NATIONAL-BANK
100 JAHRE Mehr. Wert. Erfahren.

ANNUAL REPORT 2020

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ANNUAL STATEMENT OF FINANCIAL POSITION, DECEMBER 31, 2020 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Assets	**12/31/2020**	**12/31/2019**
Cash reserve	**988,920,474.24**	**465,277,165.19**
a) Cash on hand	12,694,764.17	12,576,671.16
b) Balances with central banks	976,225,710.07	452,700,494.03
including:		
At the German Federal Bank	976,225,710.07	452,700,494.03
Receivables from banks	**37,112,022.34**	**43,939,188.01**
a) On demand	26,626,299.49	23,201,617.52
b) Other receivables	10,485,722.85	20,737,570.49
Receivables from customers	**3,543,508,874.58**	**3,419,315,916.61**
including:		
Secured by mortgages	1,596,750,992.46	1,515,815,344.75
Communal loans	108,805,281.34	43,433,722.64
Bonds and other fixed-income securities	**798,471,011.60**	**746,127,231.68**
a) Bonds and notes	798,471,011.60	746,127,231.68
aa) Public issues	446,274,913.07	490,814,693.72
including:		
Eligible as collateral for borrowings from German Federal Bank	446,274,913.07	490,814,693.72
ab) other issuers	352,196,098.53	255,312,537.96
including:		
Eligible as collateral for borrowings from German Federal Bank	332,630,786.20	217,879,115.66
Shares and other non-fixed interest securities	**26,634.66**	**19,745.18**
Equity investments	**697,734.63**	**672,900.76**
including:		
Investments in banks	11,877.31	11,877.31
Shares in financial institutions	(-)	(-)
Shares in affiliated companies	**387,166.42**	**387,166.42**
including:		
Investments in banks	(-)	(-)
Shares in financial institutions	251,929.84	251,929.84
Trust assets	**8,552,143.23**	**429.55**
including:		
Trust loans	8,552,143.23	429.55
Intangible assets	**1,934,808.17**	**1,871,558.17**
Purchased concessions, industrial property and similar rights and assets, and licenses in such rights	1,934,808.17	1,871,558.17
Tangible assets	**56,739,080.51**	**57,635,875.33**
Other assets	**20,895,584.62**	**18,858,248.40**
Prepaid expenses	**2,201,238.84**	**2,248,653.21**
Excess of plan assets over pension liabilities	**562,643.20**	**133,590.20**
Total assets	**5,460,009,417.04**	**4,756,487,668.71**

ANNUAL STATEMENT OF FINANCIAL POSITION, DECEMBER 31, 2020 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Liabilities	12/31/2020	12/31/2019
Liabilities to banks	**559,587,785.74**	**520,262,386.39**
a) On demand	16,887,078.05	31,647,856.85
b) With agreed maturity or periods of notice	542,700,707.69	488,614,529.54
Liabilities to customers	**4,381,834,043.48**	**3,782,622,292.56**
a) Savings deposits	219,520,283.59	233,215,714.40
aa) Redeemable at a period of notice of three months	218,870,167.97	232,451,684.77
ab) Redeemable at a period of notice of more than three months	650,115.62	764,029.63
b) Other liabilities	4,162,313,759.89	3,549,406,578.16
ba) On demand	3,658,864,594.16	2,970,852,955.04
bb) With agreed maturity or periods of notice	503,449,165.73	578,553,623.12
Securitized liabilities	**5,112.92**	**5,112.92**
a) Bonds issued	5,112.92	5,112.92
Trust liabilities	**8,552,143.23**	**429.55**
including:		
Trust loans	8,552,143.23	429.55
Other liabilities	**4,318,048.80**	**5,097,932.87**
Prepaid expenses	**1,771,314.38**	**2,225,067.79**
Provisions	**100,926,411.17**	**85,640,610.33**
a) Provisions for retirement pensions and similar obligations	76,122,905.88	72,233,200.10
b) Provisions for taxes	10,659,874.85	279,408.64
c) Other provisions	14,143,630.44	13,128,001.59
Subordinated liabilities	**50,369,178.08**	**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	**337,145,379.24**	**334,662,945.89**
a) Called capital		
Subscribed capital	39,811,776.00	39,742,773.00
including: Purchased treasury shares	-124,224.00	-193,227.00
b) Capital reserves	163,717,694.31	163,476,801.77
c) Retained earnings	122,966,308.93	120,793,771.12
ca) Legal reserves	990,883.67	990,883.67
cb) Other retained earnings	121,975,425.26	119,802,887.45
d) Net retained profits	10,649,600.00	10,649,600.00
Total liabilities	**5,460,009,417.04**	**4,756,487,668.71**

	12/31/2020	12/31/2019
Contingent liabilities	**87,102,448.38**	**95,972,418.25**
Liabilities from guarantees and warranties	87,102,448.38	95,972,418.25
Other liabilities	**608,925,562.53**	**486,584,325.93**
Irrevocable loan commitments	608,925,562.53	486,584,325.93

