Creating true value.

# Norddeutsche Landesbank Girozentrale

Hanover, Braunschweig, Magdeburg

# Annual Report 2021

# NORD/LB at a Glance

| Income Statement | 1 Jan. - 31 Dec. 2021 (in € million) | 1 Jan. - 31 Dec. 2020[2] (in € million) | Change (in %) |
|---|---|---|---|
| Net interest income | 816 | 1 286 | – 37 |
| Net commission income | 52 | – 38 | > 100 |
| Profit/loss from fair value measurement | 200 | 195 | 3 |
| Risk provisioning | 18 | – 426 | > 100 |
| Disposal profit/loss from financial instruments not [1] measured at fair value through profit or loss | – 21 | – 36 | – 42 |
| Profit/loss from hedge accounting | – 40 | 66 | > 100 |
| Profit/loss from shares in companies | 21 | – 13 | > 100 |
| Profit/loss from investments accounted for using the equity method | – 17 | – 11 | 55 |
| Administrative expenses | – 917 | – 934 | – 2 |
| Other operating profit/loss | – 14 | – 29 | – 52 |
| **Earnings before reorganisation, restructuring and taxes** | **98** | **60** | **63** |
| Profit/loss from restructuring and transformation | – 82 | – 87 | – 6 |
| **Earnings before taxes** | **16** | **– 27** | **> 100** |
| Income taxes | 3 | 40 | – 93 |
| **Consolidated profit** | **19** | **13** | **46** |

| Key figures | 1 Jan. - 31 Dec. 2021 (in %) | 1 Jan. - 31 Dec. 2020[2] (in %) | Change (in %) |
|---|---|---|---|
| Cost-Income-Ratio (CIR) | 94.0% | 65.2% | 44 |
| Return-on-Equity (RoE) | 0.2% | -0.4% | > 100 |

| Balance sheet figures | 31 Dec.2021 (in € million) | 31 Dec.2020[2] (in € million) | Change (in %) |
|---|---|---|---|
| Total assets | 114 663 | 126 176 | – 9 |
| Financial liabilities at amortised costs | 95 284 | 103 383 | – 8 |
| Financial assets at amortised costs | 84 596 | 90 745 | – 7 |
| Equity | 5 828 | 5 723 | 2 |

| Regulatory key figures | 31 Dec.2021 | 31 Dec.2020[2] | Change (in %) |
|---|---|---|---|
| Common equity tier 1 capital (in € million) | 5 831 | 5 763 | 1 |
| Tier 1 capital (in € million) | 5 881 | 5 813 | 1 |
| Tier 2 capital (in € million) | 1 598 | 1 784 | – 10 |
| Own funds (in € million) | 7 479 | 7 597 | – 2 |
| Total risk exposure amount (in € million) | 37 609 | 39 791 | – 5 |
| Common equity tier 1 capital ratio (in %) | 15.50% | 14.48% | 7 |
| Total capital ratio (in %) | 19.89% | 19.09% | 4 |
| Leverage Ratio (transitional) | 5.19% | 4.29% | 21 |

[1] The sale of financial assets measured at amortised cost produced a gain of € 3 million (€ 4 million) and losses of € -11 million (€ -13 million).
[2] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

Minor discrepancies may arise in this report in the calculation of totals and percentages due to rounding.

**Jörg Frischholz**

Chairman of the Managing Board of NORD/LB, Hanover

# Introduction by the Chairman of the Managing Board

Ladies and Gentlemen,

NORD/LB's development in recent years has been strongly characterized by its transformation. Legacy assets and risks have been consistently reduced, and total assets and administrative costs have been significantly lowered. The restructuring of our bank is proceeding according to plan, in many places even faster and more comprehensively than envisaged in the plan.

All these successes now give us scope for new business and growth opportunities. We want to grow in particular where NORD/LB has its strengths. This applies above all to project financing, commercial real estate financing and corporate customer business. In all three business segments, there is a very clear focus on the issue of sustainability.

