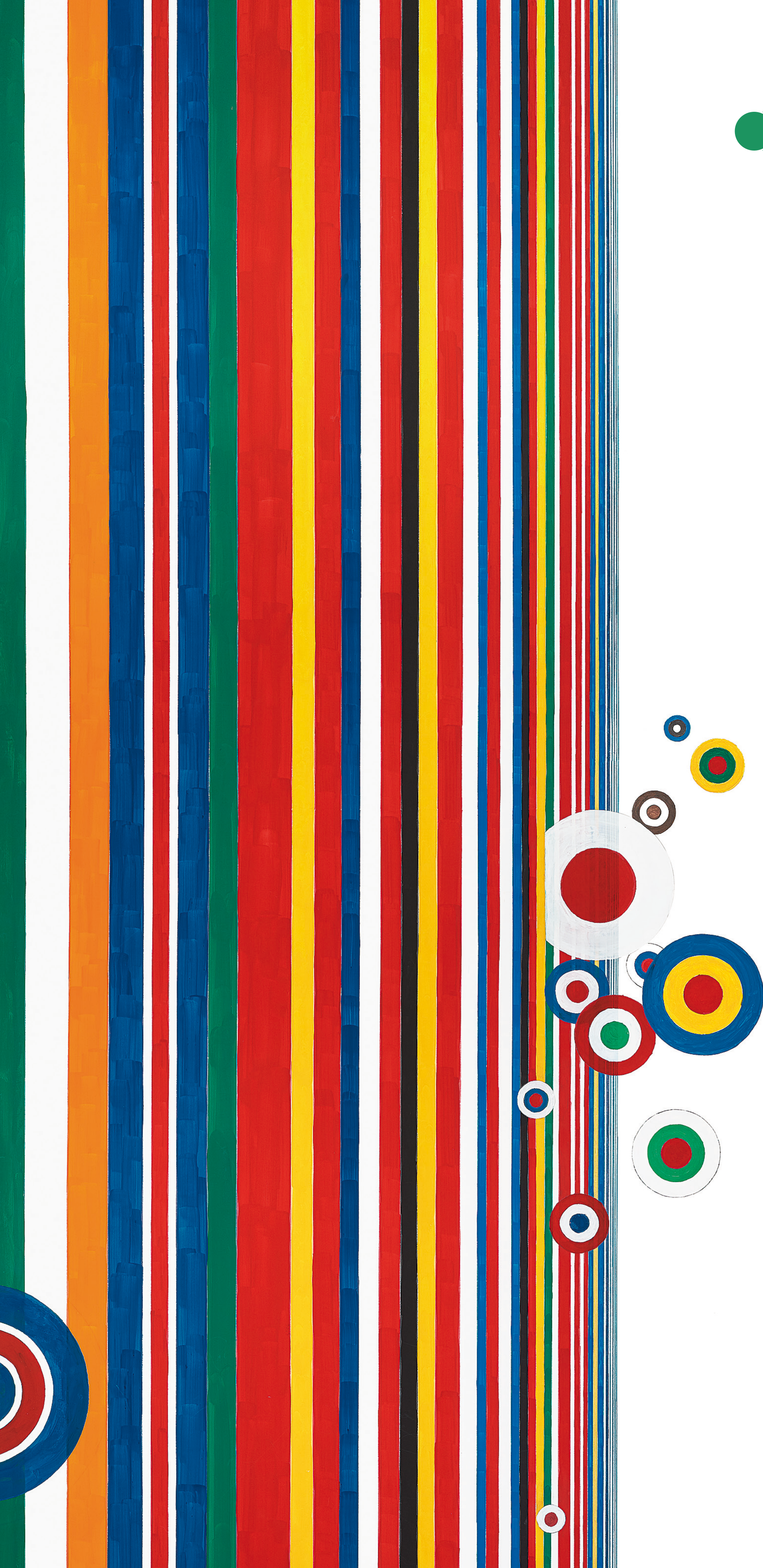

NATIONAL-BANK
Mehr. Wert. Erfahren.

ANNUAL REPORT
2024

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Statement of Financial Position

ANNUAL STATEMENT OF FINANCIAL POSITION, SUNDAY, DECEMBER 31, 2024 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Assets	12/31/2024	12/31/2023
Cash reserve	**36,301,445.36**	**38,278,396.32**
a) Cash on hand	10,879,332.66	12,544,155.48
b) Balances with central banks	25,422,112.70	25,734,240.84
including:		
at the Deutsche Bundesbank	25,422,112.70	25,734,240.84
Receivables from banks	**2,114,907,346.79**	**1,895,973,179.04**
a) overnight	2,113,111,790.61	1,892,114,308.13
b) Other receivables	1,795,556.18	3,858,870.91
Receivables from customers	**3,824,714,614.05**	**4,015,190,497.28**
including:		
Secured by mortgages	1,747,022,317.88	1,873,236,426.44
Communal loans	75,122,282.03	131,602,853.59
Debt securities and other fixed-income securities	**383,514,083.81**	**347,597,880.23**
a) Bonds and debt securities	383,514,083.81	347,597,880.23
aa) by sovereign issuers	239,193,015.72	233,383,782.98
including:		
eligible as collateral for borrowings from German Federal Bank	239,193,015.72	233,383,782.98
ab) from other issuers	144,321,068.09	114,214,097.25
including:		
eligible as collateral for borrowings from German Federal Bank	144,321,068.09	112,303,274.39
Shares and other variable yield securities	**19,885,056.01**	**19,055,573.49**
Long term equity investments	**1,176,621.43**	**1,111,061.91**
including:		
in banks	11,877.31	11,877.31
in financial services institutions	(-)	(-)
Shares in affiliated companies	**387,166.42**	**387,166.42**
including:		
in banks	(-)	(-)
in financial services institutions	(-)	(-)
in investment institutions	251,929.84	251,929.84
Fiduciary assets	**5,728,479.23**	**6,541,319.49**
including:		
Fiduciary loans	5,728,479.23	6,541,319.49
Intangible fixed assets	**507,235.17**	**840,439.17**
b) Purchased concessions, industrial and similar rights and assets, and licenses in such right and assets	507,235.17	840,439.17
d) prepayments	0.00	0.00
Tangible fixed assets	**56,632,879.91**	**55,225,287.38**
Other assets	**6,181,721.80**	**6,817,383.15**
Prepaid expenses	**1,362,579.55**	**2,919,097.98**
Excess of plan assets over pension liability	**0.00**	**84,310.27**
Total assets	**6,451,299,229.53**	**6,390,021,592.13**

ANNUAL STATEMENT OF FINANCIAL POSITION, SUNDAY, DECEMBER 31, 2024 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Liabilities	12/31/2024	12/31/2023
Liabilities to banks	**441,679,480.75**	**481,134,521.46**
a) overnight	2,384,936.40	756,104.32
b) with agreed maturity or notice period	439,294,544.35	480,378,417.14
Liabilities to customers	**5,327,662,608.05**	**5,271,226,005.01**
a) Savings deposits	106,234,175.36	132,768,748.30
aa) with agreed notice period of three months	105,312,915.65	132,540,468.48
ab) with agreed notice period of more than three months	921,259.71	228,279.82
b) other liabilities	5,221,428,432.69	5,138,457,256.71
ba) overnight	3,515,559,215.96	3,364,714,215.64
bb) with agreed maturity or notice period	1,705,869,216.73	1,773,743,041.07
Securitized liabilities	**5,112.92**	**5,112.92**
a) debt securities issued	5,112.92	5,112.92
Trust liabilities	**5,728,479.23**	**6,541,319.49**
including:		
Fiduciary loans	5,728,479.23	6,541,319.49
Other liabilities	**9,631,130.37**	**6,917,806.42**
Prepaid expenses	**1,817,968.42**	**1,870,219.77**
Provisions	**137,898,713.25**	**121,858,047.19**
a) Provisions for pensions and similar obligations	83,730,786.98	84,975,591.47
b) Provisions for taxes	26,757,008.50	17,741,077.18
c) other provisions	27,410,917.77	19,141,378.54
Subordinated liabilities	**50,369,178.08**	**50,369,178.08**
Fund for general banking risks	**70,200,000.00**	**51,800,000.00**
including: special item pursuant to section 340e (4) HGB	0.00	0.00
Equity	**406,306,558.46**	**398,299,381.79**
a) Called capital		
Subscribed capital	44,497,554.00	44,507,037.00
of which: purchased treasury shares	-430,446.00	-420,963.00
b) Capital reserves	206,300,891.74	205,777,847.07
c) Retained earnings	142,029,712.72	134,536,097.72
ca) legal reserve	990,883.67	990,883.67
cb) other revenue reserves	141,038,829.05	133,545,214.05
d) Net retained profits	13,478,400.00	13,478,400.00
Total liabilities	**6,451,299,229.53**	**6,390,021,592.13**

	12/31/2024	12/31/2023
Contingent liabilities	**93,979,065.65**	**109,378,206.77**
Liabilities from guarantees and warranties	93,979,065.65	109,378,206.77
Other obligations	**450,035,904.71**	**490,586,989.02**
Irrevocable loan commitments	450,035,904.71	490,586,989.02