Income Statement

INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2020 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Expenses	2020	2019
Interest expenses	**7,363,758.75**	**10,364,387.26**
including:		
Negative interest from liabilities	2,655,141.96	887,566.56
Commission expenses	**7,141,084.01**	**7,306,783.54**
General administrative expenses	**88,646,445.24**	**88,492,388.53**
a) Personnel expenses	54,100,621.45	52,514,088.98
aa) Wages and salaries	43,673,047.97	43,014,094.53
ab) Social security contributions and expense for pensions and other benefits	10,427,573.48	9,499,994.45
including:		
For pensions	3,249,201.81	2,584,306.32
b) Other administrative expenses	34,545,823.79	35,978,299.55
Amortization/depreciation on and valuation allowances to intangible and tangible assets	**3,241,353.61**	**3,394,700.95**
Other operating expenses	**8,630,564.75**	**8,012,768.10**
Write-downs and allowances on receivables and certain securities and transfers to provisions for loan losses	**2,465,671.16**	**2,012,419.58**
Amortizations and write-downs and allowances on equity investments, shares in affiliated companies and securities recognized as assets	**41,791.87**	**67,505.61**
Transfers to funds for general banking risks	**0.00**	**0.00**
Extraordinary expenses	**0.00**	**6,161,193.88**
Taxes on income	**21,363,000.49**	**13,220,575.79**
Other taxes not disclosed in "other operating expenses"	**338,564.12**	**341,921.89**
Net Income	**12,149,600.00**	**15,099,600.00**
Total expenses	**151,381,834.00**	**154,474,245.13**

	2020	2019
Net Income	**12,149,600.00**	**15,099,600.00**
Transfers to retained earnings	**1,500,000.00**	**4,450,000.00**
Other retained earnings	1,500,000.00	4,450,000.00
Net retained profits	**10,649,600.00**	**10,649,600.00**

INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2020 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Income	**2020**	**2019**
Net interest income from	**95,634,340.02**	**98,273,909.36**
a) Loan and money markets transactions	94,057,269.98	97,057,120.43
b) Fixed interest securities and debt-register claims	1,577,070.04	1,216,788.93
including:		
Positive interest on receivables	2,363,253.77	2,014,336.10
Recurring income from	**382.07**	**237.97**
a) Shares and other non-fixed interest securities	382.07	237.97
b) Equity investments	0.00	0.00
c) Shares in affiliated companies	0.00	0.00
Commission income	**51,853,098.56**	**53,011,351.08**
Income from write-ups to equity investments, shares in affiliated companies and securities recognized as assets	**0.00**	**0.00**
Other operating income	**3,894,013.35**	**3,188,746.72**
Extraordinary income	**0.00**	**0.00**
Total income	**151,381,834.00**	**154,474,245.13**

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. The main regional focus of our market territory is North Rhine-Westphalia (NRW). 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 its 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 in the medium sized corporate business and private customer business segments.

Overall Economic Environment

In the year 2020, the German economy experienced a contraction of 5 %, the by far deepest recession of its post-war history. After a slowdown of 1.9 % during the first quarter in 2020, the gross domestic product contracted again by 9.8 % during the second quarter and recovered markedly during the third quarter with an increase of 8.5 %. The decisive factors for the unprecedented economic fluctuations during the Corona Pandemic were the government ordered restrictions and relaxations of the economic activity. Purpose and intention of these measures was to regulate social contacts and to control the virus spreading rate. This explains, why revival of the economy after the end of the first shutdown could happen so such a short time frame and why the economic activity followed, in principle, a V-shaped course. The renewed lockdown during the year's final quarter had, again, a noticeable negative effect on economic growth, however, the direct economic effects should be smaller than during spring, because the governmental infection protection measures are primarily focused on service providers. As regards the overall picture, the recession in Germany was, in particular as compared to other countries in the Eurozone, relatively mild: On the one hand, the spread of the virus could be brought under control with less restrictive measures, and on the other hand, the value add share of the industry, whose production was noticeable less affected by the lockdown measures, is relatively high. Especially the domestic export-oriented manufacturing industry should, after all, profit to an increasing extent from the improving economic situation in the most important buyer countries - in particular in the Far East.

In NRW, the phase of a relative economic outperformance as compared to the nation continued through year's end: It is also to be expected that the considerable more robust development of the economic sentiment in NRW, at least relatively as compared to the nation, is primarily effected by the structural transformation process in the automotive industry within the scope of the conversion of production to alternative drives. In this regard, NRW is affected to a lesser extent than the other federal territory due to the lesser importance of the automotive industry in North Rhine-Westphalia. In general, it is, however, to be assumed that, at a minimum in the perspective, the nation and NRW will again move more in tandem in the future, this is also supported by the fact that the leading indicators signal a more buoyant order entry in the automotive sector. Yet, the indication for an above average development in North Rhine-Westphalia until year's end remained valid. Although the economic sentiment of the businesses in North Rhine-Westphalia softened noticeable recently - analogous to the federal territory. The retail industry was, in particular, affected by the renewed lockdown. For the first time since midyear 2020, businesses assessed their current situation as unfavorable. The economic climate also markedly deteriorated for service providers. On the other hand, also in NRW is the industry the pillar of the economy, which can increasingly profit from the firming up of the international perspectives. In spite of the renewed lockdown, the sentiment in the manufacturing industry only softened slightly recently. Certainly, capacity utilization is still below its longterm average, but industry capacity usage is now almost as high as before the crisis. Finally, the primary construction sector is the only industrial sector in NRW, where the business climate improved in January 2021. The construction sector continues to markedly profit from the extremely low interest rate level in the form a of a clearly above average resilience.

