NATIONAL-BANK

Mehr. Wert. Erfahren.

ANNUAL REPORT 2025

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ANNUAL FINANCIAL STATEMENTS

Statement of Financial Position

ANNUAL STATEMENT OF FINANCIAL POSITION, DECEMBER 31, 2025 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Assets	**12/31/2025**	**12/31/2024**
Cash reserve	**44,122,687.58**	**36,301,445.36**
a) Cash on hand	13,104,252.49	10,879,332.66
b) Balances with central banks	31,018,435.09	25,422,112.70
including:		
at the Deutsche Bundesbank	31,018,435.09	25,422,112.70
Receivables from banks	**2,230,578,131.89**	**2,114,907,346.79**
a) overnight	2,227,925,033.82	2,113,111,790.61
b) Other receivables	2,653,098.07	1,795,556.18
Receivables from customers	**3,900,881,022.76**	**3,824,714,614.05**
including:		
Secured by mortgages	1,682,041,002.41	1,747,022,317.88
Communal loans	64,971,937.09	75,122,282.03
Debt securities and other fixed-income securities	**360,931,240.75**	**383,514,083.81**
a) Bonds and debt securities	360,931,240.75	383,514,083.81
aa) by sovereign issuers	186,065,648.40	239,193,015.72
including:		
eligible as collateral for borrowings from German Federal Bank	186,065,648.40	239,193,015.72
ab) from other issuers	174,865,592.35	144,321,068.09
including:		
eligible as collateral for borrowings from German Federal Bank	174,865,592.35	144,321,068.09
Shares and other variable yield securities	**20,445,348.29**	**19,885,056.01**
Long term equity investments	**1,741,194.85**	**1,176,621.43**
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	**4,258,576.47**	**5,728,479.23**
including:		
Fiduciary loans	4,258,576.47	5,728,479.23
Intangible fixed assets	**480,177.85**	**507,235.17**
b) Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	480,177.85	507,235.17
d) prepayments	0.00	0.00
Tangible fixed assets	**56,869,819.08**	**56,632,879.91**
Other assets	**13,692,152.12**	**6,181,721.80**
Prepaid expenses	**1,251,319.66**	**1,362,579.55**
Total assets	**6,635,638,837.72**	**6,451,299,229.53**

ANNUAL STATEMENT OF FINANCIAL POSITION, DECEMBER 31, 2025 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Liabilities	**12/31/2025**	**12/31/2024**
Liabilities to banks	**408,674,489.55**	**441,679,480.75**
a) overnight	11,792,190.07	2,384,936.40
b) with agreed maturity or notice period	396,882,299.48	439,294,544.35
Liabilities to customers	**5,543,401,876.17**	**5,327,662,608.05**
a) savings deposits	91,990,893.76	106,234,175.36
aa) with agreed notice period of three months	91,186,111.45	105,312,915.65
ab) with agreed notice period of more than three months	804,782.31	921,259.71
b) other liabilities	5,451,410,982.41	5,221,428,432.69
ba) overnight	3,885,967,919.21	3,515,559,215.96
bb) with agreed maturity or notice period	1,565,443,063.20	1,705,869,216.73
Securitized liabilities	**5,112.92**	**5,112.92**
a) debt securities issued	5,112.92	5,112.92
Trust liabilities	**4,258,576.47**	**5,728,479.23**
including:		
Fiduciary loans	4,258,576.47	5,728,479.23
Other liabilities	**5,924,600.83**	**9,631,130.37**
Prepaid expenses	**1,447,324.94**	**1,817,968.42**
Provisions	**113,803,625.38**	**137,898,713.25**
a) provisions for pensions and similar obligations	81,360,466.75	83,730,786.98
b) provisions for taxes	4,885,551.53	26,757,008.50
c) other provisions	27,557,607.10	27,410,917.77
Subordinated liabilities	**50,369,178.08**	**50,369,178.08**
Fund for general banking risks	**86,555,000.00**	**70,200,000.00**
including: special item pursuant to § 340e (4) HGB	0.00	0.00
Equity	**421,199,053.38**	**406,306,558.46**
a) Called capital	44,928,000.00	44,497,554.00
Subscribed capital	44,928,000.00	44,928,000.00
less the nominal amount of treasury shares acquired	0.00	-430,446.00
b) Capital reserves	206,583,708.85	206,300,891.74
c) Retained earnings	154,711,344.53	142,029,712.72
ca) legal reserve	990,883.67	990,883.67
cb) other revenue reserves	153,720,460.86	141,038,829.05
d) Net retained profits	14,976,000.00	13,478,400.00
Total liabilities	**6,635,638,837.72**	**6,451,299,229.53**

	12/31/2025	**12/31/2024**
Contingent liabilities	**78,272,740.94**	**93,979,065.65**
Liabilities from guarantees and warranties	78,272,740.94	93,979,065.65
Other obligations	**580,296,932.80**	**450,035,904.71**
Irrevocable loan commitments	580,296,932.80	450,035,904.71

Income Statement

INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2025 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Expenses	2025	2024
Interest expenses	**55,432,936.46**	**79,426,788.94**
including:		
negative interest from liabilities	100,405.59	142,429.75
Commission expenses	**5,677,586.72**	**4,708,533.95**
General administrative expenses	**117,413,996.03**	**130,182,760.28**
a) Personnel expenses	67,687,220.80	67,661,344.98
aa) Wages and salaries	54,989,872.24	55,573,938.80
ab) Social security costs and costs relating to pensions and other benefits	12,697,348.56	12,087,406.18
including:		
for post employment benefits	3,104,078.77	3,079,859.60
b) other administrative expenses	49,726,775.23	62,521,415.30
Amortization/depreciation and valuation allowances on intangible and tangible fixed assets	**3,139,866.82**	**3,586,326.18**
Other operating expenses	**1,022,160.89**	**1,117,108.19**
Write-downs and allowances on receivables and certain securities and transfers to provisions for loan losses	**21,699,113.68**	**15,885,675.92**
Write downs and allowances on equity investments, shares in affiliated companies and securities treated as fixed assets	**0.00**	**112,473.29**
Transfer to fund for general banking risks	**16,355,000.00**	**18,400,000.00**
Extraordinary expenses	**0.00**	**0.00**
Taxes on income	**15,610,163.83**	**24,290,602.60**
Other taxes not disclosed in "other operating expenses"	**217,135.90**	**338,709.84**
Net income for the fiscal year	**23,428,000.00**	**21,298,400.00**
Total expenses	**259,995,960.33**	**299,347,379.19**

	2025	2024
Net income for the fiscal year	**23,428,000.00**	**21,298,400.00**
Transfers to revenue reserves	**8,452,000.00**	**7,820,000.00**
to other revenue reserves	8,452,000.00	7,820,000.00
Net retained profits	**14,976,000.00**	**13,478,400.00**

INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2025 OF NATIONAL-BANK AKTIENGESELLSCHAFT

IN €

Income	**2025**	**2024**
Interest income from	**193,543,216.63**	**233,949,497.18**
a) Lending and money market transactions	183,165,466.12	223,928,440.11
b) Fixed-income securities and debt-register claims	10,377,750.51	10,021,057.07
including:		
positive interest on receivables	2,080.87	86.22
Recurring income from	**305,475.64**	**30,802.69**
a) Shares and other variable yield securities	0.00	1,356.35
b) Long term equity investments	305,475.64	29,446.34
c) Shares in affiliated companies	0.00	0.00
Commission income	**62,329,821.18**	**62,439,306.95**
Income from write-ups to equity investments, shares in affiliated companies and securities treated as fixed assets	**0.00**	**0.00**
Other operating income	**3,817,446.88**	**2,927,772.37**
Extraordinary income	**0.00**	**0.00**
Total income	**259,995,960.33**	**299,347,379.19**

MANAGEMENT REPORT

Fundamentals of the Company

NATIONAL-BANK is 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 aims to generate sustainable value for its customers and shareholders, its employees and society through forward-looking and risk-aware conduct.

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 further develop the business relationship by offering additional 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 ensure that its in-house developed financial solutions and the financial solutions the Bank sources from third parties are consistently aligned with the needs of its target customers. Cooperation partners are carefully selected and undergo regular reviews. The loan and deposit business are integral components of the business model. Loans are to be provided with the objective that other financial solutions of the Bank are also utilized (strategic lending business). In each case, the price of the loan must cover the Bank's equity return target rate for the lending business.

The financial solutions are targeted at specific customer segments. On the one hand, the offering within the individual business areas is managed in line with customer needs (cross-selling); on the other hand, it is integrated with the other service units of the respective customer segments (connectivity). Net interest and net commission income are the essential income components of the Bank. Commission business is to continue to generate a growing share of overall income.