This is most evident in the financing of renewable energy projects. Back in the early 1990s, when climate protection was not yet high on society's agenda, NORD/LB carried out its first wind farm financings in the North German lowlands. Since then, it has steadily developed and is now one of the leading international banks in this field. In the real estate financing segment, it is primarily the Green Bond with which NORD/LB gives investors the opportunity to invest in sustainable assets. In the corporate customer segment, we focus in particular on supporting and advising our customers towards more sustainable business models. In this way, the bank contributes in many places to achieving global climate protection goals.

On behalf of the entire Executive Board team, I would like to thank our customers for their good cooperation. My thanks also go to our owners for their trust in NORD/LB. And it also goes to our employees, who once again contributed to the bank's success last year with a great deal of passion and commitment.

Kind regards,

**Jörg Frischholz**

Chairman oft he Managing Board of NORD/LB Norddeutsche Landesbank

# Managing Board of NORD/LB

Photo: from left to right

**Christoph Schulz**
Chairman of the Managing Board of the Braunschweigische Landessparkasse (BLSK)
Private and Commercial Customers (NORD/LB), Savings Bank Network Customers, Deutsche Hypo and Relationship Amsterdam. Private and Commercial Customers at BLSK, Corporate Customers at BLSK, BLSK Retail Controlling and BLSK Relationship

**Ingrid Spletter-Weiß**
Corporate Customers, Treasury, Markets plus Sachsen-Anhalt Investment Bank and Sachsen-Anhalt Relationship

**Jörg Frischholz**
Chairman of the Managing Board
Corporate Development, Legal Department and Office of the Managing Board, Group Organisation/HR, Auditing, Structured Finance, Aviation Finance & Investment Solutions and UK Relationsships with the London Branch

**Olof Seidel**
Business Management & Operations, Credit Services Retail, Bank Management and Finances, Group-IT, Compliance/Group Security, NORD/LB 2024 Programme and Relationships with the Asian Branches in Singapore and Shanghai

**Christoph Dieng**
Credit Risk Management, Special Credit and Portfolio Optimization, Risk Controlling, Research/Economics, Mecklenburg-Vorpommern Landesförderinstitut, Relationsships in Mecklenburg-Vorpommern and US Relationships with New York Branch

## Gender-sensitive language

NORD/LB is committed to diversity and tolerance. This should also be expressed in the language we use. Where possible, we therefore do not use the generic masculine, where other genders are “meant”. Instead, we prefer to use neutral wording or double mentions. If this was not possible in certain places, we would like to point out that the corresponding wording explicitly covers all genders.

# Combined Management Report

## Introductory notes

The Management report of Norddeutsche Landesbank Girozentrale (public law institution) hereinafter referred to as: NORD/LB or Bank) and the NORD/LB Group have been combined in accordance with Section 315 (5) HGB in conjunction with Section 298 (2) HGB to improve clarity. NORD/LB's annual financial statements and consolidated financial statements (including the combined management report) are submitted together to the operator of the Federal Gazette and published in the Federal Gazette. NORD/LB's annual and consolidated financial statements are also available online at www.nordlb.de. The following statements in the combined management report generally relate to the NORD/LB Group. Significant deviations to the Bank are specified and, if necessary, explained. Detailed explanations of the annual financial statements of the individual institution NORD/LB (Bank) can be found at the end of this combined management report.

To improve clarity and transparency, the structure of the combined management report has been slightly adjusted compared with the previous year. In the process, the "Risk management" section from the "Group fundamentals" section was moved to the "Extended risk report" section of the forecast, opportunity and risk report. In addition, the plan/actual comparison for the most significant financial performance indicators was included as a separate section – "Group financial performance indicators" – in the report on the financial position and financial performance in order to avoid duplication in the explanations.

It should be noted that the amounts and percentages stated in the combined management report are rounded values, so that differences may arise due to commercial rounding.

## Reference to non-financial report pursuant to Section 315b HGB

With the entry into force of the “Act to strengthen the non-financial reporting of companies in their management and group management reports” (CSR Directive Implementation Act), the NORD/LB Group is obliged to report on environmental, employee and social concerns as well as on measures to combat corruption and bribery and the observance of human rights if these are essential for understanding the course of business and the effects of its own company activities. To comply with this requirement, the NORD/LB Group reports within the framework of a “Separate combined non-financial report of the NORD/LB Group and NORD/LB for the financial year from 1 January to 31 December 2021” published outside this Group management report in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB) Section 315b (1) and (3) and Section 315c in conjunction with Section 289b (3).