The overall economic outlook for Germany and NRW is still associated with major uncertainties, in particular with a view on the course of the Corona infections, which forces the authorities unchanged to take measures for the containment of the Pandemic. Currently, the main risk might arise from virus mutations in combination with a continued sluggish vaccination progress, primarily in Europe. Overall, we assume that during the recent year the growth in NRW may have been about 0.2 percentage points below the Federal trend and in the year 2021, the growth difference may again slightly increase with a difference of 0.3 percentage points. On the basis of our projection for the nation, namely an overall economic contraction of 5.0% during the recent year and an economic growth of about 4.2 % during this year, we assume that the gross domestic product in NRW contracted by 5.2 % in 2020 and will again noticeable increase at a rate of 3.9 % in 2021. In summary, the economic output will reach its pre-crisis level also in NRW only at the turn of the year 2022/2023.

Course of Business

The Corona pandemic put the Bank to the test in 2020. Through the sustained flexibilisation of working conditions, as well as the consequent implementation of all requirements under infection protection laws, the Bank was able to maintain flawless business operations throughout the reporting year. As a part of the Critical Infrastructure of NRW, this way all branch and field offices could stay open and Bank internal infection chains could be avoided. The limited options for in person customer contacts was counter-balanced through increased consultation by phone and the use of video conferences. Based on our, since decades, exclusively customer-driven business model the average lending volume could be expanded to € 3,568.6 (€ 3,452.8) million The expansion includes the compensation of repayments in the amount of around € 602.0 (586.0) million. A markedly greater liquidity stockpiling of customers resulted in an increase of deposits to € 4,050.2 (3,660.4) million.

Net income reached € 12.2 (15.1) million. This outcome corresponds to our previous year's prognosis. 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 € 1.5 (€ 4.5) million to the reserves.

The gross profit of € 128.2 (128.8) million and administrative expenses of € 91.9 (91.9) million were steady. The cost income ratio of 71.6 (71.3) % was at the previous year's level. The risk provisions were again inconspicuous. Independent from this, we subjected the effects of the Corona pandemic on all risk types to a more intense analysis, sharpened the risk standards and selectively smoothed the risk profile.

Financial Performance

NET INTEREST INCOME

The net interest income increased slightly to € 88.3 (87.9) million. This positive development was carried by the increased average receivables from customers. The greater liquidity stockpiling of customers and the significantly increased deposits of insolvency administrators resulted in deposit increases. As a consequence, interest expenses at the German Federal Bank increased. This development was countered by the Bank through the application of an intensified deposit management and a more stringent enforcement of custody fees.

NET COMMISSION INCOME

The net commission income slightly decreased to € 44.7 (45.7) million. The increase of income from asset management and the loan business is, in particular, offset by decreases - due to the trade conflicts, as well as the effects of the Corona pandemic on exports and imports - in trade financing, hedging of foreign exchange and interest rate contracts, account and card services, as well as the referral of real estate financing and insurances.

OTHER OPERATING INCOME AND EXPENSES

The balance from other operating income and expenses was € -4.7 (-4.8) million. The reason for this were, in particular, interest expenses for pension provisions of € 6.7 (7.5) million, which are the result of a further decrease of the relevant discount rate from 2.71 % to 2.30 %. These expenses were, in part, compensated through the full or partial reversal of no longer required other provisions.

GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses were unchanged at € 91.9 (91.9) million. Personnel expenses rose to € 54.1 (52.5) million, due to a growth-induced increase of the Bank's work force and a tariff based adjustment of wages and salaries, as well as in particular due to a quota-based partial retirement program. The operating expenses could be reduced to € 34.5 (36.0) million.

DEPRECIATION OF TANGIBLE FIXED ASSETS

Depreciation of tangible fixed assets and amortization and write-downs of intangible fixed assets reduced to € 3.2 (3.4) million.

RISK PROVISION

The (net) expenses for risk provisions slightly increased to an unchanged inconspicuous level of € 2.5 (2.1) million. This is based on the long-standing conservative credit risk strategy of the Bank, as well as the low risk exposure regarding the industries particularly affected by the Corona pandemic, such as the catering trade, hotel industry, trade fair construction, travel and tourism industry, as well as the textile retail.

In the determination of the global valuation allowance, the Bank does not apply a mere backward-looking assessment - in accordance with the IDW Letter dated December 18, 2020 - and no longer follows the tax requirements, which would have resulted in a reversal in the amount of € 1.3 (1.3) million. Instead of following the tax requirements and against the backdrop of the Corona pandemic an amount of € 5.0 million was transferred to the global valuation allowances based on a forward-looking approach as regards the existing uncertainties. Increased risk concentrations or systematic deteriorations of ratings were not identified in the Bank's lending portfolio.

OPERATING PROFIT

The operating result amounted to € 33.9 (34.8) million. Gross profits declined slightly to € 128.2 (128.8) million, administrative expenses were steady at € 91.9 (91.9) million and risk provisions were increased by € 2.5 (2.1) million for precautionary reasons.