In the NATIONAL-BANK's market territory, competition presents a differentiated picture across customer segments. 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 and in 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 of 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 business with private customer, the entire finance sector is a competitor, including no-branch banks. Opportunities to acquire new customers arise for the Bank from its more than one hundred years of presence, its deep economic and social roots, the personal continuity of its management, the continuity in customer relationships and the long tenure of many employees in customer business, its high advisory and service quality, its strong cultural engagement, as well as its excellent reputation. Furthermore, additional opportunities to acquire new customers arise from the reduction of personnel and branches, as well as from the 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 engagement.

Overall Economic Environment

The German economy remained in a state of crisis in 2025: At its core, economic activity did not recover over the course of the year from the geo-economic shocks of the war in Ukraine. Both the continued high level of uncertainty among businesses and households and the high energy costs since the energy transition acted as a significant drag on economic activity and also the effects of the intensifying international competition in industry became increasingly noticeable: Although, in particular, tariff-related front-loading effects in the context of a global recovery in industrial production contributed to the fact that the pronounced period of cyclical weakness could be overcome, at least temporarily. This explains, in particular, why sentiment indicators continued to improve in late summer 2025 despite the higher tariff burden resulting from the trade agreement between the EU and the United States. As these front-loading effects faded, however, sentiment in North Rhine-Westphalia deteriorated markedly again, and the structural problems of the German economy became more apparent again. Thus, the NRW.BANK.ifo-business climate deteriorated continuously until the end of the year, clearly bringing the six-month upward trend to a halt.

Overall, it should be noted that comparatively high unit labor costs and energy costs by international standards, the shortage of skilled labor and a continued decline in competitiveness are weighing on growth prospects. Structural change became particularly evident in the decoupling of German export development from global trade, the continued decline in employment in the manufacturing sector, the simultaneous persistence of the skilled labor shortage, and a declining share of manufacturing in total gross value added. The manufacturing sector in Germany in particular, which can itself be regarded as a key indicator even for the overall national trend, remained a source of economic concern until the end of the year. Given the already low order backlog, many industrial companies in the region observed with increasing concern the renewed decline in incoming orders toward the turn of the year. The level of the current situation assessment in the corresponding Ifo indicators remained through the end of the year 2025 at levels last seen at the peak of the COVID-19 pandemic — and they have been at that level since year-end 2024. This was driven, in addition to high energy and production costs, by increasing trade barriers in increasingly uncertain foreign markets, which particularly weighed on capital goods industries, such as mechanical engineering, electrical engineering, as well as parts of the automotive industry. Many companies also reported significantly declining demand and, in some cases, negative production expectations. While there were also positive impulses in individual quarters - such as in chemicals, pharmaceuticals, or segments of vehicle production— the overall downward trend could not be reversed, however. By contrast, increased private and public consumption had a stabilizing effect since year-end 2024. Against the backdrop of further easing inflation dynamics, moderate wage growth also increased real incomes and thereby supported value added in consumer-related service sectors, at least to some extent. In the service sector, however, the overall picture was mixed: Some sectors, such as logistics and information and communications technology, recorded partly stable or growing demand, while traditional services and brick-and-mortar retail continued to suffer from still subdued consumer demand overall. Overall, the retail sector ended 2025 with slight revenue growth, driven primarily by online retail. The construction sector also responded cautiously to the economic environment. While residential construction projects remained stable, overall demand for construction services was subdued, in part leading to declines in incoming orders and weighing on overall construction activity.

Taken together, price adjusted gross domestic product in Germany is likely to have increased by 0.2% in 2025. In North Rhine-Westphalia, the ifo leading indicators did at times develop significantly more favorably over the course of the year than their counterparts for Germany as a whole, which, given the state's high industrial share, typically points to an above-average pace of growth in the Rhine-Ruhr region as well. By year-end, however, this indication had weakened again noticeably, pointing to a rapid decline in the impulses for a recovery in industrial activity in North Rhine-Westphalia. Subject to material revisions to the state-level national accounts, GDP in North Rhine-Westphalia is likely to have increased by 0.2% in 2025 as a whole, thereby allowing the structural growth gap relative to Germany as a whole to be largely closed.

The business performance of NATIONAL-BANK is influenced by economic developments, geopolitical conditions, the state of the capital markets, and trends in corporate insolvencies. The yield curve inverted in 2025. While short-term interest rates declined due to ECB rate cuts, long-term interest rates increased. Despite geopolitical headwinds, the DAX increased by almost 10 percentage points. The high degree of internationalization and the resilient development of the global economy supported capital markets overall. Corporate insolvencies in Germany increased markedly year over year in 2025. Although individual months or quarters recorded slight declines compared with the previous month, the overall annual trend remained elevated—an indication of the economic pressures and structural challenges faced by many companies.

Course of Business

The average loan volume of NATIONAL-BANK declined slightly from €4,021.4 million to €4,002.9 million due to lower loan demand, the Bank's deliberately risk-averse approach due to the economic environment, and extensive follow-up work on the core banking migration project *Jupiter* in three subsequent projects (see Section “Follow-up Projects of the Core Banking Migration”). Average customer deposits increased from €5,167.6 million to €5,317.9 million.

While net interest income of €138.4 million was markedly below previous year's level of €154.6 million due to the interest rate development and the passing on of declining interest rates in customer business, net commission income marginally declined from €57.7 million to €56.7 million. While the balance of other operating income and expenses improved from €1.8 million to €2.8 million, gross income declined significantly from €214.1 million to €197.9 million. Administrative expenses decreased from €133.8 million to €120.6 million, primarily due to expenses incurred in connection with the *Jupiter* project in the prior year. Risk provisioning expenses increased significantly from - €16.0 million to - €21.7 million. The negative result in risk provisioning was driven primarily by credit risk provisions from specific valuation allowances in the lending business with enterprises due to the challenging economic environment.

Net income for the fiscal year improved from €21.3 million to €23.4 million. In addition, €16.4 million was allocated to the fund for general banking risks pursuant to § 340g HGB. Accordingly, the prior year's expectation for the annual result was narrowly missed. 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 an increased dividend of €1.00 per share. This represents a total dividend of €15.0 (€13.5) million, as well as additional €8.5 (€7.8) million to fund the reserves.

FOLLOW-UP PROJECTS OF THE CORE BANKING MIGRATION

As a result of the introduction of the core banking system *agree21*, NATIONAL-BANK initiated three follow-up projects:

In fiscal year 2025, the *Callisto* project to enhance risk management was implemented as planned. Its objective was to determine on a present value basis the risks that are included in economic internal capital adequacy Building on the risk management modules already implemented in October 2024, the focus of the *Callisto* project was on the full transition of the risk models, in particular the models for the counterparty risk from customer business, the operational risk, and the liquidity risk, partly from a periodic to a present value-based management approach. Upon completion of the project, the key risk types analyzed within the economic perspective are now managed consistently on a present value basis, improving the comparability of risk contributions. The methodological changes were integrated into the existing processes and reporting structures.

The project *"Europa"* optimized the existing methodology for establishing organizational policies, as well as for documenting the Bank's internal control system (ICS). The documents of the written rules and procedures were revised in terms of content and structure between April and December 2025 and were published at the beginning of 2026. The quality assurance of documents already revised is ensured through an extension of the project duration.

The planned centralized collection of the internal control system was piloted as planned as part of the project.

The project *"Ganymed"* is optimizing the end-to-end processes associated with the use of *agree21*. Priority is given to measures that increase net market time. Across twelve work packages, processes are being optimized, the use of additional services provided by Atruvia AG is being prepared, and the offering for corporate clients and self-employed professionals is being reviewed. Completion of the measures is expected in May 2026.

Financial Performance

NET INTEREST INCOME

Net interest income declined to €138.4 (€154.6) million and decreased slightly due to reduced risk appetite and the European Central Bank's monetary policy decisions since June 2024, and therefore did not meet expectations. The European Central Bank's monetary policy decisions affect net interest income because 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. In the prior year, a decline in net interest income of approximately 3% to 7% had been expected. However, the decline was more pronounced than expected due to the divergence between the assumed interest rate forecast in the early planning process for 2024 and the actual interest rate development, as well as lower growth in asset-side customer business as a consequence of a deliberately risk-averse approach due to the economic environment.