Income Statement

INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2024 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Expenses	2024	2023
Interest expenses	**79,426,788.94**	**55,072,945.14**
including:		
negative interest from liabilities	142,429.75	174,677.04
Commission expenses	**4,708,533.95**	**4,457,731.47**
General administrative expenses	**130,182,760.28**	**109,601,520.58**
a) Personnel expenses	67,661,344.98	60,249,759.12
aa) Wages and salaries	55,573,938.80	49,182,577.25
ab) Social security contributions and expense for pensions and other benefits	12,087,406.18	11,067,181.87
including:		
for post employment benefits	3,079,859.60	3,039,273.27
b) other administrative expenses	62,521,415.30	49,351,761.46
Amortization/depreciation and valuation allowances on intangible and tangible fixed assets	**3,586,326.18**	**2,992,993.83**
Other operating expenses	**1,117,108.19**	**1,395,362.08**
Write-downs and allowances on receivables and certain securities and transfers to provisions for loan losses	**15,885,675.92**	**15,190,672.51**
Write downs and allowances on equity investments, shares in affiliated companies and securities treated as fixed assets	**112,473.29**	**37,361.81**
Transfer to fund for general banking risks	**18,400,000.00**	**28,300,000.00**
Extraordinary expenses	**0.00**	**0.00**
Taxes on income	**24,290,602.60**	**28,648,013.47**
Other taxes not disclosed in "other operating expenses"	**338,709.84**	**361,198.70**
Net income for the financial year	**21,298,400.00**	**19,393,400.00**
Total expenses	**299,347,379.19**	**265,451,199.59**

	2024	2023
Net income for the financial year	**21,298,400.00**	**19,393,400.00**
Transfers to revenue reserves	**7,820,000.00**	**5,915,000.00**
to other revenue reserves	7,820,000.00	5,915,000.00
Net retained profits	**13,478,400.00**	**13,478,400.00**

INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2024 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Income	**2024**	**2023**
Interest income from	**233,949,497.18**	**209,996,346.04**
a) Lending and money market transactions	223,928,440.11	200,954,036.66
b) fixed-income securities and debt-register claims	10,021,057.07	9,042,309.38
including:		
positive interest on receivables	86.22	1,469.26
Recurring income from	**30,802.69**	**1,085,636.35**
a) Shares and other variable yield securities	1,356.35	281.59
b) Long term equity investments	29,446.34	1,085,354.76
c) Shares in affiliated companies	0.00	0.00
Commission income	**62,439,306.95**	**51,721,657.15**
Income from write-ups to equity investments, shares in affiliated companies and securities recognized as assets	**0.00**	**0.00**
Other operating income	**2,927,772.37**	**2,647,560.05**
Extraordinary income	**0.00**	**0.00**
Total income	**299,347,379.19**	**265,451,199.59**

MANAGEMENT REPORT

Fundamentals of the Company

NATIONAL-BANK pursues the strategy to be one of the leading independent private regional banks in Germany for discerning private and corporate customers, as well as for medium-sized institutional investors. In addition to our competitive and customer group specific financial solutions, our individualized consulting and personalized services are a distinct competitive advantage. The same applies to our longstanding customer relationships, as well as the maintaining of the highest degree of customer satisfaction. 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 represents 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.

NATIONAL-BANK pursues a customer-driven business model with a comprehensive consultation approach for discerning private and corporate customers. Customers, who value individual consulting 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, which the Bank develops inhouse or procures from independent third parties (Open Architecture). Cooperation partners are carefully selected and undergo regular reviews. The integral components of the business model comprise the loan and deposit business. 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 management of the Bank are geared toward these customer groups. On the one hand, sales and marketing of our finance solutions is hereby demand-oriented managed within the individual areas (cross selling), and on the other hand, optimally interrelated with the other service units of the individual customer segments (connectivity). Net interest and net commission income represent 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 competition takes place within the NATIONAL- 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, increasingly 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 no-branch 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 of major banks and the consolidation of the German finance sector.

The Bank commits to a risk-aware, future-oriented and sustainable acting with the aim to meet the expectations of customers and employees, as well as the shareholders and the company. The following sustainability objectives are associated with this acting: positioning as an attractive employer on a consistent basis, achieving maximum customer satisfaction with long-term customer relationships, reducing the utilization of natural resources for banking operations, transformation of our loan and investment portfolios towards climate neutrality by 2045 under consideration of shareholder and customer interests, actively use business relationships in such a manner that our partner assume environmental and social responsibility, prevention, detection and sanctioning of corruption, money laundering and terrorism financing and other violations of the law in the Bank, as well as the long-term cultural and societal commitment.

Overall Economic Environment

The German economy was, also in 2024, in a deep structural crisis. Decarbonization, digitalization, demographic change, energy price shock and a changing role of China in the global economy put established business models under pressure and forced many companies to adjust their production structures. Primarily North Rhine-Westphalia was particularly exposed, because the manufacturing industry's share in the economic output in the Rhine and Ruhr region is markedly greater. In particular, energy intensive industries, which react particular sensitive to the high energy cost, do have a greater weight in the economic output. But also mechanical engineering and the automotive industry, which are - in addition to the restructuring in connection with decarbonization and digitization - exposed to increasing international competition, have a particular great economic weight. Weak private investment is probably a consequence of business closures, production stoppages and relocations, as well as great economic policy uncertainties. Utilization of existing overall economic production capacities declines since more than two years and underutilization markedly increased again until the end of 2024. Signs of a noticeable economic upturn could hardly be identified until year's end. The range of orders in the industry continuously shrank along with further declining new orders, so that capacity adjustments become increasingly likely.

Like throughout the federal territory, early indicators, which are also relevant for North Rhine-Westphalia, remained, without exception, at a low level: the NRW. BANK.ifo-business climate subsided at year's end of 2024 to the lowest level since June 2020, when the Corona Pandemic lead to a deep recession. The business climate decline was primarily caused by more pessimistic expectations, which deteriorated continuously. During twenty straight months, the majority of business expectations remained pessimistic. This was the longest negative period since twenty years. During this period, a growing number of indications could be identified that the weak phase is not only cyclical but structural in nature. Increasing deficits in international competitiveness became increasingly apparent in particular in the industry. The sentiment was particular poor in the manufacturing industry. In particular a continuously shrinking order backlog from national and international business was a major concern for companies. For this reason, a majority of the surveyed companies considered to cut back production. The structural crisis in the automotive industry also intensified during the course of the year. The business climate in this sector fell in the final quarter to the lowest level since 15 years. The slump in industry had a significant impact on industry-related service providers, order backlog declined in the final quarter to the lowest level since the end of 2023. In particular the industry-related sector transportation and logistics was increasingly worried about future business development. Consumer-related sectors profited hardly from noticeable real wage increases and associated purchasing power gains. Rather, private households held back on spending and put an increasing part of their income increases aside as savings.

During the course of the year, the German economic research institutions continuously revised their projections for the nation downwards - in the year 2024, German economy likely shrank again and contracted by 0.2 percentage points. Averaged across the prognoses, the German economy will likely only expand by 0.4 % also in the year 2025. If the war in the Ukraine continues, our prognosis for Germany as a whole, based on a such conditioned prognosis, would be at the same level.
It is noteworthy, however, that the comparison between the leading indicators for North Rhine-Westphalia and the nation as a whole, indicated that until the end of 2024, the industry in North Rhine-Westphalia performed cyclically markedly better than the industry overall in the nation. Thus, in spite of the basically lower growth performance, a slight overall economic contraction of the North Rhine-Westphalia economy for 2024 (-0.2 %) analogue to the economic performance at the federal level appeared to be plausible.

Course of Business

In 2024, NATIONAL-BANK's average lending volume declined from € 4,142.6 million to € 4,021.4 million due to reduced loan demand, the Bank's deliberate risk averse approach due to the economic situation and the reluctance to engage in business activities during project *Jupiter*. Average customer deposits increased from € 5,062.9 million to € 5,167.6 million.

While net interest income of € 154.6 million was slightly below previous year's level of € 156.0 million due to the interest rate development and the passing on of declining interest rates in customer business, net commission income substantially increased from € 47.3 million to € 57.7 million due to performance-related remunerations from asset management business.
The balance for other operational income and expenses improved from € 1.3 million to € 1.8 million and gross profit significantly increased from € 204.5 million to € 214.1 million. Administrative expenses increased, in particular, due to the expenses for project *Jupiter* (see below) from € 112.6 million to € 133.8 million.
Risk provision slightly increased from € -15.2 million to € -16.0 million. A main driver for the negative risk provision result was the additional funding of the provisions for global valuation allowances, as well as for general banking risks.

As a result, net Income improved from € 19.4 million to € 21.3 million. In addition, € 18.4 million could be transferred to the fund for general banking risks in accordance with Section 340g HGB, so that the expectation formed in the previous year for the annual result could be clearly exceeded. 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 a constant dividend of € 0.90 per share.
This represents a total dividend of € 13.5 (13.5) million, as well as additional € 7.8 (5.9) million to fund the reserves.

PROJECT *JUPITER*

With the decision to introduce a new IT platform to process core business functions, NATIONAL-BANK is implementing a project that is known as project *Jupiter*. Between June 2023 and October 2024, all Bank employees prepared for the change over to the core banking system *agree21* of Atruvia AG. Atruvia AG is one of the leading software providers for core banking applications in Germany and provides its services to Volksbanken and Raiffeisenbanken, as well as numerous private banks. In 2024, bank-individual transformation and migration programs were tested in four test cycles to ensure the required quality for the data transfer. With the support by Atruvia AG, as well as external consulting firms, the core banking system's standard scope of functionality was parameterized according to the Bank's individual requirements and existing business processes were implemented using the new IT system. To ensure the continuation of our service offerings, third party applications, which do not belong to the Atruvia standard, were integrated into the core banking system by means of newly-developed interfaces. At the weekend of October 19, 2024, the core banking migration to *agree21* was successfully executed.
A significant change in customer business was the initial set up or adjustment of the electronic banking solutions, as well as the complete exchange of debit and credit card inventories. After the introduction of the new core banking system, private and corporate customers needed, in particular during the first weeks after the migration, increased help by customer support and the service line for the IT transition.