TAXES

Tax expenses amounted to € 21.7 (13.6) million. The increased tax rate, from 47.3 % to 64.1 %, was, in addition to the non-tax deductible expenses for transfers to pension provisions and global valuation allowances, as well as the non-tax deductible bank levy, significantly characterized by the tax assessments for the years 2013 to 2015. In derogation from its previous administrative instructions and practice, the fiscal authorities no longer recognize tax credits for securities lending transactions performed during previous periods. The Bank considers these tax assessments to be legally dubious and unfounded. Appeals were filed against these tax assessments. In accordance with a legal opinion presented to the Bank, the Bank accounted for a part of the additional requested income taxes as tax expenses and accounted for a part of the interest on tax arrears as other operating expenses. In addition, waivers of the statute of limitations were agreed with the affected business partners.

NET INCOME

Net income decreased to € 12.2 (15.1) million. This decrease was caused by a little lower net commission income, a little increased risk provision and the increased tax expenses.

Financial Position

TOTAL ASSETS AND BUSINESS VOLUME

Total assets at € 5,460.0 (4,756.5) million were again 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 € 4,381.8 (3,782.6) 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 increased as compared to previous years to approx. 84 (80)% of the 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 156.5 (130.4) % 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. Against the backdrop of the not specifically foreseeable effects of the Corona pandemic, the Bank participated, as a means of an utmost precautionary enhancement of the Bank's liquidity, at the end of the second quarter in 2020 in a long-term refinancing transaction (TLTRO III) in the amount of €100.0 million with the European Central Bank - earliest repayment date is September 2021.

LOAN BUSINESS

In spite of the investment uncertainties caused by the Corona pandemic, the new business volume could be increased to € 728.2 (586.0) million. This new business increase also significantly over-compensated the high loan repayments. The high loan repayment amount of around € 602.0 (425.0) million is mainly due to low interest rates.

Holdings of customer loans increased to € 3,543.5 (3,419.3) million. Loans and construction financing 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 € 4,381.8 (3,782.6) million. Short-term demand deposits of € 3,658.9 (2,970.9) million contributed significantly to this development. Time deposits and savings deposits, slightly decreased together to € 722.9 (811.7) million.

INTERBANK BUSINESS

Regarding liabilities to banks in the amount of € 559.6 (520.3) 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 € 43.9 million to € 37.1 million. Liquidity maintained with the German Federal Bank and other cash reserves as an expression of a conservative liquidity policy were held at the end of the reporting period in an amount of € 988.9 million, which is above the previous year's figure of € 465.3 million. As in previous years, the Bank made use of the money market for liquidity controlling purposes in 2020 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 € 295.1 (€ 259.8) million were securities issued by financial institutions.

SECURITIES HOLDINGS

The existing investments in bonds and other fixed interest securities in the amount of € 798.5 (746.1) million include investments with high credit ratings, thereof domestic government bonds of € 446.3 (490.8) 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 € 1,349.0 (1,505.1) million. Of this, 93.0 (96.2) % was related to OTC products. In addition, the Bank held € 94.8 (56.7) million of publicly traded products. Broken down by business segments, a nominal volume of € 488.1 (501.7) million was attributable to currency and € 766.1 (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.

SUBORDINATED LOANS

Mid-October 2020, subordinated promissory notes with a maturity of ten years in the amount of € 50.0 million were issued to strengthen the Tier 2 capital and at the same time an outstanding not subordinated promissory note in the amount of € 10.0 million with a remaining maturity of approx. two years was redeemed early. Subject to the approval by the Federal Financial Supervisory Authority [Bafin], the Bank has a right to unilateral redemption after five years and after five years annually.

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 2020, € 1.5 (4.5) 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 — € 407.6 million (€ 354.8 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 13.6 % (12.1 %). Equity Tier 1 capital ratio is 11.1 (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.

The return on equity before taxes of 10.3 (8.9) % is slightly above the target range of 7 to 9 %. If the planned capital increase would have taken place in 2020, the return on equity would have been, as expected, slightly below the target range.
In spite of an increased lending volume, which requires a greater equity backing, the Equity Tier 1 capital ratio of 11.1 (11.3) % was, in spite of the net income, slightly below the previous year's level and as such below the target range of 12 to 15 %. By eliminating the planned capital increase, this result corresponds to our previous year's prognosis.

The cost income ratio, i.e. the ratio between administrative expenses and gross profits, increased from 71.3 % to 71.6 % and is as such outside of the target range of 65 to 70 %. The previous year's report stated the expectation that this ratio will be above 70 %.

The loan to deposit ratio of 0.71 is below the previous year's level (0,79) 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.

For the period until June 30, 2022, the Supervisory Board resolved that the target figure for women will be one, without aiming to reduce the actual share of women of currently 33.3 %. A separate fulfillment of the target quota by representatives from the employer and the employee side was not considered. It is the objective to avoid any vacancies, so that the board can meet its duties efficiently and effective.

The determined target figure for women represented on the Management Board will be zero until June 30, 2022.