NET COMMISSION INCOME

Net commission income declined marginally to €56.7 (€57.7) million. A large portion of the decline was attributable to asset management. In particular, performance-related remunerations from asset management business were lower, because performance declined and, in some cases, the terms of mandates were adjusted. At the same time net commission income declined from account and card services due to service fees charged by service partners and from construction financing brokerage business. Commission income from lending business developed positively. Commission income can be broken down into individual business segments as follows: Asset management €33.1 million, Account and card services €13.0 million, International markets €5.5 million, Lending business €4.3 million and Other €0.8 million. In the prior year, a decline in net commission income of approximately 8% to 12% had been expected based on the exceptionally strong performance of equity markets in 2024; this expectation did not materialize, as equity markets again performed very strongly in 2025 and asset management in particular delivered results significantly better than expected.

OTHER OPERATING INCOME AND EXPENSES

The balance from other operating income and expenses was €2.8 (€1.8) million. In 2025, for the first time, the change in the actuarial present value of pension provisions was negative and thus improved other income by €0.4 million (prior year: reduced it by €0.8 million). The discount rate increased from 1.89% to 2.06% this year, a rise of 17 basis points. Income from the reversal of other provisions amounted to €1.2 (€1.0) million.

GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses declined to €117.4 (€130.2) million. While personnel expenses remained unchanged at €67.7 (€67.7) million, other administrative expenses decreased significantly to €49.7 (€62.5) million. Personnel expenses were driven by two offsetting developments. On the one hand, there was a significant reduction, as an additional salary payment was made to all employees in 2024 for the successful completion of the *Jupiter* project. This was offset by two countervailing developments: on the one hand, salaries were increased significantly in the second half of 2024 due to inflation, with the full effect only materializing in 2025; on the other hand, the average number of employees (full-time equivalent) increased year over year to 617 (587). The significant decline in operating expenses was attributable to the *Jupiter* project. Because the project costs were recognized directly in expenses, operating expenses were significantly higher in 2023 and 2024 than in 2025. In 2024, operating expenses for project *Jupiter* were still €21.0 million.

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 decreased to €3.1 (€3.6) million.

RISK PROVISION

(Net) expenses for risk provisions increased to €21.7 (€16.0) million. After securities holdings - which are classified as liquidity reserve and therefore measured like current assets - were depreciated by €12.3 million in 2022 as a consequence of the turnaround in interest rates, a net value of around €4.1 million in 2023 and of around €1.8 million in 2024 could be recovered, and now in 2025, a net value of around €1.2 million could be recovered. Credit risk provisions from specific valuation allowances in lending business markedly increased due to the challenging economic environment. In applying the accounting standard IDW RS BFA 7, the existing global valuation allowance was reduced by €2.3 million, thereby offsetting prior increases and improving the result, following an increase of €4.6 million in the prior year.

OPERATING RESULTS

The operating result, i.e. the result after risk provision and before transfer to the fund for general banking risks, declined to €55.6 (€64.3) million. Gross income, comprised of net interest and net commission income, and other operating income and expenses, declined to €197.9 (€214.1) million, while general administrative expenses decreased significantly to €117.4 (€130.2) million and credit risk provisions increased to €21.7 (€16.0) million. In the prior year, a decline in net income before taxes of approximately 9% to 13% had been expected. At 13.6%, the decline was slightly higher, primarily because net interest income developed below plan.

TAXES

Tax expenses declined due to the reduced operating result to €15.8 (€24.6) million, which is equivalent to an decreased tax rate from 38.3% to 28.5%. This was mitigated in particular by lower additions to pension provisions under HGB accounting, as well as by changes in the global valuation allowance and allocations to the fund for general banking risks.

NET INCOME FOR THE FISCAL YEAR

Net income for the fiscal year increased to €23.4 (€21.3) million. This was primarily due to a lower allocation to the fund for general banking risks pursuant to section 340g HGB and lower income tax expense, which more than offset the lower operating result.

Financial Position

TOTAL ASSETS AND BUSINESS VOLUME

Total assets and business volume, which includes in addition contingent liabilities from guarantees and warranties, were €6,635.6 (€6,451.3) million and €6,713.9 (€6,545.3) 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 €5,543.4 (€5,327.7) million. This results in the Bank being largely independent of capital market refinancing. Demand deposits and overnight money and time deposits of €5,451.4 (€5,221.4) million with a share of around 98% (98)% 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 €2,219.1 (€2,116.3) million. 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 191.6% (209.7)%. The liquidity buffer, consisting of deductible central bank deposits, debt securities, and other fixed-income securities, increased to €2,498.7 (€2,427.2) million. The structural liquidity ratio (Net Stable Funding Ratio) amounts to - after the adoption of the annual financial statements and the approval by the general meeting of the proposed appropriation of profits by the Management Board and Supervisory Board - 142.2% (153.1)%. Both ratios clearly exceed the regulatory minimum requirement of 100.0%.

LENDING BUSINESS

Receivables from customers increased to €3,900.9 (€3,824.7) million. Despite a decline compared with the prior year, new business volume of approximately €270.8 (€385.2) million more than fully offset repayments. Customer loans were expanded only slightly due to a deliberately risk-averse approach due to the economic environment.

DEPOSIT BUSINESS

Customer deposits increased to €5,543.4 (€5,327.7) million. Demand deposits, which increased by €370.4 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 €408.7 (€441.7) 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. Receivables from banks increased to €2,230.6 (€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 had increased significantly.

SECURITIES HOLDINGS

Investments in bonds and other fixed interest securities in the amount of €360.9 (€383.5) million, were at 90.9% (91.7)% 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 2025, new investments of €105.7 (€156.1) million were made, which were counterbalanced, in part, by maturities.

DERIVATIVES

The bank does not trade in derivatives in terms of the Capital Requirements Regulation. Financial derivative transactions are essentially made to cover customer positions, as well as for interest rate risk management in the banking book and to hedge foreign currency risk. The nominal volume of derivatives was €2,197.1 (€2,553.2) million. Of this, 100.0% (99.3)% was related to OTC products. There were no exchange-traded products in the portfolio (€17.4 million). Broken down by business segments, a nominal volume of €306.7 (€367.3) million was attributable to currency and €1,890.4 (€2,168.5) million to interest rate related contracts, including positions to control the Bank's interest rate risk. Since transactions with customers are directly collateralized and the Bank's positions serve to limit interest rate and currency risks of the bank book, the Bank's positions were not exposed to any market price-dependent risks arising from financial derivatives, the Bank was only exposed to counterparty credit 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. This termination right has not been exercised to date.

FUND FOR GENERAL BANKING RISKS

During the reporting year, the fund for general banking risks increased to €86.6 (€70.2) million.

EQUITY

From net income in 2025, €8.5 (€7.8) million can be transferred to retained earnings within the scope of appropriation of net income. Accordingly, equity (HGB) increased by €14.9 million from €406.3 million to €421.2 million. The reduction in treasury shares contributed €4.6 million to the increase in equity.

Under inclusion of subordinated loans and the fund for general banking risks, regulatory own funds amount to - after the adoption of the annual financial statements and the approval by the general meeting of the proposed appropriation of profits by the Management Board and Supervisory Board - €558.2 (€544.8) million. The Bank's own funds - measured as the ratio of regulatory relevant equity capital to risk-weighted assets were 15.3% (17.1)%. Tier 1 capital ratio is 13.0% (14.4)%.

We want to point out that, as part of this reporting, detailed information on the acquisition and disposal of treasury shares is contained in the notes in Section "Equity."

DEBT

The debt ratio - measured as the ratio of Equity Tier 1 capital to total exposure measure (on- and off-balance sheet exposure values) - is unchanged, after the adoption of the annual financial statements and the approval by the general meeting of the proposed appropriation of profits by the Management Board and Supervisory Board, 6.7% (6.7)%, and thus continues to be well above the regulatory minimum requirement of 3.0%.

STRATEGIC TARGET RANGES

The strategic target ranges, as key financial performance indicators, define the management framework within which the Bank's development is intended to evolve. They consist of

- a return on equity before taxes of 10% to 12%,
- a Tier 1 capital ratio of 11% to 14%,
- a cost-income ratio (ratio of administrative expenses to gross income) of 65% to 70%, and
- a loans-to-deposits ratio of less than one.

In 2025, the return on equity before taxes declined to 13.9% (16.6)% primarily due to lower net interest income and higher credit risk provisions. It remains unchanged above the target range. The fact that the target range has been exceeded is in line with the expectation from last year.

Taking into account the appropriation of net income, the Tier 1 capital ratio declined to 13.0% (14.4)% due to significantly higher risk-weighted assets in connection with the initial application of the Capital Requirements Regulation and thus remains within the target range. The prior year's forecast of a Tier 1 capital ratio in the upper part of the target range was thus achieved.