Financial Performance

NET INTEREST INCOME

Net income declined to € 154.6 (156.0) million.
Net interest income slightly decreased as a consequence of the European Central Bank's key interest rate cuts since June 2024. In this context, interest rate effects from the persistent high deposit volume could compensate the decreases from the low credit volume.
The main reason for this development is that the directly key interest rate dependent volume on the asset side of the balance sheet is greater than the corresponding volume on the liability side of the balance sheet. The directly and indirectly key interest rate dependent volume on the asset side is primarily composed of the balance at Deutsche Bundesbank in the form of the deposit facility and various customer loans. On the liability side of the balance sheet, in particular deposits redeemable at notice and fixed-term deposits, which are each presented as time-limited customer deposits, are indirectly dependent on key interest rate cuts, because the Bank passes on interest rate cuts accordingly.

NET COMMISSION INCOME

Net commission income increased markedly to € 57.7 (47.3) million. The predominant portion of the increase is the result of asset management performance. In particular, performance-related remunerations from asset management business could be markedly expanded. In addition to this achievement, commissions from account and card services, as well as from loan business increased. Commissions from international business declined, due to lower demand. Commission income can be broken down into individual business segments as follows: Asset management € 33.8 million, Account and card services € 13.5 million, International markets € 5.5 million, Loan business € 4.1 million and Other € 0.8 million.

OTHER OPERATING INCOME AND EXPENSES

The balance from other operating income and expenses was € 1.8 (1.3) million. The reason for the increase by € 0.5 million was, in particular, reduced expenses for interest accreted on pension provisions of € -0.8 (-1.1) million, which resulted from the fact that the relevant discount interest rate increased in this year by seven base points from 1.82 % to 1.89 %. Income from reversal of no longer required other provisions amounted to € 1.0 (0.6) million.

GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses increased to € 130.2 (109.6) million. While personnel expenses increased to € 67.7 (60.3) million, other administrative expenses rose very markedly to € 62.5 (49.4) million. Year-over-year increase in personnel expenses was due to inflation-caused significant collectively and non-collectively agreed wage adjustments, which took effect on August 1, 2024 and a bonus salary for all employees for the successful realization of the project *Jupiter*. Project *Jupiter* (see above) is the reason for the significant increase of operating expenses. Because expenses for the project were directly recognized as expenses, operating expenses are significantly higher in the years 2023 and 2024 than in previous years. Operating expenses for the project *Jupiter* were € 21.0 (8.7) million in 2024.

DEPRECIATION/AMORTIZATION AND WRITE-DOWNS AND VALUATION ALLOWANCES OF TANGIBLE FIXED ASSETS AND INTANGIBLE FIXED ASSETS

Depreciation and valuation allowances of tangible fixed assets and amortization and write-downs of intangible fixed assets slightly increased to € 3.6 (3.0) million.

RISK PROVISION

(Net) expenses for risk provisions increased to € 16.0 (15.2) million. After securities holdings - which are classified as liquidity reserve and therefore measured like current assets - were depreciated by € 12.3 million in the year 2022 as a consequence of the turnaround in interest rates, a net value of around € 4.1 million could be reversed in 2023 and in 2024 a net value of around € 1.8 million. Loan risk provisions from specific valuation allowances in loan business were again inconspicuous. In the application of the accounting standard IDW RS BFA 7, the economic environment made itself felt in the form of higher average probabilities of default and the existing global valuation allowances were increased by € 4.6 million, after € 0.3 million were reversed in the previous year. An additional driver for the negative risk provision result was the additional funding of provisions for general banking risks.

OPERATING RESULTS

The operating result, i.e. the result after risk provision and before transfer to the fund for general banking risks, declined to € 64.3 (76.7) million. The increased gross profit of € 214.1 (204.5) million, composed of net interest and net commission income and other operating income and expenses, was offset by markedly increased general administrative expenses of € 130.2 (109.6) million, as well as a slightly increased risk provision of € 16.0 (15.2) million.

TAXES

Tax expenses declined due to the reduced operating result to € 24.6 (29.0) million, which is equivalent to an increased tax rate from 37.8 % to 38.3 %. An increasing effect had, in particular, the transfers to pension provisions, as well as the changes to the global valuation allowance and the provisions for general banking risks.

NET INCOME FOR THE FINANCIAL YEAR

Net income for the financial year increased to € 21.3 (19.4) million. This increase was caused by a markedly increased commission income, a reduced funding of the fund for general banking risks according to § 340g HGB, as well as reduced tax expenses, which in particular significantly overcompensated higher expenses for project *Jupiter*.

Financial Position

TOTAL ASSETS AND BUSINESS VOLUME

Total assets and business volume, which includes in addition contingent liabilities from guarantees and warranties, were € 6,451.3 (6,390.0) million and € 6,545.3 (6,499.4) 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 refinances through customer deposits, subordinated promissory notes and equity capital. Liabilities to customers increased to € 5,327.7 (5,271.2) million. This results in the Bank being largely independent of capital market refinancing. Demand deposits and overnight money and time deposits in the amount of € 5,221.4 (5.138.5) million with a share of around 98 (97) % of total customer deposits were slightly above 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

NATIONAL-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 € 2,116.3 (1,882.3) million. For liquidity management purposes the bank entered into overnight and time deposit transactions with other banks. Throughout the year, the Bank maintained at any time a sufficiently dimensioned liquidity reserve with the German Federal Bank , consisting of balances with the central bank, as well as a collateral pool of securities eligible as collateral with the German Federal Bank. The Bank did not borrow any funds by main refinancing operations from the Deutsche Bundesbank beyond the reporting date.

The Bank's liquidity was guaranteed at any time. Consequently, liquidity coverage ratio reached at year's end 209.7 (184.6) % and the net stable funding ratio 153.1 (148.6) %. Both ratios clearly exceeded the regulatory minimum requirement of 100.0 %.

LOAN BUSINESS

Receivables from customers decreased to € 3,824.7 (4,015.2) million. Repayments could not be completely compensated by the increased new business volume of € 385.2 (307.2) million. The decline is caused by the reluctance to engage in business activities during project *Jupiter*, by the Bank's deliberate risk averse approach due to the economic situation and by a reduced loan demand.

DEPOSIT BUSINESS

Customer deposits increased to € 5,327.7 (5.271.2) million in the year 2024. Demand deposits, which increased by € 150.9 million, contributed significantly to this development, while time deposits and savings deposits, each declined. The net-shift from time deposits to demand deposits is primarily caused by the lower yields for time deposits during the course of the year.

INTERBANK BUSINESS

Regarding liabilities to banks in the amount of € 441.7 (481.1) million, the emphasis remained on long-term funding under public sector lending programs. The decline is primarily caused by the fact that inventories decreased due to the decline of corresponding customer loans. On the asset side, receivables from banks increased from € 1.896.0 million to € 2.114.9 million. This increase results from the fact that overnight deposits within the context of the deposit facility rate at the Deutsche Bundesbank increased significantly.

SECURITIES HOLDINGS

Investments in bonds and other fixed interest securities in the amount of € 383.5 (347.6) million, were at 91.7 (84.3) % 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. In 2024, new investments of € 156.1 (93.7) million were made, which were counterbalanced, in part, by maturities.

DERIVATIVES

The bank does not trade in derivatives in terms of the CRR. Financial derivative transactions are essentially made to cover customer positions. The nominal volume of derivatives was € 2,553.2 (1,486.1) million. Of this, 99.3 (99.2) % was related to OTC products. In addition, the Bank held € 17.4 (12.6) million of publicly traded products. Broken down by business segments, a nominal volume of € 367.3 (384.3) million was attributable to currency and € 2.168.5 (1.089.2) 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 years 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 increased to € 70.2 (51.8) million.

EQUITY

From net income in 2024, € 7.8 (5.9) 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 € 398.3 million by € 8.0 million to € 406.3 million.

Under inclusion of subordinated loans and the fund for general banking risks, regulatory own funds amount to € 544.8 (513.3) million. The Bank's own funds — measured as the ratio of regulatory relevant equity capital to risk-weighted assets – after the approval of the annual financial statements and approval by the general meeting of the appropriation of profit proposal by the Management Board and supervisory board — were 17.1 % (15.3 %). Equity Tier 1 capital ratio is 14.4 (12.8) %.

Regarding our reporting obligations according to 289 § 2 (2) s. 2 HGB, we point out that detailed information about acquisition and disposal of treasury shares are contained in the notes. These disclosures are made in accordance with the requirements of § 160 (1) No. 2 AktG [German Stock Corporation Act]. Relevant information is set out in the notes in segment “Equity”. Further details are explained there.

STRATEGIC KEY FIGURES

The following strategic key figures constitute the Bank’s financial key performance indicators. The target ranges for the strategic key figures were defined at a time when other general monetary and regulatory conditions applied and were marginally adjusted in previous years. At the end of the financial year, the target range for return on equity before taxes has been adjusted from 7 to 9 % to 10 to 12 %.