For the management levels reporting to the Management Board, the target quota for the first management level (division, branch and regional managers) is 10 % and 18 % for the second management level (department managers). For both, the first management level, at 6 %, and the second management level, at 13 %, the quotas are not met. The background for this situation is that management positions that were opened during the reporting year were filled with better qualified male applicants.

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.

The risk management focus is to contain all 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.

RESULT OF THE RISK INVENTORY

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

- Counterparty default risks
- Market price risks, including foreign currency risks
- Interest rate risks
- Operational risks, including legal risks and associated sub-risks and cross-sectional risks. Within the operational risks, the personnel risk and the information security risk are classified as material.
- Liquidity risks
- Business risks
- Reputational risks

Sustainability risks affect in the dimensions environment, social and governance as a risk factor the other risk types, they are, however, no independent risk type.

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.

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, including the new subordinated capital raised in October 2020, was conducted for the period from 2021 through 2025. This simulation is based on a series of assumptions, which are derived from the annual financial statements 2020, as well as the currently valid planning for the years 2021 through 2025. In addition to the planned retention of earnings, a capital increase in mid 2021 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. In the year 2021, the equity Tier 1 capital ratio as a strategic key figure will be within the target range of 12 to 15 % and thereafter slightly below the target range. From 2025, roughly estimated effects from Basel IV are reflected, which will increase the shortfall as regards the target range.

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 € 210.3 million results from the difference between risk covering potentials of € 316.0 million and risk potentials of € 105.8 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	**316.0**
Internal economic capital needed risk potentials	
VaR counterparty default risk	69.5
VaR market price risks liquid securities holdings plus spread risks	15.3
VaR market price risks money market transaction plus spread risks	0.0
VaR market price risks foreign currency	0.1
Interest rate risk	11.6
Operational risks	8.9
Liquidity cost risk	0.4
Reputational Risk	0.1
Total risk position	**105.8**
Available risk capital	**210.3**

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 Board is responsible for ongoing monitoring, documenting and managing all possible risks to the Bank's reputation. The reputational risk representative supports the Management Board in its activities.

Risk Management / 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 the following important responsibilities:

- Support of management regarding the development and implementation of the risk strategy and the design of a risk management system.
- Conduct of a risk inventory and preparation of an overall risk profile.
- Implementation and development of risk management and risk controlling processes,
- Set-up and continued development of a system of risk key figures and a procedure for the early detection of risks,
- Ongoing monitoring of the Bank's risk situation and the internal capital adequacy, as well as compliance with set risk limits.
- Regular draw up of the risk reports and
- Responsibility for the processes for passing on material risk related ad hoc information promptly to the relevant committees and departments of the Bank.

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 risk-bearing capacity, we employ and are continually enhancing a comprehensive risk management and reporting system. Regarding risk reporting, we refer to the respective segment. The handling and processing of the individual risk categories that are considered material, as well as the sustainability risks, 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.

Among the individual risk types, counterparty default risk — as defined by the business model — represents the greatest quantitative share as regards risk-bearing capacity. 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 € 25.5 million according to the standard scenario (€ 22.6 million). Of that, the main portion of € 24.2 million (€ 21.6 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

	12/31/2019	12/31/2020
Private Customers	0.6	0.5
Freelance Professions	2.6	2.6
Corporate Customers	18.4	21.1
Treasury	0.9	1.3
Equity investments	0.1	0.1
Total	**22.6**	**25.5**

Regarding, individual borrowers of the primary customer loan business, total loan, unsecured total loan and the expected loss of € 24.2 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 class	Share of total loan	Share of unsecured total loan	Share of expected loss
not rated	0.340	3.1	4.7	1.3
1	0.030	5.4	5.7	0.1
2	0.058	3.2	2.8	0.1
3	0.108	7.6	5.0	0.4
4	0.190	8.6	5.5	0.9
5	0.340	13.2	12.0	3.4
6	0.553	12.1	12.0	5.5
7	0.808	9.4	10.4	7.0
8	1.188	12.1	15.6	15.4
9	1.788	13.9	15.0	22.4
10	2.725	6.9	6.7	15.3
11	4.150	2.1	2.3	7.9
12	6.250	0.9	1.2	6.2
13	9.375	0.4	0.4	2.9
14	14.000	0.2	0.2	2.5
15	20.000	0.8	0.5	8.6
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 € 69.5 million (€ 58.4 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. The increase results from an increase of the unsecured total loan and also from a slight increase of the defaulting probability in the primary lending portfolio

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 (89.7 % of committed loans that did not default). 79.7 % 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 and credits in the gross carrying amount of loans and credits was 1.68 %. Since 2017 this share could be reduced by 1.31 percentage 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. 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. The Bank transacts customer orders in securities exclusively on a commission basis. Orders involving NATIONAL-BANK shares are processed as fixed price transactions via the investment book. In addition, the Bank's investment book, interest swaps are also included to hedge the fiscal year's net interest income. They are components of interest rate risk management, which is done in Treasury.

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 the Credit Risk Management division/ Quality Management department and the functional responsible employees of the affected areas. 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 the Credit Risk Management division / Quality Management department 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 Controlling and Accounting & Bank Supervision departments 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 risk contribution (value at risk and spread risks) 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 risk contribution varies from the actual market movements to a controlling relevant extent.

