NATIONAL-BANK

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ANNUAL REPORT 2021

TABLE OF CONTENTS

ANNUAL FINANCIAL STATEMENTS 04

04 Statement of Financial Position
06 Income Statement

MANAGEMENT REPORT 08

08 Fundamentals of the Company
09 Overall Economic Environment
10 Course of Business
10 Financial Performance
11 Financial Position
14 Risk and Opportunity Report
28 IInternal Control System regarding the Financial Reporting Process and Risk Controlling
29 Report on Expected Developments

ANNUAL FINANCIAL STATEMENTS

Statement of Financial Position

ANNUAL STATEMENT OF FINANCIAL POSITION, DECEMBER 31, 2021 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Assets	12/31/2021	12/31/2020
Cash reserve	**1,273,614,905.51**	**988,920,474.24**
a) Cash on hand	14,106,917.24	12,694,764.17
b) Balances with central banks	1,259,507,988.27	976,225,710.07
including:		
at the German Federal Bank	1,259,507,988.27	976,225,710.07
Receivables from banks	**15,194,686.47**	**37,112,022.34**
a) On demand	14,840,448.89	26,626,299.49
b) Other receivables	354,237.58	10,485,722.85
Receivables from customers	**3,737,064,076.04**	**3,543,508,874.58**
including:		
Secured by mortgages	1,746,133,384.93	1,596,750,992.46
Communal loans	89,488,787.51	108,805,281.34
Bonds and other fixed-income securities	**678,991,352.55**	**798,471,011.60**
a) Bonds and notes	678,991,352.55	798,471,011.60
aa) public issues	360,317,838.60	446,274,913.07
including:		
Eligible as collateral for borrowings from German Federal Bank	360,317,838.60	446,274,913.07
ab) other issues	318,673,513.95	352,196,098.53
including:		
Eligible as collateral for borrowings from German Federal Bank	293,597,064.21	332,630,786.20
Shares and other non-fixed-interest securities	**20,600,792.85**	**26,634.66**
Equity investments	**825,531.63**	**697,734.63**
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	**8,679,222.23**	**8,552,143.23**
including:		
Trust loans	8,679,222.23	8,552,143.23
Intangible assets	**1,886,983.61**	**1,934,808.17**
b) Purchased concessions, industrial property and similar rights and assets, and licenses in such rights and assets	1,743,825.17	1,934,808.17
d) prepayments	143,158.44	0.00
Tangible assets	**56,295,941.52**	**56,739,080.51**
Other assets	**18,950,573.00**	**20,895,584.62**
Prepaid expenses	**2,136,739.36**	**2,201,238.84**
Excess of plan assets over pension liability	**124,559.40**	**562,643.20**
Total assets	**5,814,752,530.59**	**5,460,009,417.04**

ANNUAL STATEMENT OF FINANCIAL POSITION, DECEMBER 31, 2021 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Liabilities	**12/31/2021**	**12/31/2020**
Liabilities to banks	**585,454,856.95**	**559,587,785.74**
a) On demand	11,603,173.48	16,887,078.05
b) With agreed maturity or period of notice	573,851,683.47	542,700,707.69
Liabilities to customers	**4,654,903,900.42**	**4,381,834,043.48**
a) Savings deposits	205,015,094.01	219,520,283.59
aa) redeemable at a period of notice of three months	204,577,836.34	218,870,167.97
ab) redeemable at a period of notice of more than three months	437,257.67	650,115.62
b) Other liabilities	4,449,888,806.41	4,162,313,759.89
ba) On demand	3,836,571,939.05	3,658,864,594.16
bb) With agreed maturity or period of notice	613,316,867.36	503,449,165.73
Securitized liabilities	**5,112.92**	**5,112.92**
a) Bonds issued	5,112.92	5,112.92
Trust liabilities	**8,679,222.23**	**8,552,143.23**
including:		
Trust loans	8,679,222.23	8,552,143.23
Other liabilities	**4,597,966.94**	**4,318,048.80**
Prepaid expenses	**1,802,859.52**	**1,771,314.38**
Provisions	**106,945,745.80**	**100,926,411.17**
a) Provisions for retirement pensions and similar obligations	80,132,588.58	76,122,905.88
b) Provisions for taxes	10,072,633.69	10,659,874.85
c) Other provisions	16,740,523.53	14,143,630.44
Subordinated liabilities	**50,369,178.08**	**50,369,178.08**
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	**386,493,687.73**	**337,145,379.24**
a) Called capital		
Subscribed capital	44,658,021.00	39,811,776.00
including: purchased treasury shares	-269,979.00	-124,224.00
b) Capital reserves	205,545,806.91	163,717,694.31
c) Retained earnings	124,974,659.82	122,966,308.93
ca) Legal reserves	990,883.67	990,883.67
cb) Other retained earnings	123,983,776.15	121,975,425.26
d) Net retained profits	11,315,200.00	10,649,600.00
Total liabilities	**5,814,752,530.59**	**5,460,009,417.04**

	12/31/2021	**12/31/2020**
Contingent liabilities	**104,320,451.61**	**87,102,448.38**
Liabilities from guarantees and warranties	104,320,451.61	87,102,448.38
Other liabilities	**768,074,148.40**	**608,925,562.53**
Irrevocable lending commitments	768,074,148.40	608,925,562.53

Income Statement

INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2021 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Expenses	2021	2020
Interest expenses	**1,213,787.48**	**7,363,758.75**
including:		
Negative interest from liabilities	7,163,514.04	2,655,141.96
Commission expenses	**7,261,410.41**	**7,141,084.01**
General Administrative Expenses	**91,906,510.80**	**88,646,445.24**
a) Personnel expenses	55,028,631.91	54,100,621.45
aa) Wages and salaries	44,773,762.07	43,673,047.97
ab) Social security contributions and expense for pensions and other benefits	10,254,869.84	10,427,573.48
including:		
for pensions	2,879,616.92	3,249,201.81
b) Other administrative expenses	36,877,878.89	34,545,823.79
Amortization/depreciation on and valuation allowances to intangible and tangible assets	**3,232,517.56**	**3,241,353.61**
Other operating expenses	**8,595,274.77**	**8,630,564.75**
Write-downs and allowances on receivables and certain securities and transfers to provisions for loan losses	**11,891,359.87**	**2,465,671.16**
Write-downs and allowances on equity investments, shares in affiliated companies and securities recognized as assets	**11,227.46**	**41,791.87**
Transfers to Funds for General Banking Risks	**0.00**	**0.00**
Extraordinary expenses	**0.00**	**0.00**
Taxes on income	**15,034,005.49**	**21,363,000.49**
Other taxes not disclosed in "other operating expenses"	**362,098.47**	**338,564.12**
Net Income	**14,665,978.64**	**12,149,600.00**
Total expenses	**154,174,170.95**	**151,381,834.00**