The “Separate combined non-financial report of the NORD/LB Group and NORD/LB for the financial year from 1 January to 31 December 2021” is published in accordance with Section 315b (3) sentence 1 No. 2a) HGB in the electronic Federal Gazette and additionally on the Internet at:

https://www.nordlb.de/die-nordlb/investor-relations/berichte/2021

NORD/LB also reports on its other social, environmental and social activities in its Group Sustainability Report. The Group Sustainability Report has been prepared in accordance with the current requirements and specifications of the Global Reporting Initiative (GRI) and also contains a progress report on the commitment to the ten principles of the UN Global Compact (UNCG).

# The Group – Basic Information

## Business Model

Norddeutsche Landesbank Girozentrale (NORD/LB) is a public-law institution with legal capacity based in Germany. The Bank is owned by the holding companies for the Federal State of Lower Saxony, the Federal State of Saxony-Anhalt, the Savings Banks Association of Lower Saxony (hereinafter abbreviated as: SVN), the Holding Association of the Savings Banks of Saxony-Anhalt, the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania, and the Savings Banks Finance Group's security system with two trust companies FIDES Gamma GmbH and FIDES Delta GmbH.

The share capital amounted to about € 3,083 million, 56.76 per cent of which is held by Lower Saxony, 6.42 per cent by Saxony-Anhalt, 9.16 per cent by SVN, 1.83 per cent by the Holding Association of the Savings Banks of Saxony-Anhalt, 1.27 per cent by the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania, 12.27 per cent by FIDES Gamma GmbH and 12.27 per cent by FIDES Delta GmbH.

NORD/LB is a commercial bank, Landesbank (federal state bank) and central bank for the savings banks based in Hanover, Braunschweig and Magdeburg and operates beyond this core region with domestic branches in Bremen, Düsseldorf, Hamburg, Munich, Oldenburg and Schwerin. The offices in the key international financial and trading centres of New York and Singapore play a significant role in NORD/LB's foreign business activities. Another foreign branch is maintained in London. In light of the ongoing NORD/LB 2024 transformation programme, a request was made to the Chinese supervisory authorities to close the Shanghai branch, which is currently due to take place on 30 September 2022. As legally dependent business units, the offices pursue the same business model as NORD/LB. In addition, the Bank maintains real estate offices under the "Deutsche Hypo – NORD/LB Real Estate Finance" brand in London, Amsterdam, Paris, Warsaw and Madrid.

As the Landesbank, NORD/LB supports its executing agencies in Lower Saxony and Saxony-Anhalt in the procurement of its financial transactions. The Bank also handles promotional business on behalf of the federal states through the Investitionsbank Sachsen-Anhalt, Magdeburg (an institution within NORD/LB) and through the Landesförderinstitut Mecklenburg-Vorpommern, Schwerin (a business segment of NORD/LB).

NORD/LB acts as a central savings bank in Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania. It also offers all services for savings banks in other German federal states such as Schleswig-Holstein.

In its role as a commercial bank with a primary business policy focused on its home region, NORD/LB offers its private, corporate and institutional customers and the public sector a wide range of financial services. This takes place in the area of competing interests between regional anchoring, personal customer contact and their activity in the global markets.

Within the NORD/LB Group, NORD/LB acts as the parent company, which manages all business activity in line with the strategic targets. The Group includes the subsidiary NORD/LB Luxembourg S.A. Covered Bond Bank, Luxembourg, (hereinafter referred to as: NORD/LB Luxembourg) and other consolidated companies. Please refer to the information in Note (9) Basis of Consolidation and Note (79) Equity Holdings in the Group Notes. In addition, the Bank holds equity investments in non-consolidated companies, which can also be found in the aforementioned information on shareholdings in the notes. The previous subsidiary Deutsche Hypothekenbank (Actien-Gesellschaft) (Deutsche Hypo) was merged with NORD/LB on 1 July 2021 with legal effect to 1 January 2021.