On the reporting date, the value at risk contribution for the market price risk from the Bank’s own investments was around € 15.3 million (€ 10.0 million). On the reporting date, the value at risk for the market price risk from interest and currency transactions was around € 0.1 (0.1) million.

Due to the Corona pandemic spread increases occurred during the reporting year and as such prices for bonds in liquid securities holdings declined. The pending losses exceeded the initial internal loss limit. The internal loss limit was increased based on the expectation of again declining spreads and consequently recovering bond prices. On the reporting date, amortizations on bonds in liquid securities holdings were even below the initial internal loss limit.

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 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 € 1.9 (3.3) 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 € 11.6 million (€ 27.3 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 06/2019 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”. 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 6.1 % (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. Reporting is provided quarterly according to the regulatory requirements.

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).

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 risk capacity analysis from an economic perspective by the Risk Management division/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, which meets on an event-driven basis, is to ensure consistency of activities and measures.

The core responsibilities within the scope of the controlling of the dispositive liquidity by the Treasury department 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 2020, indications of a liquidity bottleneck were not identified. The Liquidity-Coverage-Ratio of 156.5 (130.4) % at year's end was markedly greater than the regulatory minimum requirement of 100.0 %.

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 RISK IN € MILLION

Period of time	Cumulative cash flow standard analysis	Cumulative cash flow stress analysis
12/31/2020 through 1/31/2021	1,318.0	943.6
12/31/2020 through 2/28/2021	1,260.9	818.4
12/31/2020 through 3/31/2021	1,206.1	680.5
12/31/2020 through 4/30/2021	1,208.2	606.3
12/31/2020 through 5/31/2021	1,190.2	512.0
12/31/2020 through 6/30/2021	1,222.8	453.1
12/31/2020 through 7/31/2021	1,228.7	448.8
12/31/2020 through 8/31/2021	1,223.5	433.5
12/31/2020 through 9/30/2021	1,220.2	420.1
12/31/2020 through 10/31/2021	1,215.8	405.5
12/31/2020 through 11/30/2021	1,214.3	393.8
12/31/2020 through 12/31/2021	1,221.0	390.4
12/31/2020 through 12/31/2022	1,452.7	409.1
12/31/2020 through 12/31/2023	1,604.9	354.7
12/31/2020 through 12/31/2024	1,782.6	530.4
12/31/2020 through 12/31/2025	1,938.7	684.6

The liquidity cost 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 € 0.4 million on the reporting date (€ 0.3 million).

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 areas/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 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 € 8.9 million on the reporting date (€ 4.7 million).

Risk contribution is attributable to loss cause categories as follows:

RISK CONTRIBUTION BROKEN DOWN ACCORDING TO LOSS CAUSE CATEGORY

IN %

internal procedures	19.4
human causes	22.7
external events	52.7
systems	5.2
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 € 13.4 (6.9) 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 & Bank Supervision and Controlling departments 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.

SUSTAINABILITY RISKS

Sustainability risks affect in the dimensions environment, social and governance as a risk factor the other risk types, they constitute, however, no independent risk type. The term sustainability comprises physical and transitory risks.

The Bank established a sustainability risk committee, which advices the Board in the handling and management of sustainability risks.

By Board resolution on August 4, 2020, the Bank adopted the German financial sector's collective commitment to climate action (www.klima-selbstverpflichtung-finanzsektor.de) as of September 29, 2020. The Bank will align its loan and investment portfolios in compliance with the objective of the Paris Climate Accord to limit the earth's warming to no more than 1.5 degrees Celsius, if possible. In this context, methods to measure climate effects of the loan and investment portfolio will be developed.

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 2021

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. The further development of the management and controlling of the sustainability risks will be a defining factor for the further development activities in the coming years.

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, Controlling among others	Management Board / Supervisory Board
	Analysis internal capital adequacy economic perspective	Monthly	Risk Controlling	Management Board
	Profit and loss statement	Monthly	Accounting & Bank Supervision and Controlling	Management Board / Supervisory Board
	Risk Inventory	Annually	Risk Controlling and 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 division	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 Officer	Management Board / Supervisory Board
	Quarterly / annual report of the data protection coordinator within the report of the staff functions	Quarterly/ annually	Data Protection Representative	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.

A consequent orientation to sustainability and the management and controlling of sustainability risks may positively influence the opportunities as regards the individual risk types.

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 detail in the Bank internal written guideline.

A comprehensive process for new business ensures that new financial products are accounted for appropriately in the internal and external accounting and reporting system, as well as the risk controlling through the inclusion of the Accounting & Bank Supervision, 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 systems and work processes within the scope of the internal and external accounting and reporting system, as well as the risk controlling. The Internal Audit department is involved in all internal accounting control system development projects.

Report on Expected Developments

The economic crises caused by the Corona pandemic was the deepest, but at the same time shortest recession of recent economic history. The downturn starting during the first half year in 2020 even exceeded with its intensity the downturn dynamics of the great depression during the 1930 years - however, as compared to the great depression, the economic slump caused by the pandemic only lasted a few months. In Europe and in the USA, but also in the major emerging countries, the overall economic production began to decline due to an increasing number of Corona infections and as a consequence of, in part, drastic containment measures. Only in China, where the pandemic started early in 2020 and where the pandemic was brought under control already in February based on drastic infection protection measures, the time profile of the economic cycle was different: There, production nosedived during the first quarter and strongly recovered already during the second quarter and even exceeded its pre-crisis level.