	2021	2020
Net Income	**14,665,978.64**	**12,149,600.00**
Transfers to retained earnings	**3,350,778.64**	**1,500,000.00**
Other retained earnings	3,350,778.64	1,500,000.00
Net retained profits	**11,315,200.00**	**10,649,600.00**

INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2021
OF NATIONAL-BANK AKTIENGESELLSCHAFT
IN €

Income	2021	2020
Net interest income from	**89,140,717.53**	**95,634,340.02**
a) Loan and money markets transactions	87,876,525.16	94,057,269.98
b) Fixed-interest securities and debt-register claims	1,264,192.37	1,577,070.04
including:		
Positive interest on receivables	3,256,363.26	2,363,253.77
Recurring income from	**1,136.88**	**382.07**
a) Shares and other non-fixed-interest securities	86.88	382.07
b) Equity investments	1,050.00	0.00
c) Shares in affiliated companies	0.00	0.00
Commission income	**62,019,264.88**	**51,853,098.56**
Income from write-ups to equity investments, shares in affiliated companies and securities recognized as assets	**0.00**	**0.00**
Other operating income	**3,013,051.66**	**3,894,013.35**
Extraordinary income	**0.00**	**0.00**
Total income	**154,174,170.95**	**151,381,834.00**

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 bank's main regional market territory is North Rhine-Westphalia. The Bank plans to continue to develop its defined target groups within its regional core market.

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

The Bank pursues a customer-driven business model with a comprehensive consultation approach for discerning private and corporate customers. Customers, who value individual and personal service, are deemed to be discerning. 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.

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.

Sales organization and income-related controlling are geared toward these customer groups. On the one hand, to sales and marketing of our finance solutions is hereby demand-oriented optimized within the individual areas (cross selling), and on the other hand, optimally interrelated with the other 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.

Continuing intensive competition takes place within the Bank's market territory, in particular, in the Rhine/Ruhr region, the Bergisches Land and the Münsterland. Competition structure shows a differentiated pattern according to target groups. The Bank considers major banks, as well as major savings institutions and people's banks to be significant competitors with medium sized business customers, and savings and cooperative institutions to be significant competitors with retail, craft and trade customers. In Private Banking & Wealth Management, the Banks competitors are area-wide major banks, regionally private banks in individual cases and also savings institutions in some cases. In the segment institutional customers, the major banks and the central institute for cooperative banks are to be mentioned as relevant. As regards the Bank's business with private customers and freelancers savings institutions, cooperative institutions and the major banks are of importance. In the standardized private customer business, the entire finance sector is a competitor, including direct and online banks. Opportunities to grow new customer business result from the Bank's positive reputation as a medium-sized, approachable, competent and reliable partner. The Bank's cultural engagement is hereby identity-creating and identity-forming. Furthermore, additional opportunities to gain new customers result from the reduction of branches, restructuring measures and the consolidation of the German finance sector.

Overall Economic Environment

The German economy experienced a strong recovery during the summer half year 2021. Decisive was the reduction of protective measures against the Corona pandemic as of May 2021. This benefited primarily contact intensive service areas, such as accommodation and food services, cultural industries and retail stores. Due to reopened consumption opportunities, the savings ratio of private households, which was prior to this extraordinarily high due to the pandemic, reduced noticeably. The recovery could have developed even much more dynamics if, in particular manufacturing, had not been dampened by supply bottlenecks for upstream products and strong price increases for raw materials. In spite high demand and a record order backlog, value add declined here considerably. This also dampened exports and gross fixed capital formation in machinery and equipment of companies. This means that at the core, the upturn is somewhat postponed time-wise, in the aggregate, however, the outlook continuous to remain solid in principle, provided that additional exogenous shocks do not occur and subject to the premise that the supply bottlenecks gradually recede. So, for example it is to be expected that the overall economic capacities will remain utilized above average at a minimum until the year 2024.

Also the economy in North Rhine Westphalia (NRW) recovered during the summer half year 2021 markedly from past year's strong economic output slowdown. And considering that the recovery in NRW initiated somewhat later than in the remaining federal territory. Following this development, the Ifo early indicators decline further since mid-year 2021 and point now to a slightly weaker development in North Rhine Westphalia as compared to the nation. The economic development as a whole is, however, currently characterized by a multitude of special factors, so that the significance of a relative comparison is probably pretty limited. In the absolute assessment, the NRW. BANK.ifo-business climate rose again in 2022, however, the positive sentiment still remains dampened analogous to the development in Germany as a whole. The most recent sentiment rise was primarily caused by the increased cross-industry sector business expectations. In the manufacturing industry, optimism noticeably increased with a view to the coming six months. Business climate also improved in commerce, in particular, retailers see the future less skeptic than still in December. In the service sector climate rose again after most recently two back-to-back reductions, because the assessment of the current business situation was somewhat better than in the previous month. The primary construction sector admittedly experienced a slight dampening, but the way above average sentiment should, in the perspective, be supported by the most recently noticeable easing of material shortages. Consequently, taking all things together it becomes apparent also for the economy at Rhine and Ruhr that a variety of negative factors should at first continue, however, the perspectives for the course of the year continue to clearly point upwards.