NORD/LB's business model and its strategic business areas reflect its functions as a parent company, Landesbank (federal state bank), central savings bank and commercial bank. These can be broken down as follows:

- Private and Commercial Customers & Savings Bank Network Division
- Corporate customers
- Markets
- Special financing (energy & infrastructure customers and aviation finance & investment solutions (AFIS))
- Real estate customers (formerly Deutsche Hypo)

The aforementioned strategic business areas are supported by the units with an overall bank management function such as Treasury and Special Credit & Portfolio Optimization (SCPO). Detailed explanations of the business areas can be found in Note (23) Segment reporting by business segment in the Notes to the consolidated financial statements.

## Outline of the Control System

The control systems used for the 2021 financial year are described below. The NORD/LB Group's integrated control system offers a comprehensive overview of the Group's profitability, equity, risk, liquidity and asset quality. The central aim is to optimise the Bank's profitability while simultaneously ensuring adequate capital and liquidity. The focus of the integrated management system is on standardised and integrated management reporting during the year that includes both deviation analyses and extrapolations as at the end of each quarter and year, with utilisation of early warning and restructuring thresholds. Internal reporting processes also include an integrated control and restructuring cockpit.

Another key control tool is the annual strategy and planning process, which includes the following key steps: Until the start of the strategy and planning process, the Executive Board adopts target values for the Group and the individual segments, which form the targets for the subsequent planning of the following year (including medium-term planning). As part of the parallel strategy process, the strategic objectives and the resulting (operational) measures for achieving targets are consistently developed based on the planning.

At Group level, the Common Equity Tier 1 ratio is one of the most important indicators of performance. The leverage ratio and the absolute variables required to calculate these key figures are also included in the control system. The primary objective is to ensure permanent adherence to the defined internal objectives and all regulatory requirements.

| | |
|---|---|
| Common equity tier 1 capital ratio | Common equity tier 1 capital as per CRR/total risk amount |
| Leverage Ratio | Tier 1 capital/leverage exposure |

Profitability management is based on a multi-step contribution margin analysis at Group segment and Group company level. The key figures that are applied consistently in order to assess profitability are: earnings before taxes, the cost-income ratio (CIR) and return on equity (RoE) and, at the segment level, return on risk-adjusted capital (RoRaC). These key figures continue to represent the most significant financial performance indicators for assessing the performance of the Group and its segments:

| | |
|---|---|
| Earnings before taxes | As shown in the income statement |
| Cost-Income-Ratio (CIR) | Administrative expenses / Total earnings<br><br>Total earnings = Net interest income + Net commission income+ Profit/loss from<br>financial assets at fair value + Disposal profit/loss from financial assets that are not measured at fair value through profit or loss + Profit/loss from hedge accounting + Profit/loss from investments accounted for using the equity method + Other operating profit/loss |
| Return on risk- adjusted capital at segment level (RoRaC) | Earnings before taxes / committed capital |
| Return-on-Equity (RoE) | Earnings before taxes / Long-term equity under commercial law<br><br>Long-term equity under commercial law<br>= reported equity - OCI - earnings after taxes |

Given the need to provide evidence of adequate capital, the risks incurred are continuously reviewed to ensure that they are covered by the available risk capital at all times. This includes management of risk-bearing capacity, taking account of the utilisation of risk capital by risk potential. The risk-bearing capacity calculation is supplemented with stress tests in order to provide an in-depth analysis.

The overarching goal of liquidity risk management and monitoring is to ensure NORD/LB's payment and funding ability at all times. Liquidity risks are limited on the basis of defined scenarios and the key limits are monitored daily.

A detailed description can be found in the Risk Management section of the extended risk report.

Asset quality is assessed on the basis of the exposure in default as a share of NORD/LB's total exposure (non-performing loan ratio), and also with the help of the risk ratio, in which loan loss provision is compared with the total risk exposure amount plus the shortfall equivalent.

# Economic Report for the Group

## General Economic and Industry-Specific Environment

**Global Economic Environment**

The COVID-19 pandemic was of great importance for the global economy in the 2021 reporting year too. Interim steps towards opening up, supporting economic activity, were followed by a renewed tightening of the measures in the fight against the virus. This resulted in economic growth in various economies fluctuating to a certain degree over the course of the year. Overall, however, clear recovery trends were observed in 2021 after the weak phase in 2020. For example, real gross domestic product in Germany increased by 2.9 per cent compared with the previous year. In the USA, gross domestic product rose by 5.7 percent in 2021 compared with the previous year.