With the availability of effective vaccines, the perspectives for the global economy decisively brightened. For this reason, we principally assume that the global recovery could pick up sharply during spring 2021 and there is, in particular, a strong probability that the recovery will progress much faster than e.g. during the Lehman crisis. Because, the world finance crisis was preceded by misalignments in the economic system over a longtime, whose correction required more time. In contrast, the Corona pandemic hit the global economy as an exogenous shock, which indeed interrupted the economic activities temporarily but which should question the production structures to markedly lesser extent. This explains why the economic output after the shutdown phase - where the pandemic it permitted - could recover faster than in the wake of the global finance crisis, which put a strain on the activities in the real economy already before the acute crisis phase. Beyond the above considerations, there are additional aspects for an optimistic basic attitude: First, from our perspective the comparably resilient course of global trade points to a global cyclic that is sound at its core. During the financial crisis global trade was an important driver of the crisis due to financing problems. In the same direction points the development of the economic trendsetter for the industrial nations - namely the United States of America. In spite of all uncertainties regarding the pandemic, the sentiment among American executives and entrepreneurs did never really suffer and the enterprises' propensity to invest - primarily in the technology sector - remained until recently high. This development was supported until recently by the relevant segments in the US capital market, which points to the fact that the upturn in the USA continues to be basically sound and solid. We expect that the overall economic production will reach its pre-crisis level in the middle of the coming year. For the year 2020, we estimate that the overall economic production will decline by 3.5 %. In the year 2021, the gross domestic product should then be in a position to expand by around 5 %.

With a view on the economic outlook for Europe, we continue to expect, on the contrary, that the development during the course of next year will more likely be problematic. Faced with the Corona crisis, the carrying system characteristics of the economic system in form of highly developed automatic stabilizers provided initially stability. Experience shows, however, that the overall European trend path over the last 30 years significantly declined after each major crisis: In this case, many classic early indicators point - in a clear contrast to other industrial countries - until recently to a rather slow upward movement. They confirm our impression that the current strong increase of economic activities in the Eurozone will probably followed by a long-drawn-out further recovery. In conclusion, we continue to assume that the economic output can only reach its pre-crisis level during the year after next year. In the recent year the overall economic production decline was around 7.1 %, for 2021 we expect an increase of 4.5 %. Accordingly, the pre-crisis level will only be reached in the Eurozone at the turn of the year 2022/2023. In spite of all risks, we assume under the condition that the vaccines continue to be effective, also with a view to the most recent mutations, that the global economy may indeed have contracted in the year 2020 by around 3.5 %. In the year 2021 the global economic output might then markedly grow again at a rate of in total 5.5 %, so that the global economy can live up to its expansion phase, which with a view on the unbroken strong impulses from the Far East may remain sound also in the following years.

The capital market interest rates markedly decreased again globally due to the Corona pandemic. For example, in the US capital markets the 200 days line of around 2.0 % at year's end 2019 decreased to only 0.8 % as of most recently. Before the outbreak of the trade conflict with China, these figures were still around 3 % - this is, overall, a dramatic development. The background of the international drop of the rates of return were primarily the unprecedented measures of the central banks around the globe. Beyond the conventional measures, the central banks also supported, in particular, the fiscal measures by purchasing government securities in large volumes and presenting the prospect of a longer zero interest phase. The aggregated decrease of the interest rate level was particularly drastic in the Eurozone. However, due to the trade conflict, the interest rates - with already negative rates of return for extended parts of the maturity spectrum of comparatively low-risk interest rates - had already decreased in the Eurozone to the proximity of their theoretically possible level. The ECB has already reached extreme positions with its monetary policy, because it could not, in particular, stabilize the predominant downward trend for the medium-term inflation expectations that already existed before the Corona pandemic. Already against the backdrop of the trade conflict it became clear that the reduction of the longer-term inflation expectations contained a systematic shift of the inflation expectation path. This development was admittedly multi-causal by its nature, at the core, however, the Union continues to suffer primarily from a diverging price development, which undermines an efficient European division of labor due to the resulting differences in competitiveness and leads to a systematic weakening of the growth potentials. And as a matter of fact, it is exactly the cumulation of the crises that makes the disinflationary develpments so perilous. In this regard, the ECB chief economist Mr. Lane explained emphatically - and this at several occasions - that the ECB cannot tolerate such a development in any case.

Also the US Federal Bank affirmed during the course of the year almost without cease, that an accommodative monetary policy is to be pursued as long as the average inflation rate is below the inflation target of 2 %. For this reason, we continue to expect that the ECB in the legitimatory wake of the US Federal Bank will be forced into additional rounds of massive monetary alimentation. Against the backdrop of the above perspectives for the monetary policy globally, the upward potential for capital market interest rates remains, in total, narrowly limited. We assume, however, in general that the international interest rate trend will slightly point upwards, but this should by far not be enough so that the rates of return for the trend-setting ten-year government bonds can again reach the positive territory. Specifically, we expect that ten-year government bonds will hardly have any upward potential over the next year and that ten-year government bonds will consequently be around -0.3 % during the next 12 months. Our projections for ten-year US Treasuries for the coming year point to rates of return around 1.3 % for trend-setting US interest rates. In this context, the continued interest increase will, in particular, also be a function of the vaccination progress and the development of the efficiency also with a few to potential virus mutations.