The overall economic outlook for Germany and NRW is therefore still associated with major uncertainties: On the one hand, the course of the Corona infections continuous to involve unchanged a variety of uncertainties and on the other hand is the strength of the economic recovery a function of how the dissolution of the supply chain problems develops over the course of time. Finally, also the again noticeable risen geopolitical risks negatively affect the outlook. Subject to additional exogenous shocks, the economy should experience strong growth in 2022 in both, in NRW and also in the nation, after, however, the winter half year 2021/22 may have initially experienced repeated pandemic-related setbacks. From spring 2022, however, the economy will pick up significant momentum again, because the pandemic related restrictions will then presumably mostly be lifted at that time, so that private consumption will increase considerably. Moreover, it is expected that the supply bottlenecks will be resolved by the end of 2022. Above all, exports will receive a strong boost for a time due to backlog and catch- up effects. In this scenario the calendar-adjusted German gross domestic product will grow after 2.8 % in 2021 by just over 4% in the current year. We assume, that growth in NRW in the recent year was around 0.3 percentage points below the trend in the nation and in the year 2022 this growth difference should remain approximately the same. On the basis of our projection for the nation, we therefore expect that GDP in NRW in the year 2021 has been growing by 2.5 %, before it then in the year 2022 shows again a strong expansion at 3.7 %.

Course of Business

In 2021 NATIONAL-BANK increased average lending volume from € 3,568.6 million to € 3,650.8 million. Repayments in the amount of € 588.5 million were overcompensated. For refinancing purposes, average customer deposits could be increased from € 4,050.2 million to € 4,197.5 million and a capital increase in the amount of € 46.5 million could be placed successfully.

While net interest income of € 87.9 million was slightly below previous year's level of € 88.3 million, net commission income could be markedly increased across almost all business areas– in particular in asset management – from € 44.7 million to € 54.8 million. From this resulted - at a slightly increased balance from other operating income and expenses from € -4,7 million to € -5,6 million a markedly improved gross profit from € 128.2 million to € 137.1 million. Administrative expenses increased, in particular, due to greater operating expenses from € 91.9 million to € 95.1 million. While risk provision in lending business was again inconspicuous, the Bank allocated funds to its general contingency reserves, so that risk provision increased from € 2.5 million to € 11.9 million.

As a result, net Income improved from € 12.2 million to € 14.7 million. This result exceeds our previous year's expectations. 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 old share and € 0.40 per new share. This represents a total dividend of € 11.3 (10.7) million, as well as additional € 3.4 (1.5) million to the reserves.

Financial Performance

NET INTEREST INCOME

Net interest income decreased slightly to 87.9 (€ 88,3) million. Additional income from the increase in receivables from customers could not completely compensate the reduced income from bank overdrafts.

COMMISSION INCOME

Net commission income increased markedly to € 54.8 (44.7) million. This result was, in particular, supported by asset management, loan business in the area of structured financing services and building contractor business, international business, construction financing and insurance referrals, as well as a stable payment services business.

OTHER OPERATING INCOME AND EXPENSES

The balance from other operating income and expenses was € -5.6 (-4.7) million. The reason for this were, in particular, the interest expenses increase for pension provisions of € 7.1 (6.7) million, which is the result of a further decrease of the relevant discount interest rate from 2.30 % to1.87 %.

One-time expenditure for the capital increase was € 0.5 million. Income from reversal of no longer required, conservatively measured, other provisions amounted to € 0.6 (1.4) million.

GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses increased to € 95.1 (91.9) million. While personnel expenses were stable at € 55.0 (54.1) million, operating expenses rose, because of the once again increased bank levy and the routine renovation of the headquarters at the Theaterplatz, to € 36.9 (34.5) million.

DEPRECIATION OF TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

Depreciation of tangible fixed assets and amortization and write-downs of intangible fixed assets were unchanged at € 3.2 (3.2) million

RISK PROVISION

Risk provision remained unchanged at an inconspicuous level. Due to the general economic and geo-strategic uncertainties, general contingency reserves were increased. Net expenses for risk provision rose therefore markedly to € 11.9 (2.5) million.

OPERATING RESULTS

The operating result amounted to € 30.1 (33.9) million. This resulted from a markedly increased gross profit of € 137.1 (128,2) million and also increased administrative expenses of € 95.1 (91.9) million and a greater risk provision of € 11.9 (2.5) million.

TAXES

Tax expenses reduced to € 15.4 (21,7) million. This corresponds to a tax rate reduction from 64.1 % to 51.2 %. The tax rate is characterized by non-tax-deductible expenses for transfers to pension provisions in the amount of € 4.5 million and by the non-tax deductible bank levy in the amount of € 2.5 million.

NET INCOME

Net income increased to € 14.7 (12.2) million.
This increase was, in particular, caused by a markedly increased net commission income and less tax expenses.

Financial Position

TOTAL ASSETS AND BUSINESS VOLUME

Total assets and business volume, which includes in addition liabilities from guarantees and warranties, were € 5,814.8 (5,460.0) million and € 5,919.1 (5,547.1) million respectively and as such again above the previous year's level.

REFINANCING STRUCTURE

The Bank has unchanged a stable and broad-based financing structure at its disposal. The Bank primarily refinances through customer deposits, subordinated promissory notes and equity capital. Liabilities to customers increased to € 4,654.9 (4.381.8) million. This results in the Bank being largely independent of capital market refinancing. Deposits and overnight money and time deposits in the amount of € 4,449.9 (4,162.3) million with a share of ca. 96 (95) % of total customer deposits were around the previous year's level.

Refinancing has on average a shorter contractual capital and interest lock-up than lending business and the Bank’s own investments. In the past it turned out, however, that short-term customer deposits were available to the Bank over a longer period.

LIQUIDITY

The Bank’s liquidity and risk measurement and control system ensures that adequate liquidity is always available Liquidity maintained with the German Federal Bank and other cash reserves as an expression of a conservative liquidity policy were € 1,273.6 (988.9) million. For liquidity controlling purposes the bank entered into overnight and time deposit transactions with other banks. Furthermore, 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 of € 673.6 million. Against the backdrop of the not specifically foreseeable effects of the Corona pandemic, the Bank participates, as a means of an utmost precautionary enhancement of the Bank’s liquidity, since 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. Next repayment date is June 29, 2022.

