems are properly and completely depicted.

Reporting to the Management Board, the market areas and the branch offices is performed on a monthly basis.

The Internal Audit department, which monitors the internal accounting control system, regularly checks the IT systems and work processes within the scope of accounting, as well as risk controlling. The Internal Audit department is involved in all internal accounting control system development projects.

Report on Expected Developments

In spite of all negative (geo-) political factors caused by the unchanged latent trade conflict, the Bank understands that the global economic perspectives continue to point upwards. The backbone of the global economic constellation remains robust. As compared to historic upturns, this upturn in the USA was weak, the US expansion should still have some momentum. This applies the more, as the globally low interest rates should rather extend the economic cycle in the USA. Furthermore, the concerted action of the international central banks created an unprecedented interest level. The leading key interest rates of the Federal Reserve are way below the domestic economic equilibriums and facilitate as such that the central banks in the emerging markets can also pursue a more expansive monetary policy. This resulted primarily in an additional degree of autonomy in decision-making for the Chinese central bank. Primarily driven by a monetary policy that has already distanced itself to a large extent from the regulatory post-war standards, in particular in the Eurozone, the so-called financial cycle in the industrial nations constitutes a substantial bastion against a slipping into a recession. The ultra-loose monetary policy of the western central banks can, at its core, cushion the consequences of exogenous shocks, such as the trade conflict, because both, the increase of real estate prices and the strong price increases at the stock exchanges, develop a long lasting, the domestic economy stabilizing momentum of its own.

For the projection of the global growth rates one must take into account that an ever increasing share of the global economy is generated in the emerging Asian markets. According to the IWF prognoses this effect contributes already 1/4 percentage points to the expected global growth rates for the next year. We expect that the global expansion in the coming year of 3.4 % will be noticeable more dynamic and will also last in the following years. This requires, however, that our underlying geopolitical scenario of a gradual reduction of the conflict intensity actually materializes.

The economic dynamic in the USA noticeable diminished after a once again rather strong expansion at the start of the year. The main argument for a continuation of the US expansion is - from the historic perspective - the still extraordinary great financial power of the US budgets. The interest burden of private households is, for example, at a 50 year low. Low interest rates in combination with high growth rates at the wage volumes should principally effect over years, that private spending will continue to be the central pillar of economic development. Support for this line of argumentation was primarily provided until recently by the fact that the US consumers sentiment continues to be at longstanding all-time highs. Furthermore, the indicators for investments currently allow for the conclusion that the cyclical economic development will be robust in the mid-term. According to our opinion it is no coincidence that the results of more complex quantitative models do still not produce a considerable probability for a US recession. This probability continues to be close to zero - in spite of the trade conflict. For this reason we expect for the USA also for the current year a solid growth of around 2.0 %.

Growth in the European economy continued, whereby the reduction of international trade activities naturally in particular negatively affected the manufacturing industry in Europe, because industrial products were particularly affected by the tariffs and represent the majority of traded goods. The central pillar of the economic development remained until recently domestic demand, which was driven by the good development on the labor market. Under the assumption that the trade disputes will not escalate once more and that the Brexit will not negatively affect international trade to a major extent, the growth rate of the gross domestic product in the Eurozone should be around 1 % in the coming year.

In spite of the review of the ECB strategy it is to be expected that the European monetary policy will quasi for an indefinite period remain at a minimum in its current ultra-expansive modus. The long-term growth trend in the Eurozone is simply too weak to generate the desired price pressure. In contrast to the development in the Eurozone, the development of the US interest rate yield curve follows, from our perspective, a complete different logic: The US central bank does not enter the next interest rate cut cycle, but this measure is in fact a so-called "mid-cycle adjustment". Possible progress with the trade talks should for this reason trigger a significant correction of expectations, primarily in the USA, due to the fact that the US labor market continues to be very tight. Should world trade normalize again, noticeable price increases for internationally traded goods could materialize within a year, which would also allow to apply reflation measures globally. Finally, interest rates should globally be able to once again increase somewhat, at a minimum gradually. We expect specifically that 10-year US treasury bonds may rise to around 2.0 % within one year. Via the transatlantic interest correlation, this will also result in a certain upward pressure with a view on the German Federal treasury bonds curve, but we continue to assume that the gap between German Federal treasury bonds and US treasury bonds will further widen based on the different paths the central banks have chosen. We expect specifically for German Federal treasury bonds a yield of around -0.2 % within a year.

The Bank expects for the year 2020 a calendar effect adjusted German real GDP growth rate of 0.6 percentage points. The economic perspectives continue to point upwards, due to the fact that it is to be expected that the exports will, subject to a repeated intensification of geopolitical risks, recover.

Insofar general monetary conditions are affected, the Bank expects that the zero interest i.e. negative interest policy of the European Central Bank will increasingly solidify. After the ECB lowered the deposit interest rate for credit institutions from -0.4 to -0.5 % on September 12, 2019 and at the same time announced that it plans to adhere to the ultra-loose monetary policy until the mid-2020 years, the Bank adjusts to continued extremely low interest rates.

The target ranges for the strategic key figures were defined at a time when other general monetary and regulatory conditions applied than those manifested during the second half of the reporting year. Regarding general monetary conditions, the zero interest i.e. negative interest policy of the European Central Bank has in the meantime - against our expectations - increasingly solidified, and there are no indications when the reversal of this policy will be initiated. Insofar general regulatory conditions are affected, the requirements in connection with Basel III turn out - also against our expectations - to be not conclusive. In this regard the Bank has - also under consideration of the planned capital increase - resolved, to adjust the target range for the return on equity as of 2020 from previously 10 to 15 % to 7 to 9 %, which is still an unchanged attractive bandwidth for this business environment.