Return on equity before taxes declined to 16.6 (20.2) %, in particular due to the significantly higher administration expenses. It is therefore also way above the new target range of 10 to 12 %. The fact that the target range has been exceeded is in line with our expectation from last year.

Taking appropriation of net income into account, equity tier 1 capital ratio increased due to reduced risk-weighted assets and an increased Equity Tier 1 capital to 14.4 (12.8) % and as such above the target range of 11 to 14 %. This also exceeds our prognosis from last year, where we still assumed a figure in the upper half of the target range.

The cost income ratio, i.e. the ratio between administrative expenses and gross profit, deteriorated, however, from 55.1 % to 62.5 % but this result is, unchanged, still better than the target range of 65 to 70 %. The previous year’s expectation was that this ratio would be in the upper half of the target range due to additional expenses for project *Jupiter*. The more positive performance is, in particular, caused by the financial performance, which was better than expected.

Loan to deposit ratio of 0.64 is below the previous year’s level (0.67) 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

In spite of all successes with our work in human resources, the promotion of the underrepresented gender in management positions did, thus far, not perform in accordance with our expectation. Changing processes of the structural and operational organization are equally the cause for this fact, as well as a number of individual decisions our female managers have taken in consideration of either their professional or private life choices. We are not satisfied with the results following from these facts and we have - as already in the past - initiated numerous programs to change this status.
As a result of these measures, the share of women in total personnel stabilized at just 50 %.

As early as in June 2022, the currently still valid target figures for the share of woman in the first and second determined to be 12 % and 19 % respectively. In addition, organizational changes and market-driven challenges make it difficult to meet these target figures, so that, being unsatisfactory and in contrast to our intention, the target ratio for both, the first and the second management level at 6 % (7 %) and 14 % (17 %), was not met during the reporting period. In some cases, there are also individual personal circumstances that we as the Bank have to accept nolens volens. On the third management level, significant progress can be observed for women in management positions, which, with a share of more than 30 %, indicates a promising step in the direction of a balanced management culture.

The Bank employs affirmative action and focused development, so that it can be successfully achieved that in the future such promoted female employees will increasingly grow into responsibility bearing functions of the first and second management level. For this reason, we are confident that the full spectrum of the initiated programs, which affect the whole life cycle of the employees and which include talent attraction, talent development and talent promotion will spread unchanged its positive effects. This confidence is even more supported as our Bank – also due to the high number of just over 100 new hires – has proven to be an attractive employer.

We support reconciliation of family and profession through the expansion of framework working hours, advice and counsel services about family topics, as well as the continuation of the concept of individual flexible working hours (preferred working hours) in the case of particular family developments. Since 2014, the Bank is being recertified as a family friendly company and it is a member of the "Essener Bündnis für Familie"

Risk and Opportunity Report

RISK STRATEGY / RISK INVENTORY

The risk management guidelines of NATIONAL-BANK are defined in the risk strategy, which are derived from the business activities, as defined in the Bank's business strategy, and the 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.

Risk management is, on the one hand, designed to comply with regulatory and supervisory requirements of the normative perspective and on the other hand to contain all material risks within the specified limits from the economic perspective for the internal capital adequacy or, if necessary, to reduce such risks within the specified limit. Foreseeable unfavorable developments of internal capital adequacy, liquidity, as well as the reputation of the Bank must be counterbalanced. The enforcement of risk-adjusted terms in the market for all business activities from which quantifiable risks for the Bank's internal capital adequacy arise represents a material principle of risk management. Ongoing risk management must consider the risk situation in a market, a business segment or for a business partner.

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

RISK ACCEPTANCE

The acceptance of risks is a prerequisite for the generation of income. NATIONAL- 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 may exist e.g., if minimum margin requirements are not met in loan business and such insufficient margin cannot be compensated by other income from the associated customer base. In the case of operational risks, the decision on the acceptance of risks is, in particular, based on weighing alternatives under consideration of cost/ benefit aspects.

RISK MITIGATION

In the event, accepted risks for individual transactions or for a portfolio increase, the Bank may mitigate risks, e.g., by accepting additional collateral or by entering into hedging transactions and by reducing the respective business activities. Operational risks can be mitigated by measures like, for example, optimizing organizational processes, qualification of employees or contingency planning.

RISK TRANSFER

NATIONAL-BANK may transfer risks in parts or completely to other market participants, if business transactions do not meet the Bank's risk profile requirements and where risk mitigation 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, if such risks materialize. Transactions, using the Bank's own investments, with the public sector, banks, insurance companies and corporates are being limited depending on the risk rating. For the public sector, banks and insurance companies that are subject to governmental financial supervision, greater limits are permissible due to transparency. Transactions, which amount – after application of exemptions and credit risk mitigation - exceed the Bank's major loan upper limit, are to be avoided. In addition, business activities that may damage the Bank's reputation are also to be avoided or discontinued.

RISK CULTURE

An important prerequisite for efficient risk management is a pronounced risk culture within the Bank as a whole. The risk culture refers in general to the manner in which the institution's staff (should) deal with risks in the course of their duties. The risk culture should, in addition, promote the identification and conscious handling of risks and ensure that decision-making processes lead to outcomes that are balanced also from a risk perspective. At NATIONAL-BANK and initiated by the Management Board's practiced leadership culture, risk aware conduct is expected from all managers and employees. In particular, open communication, a critical and constructive dialog at and between all levels, as well as adequate incentive structures are basic prerequisites in this regard. To monitor the practiced risk culture in the entire Bank, in particular, routine surveys are conducted with managers and employees. The need for measures to further promote the risk culture is checked and reviewed by these surveys.

RESULT OF THE RISK INVENTORY

From the business activities as defined by the business strategy, result the following risks, which the Bank classifies as material in terms of MaRisk or in terms of the NATIONAL-BANK's internal definition:

- Counterparty and credit risk for the customer and proprietary business, including credit spread risks
- Market price risks, including foreign currency risks not classified as material
- Interest rate risk
- 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

ESG risks are not an independent risk type but are considered as risk drivers for the material risk types. Sustainability risks affect the dimensions environment, social and governance and are considered in a separate ESG risk driver analysis.

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, as well as the internal requirements based on them. This includes, in particular, the requirements on

- capital (Common Equity Tier 1 Capital requirement, total capital requirement and the combined buffer requirement),
- additional requirements regarding own funds in accordance with the supervisory review and assessment method,
- 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, NATIONAL- BANK consistently complied on all reporting dates with the regulatory requirements on equity, including all buffer requirements.

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

Für die Ermittlung der Risikobeiträge findet zunächst eine Analyse der einzelnen Risikoarten voneinander getrennt statt. The internal capital adequacy calculation from the economic perspective then consolidates the quantitative results relating to the counterparty and credit risk, market price risk, interest rate risk, operational risk, liquidity risk and the reputational risk into a standard model and subjects these 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 within the risk coverage potential. An already realized, expected or planned net loss for the financial year would, in addition, always be deducted from the risk covering potential.

Internal capital adequacy requirements were met throughout the reporting period. As of the reporting date, a free risk capital of € 301.5 million results from the difference between risk covering potentials of € 476.2 million and risk contributions of € 174.7 million based on the analysis of the internal capital adequacy from the economic perspective.

ECONOMIC INTERNAL CAPITAL ADEQUACY OVERVIEW
IN € MILLION

Internal capital supply risk covering potential (RCP)	12/31/2024
Risk coverage potential	**476.2**
Internal economic capital needed risk contributions	
VaR counterparty and credit risk customer business	99.5
VaR counterparty and credit risk proprietary business	18.5
of which spread risk	*5.4*
of which migration risk	*13.1*
Interest rate risk	31.4
of which interest rate risk securities	*18.1*
Market price risk share price risk	1.4
Market price risk foreign exchange risk	1.0
Operational Risk	21.1
Liquidity cost risk	0.4
Reputational Risk	**1.4**
Total risk position	**174.7**

As a consequence of the core banking migration, the presentation of the economic internal capital adequacy, in particular regarding the specification of the risk types, has been changed in various places. For this reason, the previous year's figures are presented in a separate table.

ECONOMIC INTERNAL CAPITAL ADEQUACY PREVIOUS YEAR
IN € MILLION

Internal capital supply risk covering potential (RCP)	12/31/2023
Risk coverage potential	**432.7**
Internal economic capital needed Risk contributions	
VaR counterparty and credit risk	81.6
VaR market price risks liquid securities holdings plus spread risks	16.4
of which spread risk	*2.2*
of which share price risk	*1.2*
VaR market price risks money market transactions plus spread risks	0
VaR market price risks foreign currencies	0.3
Interest rate risk	38.8
Operational risks	21.7
Liquidity cost risk	0.4
Reputational Risk	1.3
Total risk position	**160.6**

Overall, risk utilization remained generally stable, while risk coverage potential and risk reporting increased.

Within the scope of the internal capital adequacy analysis from an economic perspective a comprehensive stress scenario simulating a severe economic downturn is conducted. This scenario is, additionally, combined with the negative effects of a physical and a transitory climate scenario. In addition to this, risk type specific tress tests applying hypothetical and historically derived causes, as well as an inverse stress test are conducted.

STRUCTURE OF RISK MONITORING AND CONTROL

The implementation of effective risk management in the structural and process-oriented organization is the responsibility of all Management Board members. The Management Board is also 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-departmental and cross-functional committees, such as the (overall) risk committee.