The Bank’s liquidity was guaranteed at any time. Consequently, the liquidity coverage ratio reached at year’s end € 148.4 (157,6) % and the net stable funding ratio 137.5 (128.3) %. Both ratios clearly exceeded the regulatory minimum requirement of 100.0 %.

LOAN BUSINESS

The lending volume increased to € 3,737.1 (3,543.5) million. Hereby were high repayments of around € 588.5 (602.0) million overcompensated by a strong new business volume of € 777.3 (728.2) million. In particular loans to mid-sized corporate customers and real estate financing contributed to this result. We continued to apply strict credit rating standards to creditworthiness and collaterals to new business.

DEPOSIT BUSINESS

In spite of consequent agreed custody fees customer deposits increased to € 4,654.9 (4,381.8) million. Short-term demand deposits of € 3,836.6 (3,658.9) million contributed significantly to this development. Time deposits and savings deposits, increased together to € 818.3 (723.0) million.

INTERBANK BUSINESS

Regarding liabilities to banks in the amount of € 585.5 (559.6) 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 € 37.1 million to € 15.2 million.

SECURITIES HOLDINGS

Investments in bonds and other fixed interest securities in the amount of € 679.0 (798.5) million, were at 82 % issuances of debt securities by German Federal States and promotional banks, as well as bonds. A major portion is eligible as collateral for borrowings from German Federal Bank

DERIVATIVES

The bank does not trade in derivatives. Financial derivative transactions are essentially made to cover customer positions. The nominal volume of derivatives of € 1,160.9 (1,349.0) million. Of this, 94.8 (93.0) % was related to OTC products. In addition, the Bank held € 60.5 (94.8) million of publicly traded products. Broken down by business segments, a nominal volume of € 469.0 (488.1) million was attributable to currency and € 631.4 (766.1) 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

The inventory of in October 2020 issued subordinated promissory notes of € 50.0 million with an initial maturity of ten year remained unchanged. 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

In August 2021 a capital increase at a subscription ratio of 8 to 1 was conducted. The 1,664,000 new shares at an arithmetically proportionate amount in the share capital of € 3.00 per share were offered at a subscription price of € 27.95. Share capital and capital reserve was strengthened by € 46.5 million. From net income in 2021, € 3.4 (1.5) million can be transferred to retained earnings within the scope of appropriation of net income. Accordingly, equity according to commercial code is increased – after deduction of purchased treasury shares – from € 337.1 million by € 49.4 million to € 386.5 million.

Regulatory own funds amount to, under inclusion of subordinated loans and fund for general bank risks, € 466.3 (407.6) 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 14.2 (13.6) %. Equity Tier 1 capital ratio is 11.7 (11.1) %.

STRATEGIC KEY FIGURES

The target ranges for the strategic key figures were defined at a time when other general monetary and regulatory conditions applied. Insofar general monetary conditions are affected, the zero interest i.e. negative interest policy of the European Central Bank has - 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. Due to this fact, we applied – like our competitors – selective adjustments.

Return on equity before taxes declined as a result of the capital increase to 8.0 (10.3) %. It is within the target range of 7 to 9 %. This exceeds our previous year's expectations.

Based on the capital increase, the Equity Tier 1 capital ratio could be improved to 11.7 (11.1) %, in spite of an increased loan volume, and is within the adjusted target range of 11 to 14 %. This corresponds to our previous year's prognosis.

The cost income ratio, i.e. the ratio between administrative expenses and gross profit, improved from 71.6 % to 69.4 % and is within the target range of 65 to 70 %. We expected in the previous year that this ratio will be above the target range.

Loan to deposit ratio of 0.70 is approximately at the previous year's level (0.71) and – as expected last year – continues to be clearly below the maximum target value of 1.00.

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 (FüPoG) of April 24, 2015 and the respective supplements and amendments to the aforementioned legal regulations through FüPoG II of August 7, 2021 the Bank is obligated as a one-third co-determination company with more than 500 employees to determine target figures for an increase in the representation of women on the supervisory board, management board (Vorstand) and the top two management levels reporting to the management board and are to decide on a schedule according to which the target figures are to be met.

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

The target figure for women represented on the management board will be unchanged zero on or before June 30, 2022. An increase of the share of women requires under consideration of the office terms of the currently appointed members of the management board until December 2025 and August 2026, respectively the creation of an additional position at the management board level. Against the backdrop of the Bank's business activities and the size of the Bank there is currently no need for another position at the management board level. Management board and supervisory board are in agreement to extend the management board again to three members in the mid-term.

For the management levels reporting to the management board, the target quota on or before June 30, 2022 for the first management level (division, branch and regional managers) is 10 % and 18 % for the second management level (department managers). At 6 % and 13 %, both quotas are per 31. December 2021 below the target quota. The main reason for this situation was that management positions that were opened during the reporting year were filled with male applicants, who were professionally and personally better qualified.

Risk and Opportunity Report

RISK STRATEGY / RISK INVENTORY

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

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

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. 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.

OVERALL RISK POSITION / INTERNAL CAPITAL ADEQUACY

The analysis 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. This includes, in particular, the requirements on

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

The Federal Financial Supervisory Authority [Bafin] ordered by general decree of January 31, 2022, the implementation of an countercyclical capital buffer of 0,75 % of the risk-weighted assets on domestic risk positions. This requirement must be complied with in full no later than February 1, 2023. Furthermore, the Federal Financial Supervisory Authority [Bafin] announced that it will introduce a sectoral system risk buffer of 2 % for all domestic risk positions that are secured by mortgages on .residential real estate NATIONAL-BANK is affected by these capital buffer requirements. The regulatory requirements on equity, including all buffer requirement, are complied with from the current perspective,

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.

To determine the risk contributions, the individual risk types are first separately analyzed. The 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 then analyzed and assessed to determine if controlling actions are required.

Risk capacity requirements were met throughout the reporting period. As of the reporting date, a free risk capital of € 279.5 million results from the difference between risk covering potentials of € 389.7 million and risk potentials of € 1101 million based on the analysis of the internal capital adequacy from the economic perspective.