The cost-income ratio declined from 62.5% to 60.9% and thus remains unchanged at a level better than the target range. In the prior year, it was expected that the ratio would be 2 to 4 percentage points below the target range, which has now been confirmed.

Loan to deposit ratio of 0.63 is below the previous year's level of 0.64 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

Under the Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors, the Bank, as a company subject to one-third employee representation with more than 500 employees, is required to set targets for the number of female members on the Supervisory Board, the Management Board, as well as in the first two management levels below the Management Board and to determine deadlines for achieving these targets.

The Supervisory Board has set a target of one female member by June 30, 2027, without seeking to reduce the current number of women. In doing so, separate compliance with the target by shareholder and employee representatives was waived. The objective is to avoid leaving positions unfilled in order to ensure efficient and effective operations. As of December 31, 2025, the actual number of women was three out of a total of nine members.

The target for the number of women on the Management Board has been set at zero until June 30, 2027. The Supervisory Board is convinced that the Management Board, with Dr. Thomas A. Lange, Dr. Markus Guthoff, and Dr. Sebastian Kuhlmann, is exceptionally well staffed.

Promoting the underrepresented gender in leadership positions is of central importance to the Bank. A range of measures has been initiated in this context.

As a result, the share of women in the first management level increased to 13% (6%). This meets the target of 12% set in June 2022, which is to be achieved by June 30, 2027. The target for the second management level has not yet been achieved. At 12%, the Bank remains below its own target of 19%. Progress was made in appointing women to leadership positions at the third management level. The ratio increased from over 30% in the prior year to 36% and represents a promising step toward a more gender-balanced leadership culture. Through targeted support and development, the Bank aims to enable these female employees to increasingly grow into positions of responsibility at the first and second management levels. The Bank is confident that the overall concept will prove effective.

The Bank supports the compatibility of family and work through extended working hours frameworks, the continued implementation of flexible working arrangements tailored to individual preferences (preferred working hours) and family counseling services.

Risk and Opportunity Report

RISK STRATEGY

The risk management guidelines of NATIONAL-BANK are defined in the risk strategy, which are derived from the 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 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
- Risk Mitigation
- Risk Transfer
- Risk Avoidance

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 lending 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.

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.

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.

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 indispensable 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 and actually 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, the Management Board leads by example in risk-aware conduct and expects the same 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.

RISK INVENTORY

The activities embedded in the Bank's business strategy give rise to the following key risks:

- Counterparty risk for the customer and proprietary business, including credit spread risks
- Interest rate risks
- Operational risks, including legal risks and associated sub-risks and cross-sectional risks
- Liquidity risks
- Business risks
- Reputational risks

In the 2025 risk inventory, the market price risk sub-risks, equity price risk and foreign exchange risk, were classified as no longer material. The Bank is exposed to equity price risk and foreign exchange risk only to a limited extent, as the portfolio subject to equity price risk is small and only immaterial open foreign exchange positions exist. Accordingly, they are no longer included in the economic internal capital adequacy assessment.

Reputational risk is viewed as a risk that may materialize primarily through other risk types, in particular liquidity risk and business risk. Due to the lack of historically derivable events and the inability to generate non-overlapping risk data for conducting risk analyses at a 99.9% confidence level, the Bank refrains from including reputational risk in the economic internal capital adequacy assessment in order to avoid distortive signals in risk management. Nevertheless, the risk is duly considered both in liquidity risk management (deposit outflows) and in business risk (taking into account an incurred, expected, or planned net loss for the year). To manage this risk, the Bank has implemented comprehensive risk management processes.

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 an ESG risk driver analysis within risk inventory.

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 Bank assesses its internal capital adequacy from both a normative and an economic perspective.

NORMATIVE INTERNAL CAPITAL ADEQUACY

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 (Tier 1 capital, total capital and combined buffer requirement),
- from additional own funds requirements in accordance with the supervisory review and evaluation method,
- on the supervisory capital recommendation to cover risks in stress situations, and
- on the structure of the capital.

For this reason, the starting point for these analyses are the regulatory and supervisory key ratios, as well as their calculation logic, which are 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.

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.

ECONOMIC INTERNAL CAPITAL ADEQUACY

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 internal capital adequacy analysis from the economic perspective, the sum of risk contributions is compared with the risk coverage potential. Internal capital adequacy is met, if the risk coverage potential is at least equal to or exceeds the sum of risk contributions.

For the determination of risk contributions, each risk type is first analyzed separately. The internal capital adequacy assessment from the economic perspective then consolidates the quantitative results relating to the counterparty risk, the interest rate risk, the operational risk and the liquidity risk into a standard scenario and under stress conditions. 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 fiscal year would, in addition, always be deducted from the risk covering potential. Monitoring and management of risks relating to both internal and market-wide illiquidity, as well as reputational risk, is done out outside the economic internal capital adequacy framework.

With the migration of all NATIONAL-BANK data and portfolios to the *agree21* core banking system on October 19/20, 2024, initial VR-Control risk modules were implemented for managing periodic counterparty risk in the customer business, present value-based counterparty risk in the proprietary business, interest rate risk, market price risk, and insolvency risk as a sub-risk of liquidity risk. The objective of the project *Callisto* initiated in early 2025 was to further develop, in particular, the management of the counterparty risk arising from customer business, the interest rate risk, the operational risk, and the liquidity cost risk. All risk contributions within internal capital adequacy are now measured on a present value basis in the economic perspective. The new management approaches became effective as of the end of November 2025.

Internal capital adequacy requirements were met throughout the reporting period. As of the reporting date, in the economic perspective of internal capital adequacy, available risk capital amounted to €232.8 (€301.5) million, based on risk coverage potential of €485.7 (€476.2) million and risk contributions of €252.9 (€174.7) million.

ECONOMIC INTERNAL CAPITAL ADEQUACY OVERVIEW
IN € MILLION

Internal capital supply risk covering potential (RCP)	12/31/2024	12/31/2025
Risk coverage potential	**476.2**	**485.7**
Internal economic capital needed risk contributions		
Counterparty risk customer business	99.5	113.1
Counterparty risk proprietary business	18.5	34.4
of which credit spread risk	*5.4*	*7.4*
of which migration risk	*13.1*	*27.0*
Interest rate risk	31.4	78.7
of which interest rate risk securities	*18.1*	*33.6*
Market price risk share price risk	1.4	-
Market price risk foreign exchange risk	1.0	-
Operational Risk	21.1	23.2
Liquidity cost risk	0.4	3.4
Reputational Risk	1.4	-
Total risk position	**174.7**	**252.9**

The risk coverage potential increased primarily as a result of the appropriation of net income in the prior fiscal year to €485.7 (€476.2) million. This more than offset the €14.6 million share repurchase authorization for the acquisition of treasury shares, which was deducted for the first time in the reporting year in the economic internal capital adequacy.

Among the individual risk types, counterparty risk - as defined by the business model - represents the greatest quantitative share as regards internal capital adequacy. This results from the Bank's strategic emphasis on customer lending business.

Counterparty risk arising from customer business increased to €113.1 (€99.5) million. The increase was primarily driven by rating migrations of individual large-volume customers to lower rating classes and the conclusion of new business with an existing large-volume customer. The methodological change from a period-based to a present value–based credit risk model resulted overall in a decrease in Credit Value-at-Risk of €6.0 million. This was primarily due to the fact that, since the transition to the present value–based credit risk model, the valuation of defaulted exposures, previously estimated outside the period-based credit risk model, is now incorporated within the model.

The increase in counterparty risk from proprietary business to €34.4 (€18.5) million, which was already measured on a present value basis in the prior year, was primarily due to the recognition of an internal interbank line for the settlement of daily payment transactions, the migration of the issuer of a promissory note loan to default status, and individual new investments.

The present value–based interest rate risk increased to €78.7 (€31.4) million. This increase was driven, on the one hand, by the methodological change and the resulting expansion of the modeled interest rate shock from ±200 basis points to ±330 basis points, with a risk-increasing effect of €30.0 million. And on the other hand, it was driven, in particular, by the balance sheet growth and the resulting impact on the structural composition of the banking book, with a risk-increasing effect of €17.3 million.

Operational risk increased to €23.2 (€21.1) million as a result of the methodological change from the business indicator approach in the normative perspective to a Value-at-Risk approach.

Liquidity cost risk increased to €3.4 (€0.4) million as a result of a methodological change.

Within the scope of internal capital adequacy analysis from an economic perspective a comprehensive stress scenario simulating a severe economic downturn is conducted. This scenario is further supplemented by assumptions reflecting the adverse effects of climate change. In addition to this, risk type specific tress tests applying hypothetical and historically derived causes, as well as an inverse stress test are conducted.