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

- Management of counterparty and credit risks is, with the exception of credit spread risks of proprietary business, the responsibility of Credit Risk Management / Quality Management.
- Management of market price risks, credit spread risks of proprietary business, interest rate risks, as well as liquidity risks is the responsibility of the Treasury department.
- Management of operational risks is generally ensured in a decentralized manner by all organizational units, under operative coordination of specifically designated OpRisk Officers.
- Management of Cyber-Resilience-Risk is the responsibility of the information security representative in accordance with the Management Board and the support by the IT department.
- The management of business risks is the responsibility of the front office unit heads.

- The Management Board is responsible for ongoing monitoring, documenting and managing any possible risks to the bank's reputation. The management board is supported by the reputational risk officer.
- Management of the Bank's ESG risks is the responsibility of the Management Board. Operational execution is the responsibility of the individual areas, departments or functions. The sustainability risk committee advises the Management Board in the management of ESG risks.

The risk control function according to MaRisk AT 4.4.1 is the responsibility of the head of the risk control department, which is responsible to identify, measure and analyze the risks, as well as to determine and analyze the Bank's internal capital adequacy. The risk control function has the following important responsibilities:

- Support Management Board in all risk policy issues, in particular, as regards the development and implementation of risk strategies and the design/ implementation of a risk management system to limit risks.
- Conduct of the risk inventory, including ESG risk driver analysis, and preparation of an overall risk profile.
- Support Management Board in the implementation and development of risk management and risk control 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 preparation of risk reports
- Responsibility for the processes for passing on material risk related ad hoc information to the relevant committees and departments of the Bank and
- in the case of a high level of non-performing loans (NPL), monitoring and measurement of non-performing risk exposures, NPE, and the progress to achieve the NPE targets.
- Conduct of a self-assessment across risk types Risk Culture

RISK CATEGORIES

To identify, assess, manage, monitor and communicate all individual risks, as well as the Bank's internal capital adequacy, a comprehensive risk management system is implemented, including a risk reporting system, which undergoes continued further development. Regarding risk reporting, we refer to the respective segment.

COUNTERPARTY AND CREDIT RISK

Counterparty and credit 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 and credit 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 and credit 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. An impairment up to a full write-down of an equity investment is also a counterparty and credit risk. In the context of determining the counterparty and credit risk, the migration risk is also taken into account, which is understood as the risk of a credit deterioration in the form of an increased default probability. The credit spread risk represents the risk of (not from market rate of interest changes resulting) fluctuations in market value of a loan transaction, while credit rating is unchanged. The counterparty and credit risk also takes negative changes to the assessed value of loan collateral 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 functions are integrated into the loan process and are up to and including the management level — also in the case of substitution — functionally separated in their organizational and operational structure.

The monthly quantification of risks is based on the expected loss and the value at risk concepts (Value at Risk, VaR). Quantification, analysis and control of the counterparty and credit risk is performed on the individual transaction level, as well as on the portfolio level and includes customer and proprietary business. All individual credit risks are aggregated into internal risk units, which include, in addition to loan customer entities according to Section 19 (2) German Banking Act, also groups of affiliated customers according to Art. 4 (1) No. 39 Capital Requirements Regulation (CRR). For derivatives positions with counterparties, risk assessment is made on the basis of risk contributions by applying the supervisory Standardized Approach for Counterparty Credit Risk (SA-CCR).

Central parameters for the determination of the expected and unexpected loss are the probabilities of default of the borrowers and the unsecured total loan. The unsecured total loan in customer loan business is determined by subtracting the loan collaterals from total loan. Issuer- and counterparty group-related loss ratios, as well as maturities are additionally taken into account in proprietary business. As regards customer loan business and promissory notes in proprietary business, probabilities of default are determined on the basis of the annually validated rating system CredaRate.
The probabilities of default in other proprietary business, are primarily derived from external ratings.

At the end of the reporting period, the Bank's expected loss from non-defaulted loan business was € 28.9 (23.2) million in the standard scenario. Of that, the clear main portion of € 28.4 (22.6) million is attributable to customer loan business

As regards individual borrowers from non-defaulted customer loan business, total loan, unsecured total loan and expected loss of € 28.4 million are distributed between the rating scales and the corresponding average probabilities of default of the respective rating scales as follows:

LENDING PORTFOLIO CUSTOMER LOAN BUSINESS ACCORDING TO RATING CLASSES
IN %

Rating class	average probability of default of the rating class	Share in total loan volume	Share in unsecured total loan volume	Share in expected total loss
not rated	0.35	6.5	10.2	3.0
0a	0.01	3.6	5.6	0
0b	0.02	0.7	1.2	0
0c	0.03	1.3	1.8	0
0d	0.04	1.1	0.8	0
0e	0.05	2.0	0.9	0
1a	0.07	3.4	2.4	0.1
1b	0.10	5.8	3.2	0.3
1c	0.15	5.9	3.4	0.4
1d	0.23	7.0	6.4	1.3
1e	0.35	11.2	9.2	2.7
2a	0.50	10.2	10.6	4.5
2b	0.75	13.5	12.1	7.7
2c	1.10	9.8	12.2	11.4
2d	1.70	7.6	9.9	14.3
2e	2.60	3.5	3.9	8.7
3a	4.00	2.5	2.7	9.1
3b	6.00	1.9	1.7	8.6
3c	9.00	0.8	0.6	4.7
3d	13.50	0.7	0.5	5.8
3e	30.00	1.2	0.7	17.0
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) within a set period (as a rule one year) as compared to the expected loss under the assumption of a set probability (confidence level). 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 in customer business, complemented by a correlation model for industry-specific default rates. Migration risk from potential rating changes (creditworthiness improvement or deterioration) is taken into account at NATIONAL-BANK through the inclusion of a shift of probabilities of default.

Counterparty and credit risk in proprietary business is calculated separate from this as value at risk by applying a lending portfolio model. For this purpose, a Monte-Carlo-Simulation is performed in the application of a net present value model. The net present value model is parametrized using migration matrices on the basis of historic rating changes, estimated loss ratios, spread matrices differentiated according to rating classes and segments, as well as spread distributions and correlations.

The value at risk for the overall counterparty and credit risk of € 118.0 (81.6) million, as determined on the basis of the internal categorization system, is quantified with a confidence level of 99.9 % and a risk horizon of one year.

Risk concentration analyses are also components of risk reporting, in addition to volume concentrations that are principally considered in the value at risk model.

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.

Sustainability issues can be considered in customer loan business within manual risk classification (Rating) and also in relation to the collateral value through the valuation of real estate. Together with CredaRate Solutions GmbH, whose pool-based rating system is used by NATIONAL-BANK since years for the risk classification of its counterparty and credit risk in the customer loan business, an ESG-Scoring system was developed and integrated into the loan process.

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, whose realization could be used for the reduction of the Bank's claim, are taken into account in the determination.

On the reporting date, the share of non-performing loans and credits in the gross carrying amount of loans and credits was 2.15 %.

The Bank invests exclusively within the investment book in bonds, promissory notes as substitute for securities business and funds with investments in annuities. For credit spread risks arising from these positions, the Bank uses for the determination of value at risk the above described credit portfolio model to determine the migration risk arising from the proprietary business. Risk value is determined by potential spread changes on the basis of credit ratings simulated beforehand. Spread distributions and correlations are used as variables for the credit spread risk calculation. Quantification is made, analogous to the migration risk, for a risk horizon of one year with a confidence level of 99.9 %.

Credit spread risk is limited together with the migration risk by the limit for counterparty and credit risks from proprietary business and is reported monthly to the Management Board, as well as the responsible area and department heads, In addition, credit spread risk is reported within quarterly reporting. The unexpected loss, as determined on this basis at each month's end, was € 5.4 million on the reporting date.

ESG risks may have a direct or indirect effect on the marked spread risk. The Bank's strategic direction within the context of its investment strategy also considers ESG aspects. Within the context of managing bond holdings by means of the investment strategy, also the classification of issuers according to the "MSCI ESG-

Rating" provided by Morgan Stanley Capital International (MSCI) is, among others, taken into account. This risk management can influence the composition of the credit spread risk-bearing portfolio and in doing so it may affect credit spread risk.

MARKET PRICE RISK

Market price risk is defined as the risk that market parameters and consequently the value of positions exposed to market price risks develop unfavorably for the bank due to general market movements. Corresponding to the different market transaction parameters, market price risk is differentiated into price, interest and currency risks.

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.

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. Appropriate processes for the daily monitoring and immediate closure of open positions are an integral part of the documented written guideline. Option risks result exclusively from interest and currency transactions with customers and are generally hedged by equivalent transactions in the interbank market.

The market price risk report at month's end is prepared by Risk Control department. A risk contribution for open foreign currency positions and equity positions is determined and reported. 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 equity positions, as well as for foreign currency positions. Loss limits are also defined for shares, funds and bonds. The purpose of these limits is to cap the permitted pending losses in the portfolios.
Expected losses for the financial year from the purchase of interest-bearing securities above par value are – if necessary – proportionately added on a daily basis to the loss limit for bonds. During the course of the year realized losses also cut the set loss limits.

To monitor risk utilization, Risk Control department informs the recipients in accordance with the reporting guidelines of the market price risk report about the existing risk utilization, as well as loss limits.

If warning levels, risk limits or loss limits are exceeded, the chair of the Market Price Risk Committee calls a meeting. If warning levels, risk limits or loss limits are reached or exceeded, the committee will prepare a base strategy in accordance with the business and risk strategy for the next steps, as well as associated management measures in a timely manner.