These globally observable economic recovery trends also reached the labour market in many countries at the end of the year. For example, the US unemployment rate fell to 3.9 per cent in December. This brought that country's economy back to a state that can be described as 'full employment'. After pronounced weakness in 2020, when the US unemployment rate briefly peaked at 14.7 per cent, the employment situation improved significantly and in a sustained way. The US economy has since been struggling with staff shortages, leading to increasing wage costs with implications for inflation. In Germany, the use of short-time work during the crisis helped avoid a similarly negative employment situation as seen in the USA. At the same time, there were clear trends towards an improvement in the situation on the labour market. In December 2021, the German employment rate fell to 5.1 per cent.

Globally, both monetary and fiscal policies were used to fight against the economic impact of the COVID-19 pandemic through the implementation of a variety of measures. The European Central Bank and the Federal Reserve, for example, kept key interest rates low and ensured high liquidity on the financial markets with securities purchases. However, the inflationary risks caused partly by supply chain problems are now forcing many central banks to do a rethink. The Bank of England, one of the world's major central banks raised its key interest rates. The first interest rate step in London took place in December 2021. Globally, the macro-economic price environment is heaping ever-increasing pressures on economic politicians responsible for monetary policy decisions. The US Federal Reserve has now also begun to gradually reduce its expansionary stimuli for the North American economy. There are very clear signals pointing towards rising key interest rates there soon. The European Central Bank is even more restrained in this regard. Due to inflation, discussions have also begun on what direction to take in terms of monetary policy in the euro area.

In this environment, regarding the yield on US government bonds with a ten-year residual term, even the 1.70 per cent mark has now shifted into focus in the fourth quarter of 2021. At the end of December 2021, the yield on German government bonds with a ten-year residual term was around -0.20 per cent. At the end of 2021, the US dollar benefited from the prospect of a slightly less expansive monetary policy in Washington. In December, the 1.13 USD per EUR mark moved into focus against the euro. At the end of the year, the German equity index (DAX) fluctuated just below the psychologically important 16,000 point mark. Concerns about globally rising key interest rates are already a negative factor for equities. The EUR/USD basis swap spreads remained relatively tight in all maturities.

Since the reporting date, the military escalation in the Russia-Ukraine conflict has put more pressure on global equity markets. The increased uncertainty has led to rising risk premiums, which have had a negative impact on prices of equities. As part of this movement, for example, the DAX fell below the 14,000 points mark at the end of February 2022.

### Finance Sector

Thanks to regulatory requirements and positive macroeconomic conditions, the European banking market was able to both improve the risk profile and strengthen capitalisation in the years before the global outbreak of the COVID-19 pandemic, which banks are now benefiting from during coronavirus times. Banks are also benefiting from the continued willingness to provide support from the EU, governments, central banks and supervisory authorities, which have not, so far, had the negative effects on the loan portfolios (NPL ratio) that were initially expected. At the start of the COVID-19 pandemic, the European banking systems made high loan loss provisions in order to be able to cover subsequent pandemic-related defaults. In addition, the capital buffers were strengthened by a restrictive dividend policy in accordance with the requirements of the European Central Bank.

The figures for 2021 showed a declining trend in risk provisions and a partial reversal of existing loan loss provisions, which had a positive effect on the earnings situation overall. Nevertheless, profitability continues to be burdened on by persistently low interest rates as a result of the European Central Bank's expansive monetary policy, which makes it difficult for the banking market to generate income from traditional interest-related operations and maturity transformation. Banks are compensating for the decline in interest margins mainly by expanding their business volume.