ECONOMIC INTERNAL CAPITAL ADEQUACY

IN € MILLION

Internal capital supply risk covering potential (RCP)	**qualifying date**
risk covering potential	**389.7**
internal economic capital needed risk potentials	
VaR counterparty default risk	70.1
VaR market price risks liquid securities holdings plus spread risks	6.7
VaR market price risks money market transactions plus spread risks	0.0
VaR market price risks foreign currency	0.1
Interest Rate Risk	22.9
Operational risks	9.9
Liquidity cost risk	0.4
Reputational Risk	0.1
Total risk position	**110.1**
Available risk capital	**279.5**

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.

Risk management is performed by the following organizational units:

- Counterparty default risks and market price risks: Credit Risk Management
- interest rate and liquidity risks: Treasury
- Operational risks: decentral by the heads of all organizational units
- Business risks: central by the heads of the areas
- Reputational risks: Board with the support of the reputational risk representative
- Sustainability risk: Board with the support of sustainability risk committee and operative execution in the individual areas, departments or functions.

To determine and analyze internal capital adequacy in the normative perspective, the departments Accounting & Bank Supervision, as well as Controlling are responsible in the area risk controlling.

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 to the relevant committees and departments of the Bank and
- If the number of non-performing loans (NPL) is high, monitoring and measurement of non-performing risk positions (Non-Performing-Exposure, NPE), and the progress to achieve the NPE target values.

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.

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, counter-party default risk - as defined by the business model - represents the greatest quantitative share as regards risk 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 1>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 € 25.2 (€ 25.5) million according to the standard scenario. Of that, the main portion of € 23.9 (24.2) 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

	12/31/2020	12/31/2021
Private Customers	0.5	0.4
Freelance Professions	2.6	2.8
Corporate Customers	21.1	20.7
Treasury	1.3	1.2
Equity investments	0.1	0.1
Total	**25.5**	**25.2**

Regarding, individual borrowers of the primary customer loan business, total loan, unsecured total loan and the expected loss of € 23.9 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 in total loan	Share in unsecured total loan	Share in expected loss
not rated	0.340	2.9	4.7	1.4
1	0.030	5.7	5.3	0.1
2	0.058	4.7	2.9	0.1
3	0.108	9.0	6.1	0.6
4	0.190	10.2	6.9	1.2
5	0.340	15.2	15.3	4.6
6	0.553	10.6	12.1	6.0
7	0.808	10.0	14.2	10.2
8	1.188	11.5	13.2	14.0
9	1.788	9.3	8.9	14.1
10	2.725	6.4	6.1	14.8
11	4.150	2.0	2.0	7.3
12	6.250	0.7	0.6	3.3
13	9.375	0.6	0.7	6.2
14	14.000	0.2	0.1	1.7
15	20.000	0.9	0.8	14.3
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 € 70.1 (€ 69.5) million is determined on the basis of the internal categorization system and is quantified with a confidence level of 99.9 % and an observation period of one year.

Risk concentration analyses for regions, industry sectors and credit rating categories are also components of risk reporting, in addition to volume concentrations that are principally considered in the determination of unexpected losses in the value at risk model. The main regional focus of our customer loan business is North Rhine-Westphalia (90.0 % of committed loans that did not default). 82.9 % of the committed credit lines in the issuer and counterparty business segments are attributable to domestic issuers and counterparties.

The Bank does not hold any securities of issuers with seat in Russia or the Ukraine. Account relationships are not maintained with Russian or Ukrainian banks. Effects of the Ukraine conflict on the Bank’s counterparty default risk can almost exclusively arise indirectly from creditworthiness deteriorations of borrowers, 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 1.73 %. Since 2017 this share could be reduced by 1.26 percentage points.

MARKET PRIDE RISKS

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.

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 specific to issuer/asset category. The calculated spread premiums of the asset categories 3>are added to the respective interest curves used for the valuationand based on these values are valuation simulations conducted, with which new market prices are calculated. The resulting difference between the calculated market prices as compared to the valuation of the securities with the unchanged valuation curve is the spread risk per asset category. The sum of the valuation changes from all asset categories represents the full spread risk.

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 head 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.

The risk contribution for the market price risk arising from the Bank’s own investments was on the reporting date around € 6.7 (15.3) million, the value at risk for the market price risk arising from interest and currency transactions was around € 0.1 (0.1) million.

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 committee is responsible to timely conduct a detailed analysis of the causes for the exceeding of defined risk limits, warning levels and thresholds and to present to the management board alternatives and recommendations for the further course of action.

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 € 1.8 (1.9) 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, the interest rate risk at the net present value was € 22.9 (€11.6) million.

In addition to the interest rate risk at the net present value, the interest rate coefficient is determined. 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 9.7 % (6.0 %). In addition to this so-called standard test, six interest scenarios (parallel shock up, parallel shock down, steepened 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.

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 € 9.9 million on the reporting date (€ 8.9 million).

Risk contribution is attributable to loss cause categories as follows:

LOSS CAUSE CATEGORY
IN %

internal procedures	18.2
human causes	20.4
external events	56.7
systems	4.7
Total	**100.0**

This includes legal and tax risks. 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.

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.

Due to the intensification of the Ukraine conflict, the Bank has taken additional measures to strengthen its information security. The IT systems are currently not directly or indirectly affected. The sanctions against the Russian banking system to inhibit border-crossing payment transactions and other finance sanctions are implemented on an ongoing basis in accordance with the successive concretization by the competent authorities.

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. 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. Within the scope of dispositive liquidity management, in particular, investment and refinancing options offered by the European Central Bank can be used based on a considerable security deposits volume. 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 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 and net stable funding ratio. Various key indicators are determined on a daily basis to monitor the dispositive liquidity situation.

In 2021, indications of a liquidity bottleneck were not given. The liquidity coverage ratio and the net stable funding ratio of 148.4 (157.6) % and 137.5 (128.3) %, respectively at year's end was markedly greater than the regulatory minimum requirement of 100.0 % for each ratio.