To model potential losses in the equity portfolio and for open foreign currency positions, a historic simulation with resampling is used. Historic simulation with resampling is based on repeated sampling of historic market data. Quantification of risks is based on a confidence level of 99.9 % and a risk horizon of one year.

In line with the sub-strategy for the ESG risk within the risk strategy, ESG risks arise in the form of the traditional financial risk categories and act as risk drivers. ESG risks may have a direct or indirect effect on the marked price risk. The Bank's strategic direction within the context of its investment strategy also considers ESG risks. Within the context of managing liquidity by means of the investment strategy, also the classification of issuers according to the "MSCI ESG-Rating" provided by Morgan Stanley Capital (MSCI) is, among others, taken into account. This risk management can influence the composition of market price risk-bearing investments and in this manner have an impact on the market price risk.

On the reporting date, the risk contribution for the market price risk from equity positions was around € 1.4 (1.2) million and for open foreign currency positions around € 1.0 (0.3) 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. Components of the interest rate risk are in general, in both dimensions, also the gap risk, the base risk and the option risk. The base risk is currently estimated as being not material.

The interest rate risk quantification and the interest rate risk reports are prepared by the Risk Control 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. In addition, in the case of developments, which may negatively affect the Bank's interest rate risk in a particular manner, the interest rate risk committee is to be called on short notice. Reports are provided to the Management Board and the Supervisory Board at least on a quarterly basis.

The interest book contains all of the Bank's business transactions that are exposed to interest rate risk. In addition, the interest rate risk arising from pension obligations is also considered.

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. Moreover, in addition to changes in the interest structure, inventory changes are also looked at. Furthermore, depending on the respective scenario the simulation period is extended.

In line with the sub-strategy for the ESG risk within the risk strategy, ESG risks arise in the form of the traditional financial risk categories and act as risk drivers. ESG risks may have an indirect effect on the interest rate risk at net present value. The Bank's strategic direction under consideration of ESG risks can change the assets and liabilities structure in the mid- and long-term and thereby affect interest rate risk. It is also possible that developments, which result from the economy's orientation for sustainability or for other ESG events, may have an impact on the interest rate risk, for example by affecting the interest rate level or the interest rate structure. Risk management of sustainability caused interest rate risks is done at a senior level through the management of the entire interest book.

At the end of the reporting period, periodic interest rate risk was around € 7.1 (2.6) 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 200 base points. At the end of the reporting period, the interest rate risk at the net present value was € 31.4 (38.8) million.

Also determined are the supervisory interest shocks SOT EVE (Supervisory Outlier Test Economic Value of Equity) and SOT NII (Supervisory Outlier Test Net Interest Income). SOT EVE measures the sensitivity of an economic value of Equity Tier 1 capital with respect to interest rate change scenarios and was at year's end around 7.3 %. SOT NII evaluates how the Bank's net interest income can be affected by interest rate changes under the assumption of constant holdings. SOT NII was around 1.5 % at year's end.

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 legal risks, the model risk and the information and communication technology risk (ICT risk).

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 and 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 management measures for specific operational risks is performed in a decentralized manner in the affected organizational units and the affiliated companies. They are supported by the so-called OpRisk Officer. The Risk Control department is the central contact for the entire Bank.

The material operational risks are identified by expert surveys based on a risk identification sheet. The heads of the Bank's organizational units, supported by the OpRisk Officer, 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. Branch risks, branch office risks, as well as risks for the affiliated companies are also included in the risk inventory. ESG relevant aspects are explicitly considered with the risk analyses. The expert assessment of the operational risks is updated annually at a minimum. The Risk Control department assesses the plausibility of the individual risk inventories, which are then aggregated into the overall Bank risk inventory.

Losses arising from operational risks exceeding € 1.0 thousand gross are generally entered into a central loss database. ESG relevant aspects are separately marked. 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.

A risk contribution for operational risks of € 21.1 million is recognized as at the reporting date, which is already determined in column I in accordance with the supervisory business indicator approach. In addition, based on the risk inventory, an expected loss of € 4.7 million is deducted from the risk coverage positions.

LIQUIDITY RISK

Liquidity risk is defined as the risk of the Bank's own illiquidity (illiquidity risk), the risk of market illiquidity (market illiquidity risk) or the increase of refinancing costs (liquidity cost 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) as well as medium 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 and the, at a minimum, quarterly, structural risk measurement is performed by the Risk Control 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 Control department.

Liquidity management is performed on the basis of daily/short-term cash flows and liquidity ratios, as well as on the basis of the mid-term and long-term cash flow. Within the scope of dispositive liquidity management, in particular, investment and refinancing options offered by the European Central Bank can be used due to a considerable security deposits depot. Measures such as issuance of promissory notes or sale of granted promissory notes or of securities that are not eligible for pool-pledged assets, as well as potential structural customer deposit changes are available for structural liquidity management.

Close monitoring by the Treasury department and the Risk Control department provides for initiating measures at an early stage to optimize the liquidity structure and thus avoid potential liquidity shortfalls. The liquidity risk committee ensures consistency of activities and measures.

In line with the sub-strategy for the ESG risk within the risk strategy, ESG risks arise in the form of the traditional financial risk categories and act as risk drivers. ESG risks may have an indirect effect on liquidity risk. The Bank's strategic direction under ESG aspects can change the Assets and Liabilities structure in the mid- and long-term and with this effect influence the liquidity risk. It is also possible that developments, which result from the economy's orientation for sustainability or for other ESG events, may have an effect on the liquidity risk, for example through a changed customer behavior in relation to customer deposits or through increasing credit losses. The effects of ESG risks on the liquidity risk are determined and assessed quarterly as part of risk reporting.

The core responsibilities within the scope of the controlling of the dispositive liquidity by the Treasury department are to ensure the Bank's ability to meet its payment obligations, to invest excess liquidity, to efficiently perform refinancing, to ensure compliance with minimum reserve requirements, as well as to ensure compliance with regulatory requirements concerning the liquidity coverage ratio. Various key indicators are determined on a daily basis to monitor the dispositive liquidity situation.

In 2024, indications of a liquidity bottleneck were not identifiable. The liquidity coverage ratio of 209.7 (184.6) % at year's end was markedly greater than the regulatory minimum requirement of 100.0 %.

To assess the structural liquidity position, a liquidity overview is prepared. To determine these cash flows, liquidity gap analysis (which contains, among others, assumptions on customer deposit withdrawals, also under consideration of potential deposit concentrations, as well as use of credit lines) is compared to counterbalancing capacity (which contains, among others, the realization of securities). These cash flows are simulated in both ways, in the form of a standard scenario and under consideration of stress scenarios (in particular simulation of accelerated customer deposit outflows, increased use of credit lines and greater haircuts for securities).

In the standard scenario (observation period five years) and also in the stress scenario (observation period six months), the results were throughout positive cumulated liquidity cash flows.

CUMULATED CASH FLOWS IN STRUCTURAL LIQUIDITY RISIK

IN € MILLION

Period of time	Cumulative cash flow standard analysis	Cumulative cash flow stress analysis
31/12/2024 to 31/01/2025	1,931.2	1,550.8
31/12/2024 to 28/02/2025	1,874.2	1,418.0
31/12/2024 to 31/03/2025	1,773.9	1,236.6
31/12/2024 to 30/04/2025	1,721.4	1,096.2
31/12/2024 to 31/05/2025	1,660.8	947.6
31/12/2024 to 30/06/2025	1,600.2	793.6
31/12/2024 to 31/07/2025	1,585.9	765.6
31/12/2024 to 31/08/2025	1,565.3	731.0
31/12/2024 to 30/09/2025	1,550.0	702.0
31/12/2024 to 31/10/2025	1,530.4	668.5
31/12/2024 to 30/11/2025	1,508.0	632.3
31/12/2024 to 31/12/2025	1,466.3	604.3
31/12/2024 to 31/12/2026	1,527.0	447.2
31/12/2024 to 31/12/2027	1,589.3	301.5
31/12/2024 to 31/12/2028	1,699.1	414.2
31/12/2024 to 31/12/2029	1,794.1	512.3

In addition to the analysis of cash flows, adherence to the net stable funding ratio is a component of structural liquidity management. The net stable funding ratio is the responsibility of Treasury. Its percentage value of 153.1 (148.6) % 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 Control department's monthly internal capital adequacy analysis from an economic perspective. Due to the significant 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 (0.4) million on the reporting date.

BUSINESS RISK

Business risk is the negative deviation between the realized i.e. expected items of the income statement of the current year and the beforehand 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. Monitoring of results by the Accounting & Bank Supervision and Controlling departments is primarily based on the monthly profit and loss statement, as well as the sales management system (SMS).

The risk of sales objective shortfalls is monitored by ongoing plan-actual checking at the sales managing unit level, with the support of the sales management system. 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.

Business risks may result as consequential risks from ESG risks and as such cause a negative deviation between realized or for the current year expected items on the income statement and the beforehand budgeted items.

REPUTATIONAL RISK

Reputational risk is the risk of an unexpected loss due to the 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's business model regarding 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 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, while operational execution is the responsibility of the reputational risk representative and, if necessary, in cooperation with 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 to counter all identifiable reputational risks.

ESG RISK

Environment, social and governance risk or ESG risk, is the risk of potential negative effects on an institute, which may result from current or future effects from financial environment, social or governance factors (ESG factors) on the counterparties or invested assets of this institute. ESG risks arise in the form of the traditional financial risk categories and, in this regard, act as risk drivers.