After a review and adjustment at the end of 2019, the target ranges for the strategic key figures were maintained unchanged for the year 2020 in spite of the Corona pandemic.

Consequently, the target range for the return on equity is 7 to 9 %, for the Equity Tier 1 capital ratio 12 to 15 %, for the Cost Income Ratio 65 to 70 %, as well as for the loan-to-deposit ratio less than one.

For the year 2021, we plan for somewhat lower gross profits, steady administrative expenses and a markedly increasing risk provision, so that a net income will result, which is slightly below the net income of the past fiscal year.

In our planning for the years 2021 to 2025, we do neither extrapolate the trend of the good year 2019 due to the historically very low and for banks negative interest rates nor de we extrapolate the development of the year 2020, which was characterized by the Corona pandemic. Rather we assume for the first plan years, in spite of the expected economic recovery, initially continued decreasing net interest incomes, which will, after the elimination of special effects, settle down at a level of the net interest income for the years 2018 and 2019. Special effects, such as e.g. income from the closing of interest swaps to manage the bank book are not included in the planning. From 2023, we assume a commencing moderate recovery of the interest rate level, which will only trigger a slight increase of interest income with a time delay, so that in 2025 the planned net interest income will exceed the level of 2018 (including special effects), but it will not reach the good year 2019.

In contrast to this, from the year 2022 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 three plan years and above the 2019 level from 2024.

Personnel expenses will slightly increase in our planning and operating expenses will, on the other hand, trend slightly downwards.

In contrast to the development of previous years, which were characterized by minor single digit risk provisions, against the backdrop of the Corona pandemic we budgeted risk provisions at around € 8.0 to 13.0 million per year.

In total, the planning until 2023 projects annual net incomes, which will be somewhat at the level of the past fiscal year and from 2024, as compared to the reporting year, noticeable increasing annual net incomes are projected, 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 2021, in the years 2021 to 2023 the return on equity will presumably be slightly below the target range and in 2024 and 2025 within the target range of 7 to 9 %. Considering the planned capital increase from 2022, we expect that the Common Equity Tier 1 capital ratio will fall below the range of 12 to 15 % due to the planned growth of the asset side of the balance sheet. 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.

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	**12/31/2018**	**12/31/2019**	**12/31/2020**	**Adjustment 2019/2020**
Receivables from customers	3,283.7	3,419.3	3,543.5	3.6 %
Guarantees	97.4	96.0	87.1	-9.3 %
Customer deposits	3,757.4	3,782.6	4,381.8	15.8 %
Receivables from banks	65.7	43.9	37.1	-15.5 %
Deposits from banks	447.1	520.3	559.6	7.6 %
Bonds and notes	523.0	746.1	798.5	7.0 %
Stocks and other non-fixed interest securities	0.1	0.0	0.0	0.0 %
Equity (excluding subordinated loans)	335.6	339.5	342.0	0.7 %
Subordinated loans (excluding accrued/deferred interest)	10.0	10.0	50.0	400.0 %
Total assets	4,644.4	4,756.5	5,460.0	14.8 %
Business volume	4,741.9	4,852.5	5,547.1	14.3 %

Income statement in € million	**2018**	**2019**	**2020**	**Adjustment 2019/2020**
Gross profits	**123.1**	**128.8**	**128.3**	**-0.4 %**
Net interest income	83.4	87.9	88.3	0.5 %
Commission net income	43.7	45.7	44.7	-2.2 %
Other income and expenses	-4.0	-4.8	-4.7	-2.1 %
Administrative expenses	**93.5**	**91.9**	**91.9**	**0.0 %**
Personnel expenses	52.2	52.5	54.1	3.0 %
Operating expenses	37.3	36.0	34.6	-3.9 %
Depreciation on tangible assets	4.0	3.4	3.2	-5.9 %
Risk provision	**2.6**	**2.1**	**2.5**	**19.0 %**
Operating result	**27.1**	**34.8**	**33.9**	**-2.6 %**
Extraordinary result	**-1.0**	**-6.2**	**0.0**	**-100.0 %**
Net Income	**13.9**	**15.1**	**12.1**	**-19.9 %**

Key figures, other information	**12/31/2018**	**12/31/2019**	**12/31/2020**
Total capital ratio according to CRR Section 92	12.4 %	12.1 %	13.6 %
Common Equity Tier 1 capital ratio according to CRR Article 92	11.3 %	11.3 %	11.1 %
Number of shareholders (approx.)	5,200	5,200	5,200
Dividend	0.80 €	0.80 €	0.80 €
Dividend yield in %	2.55 %	2.55 %	2.61 %
Earnings per share in €	1.08 €	1.13 €	0.91 €

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Danke für Ihr Vertrauen