In order to assess the structural liquidity position, a liquidity overview with expected inflows and outflows of funds is prepared. To determine liquidity cash flows assumptions on customer deposit withdrawals (including consideration of deposit concentrations), credit line use and securities sales are made; standard scenario and stress scenarios are simulated. The standard scenario simulation took liquidity reserves into account, showing both a positive cumulative cash flow over the next 24 months.

The standard scenario (observation period five years) and the stress scenario (observation period six months) produced only positive cumulated liquidity cash flows.

CUMULATED CASH FLOWS
IN THE STRUCTURAL LIQUIDITY RISIK
IN € MILLION

Period of time	Cumulative cash flow standard analysis	Cumulative cash flow stress-analysis
12/31/2021 to 01/31/2022	1,458.8	1,064.7
12/31/2021 to 02/28/2022	1,369.5	902.3
12/31/2021 to 03/31/2022	1,343.7	787.6
12/31/2021 to 04/30/2022	1,354.6	716.2
12/31/2021 to 05/31/2022	1,340.1	619.3
12/31/2021 to 06/30/2022	1,360.5	541.6
12/31/2021 to 07/31/2022	1,352.1	522.5
12/31/2021 to 08/31/2022	1,340.9	500.8
12/31/2021 to 09/30/2022	1,341.6	490.8
12/31/2021 to 10/31/2022	1,331.4	470.0
12/31/2021 to 11/30/2022	1,324.0	452.0
12/31/2021 to 12/31/2022	1,341.5	458.8
12/31/2021 to 12/31/2023	1,552.3	437.5
12/31/2021 to 12/31/2024	1,713.1	372.9
12/31/2021 to 12/31/2025	1,915.1	571.3
12/31/2021 to 12/31/2026	2,093.6	746.1

In addition to liquidity cash flow analysis, compliance with the net stable funding ratio is a component of structural liquidity management. The net stable funding ratio is controlled by Treasury. The net stable funding ratio of 137.5 (128.3) % at year's end was markedly greater than the regulatory minimum requirement of 100.0 %.

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 (€ 0.4 million).

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 unit 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 unit 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 (primarily customers, shareholders and other investors, business partners, employees, agencies and media) 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 RISK

Sustainability risks are events or conditions from the areas environment, social or governance (ESG risks), whose occurrence could have actually or potentially negative effects on the financial position and financial performance, as well as the reputation.

Sustainability risks may occur as physical and/or transitory risks and thereby affect all known and within the Bank 's risk strategy defined risk types. Because a differentiation between sustainability risks and the other risk type is hardly possible, the sustainability risk is not a separate risk type.

Management of Bank's sustainability risks is the responsibility of all management board members.
The sustainability committee advises the Board in the handling and management of sustainability risks. It also advises the Board about proposed actions to be taken for the implementation of sustainability risk aspects. Operational execution is the responsibility of the individual areas, departments or functions. Each branch office or organizational unit has also a sustainability representative to manage consumption of resources and to focus sustainability-related issues of their (central) areas of responsibility.

The Bank continues to develop its sustainability management on an ongoing basis in consideration of the dynamic economic, political, regulatory and ecological framework conditions.

The Bank intensively concerned itself with the "Guidance Notice on Dealing with Sustainability Risks" of the Federal Financial Supervisory Authority. In this context were already existing or initiated and in the further course necessary process changes ascertained and within the scope of the sustainability committee under involvement of all essential operative and sales units extensively discussed and advanced.

METHODS, PROCESSES AND IT SYSTEMS

The bank conducts routine reviews on the adequacy of the methods and processes used to determine and analyze risks and risk capacity; 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. In contrast, risk reducing assumptions on diversification are applied to the value at risk calculations of the counter-party default risks and the market price risk. They 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 information technology 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. n 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 2022

One of NATIONAL-BANK's principles is the ongoing development of our risk management. We are committed to ensuring that the full depth and breadth of market developments are taken into account and that all regulatory requirements are complied with.
In the year 2022, a focus will be placed on the continued development of sustainability risk and, IT and cyber risk management and controlling.

RISK REPORTING

Risk inventory and risk reporting regarding individual engagements and at the portfolio level to the Board and/or supervisory board is conducted in regular intervals and if necessary, event-driven.

RISK REPORTING

		Reporting Cycle	Created by	Recipient
All Risk Types	Profit and loss statement	Monthly	Accounting & Bank Supervision and Controlling	Board/Supervisory Board
	Analysis Risk Capacity economic perspective	Monthly	Risk Controlling	Board
	Quarterly report - risk controlling function	Quarterly	Risk controlling, Controlling, Accounting & Bank Supervision a. o.	Board/Supervisory Board
	Risk Inventory	Annually	Risk controlling and controlling	Board
Counterparty default risk	Individual loan reporting	Daily	Market unit/credit risk management	according loan competence matrix
	Credit risk report	Monthly	Risk controlling and credit risk management	Board
	Development loan risk provisions and commitments with special risks	Monthly	Credit Risk Management	Board
	Loan commitments with risk-relevant circumstances	Quarterly	Credit Risk Management	Board/Supervisory Board
	Major commitments according to the Audit Report of the Annual Financial Statements	Annually	Credit Risk Management	Board/Supervisory Board
	Counter-party and Issuer Risks	Annually	Credit Risk Management	Board/Supervisory Board
	Loans to executive bodies and transactions with executive bodies	immediately	Credit Risk Management/ Personnel	Board/Supervisory Board
Market Pride Risks	Market price risk report	Weekly	Risk Controlling	Board
	Back Testing Analysis Market Price Risk	Event driven	Risk Controlling	Board
Interest Rate Risk	Treasury-Report	Monthly	Treasury	Board
	Interest Rate Risk Report	Quarterly	Risk Controlling	Board
Operational Risk	OpRisk-Report	Quarterly/ Annually	Risk Controlling	Board
	Reports on significant losses	Event driven	Responsible Department	Board
Liquidity risk	Liquidity Status	Monthly	Treasury	Board
	Liquidity risk report	Quarterly	Risk Controlling	Board
Business Risk	Reports on customer and product groups	Event driven	Sales units	Board
	Profit and loss statement	Monthly	Accounting & Bank Supervision and Controlling	Board/Supervisory Board
	Customer satisfaction report	Quarterly/ Annually	Communication & Marketing	Board
Reputational Risk	Reporting on reputational risks	Quarterly/Event driven	responsible department/ reputational risk representative	Board/Supervisory Board
SUSTAINABILITY RISK	Reporting on sustainability risks in the sustainability committee	Monthly	Management sustainability committee	Board
Intern control functions	Quarterly / Annual Report of Internal Audit	Quarterly/ Annually	Audit	Board/Supervisory Board
	Quarterly / annual report of compliance representative	Quarterly/ Annually	Compliance Officer	Board/Supervisory Board
	Quarterly / annual report of money laundering representative	Quarterly/ Annually	Anti-Money Laundering Officer	Board/Supervisory Board
	Quarterly / annual report of information security representative	Quarterly/ Annually/Event driven	Information security representative	Board/Supervisory Board
	Quarterly / annual report of data protection representative	Quarterly/ Annually	Data Protection Representative	Board/Supervisory Board