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 internal capital adequacy, 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:

- Credit Risk Management / Quality Management Counterparty risks, with the exception of credit spread risks from proprietary business
- Treasury: Market price risks, credit spread risks from proprietary business, interest rate risks, and liquidity risks
- Designated representatives in all organizational units: Operational Risk
- Representative for information security in accordance with Management Board and supported by Business Continuity Management, central outsourcing management and the IT department: Cyber-Resilience-Risk
- Front office unit heads: Business risk
- Management Board with the support of the reputational risk representative: Reputational Risk
- Management Board (strategic), advised by sustainability risk committee and individual organisational units or functions (operational): ESG risks

The risk controlling function is responsible for the identification, measurement, and analysis of risks, as well as for determining and analyzing the Bank's internal capital adequacy. The following key tasks fall within the responsibility of the risk controlling function:

- support of the Management Board in all risk policy matters,
- conduct of the risk inventory, including ESG risk driver analysis, and preparation of an overall risk profile.
- provide support to the Management Board in the implementation and development of risk management and risk control processes,
- further development of the system of risk key ratios and indicators,
- ongoing monitoring of the risk situation and the Bank's internal capital adequacy,
- regular preparation of risk reports,
- responsibility for the processes for escalating risk-relevant information of material significance to the Bank's relevant bodies and organizational units,
- in the event of a high level of non-performing loans, monitoring and measurement of such exposures and
- conduct of a risk culture self-assessment.

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 RISK

Counterparty 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 customer lending business, the counterparty 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 (default risk), or that the borrower's creditworthiness deteriorates in the form of an increased probability of default (migration risk). Expected collateral proceeds are determined based on the type of collateral provided, taking into account applicable collateral haircuts. For real estate collateral, the lending limits are applied. The counterparty risk from customer business also takes negative changes to the assessed value of loan collateral into account.

With respect to proprietary business with issuers and counterparties, the counterparty risk consists in the risk that the Bank incurs losses due to the default of an issuer or a counterparty of an equity or debt instrument or a derivative (default risk), or that the creditworthiness of an issuer or counterparty deteriorates (migration risk). The Bank invests exclusively within the investment book in bonds, promissory notes as substitute for securities business and funds with investments in annuities. Proprietary business is also exposed to credit spread risk. This 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. An impairment up to a write-down of an equity investment is also a counterparty risk arising from proprietary business.

The customer-facing units and the back office are functionally separated within the credit process - also in the case of substitution - both in terms of process organization and organizational structure.

Quantification, analysis and control of the counterparty 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 § 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.

The determination of counterparty risk for customer business was changed from a period-based approach to a present value–based approach. The present value–based risk indicators are determined using a Monte Carlo simulation, taking into account the 99.9% confidence level regulatory required for the standard analysis. In calculating the losses for the determination of present value–based risk indicators, parameters were derived in part from the Bank's historical data and, in part, pool parameters were adopted or, where the Bank's own historical data were unavailable, conservatively set. While migration risk was approximated in the period-based model by shifting probabilities of default, the present value–based model uses migration matrices. Systematic risk and idiosyncratic risk are taken into account in the calculation of present value–based Credit Value-at-Risk.

With respect to customer lending and promissory note loans in proprietary business, probabilities of default are determined on the basis of a pool-based rating system that is validated annually and operated by the NATIONAL-BANK jointly with other banks. The advantages of a standardized pool-based rating system are a broad data base, strong discriminatory power of the models, accurate and fair segmentation of customers according to their creditworthiness, statistically stable default rates, and objective risk identification. Probabilities of default in proprietary business are, as a general rule, derived from external ratings, except for promissory note loans.

A present value–based credit risk model for counterparty risk in proprietary business had already been introduced in the prior year. For its parameterization, migration matrices based on historical rating changes, estimated losses by issuer and counterparty group, as well as spread matrices differentiated by rating classes, segments, and maturities are used.

As of year-end, under the standard scenario, the Bank recorded an expected loss from non-defaulted lending business, consisting of a credit risk premium of €58.9 million and a present value–based expected loss of €25.1 million. The clear majority of this, €51.3 million and €24.6 million, respectively, was attributable to customer lending business. No comparative figures are available for the prior year.

As regards individual borrowers from non-defaulted customer lending business, total loan, unsecured total loan and the 12-month expected loss of €26.9 (€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 LENDING BUSINESS ACCORDING TO RATING CLASSES
IN %

		2024			2025		
Rating class	**average probability of default of the rating class**	**Share in total loan volume**	**Share in unsecured total loan volume**	**Share in total 12-month EL**	**Share in total loan volume**	**Share in unsecured total loan volume**	**Share in total 12-month EL**
not rated	0.35	6.5	10.2	3.0	7.9	13.2	4.0
0a	0.01	3.6	5.6	0.0	2.3	3.0	0.0
0b	0.02	0.7	1.2	0.0	0.8	1.0	0.0
0c	0.03	1.3	1.8	0.0	0.7	0.6	0.0
0d	0.04	1.1	0.8	0.0	0.8	0.5	0.0
0e	0.05	2.0	0.9	0.0	1.8	1.2	0.1
1a	0.07	3.4	2.4	0.1	3.8	3.0	0.2
1b	0.10	5.8	3.2	0.3	6.1	2.9	0.2
1c	0.15	5.9	3.4	0.4	5.9	3.4	0.4
1d	0.23	7.0	6.4	1.3	6.8	6.4	1.3
1e	0.35	11.2	9.2	2.7	11.0	11.3	3.5
2a	0.50	10.2	10.6	4.5	10.1	10.3	4.5
2b	0.75	13.5	12.1	7.7	13.4	11.1	7.3
2c	1.10	9.8	12.2	11.4	10.9	12.2	11.7
2d	1.70	7.6	9.9	14.3	7.0	8.8	13.1
2e	2.60	3.5	3.9	8.7	5.0	5.3	12.1
3a	4.00	2.5	2.7	9.1	2.1	2.2	7.7
3b	6.00	1.9	1.7	8.6	1.2	1.5	7.9
3c	9.00	0.8	0.6	4.7	0.4	0.4	3.5
3d	13.50	0.7	0.5	5.8	1.1	1.1	13.5
3e	30.00	1.2	0.7	17.0	1.1	0.3	8.8
Total		**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

In determining the economic risk coverage potential, the credit risk premium for customer and proprietary business is now taken into account in the determination of the loss-free valuation of interest-related transactions in the banking book. Previously, credit risk premium had been approximated using a risk cost ratio for the banking book. Credit risk costs for defaulted customers continue to be included in the amount of the specific valuation allowances recognized. The result of the loss-free valuation serves as the starting point for determining hidden losses, which are recognized as a deduction within the economic risk coverage potential. Hidden losses are increased by the present value–based expected losses from customer and proprietary business to reflect the expected deterioration in the credit risk premium.

Counterparty risk in customer and proprietary business is modeled through simulations of value changes in the credit risk premium. The risk - in terms of an unexpected loss - consists in a change in the credit risk premium due to unexpected changes in the rating class and in the parameters used to estimate losses. Interdependencies within the customer portfolio are simulated through industry correlations, the variation in macroeconomic conditions, as well as through fluctuations in losses. The Value-at-Risk for counterparty risk from customer business and from proprietary business amounted to €113.1 (€99.5) million and €34.4 (€18.5) million, respectively. In customer business, rating migrations of individual large-volume existing customers had, in particular, a major impact.

The methodological change to a present value–based credit risk model had a mitigating effect of €6.0 million due to the valuation of defaulted exposures, which in the period-based model had only been estimated. In proprietary business, the increase was caused by the recognition of an interbank line, the migration of the issuer of a promissory note loan to default status, and a new investment.

Credit spread risk is limited together with the migration risk by the limit for counterparty risks from proprietary business and is reported monthly to the Management Board, as well as the management of the responsible organizational units. In addition, credit spread risk is reported within quarterly reporting. The unexpected loss, as determined on this basis at each month's end, was €7.4 (€5.4) million on the reporting date.

In addition to size concentrations inherently captured in the present value–based credit risk model, analyses of concentration clusters are also part of risk reporting.

Sustainability issues can be considered in customer lending business within manual risk classification (Rating) and also in relation to the collateral value through the valuation of real estate. The ESG scoring developed in cooperation with other banks participating in the pool-based rating system is taken into account in the credit process.

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.

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 3.55% (2.15)%.

INTEREST RATE 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 banking 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.