### Real Estate

In 2021 as a whole, the global transaction volumes increased compared with the same period in the previous year by around $ 800 billion to around $ 1,200 billion. The transaction volume in the EMEA economic area (Europe, Middle East, Africa) rose slightly in the same period compared to 2020 to around € 350 billion (cf. https://www.deka-institutionell.de/themen/maerkte-analyse/zuversicht-an-den-bueromaerkten/, accessed on 11 February 2022). In the German investment market, the transaction volume in 2021 as a whole rose by around 40 per cent compared with the previous year to around € 111 billion. The residential investment market recorded a transaction volume of around € 49 billion and thus a significant increase of about 145 per cent compared with the same period last year. This was due to the takeovers of Deutsche Wohnen by Vonovia and Akelius by Heimstaden. Excluding the two acquisitions, the total transaction volume in 2021 at around € 84 billion was almost five per cent above the record result from 2019. The office asset class, the second most traded after housing, had a transaction volume of almost € 31 billion. This corresponded to an increase of about eleven per cent compared with the previous year. Furthermore, the market share of national investors in the total transaction volume increased from around 53 per cent to around 68 per cent. Investments in the top seven markets increased by about 78 per cent to around € 65 billion (see CBRE: Real estate investment market Germany Q4 2021, press release dated 6 January 2022).

### Aircraft

According to the calculations of the International Air Transport Association (IATA), global passenger numbers (RPK, revenue passenger kilometres) fell by 58.4 per cent in 2021 compared with 2019 (pre-crisis levels) as a result of the COVID-19 pandemic and the associated travel restrictions. The declines were 75.5 per cent for international traffic and 28.2 per cent for domestic traffic. International markets were significantly more affected due to partially closed borders and travel restrictions. In terms of traffic trends, the regions of Asia-Pacific and the Middle East performed particularly poorly at -66.9 per cent and -69.9 per cent respectively. North and Latin America performed comparatively better with declines of 39.0 per cent and 47.7 per cent respectively (changes compared with 2019 in each case).

By contrast, the number of cargo tonne-kilometres sold (CTK) rose by 6.9 per cent in 2021 compared with 2019.

## Regulatory requirements

### Regulatory Requirements regarding Minimum Capital

According to the current version of the Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR) at Group level, NORD/LB must comply with legally prescribed minimum capital ratios for the supervisory capital ratios (Common Equity Tier 1 capital, Tier 1 capital and own funds) and it must have a capital buffer. The numerator for these minimum ratios is the relevant equity amount and the denominator is the relevant total risk exposure amount according to Art. 92 (3) CRR.

In addition to the statutory minimum capital ratios, the European Central Bank (ECB), as the supervisory authority responsible for NORD/LB, imposes individual minimum capital ratios on NORD/LB at Group level as part of the Supervisory Review and Evaluation Process (SREP). In the reporting period, this requirement applied to the total capital ratio and was 10.5 per cent. This requirement comprises the legal minimum total capital ratio as per the CRR of 8.0 per cent and an additional 2.5 per cent ("Pillar 2 Requirement", or P2R). In addition, as at the reporting date the Bank had to meet a combined capital buffer requirement of around 2.8 per cent, consisting of the statutory capital preservation buffer of 2.5 per cent, an institution-specific countercyclical buffer weighted for all lending of around 0.01 per cent and - because it is a nationally systemically relevant institution - a capital buffer for other systemically important institutions of 0.25 per cent. In total, as at the reporting date there was an individual minimum total capital ratio of around 13.3 per cent.

According to EU Directive 2013/36 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD), the P2R requirement in the reporting period had to be covered up to at least 56.25 per cent for Common Equity Tier 1 capital. In the case of broader Tier 1 capital, the P2R requirement must be covered by at least 75 per cent. On the other hand, the combined capital buffer requirement must be completely covered by Common Equity Tier 1. But in order to mitigate the effects of the COVID-19 pandemic, since 2020 the ECB has allowed the requirements for the capital preservation buffer and the countercyclical capital buffer to be temporarily undercut.

In this respect, as at the reporting date the Bank had to maintain an individual Common Equity Tier 1 ratio of around 8.7 per cent (= statutory minimum ratio according to the CRR of 4.5 per cent + additional requirement of around 1.4 per cent (= 56.25% of 2.5%) + combined capital buffer requirement of around 2.8 per cent).