As environmental risks, they 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 ESG risks and the other risk types is hardly possible and these risks are rather cross-sectional risks, they are not defined as a separate risk type "ESG risks".

Management of the Bank's ESG risks is the responsibility of the Management Board, while operational execution is the responsibility of the individual areas, departments or functions. The sustainability risk committee advises the Board in the handling and management of ESG risks and, in exchanging opinions as experts, proposes actions to be taken for the implementation of sustainability risk aspects, if needed. 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. For this purpose, risk inventory is supplemented by a qualitative ESG risk driver analysis. In quantitative regard the contribution is, in particular, estimated by scenario analyses for climate change risks. Both methods are incorporated into the Bank's materiality analysis. Already existing or initiated and in the further course necessary process changes are ascertained continuously and within the scope of the sustainability risk committee under involvement of all essential operative and sales units extensively discussed and advanced.

SUMMARY AND OUTLOOK

During the past fiscal year, internal capital adequacy was consistently complied with on all reporting dates in the normative and also in the economic perspective.
The economic risk coverage potential increased primarily due to the positive financial performance from € 432.7 million to € 476.2 million. Total risk contributions increased from € 160.6 million to € 174.7 million. In particular, the increase in the risk contribution of the counterparty and credit risk contributed to this development, because, due to the applied method in the new risk control system VR-Control, a separation of the risk calculation in one part from customer business and one part from proprietary business is made. As a result of this approach, risk calculation mitigating effects between customer and proprietary business no longer apply. A decline of the market price risk has an reverse effect.

For financial year 2025, the risk analyses provide no indication that internal capital adequacy could be at risk.

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 internal capital adequacy and adjustments are made as needed. Within the scope of internal capital adequacy assessment from an economic perspective, the Bank does not take risk-reducing effects resulting from diversification among individual risk types into account. However, risk reducing assumptions on diversification are applied within value at risk calculations for the counterparty and credit risk (relating to customer or proprietary business) and for 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.

Within the course of project *Jupiter*, the core banking system and also the previous risk control systems were replaced on the cut-over weekend October 19/20 2024 by the standard software VR Control, Atruvia AG, and supplemented by comprehensive customizing services by parcIT GmbH. These risk control systems are used for risk calculation, analysis, and reporting of the counterparty and credit risk, the interest rate risk , the market price risk and the liquidity risk, as well as for the validation of the operational risk.

ONGOING DEVELOPMENT RISK MANAGEMENT

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. For example, the implementation of ESG risk quantification in the economic RtF was further developed

In a follow-up project of risk control, various clean-up works to project Jupiter and further developments of the new risk systems are planned for *2025*.

COMPENSATION AND SUPPORT MEASURES

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

RISK REPORTING

Risk inventory and risk reporting, regarding individual engagements, as well as at portfolio level to Management Board and/or Supervisory Board, is to be conducted in accordance with the documented written guideline in regular intervals and – if necessary – event-driven.

RISK REPORTING

		Reporting Cycle	Created by	Recipient
All Risk Types	Preliminary profit and loss statement	monthly	Accounting & Bank Supervision	Board
	Final profit and loss statement	monthly quarterly	Accounting & Bank Supervision	Board Supervisory Board
	Analysis internal capital adequacy economic perspective	monthly	Risk Control	Board
	Analysis internal capital adequacy normative perspective	quarterly	Controlling	Board/ Supervisory Board
	Quarterly report - report of risk control function	quarterly	Risk Control, Risk control, Controlling, Accounting& Bank Supervision a. o.	Board/ Supervisory Board
	Risk Inventory	annually/event driven	Risk control and controlling	Board
	Risk committee	monthly	Risk Control	Board
Counterparty and Credit Risk	Individual loan reporting (including loan risk provisions)	daily	Market unit/ Credit Risk Management	according to loan competence matrix
	Credit Risk Report	quarterly	Risk Controlling/ Credit Risk Management	Board
	Development loan risk provisions	quarterly	Credit Risk Management	Board
	Loan commitments with risk-relevant circumstances	quarterly	Credit Risk Management	Board/ Supervisory Board
	Major commitments according to Audit Report of the Annual Financial Statements	annually	Credit Risk Management	Board/ Supervisory Board
	Loans to executive bodies and transactions with executive bodies	event driven immediately	Credit Risk Management/ Personnel	Board/ Supervisory Board
	Credit risk committee	monthly	Credit Risk Management	Board
Market Price Risk	Market Pride Risk report	quarterly	Risk Control	Board
	Market price risk committee	quarterly	Risk Control	Board
Interest Rate Risk	Treasury-Report	monthly	Treasury	Board
	Interest rate risk report	quarterly	Risk Control	Board
	Interest rate risk committee	quarterly	Risk Control	Board
Operational Risk	OpRisk report (including information security risk)	quarterly/annually	Risk Control	Board
	Reports on significant losses	event driven	responsible Department	Board
	OpRisk committee	monthly	Risk Control	Risk committee
	Information security risk committee	monthly	Information security Officer	Board
	Cyber risk committee	monthly	Head cyber risk committee	Board
	Personnel risk committee	quarterly	HR	Board
	Compliance committee	quarterly	Compliance function	Board
	Fraud committee	quarterly	Anti-Money Laundering Officer	Board
Liquidity Risk	Liquidity Status	weekly	Treasury	Board
	Liquidity risk report	quarterly	Risk Control	Board
	Liquidity risk committee	quarterly	Risk Control	Board

Business Risk	Reports on customer and product groups	event driven	Sales units	Board
	Customer satisfaction and reputational risk report	quarterly	Communication & Marketing/ Management Board staff	Board
	Customer satisfaction report	annually	Communication & Marketing	Board
Reputational Risk	Reporting on reputational risks	quarterly/event driven	Responsible department/ reputational risk representative	Board/ Supervisory Board
	Reputational risk committee	monthly	Reputational risk representative	Board

		Reporting Cycle	Created by	Recipient
ESG Risk	Reporting on ESG risks in risk committee	monthly	Risk Control	Board
	Reporting on ESG risk methods in sustainability risk committee	monthly	Management sustainability risk committee	Board
Additional monitoring and control functions	Quarterly / Annual Report of Internal Audit	quarterly/ annually	Audit	Board/ Supervisory Board
	Quarterly / Annual Report of the compliance representative	quarterly/ annually	Compliance representative	Board/ Supervisory Board
	Quarterly / Annual Report of the money laundering representative	quarterly/ annually	Money Laundering / Fraud / Embargo Representative	Board/ Supervisory Board
	Quarterly / Annual Report of the information security representative	quarterly/ annually/event driven	Information security representative	Board/ Supervisory Board
	Quarterly / Annual Report of the data protection representative	quarterly/ annually	Data protection representative	Board/ Supervisory Board

OPPORTUNITIES

Opportunities may arise primarily in a better than expected course of the economy. This would result in a stronger loan demand and an increase of the net interest income.

Against the backdrop of interest rate fluctuations and by observing the Bank's interest book structure, opportunities may arise regarding net interest income and the interest book's economic value.

Against the backdrop of the continued interest rate increase, opportunities may also arise for the risk result of the liquid securities holdings in the form of continued price recoveries and result in a positive contribution to the Bank's result. As regards business development, above plan business volumes may result from high customer loyalty, deep networking in the market territory, as well as from 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 risk contributions.

The model-based quantification of the expected and unexpected loss in the counterparty and credit 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, loan risk provision is below the calculated counterparty and credit risk and fewer migrations into weaker (lower) credit rating levels take place.

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

The market price risk is determined based on 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 its customer-related environment, in particular, in the case loss of reputation at other banks.

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

We expect opportunities in the mid-term, in addition, from our investments in information technologies.

Internal control system regarding the financial reporting process and Risk Control

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's purpose is to ensure that the annual financial statements give a true and fair view of the Bank's financial position and performance.

The Bank largely employs standardized software components throughout the Bank, so that business transactions are predominantly posted and recorded system supported. Internal rules and guidelines are to ensure that the systems used for these purposes are only operated by employees with specific access rights. Manual postings are subject to dual control if manual posting is required in individual cases. Parametrization of the systems must be done under strict compliance with the separation of functions and the rules for the parametrization of the systems are provided for Bank-internal in detail.

A comprehensive process for new business is to ensure that, under involvement of the Accounting & Bank Supervision, Controlling and Risk Control departments, new financial products are accounted for appropriately in the internal and external accounting and reporting system, as well as in risk control. Numerous established coordination processes are also to ensure that all business transactions recorded in the systems are properly and completely depicted.

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

As regards global economic development, the interplay of the following factors will, in particular, be decisive: Initially, a further loosening of monetary policy in the current year should have significant supporting effects, just in time, because the labor markets, in particular in many industrial nations, in some cases already cooled noticeable. Beyond monetary policy developments, the future course of fiscal policy of many countries will also be of key importance. After long years of structural expansive fiscal policy, stabilization of government debt is increasingly mandatory. Furthermore, the economic development depends, as rarely in the past, on the anatomy of the recovery of the manufacturing sector globally. Experience indicates that an upturn in international trade is an important early indicator and precisely against the backdrop of an already globally high level of trade restrictions was the upturn of international trade activities at year's end 2024 a testimony of an unusual high resilience of international trade. This resilience was, in spite of intensified international tensions, possible with the emergence of new connectors and in this context primarily also the result of the fact that third countries became intermediaries and consequently bilateral trade restrictions could be circumvented. The emergence of these "connectors" lead to a diversification of supply chains, which noticeably increased the resilience of global trade. However, triggered by the most recent actions of the US administration, the risk for a free global trade significantly increased lately. In this regard, it must be seen, which way the US administration will choose.