Since the methodological change, the derivation of the parallel shift of the yield curve for determining the present value–based interest rate risk is done using a market risk model. Prior to the methodological change, a simplified approach based on historical interest rate changes, aligned with the supervisory requested interest rate shock, was used. Taking into account the 99.9% confidence level required under regulatory standards, a parallel shift of ±330 basis points is applied in the standard scenario.

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.

The banking 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.

The interest rate risk quantification and the interest rate risk reports are prepared by Risk Control. The management of the bank book as a whole is the responsibility of the Management Board on the basis of suggestions put forth by Treasury 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 warning levels and limits and to present to the Management Board alternatives and recommendations for the further course of action. In addition, in the case of developments that 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.

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 banking book.

The interest rate risk at 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 interest rate change by ±330 (200) base points up or down. At the end of the reporting period, the interest rate risk at net present value was €78.7 (€31.4) million

At the end of the reporting period, periodic interest rate risk was around €2.9 (€7.1) million.

As of year-end, the present value–based (Supervisory Outlier Test Economic Value of Equity) and respectively the period-based (Supervisory Outlier Test Net Interest Income) supervisory interest rate shock was 10.8% (7.3)% and 1.1% (1.5)%, respectively.

Deposit beta is monitored monthly and indicates the extent to which interest rates on customer deposits respond to changes in the European Central Bank deposit facility interest rate, and thereby supports the management of the interest rate risk. A deposit beta of one means that customer deposit rates change by the same magnitude as the ECB key interest rate. A beta of zero means that customer deposit rates do not change. Compared with the prior year, deposit beta, calculated in line with the methodology used in various ECB publications, increased slightly to 0.25 (0.17), primarily due to a higher deposit beta for notice and fixed-term deposits.

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 the legal risk, 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 losses arising from materialized operational risk events, and their assessment is performed primarily by designated representatives in decentralized units. Based on historical losses from the internal loss event database, this assessment is reviewed and validated by risk controlling. Risk indicators have also been established for the early identification of operational risks. Operational risk is managed on a decentralized basis by designated representatives.

Losses arising from operational risks exceeding €1,000 gross are generally recorded in a central loss database. ESG relevant aspects are separately marked. The Management Board receives regular periodic reporting as well as event-driven ad hoc reporting for loss events, generally from a gross loss amount of €10,000 on the current risk situation and, where applicable, recommendations for management actions.

Based on operational risk reporting or on an event-driven basis, the Management Board decides on further risk management measures. Risk controlling serves as the central point of contact for the Bank as a whole, monitors the reporting of loss events, and oversees the implementation of risk management measures.

The determination of risk indicators for operational risk was methodologically changed from a period-based i.e. supervisory evaluation using the key ratios expected loss and business indicator from the normative perspective to a present value–based determination. The Value-at-Risk for operational risk is determined using a Monte Carlo simulation, taking into account the 99.9% confidence level regulatory required for the standard analysis. Risk modeling is based on forward-looking data in the form of an operational risk inventory, taking into account historical loss event data to review and validate the inventory.

The Value-at-Risk for operational risk amounted to €23.2 million. In the prior year, the risk contribution, determined by internal capital adequacy, was recognized at €21.1 million. In addition, for the determination of the hidden losses within the economic risk coverage potential, the economic internal capital adequacy assessment takes the present value–based expected loss from operational risk of €10.3 million into account. In the prior year, an expected loss of €4.7 million had been deducted.

As a subtype of operational risk, Cyber-Resilience-Risk is gaining increased importance. Information and communication technologies are of significant importance in the provision of financial services and in the Bank’s operational processes. This entails an increased risk arising from ICT-related incidents driven by cyber threats. The threat posed by cyber incidents remains at a high level and continues to increase. Underlying factors include ongoing digitalization and geopolitical tensions, which are increasingly extending into cyberspace and targeting banks as a focus of cyber attacks. Accordingly, the Bank has exposure to cyber risk, either directly or through its critical ICT third-party service providers.

The Bank aims to maintain a high level of cyber resilience and has implemented measures for prevention and response. These include clearly defined processes for the identification, assessment, management, and monitoring of ICT risks, a structured information security management system, and emergency and crisis management.

Responsibility for managing cyber risk rests with the representative for information security in accordance with Management Board and supported by the representative of business continuity management, central outsourcing management and the IT department. To ensure appropriate, bank-wide management of risks, the representative for information security is also advised by the Cyber Resilience Committee.

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 intraday liquidity, short-term (operational) liquidity, 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. Daily measurement of short-term (operational) liquidity risk and at least quarterly measurement of structural liquidity risk are performed by the risk controlling. Liquidity risk management is the responsibility of Treasury. The determination of the liquidity cost risk is performed within the scope of the internal capital adequacy analysis from an economic perspective by Risk Control.

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 thereby affect 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.

Sustainability-related liquidity risks are managed at an overarching level through the management of the Bank's overall liquidity risk. The effects of ESG risks on the liquidity risk are determined and assessed quarterly as part of risk reporting.

The determination of liquidity cost risk was changed from a simplified approach, based on the assumptions of increased deposit outflows and an across-the-board spread increase to a present value–based risk measure based on a simulated P&L interest loss. Here, the difference between the base scenario derived from the business plan and a standard scenario with increased withdrawals of customer deposits is determined for a rolling 12-month risk horizon and converted into a present value figure. For the standard scenario, an ad hoc deposit outflow of 4% was derived based on historical data, taking into account the 99.9% confidence level required under regulatory standards. In the model, this deposit outflow is primarily funded through the reduction of balances held with the Bundesbank, taking into account the internal early warning thresholds for the LCR and NSFR. If, under the given assumptions, an additional funding requirement arises, interbank term funding at an increased spread is envisaged.

Liquidity cost risk is determined on a quarterly basis and taken into account in the analysis of internal capital adequacy in the economic perspective. It was €3.4 (€0.4) million on the reporting date.

Liquidity management is performed on the basis of daily/short-term cash flows and liquidity indicators, 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 Treasury and Risk Control provides for initiating measures at an early stage to optimize the liquidity structure and thus avoid potential liquidity shortfalls. The Liquidity Risk Committee analyzes and discusses the current liquidity position and, where appropriate, develops measures to remedy limit breaches or to avert an impending liquidity shortfall.

The core responsibilities within the scope of the controlling of the dispositive liquidity by Treasury 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 2025, indications of a liquidity bottleneck were not identifiable. The liquidity coverage ratio of 191.6% (209.7)% at year's end was markedly greater than the regulatory minimum requirement of 100.0%.

To assess structural liquidity risk, cash flows are determined based on a comparison of the liquidity maturity profile (including, among others, assumptions regarding the withdrawal of customer deposits, also taking into account any deposit concentrations, as well as the utilization of credit lines) and the liquidity coverage potential (including, among others, the liquidation 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 price declines for securities). For purposes of the survival horizon, a period of five years is specified for the standard scenario and six months for the stress scenario.

Structural liquidity was maintained in the reporting year under both the standard scenario and the stress scenario. In both scenarios, based on expected inflows and outflows over the next five years, cumulative liquidity cash flows are consistently positive.

CUMULATED CASH FLOWS IN STRUCTURAL LIQUIDITY RISK

IN € MILLION

Period of time	Cumulative cash flow standard analysis	Cumulative cash flow stress analysis
12/31/2025 to 01/31/2026	1,893.9	1,613.9
12/31/2025 to 2/28/2026	1,781.2	1,471.7
12/31/2025 to 3/31/2026	1,669.7	1,324.7
12/31/2025 to 4/30/2026	1,606.3	1,216.7
12/31/2025 to 5/31/2026	1,542.2	1,108.1
12/31/2025 to 6/30/2026	1,481.7	997.1
12/31/2025 to 7/31/2026	1,472.4	931.3
12/31/2025 to 8/31/2026	1,451.6	854.1
12/31/2025 to 9/30/2026	1,444.6	790.9
12/31/2025 to 10/31/2026	1,421.1	711.0
12/31/2025 to 11/30/2026	1,397.1	630.7
12/31/2025 to 12/31/2026	1,358.4	566.0
12/31/2025 to 12/31/2027	1,384.8	379.4
12/31/2025 to 12/31/2028	1,463.2	356.7
12/31/2025 to 12/31/2029	1,583.3	499.3
12/31/2025 to 12/31/2030	1,661.0	599.5

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. The Net Stable Funding ratio of 142.2% (153.1)% at year's end was markedly greater than the regulatory minimum requirement of 100.0%.

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.

Business risk is managed by the heads of the customer-facing units and by other managers responsible for income and expenses. Monitoring of key performance figures is conducted primarily on the basis of the monthly income statement and the sales management system by the Accounting & Bank Supervision and Controlling units.