OPPORTUNITIES

As regards business development, above plan business volumes may result from high customer loyalty, deep networking in the market territory, as well as the reduction of branches and restructuring measures of competitors.

Regarding the internal capital adequacy of the Bank, 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.

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.

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, for example, also arise based on the positive perception of the Bank with its customers and in izs customer-related environment, in particular, in the case loss of reputation at other banks.

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

IInternal Control System regarding the Financial Reporting Process and 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 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 global economy reached again its pre-crisis level of year end 2019 after about one and a half years of pandemic. It is to be expected that the gap to the Ante-Corona potential growth path will be nearly closed in the years 2023-2024: Different from the Lehman-crisis, the Corona pandemic is not the result of built-up imbalances but only a temporal "exogenous" shock that can now be overcome gradually. The vaccination rates in the industrial nations are now predominately so high that ar a minimum lock downs over an extended period should be avoided. Primarily in the economically so important Asia-Pacific region should the vaccination rates be about the same level until spring 2022. Nonetheless, the course of economic activities around the globe is even around two years after the Corona pandemic outbreak still predominately determined by the (respective) course of the pandemic. On the one hand, infection rates increased again towards the winter half year 2021/2022 - in particular in the Asia-Pacific region economic life was again temporarily noticeably impaired. But on the other hand, the pandemic caused such a deep turning point that the majority of the world economy is still about to overcome the consequences of the crisis. But the world economy benefits once again from the resilience of the Chinese economic model that was already in summer 2020 successful in overcoming the pandemic. This was achieved by the USA using unprecedented government funds and a Federal Bank willing to push to the extreme limit only about one year later.

Consequently, the past fiscal year was characterized by that the typology of the course of the economy transformed from the immediate countermovement to the moderate modus of a recovery movement. Economic activities were repeatedly dampened, on the one hand, due to declining backlog demand and on the other hand primarily there where vaccination progress was not sufficient. Finally did the extreme fluctuation of the respective aggregation states push the logistics chains of the global economy out of step, so that manifold supply bottlenecks and shortages, for raw materials as well as with a view to upstream products, frequently slowed down the strong upturn of worldwide industrial production. In contrast, worldwide trade recovered quick from the pandemic-caused slump and was the stabilizing element for the world economy. Here, took the "corona-adjusted main component" of a global at the core sound cyclical upturn movement effect. Since then, global trade lost dynamic, because, in particular, the capacities in maritime traffic were hardly capable to handle additional volumes. And also, the global upturn in the production sector could not continue during the course of this year, because upstream products were not available in sufficient quantities. Worldwide is primarily also the shortage of semiconductors a limiting factor, in particular in the automotive industry. This shortage should continue to be significant, because the producers of computer chips can only slowly adjust their production to higher demand.

Taking all things together, the strain on the logistics framework should however, in our opinion, gradually resolve, so that here during the course of the year an additional demand push is to be expected. For this reason, the Bank assumes that global growth in 2022 will be around 4.4 %, after the major portion of the corona-caused slump could be compensated in previous year with an increase of 5.9 %.

As expected by us, the Eurozone reached as the last of the major regions the pre-crisis level, whereby, however, both, the collateral damage caused to the future potential growth path and the economic policy is not yet foreseeable. In spite of the overall robust development, the intra-European economic divergences may again been significantly amplified by the pandemic. In this regard it is important to understand that the late effects of the Lehman crisis are by no means fully written off. The real over-valuation of the exchange rates of the periphery states is a strain on the growth path still today. In this respect, the late effects of the Corona pandemic are likely to add to the problems. We assume from our perspective that due to these problems the Eurozone lost probably more ground by international standards during the course of the Corona crisis, in the best case was the Eurozone successful to return to the status quo ante. Admittedly, at least until now was the course of the economic reaction much smoother than as compared to the Lehman crisis. It remains to be seen with which costs this will be associated in the long run. The Eurozone is traditionally less flexible in the case of economic shocks; within the course of the, as compared to the Lehman crisis, robust reaction in Europe it may be true that just the less flexible reaction on the labor market was at first an advantage with a view to the stabilization of the overall economic demand, because the overall economic demand may have been stabilized as a result of the greater social security. On the other hand, is price to be paid for the stronger cushioning of shocks by the social systems a mid to long-term lesser adaptability of the labor market. Beyond the passed on classic structural problems, the Eurozone may, as a consequence, be subjected to a variety of additional systemic problems resulting from the massive governmental economic encroachments. Ii conclusion, the Bank expects unchanged strong increases of economic output, which will be predominately supported by outstanding backlog demand. In the annual average, gross domestic product should once again increase by 3.9 % in the current year, after it could already recover on a broad base in the year 2021 with an increase of 5.2 %.