Overall, there are still good chances that the forces of multipolarization make substantial contributions to the stability of the global economic regime that could possibly significantly exceed expectations. In summary, we expect that the upturn trend of global trade will continue at least until mid-year 2025, also in the case of a further increase of geopolitical tensions. In so far, there are good chances that the combination of an easing of monetary policies by central banks, continued impulses from Asia and the backlog demand for equipment initiates at least the continuation of the recovery of industrial production around the globe. Thereby, the global economy would be able to additionally gain in resilience, because, as a consequence, the dynamics in the service sector could be decisively strengthened by a second economic pillar. The outlook is also supported by the fact that high saving rates are still predominant in many industrial nations, and accordingly, savings could now be used in form of higher consumption. Until recently, there was significant uncertainty about both, the final effects of the trade policy actions and also about their probabilities. In summary, we expect – probability-weighted – an increase of global gross domestic product of 3.2 %.

In the Eurozone, the a year and a half lasting phase of stagnation could be overcome in the first half year 2024. The course of economic development was very different in the individual countries, whereby the industrial core of Europe trended – completely atypical – to weakness, while development in the Southern European periphery countries was relative resilient. In summary, the macroeconomic outlook for the Eurozone remained until recently unusually weak; economic forecasts had to be recalled repeatedly. Although it is still to be expected that real purchase power impulses will be increasingly a driver for private spending. Until recently, the relevant leading indicators provided, however, hardly any indication of a stronger upturn in economic activities. By its nature, the currently weak growth pace is also the result of a multitude of special factors: The most important factor is the marked weakness in manufacturing globally. Especially the German economy and also many other northern European countries suffer from an almost total stall of demand for industrial products. This is even further compounded by the structural change in the automotive industry, as well as the weakness in demand for typical investment in machinery and equipment. Essentially, there is, in particular, currently the risk that if the recovery in the industry is further delayed, that also the thus far carrying service sector will be negatively affected. In particular in France and Germany, as the core countries of the

Eurozone, the service sector is to a very large extent tailored to the industry and the risk of contagion is to be rated as particularly high.

The persistent deviation from the macroeconomic trend path points, however, in our opinion, primarily to material, deeper rooted, structural problems: this shows at the core that the Eurozone has enormous problems with economic flexibility. To date, it is, however, sometimes seen as a sign of economic resilience i.e. strength that unemployment in the Eurozone remained comparably low. High employment provides for continuity, as regards private spending, but actually, in particular real purchase power increases will likely in the further course of the year at least support the economy. The downside of this development is, however, the implicit reflected ever lower macroeconomic productivity. In spite of the enormous disruptions by the pandemic, European labor markets hardly reacted, to date at least. This bears, in particular, the risk that a significant misallocation of labor continues to exist. Our time series analytical simulations suggest in any case that the unemployment ratio's increase will probably be significantly stronger in the future. Taken as a whole, the continuation of the easing of monetary policy will then gradually stimulate the economy. In addition of the stimulation of investments, in particular private consumption will increasingly profit from real wage increases. For the year 2025 as a whole, an increase of the gross domestic product by 0.8 % in the Eurozone is to be expected.

The basis for our business and capital planning were, in particular, the following considerations about the future path of interest rates: Although inflation moved already relatively close to the central bank targets, there are apparently increasing concerns that new political measures or global developments could cause additional price pressure. This could force the US central bank to adjust the stance for interest rates to keep inflation on its downward trend. We expect in net terms that the equilibrium US capital market interest rate during the next twelve months will likely be around 4.2 %. With a view on the low growth dynamics, mid-term inflation risks will probably also remain limited in the Eurozone. Overall, we expect that interest rates for ten-year government bonds will be at figures around 2.1 % at the end of the year 2025.

The target ranges for the strategic key ratios were updated unchanged for the vastly predominant part of the year 2024. Within the annual strategy review, the target range for the return on equity before taxes was increased in November 2024 from 7 to 9 % to 10 to 12 %. The other target ranges were confirmed and are accordingly 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 2025, we expect a further declining interest rate level, as well as only moderate fluctuations on equity markets. From this follows that the budgeted interest net income will decline by around 3 to 7 %, in spite of the budgeted slight growth in receivables from customers. Furthermore, budgeted net commission income in 2025 does not reach the level of 2024 and will be around 8 to 12 % lower, because the extraordinary good performance on the equity markets in 2024 and the resulting performance-related commission income are not expected again. In line with these developments, a gross profit is budgeted that is around 5 to 9 % below the gross profit in the year 2024.

Budgeted general administrative expenses will decrease by approx. 6 to 10 % as compared to 2024, because expenses for the introduction of the core banking system no longer apply and will be replaced by significantly lower expenses for clean-up works. The interest rate induced write down of fixed-income securities in 2022 is only temporary due to the so-called interest rate reversal and will, after partial reversals in 2023 and 2024, further reversed in 2025. Because of the current economic situation and in accordance with the principle of planning caution, net expenses for credit risk provisions are budgeted by a value that is around 23 to 27 % higher than the actual value for 2024.

From the stated effects results an annual net income before taxes of around 9 to 13 % below the comparable net income for 2024 and an annual net income after taxes (before any allocation to the fund for general banking risks in accordance with § 340f HGB, as well as the fund for general banking risks in accordance with § 340g HGB) that is around 7 to 11 % below the comparable net income for 2024. This result allows to maintain both, dividend continuity and also the strengthening of retained earnings. 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.

Return on equity before taxes (before any appropriation of net income) will be reduced by around 14 to 18 % i.e. by around 3 % points, respectively, but it will be nevertheless 3 to 4 % points above the target range. The reason for this is, in addition to the annual net income before taxes decline, the concurrent strengthening of equity capital by around 4 to 8 % from the assumed retention of earnings for the year 2024 at the time of budgeting. We expect for the equity tier 1 capital ratio a value at the upper end of the target range of 11 to 14 %. The cost income ratio will be 2 to 4 % points below the target range in 2025. The loan-to-deposit ratio will be, as expected, markedly below the set upper limit of one.

SEPARATE NON-FINANCIAL REPORT

The Corporate Sustainability Reporting Directive (CSRD), which obligates credit institutions to supplement their management report by sustainability reporting, was not transposed into German law in 2024. For this reason, sustainability reporting is made as a separate non-financial report in accordance with §§ 289b to 289e in conjunction with § 340a (1) HGB and according to Art. 8 of Regulation (EU) 2020/852 (Taxonomy Regulation), as well as the relevant adopted delegated acts. Reporting is made in reference to the European Sustainability Standards (ESRS). In reference to ESRS means in this context that the report regarding structure and presentation of the information follows the ESRS, that it is not in conflict with ESRS in any regard, and scope and design of the references to ESRS are described sufficiently specific. The Bank publishes the separate non-financial report at www.national-bank.de.

Balance sheet figures in € million	**12/31/2022**	**12/31/2023**	**12/31/2024**	**Change 2023 / 2024**
Receivables from customers	4,107.8	4,015.2	3,824.7	-4.7 %
Guarantees	116.0	109.4	94.0	-14.1 %
Customer deposits	4,967.0	5,271.2	5,327.7	1.1 %
Receivables from banks	1,455.2	1,896.0	2,114.9	11.5 %
Deposits from banks	570.7	481.1	441.7	-8.2 %
Bonds and debt securities	404.1	347.6	383.5	10.3 %
Shares and other variable yield securities	18.0	19.1	19.9	4.2 %
Equity (excluding subordinated loans)	404.9	436.6	463.0	6.0 %
Subordinated loans (excluding accrued/deferred interest)	50.0	50.0	50.0	0 %
Total assets	6,130.3	6,390.0	6,451.3	1.0 %
Business volume	6,246.3	6,499.4	6,545.3	0.7 %

Income statement in € million	**2022**	**2023**	**2024**	**Change 2023 / 2024**
Gross profit	**151.3**	**204.5**	**214.1**	**4.7 %**
Net interest Income	98.7	156.0	154.6	-0.9 %
Net Commission Income	51.4	47.3	57.7	22.0 %
Other Income and Expenses	1.2	1.2	1.8	50.0 %
General administrative expenses	**102.7**	**112.6**	**133.8**	**18.8 %**
Personnel expenses	61.5	60.2	67.7	12.5 %
Operating expenses	38.0	49.4	62.5	26.5 %
Depreciation on tangible assets	3.2	3.0	3.6	20.0 %
Risk Provision	**10.7**	**15.2**	**16.0**	**5.3 %**
Operating Results	**37.8**	**76.7**	**64.3**	**-16.2 %**
Net income for the financial year	**16.9**	**19.4**	**21.3**	**9.8 %**

Key ratios, other disclosures	**12/31/2022**	**12/31/2023**	**12/31/2024**
Total capital ratio according to CRR Article 92	13.3 %	15.3 %	17.1 %
Equity tier 1 capital ratio according to CRR Article 92	11.2 %	12.8 %	14.4 %
Number of shareholders (approx.)	5,300	5,300	5,300
Dividend	0.80 €	0.90 €	0.90 €
Dividend Yield in %	2.65 %	2.73 %	2.69 %
Earnings per share in € [1)]	1.66 €	3.18 €	2.65 €

[1)] Disclosures consider changes in the fund for general banking risks

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