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 income statement items, the monthly income 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.

Maintaining an exemplary reputation is an integral part of the NATIONAL-BANK's strategy. For this reason, 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 appropriate, bank-wide risk management, the relevant committees must be involved. 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 Management 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 in consideration of the dynamic economic, political, regulatory and ecological framework conditions. The results of the ESG risk driver analysis across short-, medium-, and long-term horizons have been integrated into the risk inventory. 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 customer-facing units extensively discussed and advanced.

METHODS, PROCESSES AND IT SYSTEMS

The bank conducts routine reviews on the adequacy of the methods and processes used to determine and analyze risks and 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 risk (relating to customer or proprietary business). They are based on customary models used in the banking industry; the bank's individual parameters are routinely reviewed and adjusted as needed.

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.

COMPENSATION AND SUPPORT MEASURES

Due to our membership in the Compensation Scheme of German Banks and based on the obligation to provide payments to the Single Resolution Fund, 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 in some cases additionally to the 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 monthly income statement	monthly	Accounting & Bank Supervision	Management Board
	Final monthly income statement	monthly quarterly	Accounting & Bank Supervision	Management Board Supervisory Board
	Analysis internal capital adequacy economic perspective	monthly	Risk Control	Management Board
	Analysis internal capital adequacy normative perspective	quarterly	Controlling	Board/Supervisory Board
	Quarterly report - report of risk control function	quarterly	Risk control, Controlling, Accounting & Bank Supervision a.o.	Board/Supervisory Board
	Risk Inventory	annually/ event driven	Risk control and controlling	Management Board
	Risk committee	monthly	Risk Control	Management Board
Counterparty risk	Loan-level reporting (including credit risk provisions)	daily	Market unit/ Credit Risk Management	according to Credit approval authority matrix
	Credit Risk Report	quarterly	Risk controlling/ Credit Risk Management	Management Board
	Development credit risk provisions	quarterly	Credit Risk Management	Management Board
	Loan commitments with risk-relevant circumstances	quarterly	Credit Risk Management	Board/Supervisory Board
	Major commitments according to Audit Report to 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	Management Board
Market price risk	Market price risk committee	quarterly	Risk Control	Management Board
Interest rate risk	Treasury-Report	monthly	Treasury	Management Board
	Interest rate risk report	quarterly	Risk Control	Management Board
	Interest rate risk committee	quarterly	Risk Control	Management Board
Operational risk	OpRisk report (including information security risk)	quarterly/ annually	Risk Control	Management Board
	Reports on significant losses	event driven	Responsible Department	Management Board
	OpRisk committee	monthly	Risk Control	Risk committee
	Cyber-Resilience Committee	monthly	Information security representative	Management Board
	Personnel risk committee	quarterly	HR	Management Board
	Compliance committee	quarterly	Compliance function	Management Board
	Fraud committee	quarterly	Anti-Money Laundering Officer	Management Board

RISK REPORTING

		Reporting Cycle	Created by	Recipient
Liquidity risk	Liquidity status	weekly	Treasury	Management Board
	Liquidity risk report	quarterly	Risk Control	Management Board
	Liquidity risk committee	quarterly	Risk Control	Management Board
Business risk	Reports on customer and product groups	event driven	Customer-facing units	Management Board
	Customer satisfaction and reputational risk report	quarterly	Communication & Marketing/ Management Board staff	Management Board
	Customer satisfaction report	annually	Communication & Marketing	Management Board
Reputational Risk	Reporting on reputational risks	quarterly/ event driven	Responsible depart-ment/ reputational risk representative	Board/Super-visory Board
	Reputational risk committee	monthly	Reputational risk representative	Management Board
ESG RISK	Reporting on ESG risks in risk committee	monthly	Risk Control	Management Board
	Reporting on ESG risk methods in sustainability risk committee	monthly	Management sustaina-bility risk committee	Management Board
Additional monitoring and control functions	Quarterly / Annual Report of Internal Audit	quarterly/ annually	Audit	Board/Super-visory Board
	Quarterly / Annual Report of the compliance representative	quarterly/ annually	Compliance representative	Board/Super-visory Board
	Quarterly / Annual Report of the money laundering representative	quarterly/ annually	Money Laundering / Fraud / Embargo Representative	Board/Super-visory Board
	Quarterly / annual report of information security representative	quarterly/ annually/ event driven	Information security representative	Board/Super-visory Board
	Quarterly / Annual Report of the data protection representative	quarterly/ annually	Data protection representative	Board/Super-visory Board

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.

As of the reporting date, available risk capital in the economic internal capital adequacy amounted to €232.8 (€301.5) million, based on risk coverage potential of €485.7 (€476.2) million and risk contributions of €252.9 (€174.7) million. The increase in reported risk exposures more than offset the increase in risk coverage potential, resulting in an increase in risk utilization (the ratio of total risk position to risk coverage potential) to 52.1% (36.7)%. The methodological changes led to an increase in risk utilization of 4.4 percentage points as of the end of November 2025.

For financial year 2026, the risk analyses provide no indication that internal capital adequacy could be at risk.

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.

In light of interest rate developments, and taking into account the structure of the Bank’s banking book, opportunities may arise with respect to net interest income or the economic value of the banking book.

Depending on interest rate and spread developments, opportunities may arise in the form of price increases and contribute positively to earnings.

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 Bank's internal capital adequacy, 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 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 credit risk-carrying positions takes on a more positive course than that observed in the past. In this case, credit risk provision is below the calculated counterparty risk and fewer migrations into weaker (lower) credit rating levels take place.

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

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.

A positive perception of the Bank among its customers and in its customer-related environment, particularly in the event of reputational impairments at other institutions, may create opportunities for the Bank's reputation.

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

Internal control system regarding the financial reporting process and Risk Control

The Internal Control System 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, based on which 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.

The new product process ensures that new financial products are properly and fully reflected in internal and external accounting and reporting, in Controlling, and in risk controlling.

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 risk control. The Internal Audit department is involved in all internal accounting control system development projects.

Report on Expected Developments

By the middle of the decade, the global economy has largely recovered from the geo-economic shocks of the COVID-19 pandemic; however, particularly since the U.S. election, a process has now accelerated in which the rules of the global economy are gradually shifting: Economies, institutions, and markets worldwide may now, for an extended period, need to adapt to an environment characterized by increased protectionism and fragmentation, with potentially significant dampening effects on growth that may, in many cases, require a fundamental realignment of macroeconomic policy. The continued resilience of trade data, combined with leading indicators that, despite now well-stocked inventories, continue to point to robust global trade, increasingly suggests that these effects may be significantly smaller than previously expected, indicating a materially stronger underlying structural condition of the global economy. This supports the Bank's overarching thesis that the systemic forces of globalization remain intact: Key drivers in this context are technological developments; in particular, the expansion of digital business models leads to reduced vulnerability to traditional trade barriers such as tariffs or logistical bottlenecks. This development also indicates, in particular, that a more multipolar world order does not necessarily have to entail an erosion of the free trade regime. As international trade is not only a key leading indicator but also a major component of global growth, the likelihood of robust global economic development is therefore steadily increasing: It is therefore becoming increasingly unlikely that U.S. tariffs will lead to a global downturn in growth. Against this backdrop, and in line with the latest estimates of the International Monetary Fund, the Bank assumes that global economic growth will remain robust - particularly due to the continued resilience of global trade - despite the significantly heightened geopolitical risks.
Economic momentum in the euro area has cooled noticeably again following a temporary acceleration driven by front-loaded exports to the United States. Most recently, the highly aggregated pan-European leading indicators have stabilized somewhat; however, they have remained clearly below average for three consecutive years, making a self-sustaining recovery increasingly unlikely. In detail, the Bank expects that the services sector, where activity has remained clearly on an upward trajectory until recently, will continue to offset the likely persistent weakness of pan-European industry. Economic activity is also expected to be supported by a moderate recovery in investment activity. Private consumption is also expected to expand due to rising real wages. However, residential construction is expected to continue to act as a drag on growth in the coming months. However, impulses from foreign business are likely to decline more markedly again, at least initially, particularly for goods such as machinery, vehicles, and chemical products, which are among the most important exports. Overall, the Bank assumes that GDP in the Euro area will increase by 1.2% in 2026, significantly below the average of 1.6% for the period from 2015 to 2024.