On the other hand, the target ranges for the Equity Tier 1 capital ratio of 12 to 15 % and for the Cost Income Ratio of 65 to 70 % were unchanged and the loan-to-deposit ratio of less than one remained also unchanged.

In our planning for the years 2020 to 2024 we do not extrapolate the trend of the good year 2019 due to the historically very low and for banks negative interest rates. For the first plan years, we rather assume initially sidewards moving net interest incomes, which correspond to the level of the special effects adjusted net interest income for 2019.

Special effects, such as e.g. prepayment fees or income from the closing of interest swaps to manage the bank book are not included in the planning. Starting 2023, we assume a beginning moderate recovery of interest rates, which should be accompanied by a slight increase of net interest incomes, so that the planned net interest income for 2024 will reach the level of the past fiscal year, including special effects.

In contrast to this, from the year 2021 we plan with increasing net commission incomes, which do not tie-up additional equity. Decisive for this are our already taken initiatives in asset management, but also in international business, in account and card services, in loan business, as well as in the referral of real estate financing and insurances.

We plan to generate gross profits, which will be above the 2018 level within the first two plan years and above the 2019 level from 2022.

Personnel expenses will increase slightly and operating expenses will slightly decrease.

In contrast to the development of previous years, which were characterized by a minor single digit risk provision, we planned the risk provisions conservatively at € 8.0 to 9.0 million per year.

In total, this conservative planning results in annual net incomes until 2021, which will be somewhat below the level of the year 2018 and which will generate from 2023 noticeable increasing annual net incomes as compared to the reporting year, which will allow for a dividend continuity during the plan period. Within the scope of the annual resolution on dividends, we take into account both, in addition to the dividend attractiveness, the business development and the economic, operational or regulatory induced necessity to retain earnings. In case of doubt, the Bank's stability and solidity is decisive.

Due to the capital increase we plan for the year 2020, in the years 2020 to 2023 the return on equity will presumably be slightly below the target range and in 2024 within the target range of 7 to 9 %. Considering the planned capital increase, we expect that the Common Equity Tier 1 capital ratio will be within the target range of 12 to 15 % until 2023 and in 2024 slightly below the target range due to the roughly estimated effects from Basel IV. Within the plan period, the cost income ratio will presumably be above the target range of 65 to 70 % due to the continuing low interest rate environment. We expect for the loan-to-deposit ratio to be below the figure of one, which is not to be exceeded.

The Bank has taken preparatory measures for risks arising from illnesses triggered by the Virus SARS-CoV-2. In addition to operational measures, such as conducting telephone conferences instead of in person events and equipping additional staff for mobile work, the Bank has increased the flexibility for staff assignments by the prompt entering into a comprehensive works agreement, if the Bank is affected by the pandemic. Regarding the counterparty default risk, in particular the supply chains from and to extremely affected regions are monitored. Effects of an probably further spreading Corona Virus are analyzed, but are not part of the planning.

SEPARATE NON-FINANCIAL REPORT

NATIONAL-BANK uses for its non-financial report the framework “German Sustainability Code [Deutscher Nachhaltigkeitskodex] (DNK)”, supplemented by the performance indicators according to the Sustainability Reporting Standards (SRS) of the Global Reporting Initiative (GRI), and publishes this report at www.national-bank.de and at www.deutscher-nachhaltigkeitskodex.de.

Balance sheet figures In € million	**12/31/2017**	**12/31/2018**	**12/31/2019**	**Adjustment 2018/2019**
Receivables from customers	3,167.0	3,283.7	3,419.3	4.1 %
Guarantees	88.4	97.4	96.0	-1.4 %
Customer deposits	3,622.1	3,757.4	3,782.6	0.7 %
Receivables from banks	35.5	65.7	43.9	-33.2 %
Deposits from banks	452.0	447.1	520.3	16.4 %
Bonds and notes	525.4	523.0	746.1	42.7 %
Stocks and other non-fixed interest securities	0.3	0.1	0.0	-100.0 %
Equity (excluding subordinated loans)	332.9	335.6	339.5	1.2 %
Subordinated loans (excluding accrued/deferred interest)	10.0	10.0	10.0	0.0 %
Total assets	4,522.8	4,644.4	4,756.5	2.4 %
Business volume	4,611.1	4,741.9	4,852.5	2.3 %

Income statement In € million	**2017**	**2018**	**2019**	**Adjustment 2018/2019**
Gross profits	**131.0**	**123.1**	**128.8**	**4.6 %**
Net interest income	86.4	83.4	87.9	5.4 %
Commission net income	45.7	43.7	45.7	4.6 %
Other income and expenses	-1.1	-4.0	-4.8	20.0 %
Administrative expenses	**93.6**	**93.5**	**91.9**	**-1.7 %**
Personnel expenses	51.7	52.2	52.5	0.6 %
Operating expenses	37.6	37.3	36.0	-3.5 %
Depreciation on tangible assets	4.3	4.0	3.4	-15.0 %
Risk provision	**4.1**	**2.6**	**2.1**	**-19.2 %**
Operating result	**33.3**	**27.1**	**34.8**	**28.4 %**
Extraordinary result	**-1.0**	**-1.0**	**-6.2**	**520.0 %**
Net Income	**15.9**	**13.9**	**15.1**	**8.6 %**

Key figures, other information	**12/31/2017**	**12/31/2018**	**12/31/2019**
Total capital ratio according to CRR Section 92	13.5 %	12.4 %	12.1 %
Common Equity Tier 1 capital ratio according to CRR Article 92	12.2 %	11.3 %	11.3 %
Number of shareholders (approx.)	5,200	5,200	5,200
Dividend	0.80 €	0.80 €	0.80 €
Dividend yield in %	2.48 %	2.55 %	2.55 %
Earnings per share in €	1.46 €	1.08 €	1.13 €

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