In the year 2022, one of the most important topics at the international bond markets will be the question on how high the inflation will be in the individual countries and regions. In general, the risk that inflation will be excessive is certainly noticeable increased. The temporary factors that currently drive inflation upwards may easily be replaced by other new drivers. In the interim also capital market-based inflation expectations are noticeable increased and reached the highest levels for many years. In particular against the backdrop of the manifold upheavals in the Corona pandemic environment, prognosis risks are, moreover, currently extraordinarily high, also for the most extensive quantitative methods and procedures. In spite of all risks, the simulations of the central banks indicate until recently that the global price shocks will probably remain for the main part of a temporary nature. In this scenario will the underlying price trend in the most industrial countries around mid-year of the coming year have declined so far that it is compatible with the central bank objectives. Nonetheless, the US Federal Bank most recently accelerated on the basis of solid economic perspectives and the risks for price stability the phase-out from the ultra-expansive monetary policy to limit stability risks. We expect that the US Federal Bank will make six interest rate moves of 25 base points each till mid-year of the coming year and will also reduce the quantitative measures gradually. With that, the US American interest structure curve as a whole will gradually shift upwards.

For the intensity of the transfer of the US impulses to the European interest structure curve is primarily the position of the ECB decisive. The international cyclical synchronization normally effects a more or less parallel development, primarily within the mid to long-term maturity range, because the markets expect aligned actions of the central banks. With a view to structural weaknesses of the Eurozone and the just currently great impact of the “fiscal dominance”, we assume, however, that a monetary policy shift, worthy of the name, will not take place. The ECB will - also pushed by public pressure and stability interest of the North European countries - marginal corrections to its monetary policy. This explains why the median prognoses do not signal as before any change of the main refinancing rate of the ECB until the year 2024. However, ECB might return the deposit rate from negative territory to zero. Finally, also this scenario is subject to the reservation that the mid-term inflation expectations in the Eurozone due to the structural growth weaknesses of the Eurozone will, in the perspective, not return to their deflation trend, which existed since the formation of the currency union. For this reason, there will be most likely hardly any changes to the structural very low interest rate environment in the Eurozone. In the aggregate, the risks remain, with a few to the pandemic, significant, but at least the economic consequences might be gradually further reduced. So with easing supply side bottlenecks, the robust economic upturn trend may continue at least until the year 2024, with the consequence that the global interest level will continue to gradually increase. Over the next year we see an increase of US yields for 10-year government bonds to rates around 2.4 % to be likely. In comparison, Bund yields with the same maturity will only be able to increase by rates around 0.4 %

After a review and adjustment at the end of 2021, the target ranges for the strategic key figures were principally maintained, however the target range for the Equity Tier 1 capital ratio was lowered by one percentage point. Consequently, the target ranges for return on equity are 7 to 9 %, for the Equity Tier 1 capital ratio 11 to 14 %, for the Cost Income Ratio 65 to 70 %, as well as for the loan-to-deposit ratio less than one.

For the year 2022, we plan for somewhat lower gross profit, slightly increasing administrative expenses and a risk provision, which is slightly below the past fiscal year. So that a net income will result, which is slightly below the past fiscal year and allows accordingly for dividend continuity. 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 conducted in the year 2021, the return on equity will presumably be slightly below the target range of 7 to 9 % in 2022. We expect that the Common Equity Tier 1 capital ratio will slightly decrease within the target range of 11 to 14 % due to the planned growth of the asset side of the balance sheet. The cost income ratio will in 2022 presumably be somewhat 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 markedly below the figure of one, which is not to be exceeded.

The Bank analyzes continuously the risks that may arise from the Ukraine conflict to its financial position and financial performance. With a view to the medium-sized corporate customers portfolio, we monitor, in particular, supply and service relationships on the procurement and sales side, as well as sales locations and production sites of borrowers. Potential spread increases and an increased volatility on the capital markets are prime issues within the market price analysis of the Bank's own investments, as well as the indirect effects on asset management strategies for customers. In addition, a potential increase of the information security risks and the cyber risk are closely monitored and are counter-acted with appropriate risk controlling measures. Potential effects of the Ukraine conflict are up to now not a component of our prognosis.

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	**12/31/2019**	**12/31/2020**	**12/31/2021**	**Adjustment 2020/2021**
Receivables from customers	3,419.3	3,543.5	3,737.1	5.5%
Guarantees	96.0	87.1	104.3	19.7%
Customer deposits	3,782.6	4,381.8	4,654.9	6.2%
Receivables from banks	43.9	37.1	15.2	-59.0%
Deposits from banks	520.3	559.6	585.5	4.6%
Bonds and notes	746.1	798.5	679.0	-15.0%
Stocks and Other Non-Fixed Interest Securities	0.0	0.0	20.6	-100%
Equity (excluding subordinated loans)	339.5	342.0	390.7	14.2%
Subordinated loans (excluding accrued/deferred interest)	10.0	50.0	50.0	0.0%
Total assets	4,756.5	5,460.0	5,814.8	6.5%
Business volume	4,852.5	5,547.1	5,919.1	6.7%

Income statement in € million	**2019**	**2020**	**2021**	**Adjustment 2020/2021**
Gross profit	**128.8**	**128.3**	**137.1**	**6.9%**
Net interest Income	87.9	88.3	87.9	-0.5%
Commission Income	45.7	44.7	54.8	22.6%
Other Income and Expenses	-4.8	-4.7	-5.6	19.1%
General administrative expenses	**91.9**	**91.9**	**95.1**	**3.5%**
Personnel expenses	52.5	54.1	55.0	1.7%
Operating expenses	36.0	34.6	36.9	6.6%
Depreciation on tangible assets	3.4	3.2	3.2	0.0%
Risk Provision	**2.1**	**2.5**	**11.9**	**376.0%**
Operating Results	**34.8**	**33.9**	**30.1**	**-11.2%**
Extraordinary Results	**-6.2**	**0.0**	**0.0**	**0.0%**
Net Income	**15.1**	**12.1**	**14.7**	**21.5%**

Ratios, other key figures	**12/31/2019**	**12/31/2020**	**12/31/2021**
Total capital ratio	12.1%	13.6%	14.2%
Common Equity Tier 1 capital ratio	11.3%	11.1%	11.7%
Number of shareholders (approx.)	5,200	5,200	5,300
Dividend old share	0.80 €	0.80 €	0.80 €
Dividend new share			0.40 €
Earnings per share in €	1.13 €	0.91 €	0.98 €

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Danke für Ihr Vertrauen