The German economy has stabilized at a low level; however, the underlying momentum of the private sector is expected to remain weak, with impulses in 2026 coming primarily from expansionary fiscal policy. In manufacturing in particular, low capacity utilization is likely to reflect reduced competitiveness and to precede a further reduction in production capacity. While the Bank expects the previously very weak level of corporate investment to pick up somewhat, overall private investment activity is likely to remain subdued. The development in the labor market also points to more pronounced structural challenges and only moderate expansion prospects, with surveys indicating that the German economy as a whole does not yet expect government stimulus to provide meaningful support for business activity. In 2026, public equipment investment, in particular, is expected to be expanded significantly, reflecting further increases in defense spending. Higher government spending typically translates to a large extent into service sectors, which are thus also stimulated by investment-related public expenditure through increased administrative activity. Overall, the services sector is therefore expected to record relatively solid growth, supported in part by stronger private household consumption: With rising real disposable incomes, private consumption is expected to increase again over the course of 2026. The Bank assumes that household income from business activities and assets will not decline further, given the improving economic conditions. Meanwhile, the construction and real estate sector is expected to benefit from improved financing conditions; however, skilled labor shortages and high material costs will remain meaningful headwinds. German exporters are expected to continue to lose global market share, even though the rebound effects that followed the front-loading of goods exports to the United States in the first quarter are likely to have been absorbed. Overall, the Bank expects real GDP to increase by 1.0% in 2026.

In the U.S. capital market, the disruptive policy approach of the newly elected administration led to a noticeable increase in risk premiums in the past year. These interest rate–driving valuation discounts emerged at a time when the break from the long-standing global downtrend in yields was already being attributed to the emergence of new upward pressures on interest rates - most notably demographic change, the costs of decarbonization, and rising defense spending worldwide. As many of these factors result in increased public spending, interest rate risks are significantly amplified. The Bank continues to assume that inflation development remain by far the most important factor influencing U.S. interest rates. At its core, disinflation is likely to be temporarily interrupted by inflationary effects from extensive U.S. tariffs; however, the underlying inflation trend is expected to remain clearly downward over the course of 2026. For the projection of level variables, it is particularly important that the global demographic and productivity-related growth trends that had systematically lowered monetary policy target levels in recent decades have not, to date, reversed. In the current economic policy environment, the Federal Reserve is therefore highly likely to implement a series of further rate cuts. Against the backdrop of the increasingly pronounced cooling in the U.S. labor market, the Bank also assumes that the term spread on the U.S. yield curve will at least remain stable, if not resume its secular downward trend over the past 15 years.

Furthermore, the Bank expects that noticeably declining interest rates in the global U.S. benchmark market will - once again - transmit to European markets: either directly through global interest rate transmission or indirectly through a deterioration in export conditions resulting from a further appreciation of the euro. In this context, with regard to inflation developments in the Eurozone, particularly in Germany, it is increasingly likely that downward pressure on wages will continue to intensify. Accordingly, European capital market rates are expected to follow U.S. trends at least in directional terms. With regard to the future course of the ECB, the risks of inflation undershooting in a deflationary direction are also likely to be amplified further due to significant currency movements. Also against the backdrop of model-based estimates of equilibrium real interest rates in the Eurozone, the Bank assumes at least a gradually increasing likelihood of further ECB rate cuts. In a probability-weighted projection across different economic policy scenarios and the corresponding evolution of key interest rate determinants, ten-year U.S. yields are expected to be around 3.9% over a one-year horizon. The yield on ten-year German government bonds is expected to be around 2.8% over a one-year horizon.

For North Rhine-Westphalia, and thus for the Bank's core business region, GDP is expected to develop in line with the national economy. The first leading indicator suggests that economic sentiment in North Rhine-Westphalia has improved markedly, contrary to the national trend, even though it remains in negative territory.

At the beginning of 2026, it was decided to raise the lower limit of the strategic target range for the core capital ratio to 11.5% (11.0)%. The other target ranges remain unchanged.

For the year 2026, we expect a slight declining interest rate level, as well as only moderate fluctuations on equity markets. From this follows that the budgeted net interest income will increase by up to 3%, due to the planned moderate growth in customer loans. However, net commission income is expected to decline slightly by up to 3%, as performance-based fees that are included in the realized result are not taken into account in the planning for precautionary reasons. Following these developments, gross income is expected to be in line with the gross income for the 2025 fiscal year.

General administrative expenses are expected to increase by approximately 4% to 8% compared with 2025, as the Bank has adjusted its target headcount plan following the successful implementation of the new core banking system to support future growth and prepare for anticipated demographic changes. The interest rate induced write down of fixed-income securities in 2022 is only temporary due to the interest rate reversal and will, after partial reversals in 2023 through 2025, only be reveresd to a very limited extent in 2026.

Net credit risk provisions is expected be approximately 40% to 45% lower in 2026 than the figure realized in 2025. Accordingly, the Bank expects credit risk provisioning to normalize, while remaining 12% to 16% above the prior year's budgeted level.

From the stated effects results an annual net income before taxes of around 4% to 8% above the comparable net income for 2025 and an annual net income after taxes (before any allocation to the fund for general banking risks, as well as the fund for general banking risks) that is up to 4% above the comparable net income for 2025. This result allows to maintain both, dividend continuity and also the strengthening of retained earnings.

Return on equity before taxes (before any appropriation of net income) will increase by around 3% or up to 0.4% percentage points, respectively and will be 1 percentage point above the target range. This is primarily attributable to a slight increase in net income before taxes. We expect for the Common Equity Tier 1 capital ratio a value at the upper end of the target range of 11.5% to 14.0%. The cost-income ratio is expected to be slightly below the target range. The loan-to-deposit ratio will be, as expected, markedly below the set upper limit of one.

SEPARATE NON-FINANCIAL REPORT

The Implementation Act for the Corporate Sustainability Reporting Directive, which would have exempted NATIONAL-BANK from the requirement to prepare a separate non-financial report due to its workforce of fewer than 1,000 employees, was not passed by the German Bundestag in 2025. Sustainability reporting is therefore made on the basis of existing law as a separate non-financial report. The reporting follows the framework of the German Sustainability Code, supplemented by disclosures and performance indicators in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative. The Bank publishes the separate non-financial report at www.national-bank.de.

For taxonomy reporting, the opt-out option is exercised for the reporting year. No activities are reported in connection with economic activities that are considered environmentally sustainable within the meaning of Articles 3 and 9 of Regulation (EU) 2020/852 (Taxonomy Regulation).

Three-year overview

Balance sheet figures in € million	12/31/2023	12/31/2024	12/31/2025	Change 2024 / 2025
Receivables from customers	4,015.2	3,824.7	3,900.9	2.0 %
Guarantees	109.4	94.0	78.3	-16.7%
Customer deposits	5,271.2	5,327.7	5,543.4	4.0%
Receivables from banks	1,896.0	2,114.9	2,230.6	5.5%
Deposits from banks	481.1	441.7	408.7	-7.5%
Bonds and debt securities	347.6	383.5	360.9	-5.9%
Shares and other variable yield securities	19.1	19.9	20.4	2.5%
Equity (excluding subordinated loans)	436.6	463.0	492.8	6.4%
Subordinated loans (excluding accrued/deferred interest)	50.0	50.0	50.0	0.0%
Total assets	6,390.0	6,451.3	6,635.6	2.9%
Business volume	6,499.4	6,545.3	6,713.9	2.6%

Income statement in € million	12/31/2023	12/31/2024	12/31/2025	Change 2024 / 2025
Gross income	**204.5**	**214.1**	**197.9**	**-7.6%**
Net interest income	156.0	154.6	138.4	-10.5%
Net commission income	47.3	57.7	56.7	-1.7%
Other income and expenses	1.2	1.8	2.8	55.6%
General administrative expenses	**112.6**	**133.8**	**120.6**	**-9.9%**
Personnel expenses	60.2	67.7	67.7	0.0%
Operating expenses	49.4	62.5	49.7	-20.5%
Depreciation on tangible assets	3.0	3.6	3.1	-13.9%
Risk provision	**15.2**	**16.0**	**21.7**	**35.6%**
Operating results	**76.7**	**64.3**	**55.6**	**-13.5%**
Net income for the fiscal year	**19.4**	**21.3**	**23.4**	**10.0 %**

Key ratios	12/31/2023	12/31/2024	12/31/2025	Change 2024 / 2025
Total capital ratio according to CRR Article 92	15.3%	17.1%	15.3%	-1.8%-points
Tier 1 capital ratio according to CRR Article 92	12.8%	14.4%	13.0%	-1.3%-points
Dividend	€0.90	€0.90	€1.00	11.1%
Dividend Yield	2.73%	2.69%	286%	0.17%-points
Earnings per share [1]	€3.18	€2.65	€2.66	0.4%

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

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