The following table shows an overview of the NORD/LB Group's minimum supervisory capital requirements on the reporting date:

| (in %) | Common equity tier 1 capital ratio | Tier 1 capital ratio | Total capital ratio |
|---|---|---|---|
| Regulatory requirement (in accordance with Article 92 (1) CRR) | 4.50% | 6.00% | 8.00% |
| Additional requirement according to SREP (P2R in accordance to Article 16 (2) litera a regulation (EU) nr. 1024/2013) | 1.41% | 1.88% | 2.50% |
| Capital conservation buffer (§ 10c KWG) | 2.50% | 2.50% | 2.50% |
| Countercyclical capital buffer (§ 10d KWG) | 0.01% | 0.01% | 0.01% |
| Capital buffer for otherwise system relevance (§ 10g KWG) | 0.25% | 0.25% | 0.25% |
| **Total requirement** | **8.67%** | **10.64%** | **13.26%** |

In addition to the minimum equity ratios, NORD/LB must observe the following other minimum capital ratios:

Under the CRR, a leverage ratio of 3 per cent must be maintained. The leverage ratio is defined as the ratio of Tier 1 capital to leverage ratio exposure (LRE). The LRE reflects the risk-unweighted volume of balance sheet and off-balance sheet transactions on which the total risk exposure amount is based.

Furthermore, the responsible EU authorities also specify a minimum “MREL” ratio for NORD/LB at Group level for the resolution of credit institutions and investment firms (SRB). MREL stands for minimum requirement for own funds and eligible liabilities which banks in the EU are obliged under Directive 2014/59/EU on establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD) to hold as a buffer for losses and recapitalisation for a potential resolution event. In accordance with BRRD, several different combined MREL minimum sizes must be observed in parallel. Specifically, NORD/LB’s SRB stipulated the following minimum MREL ratios in the reporting period: At least 22.59 per cent of the total risk exposure amount or 7.86 per cent of the LRE must be held in the form of own funds and all MREL-eligible liabilities. In addition, at least 22.59 per cent of the total risk exposure amount or 7.27 per cent of the LRE must be covered in the form of own funds and legally, structurally and/or contractually subordinated liabilities.

***Regulatory amendments***

With the MREL minimum quotas stated above, the SRB has methodically adapted its specifications to the valid definitions and regulations in accordance with the BRRD in the reporting period. Up to and including the end of 2020, NORD/LB had still been set a minimum MREL ratio, which compared own funds and MREL-eligible liabilities with the total of own funds and all liabilities.

In addition, changes to the CRR ("CRR II") were mandatory in the reporting period for the first time. Changes to the regulations for calculating the risk weights of derivatives (“SA CCR”) and for measuring the LRE were particularly relevant for NORD/LB.

The new regulations for SA CCR led to a slight increase in the total risk exposure amount considered in the reporting period when seen in isolation. The LRE fell significantly as a result of the application of the changes in accordance with CRR II in the reporting period, receivables within liability associations (in the case of NORD/LB, those within the German Savings Banks Group) and development loans to other credit institutions no longer belong to the LRE.

## Significant events in the financial year

**COVID-19 pandemic**

Following the global spread of COVID-19, NORD/LB has implemented extensive measures since March 2020 to protect its employees and business operations, as part of a project-based structure consisting of a management team, situation team and topic-specific task forces. The Managing Board and the Supervisory Board are regularly informed of the current situation and the status of the measures. This is also done on an ad hoc basis if necessary. During the year under review, the Bank reviewed its precautionary measures on an ongoing basis and, if necessary, adapted them to latest infection situation. NORD/LB has always fully implemented the version of the Occupational Health and Safety Ordinance valid at the current time. In addition, the Bank offered company vaccination programmes for employees in two vaccination campaigns in 2021. Despite the proportion of employees working from home temporarily reaching over 80%, process stability was not significantly impaired at any time.

The economic effects of the COVID-19 pandemic are also being closely monitored on an ongoing basis. In particular, the adequacy of borrower ratings is regularly reviewed. For its on-balance loan loss provisions, NORD/LB continued to utilise the management adjustment (MAC-19) made for the first time in 2020 in order to take into account the uncertainties over how the pandemic will unfold and the resulting potential impact on borrower credit quality. Detailed information on this can be found in Note (2) Impact of the COVID-19 Crisis in the Notes to the consolidated financial statements.

**NORD/LB 2024 transformation programme**

At the end of 2019, NORD/LB agreed the basic principles of a new business model with its owners, the Sparkassen finance group (SFG) and the Banking supervisory authorities. The “NORD/LB 2024” transformation programme was set up at the start of 2020 in order to implement the related targets. Its objective is to implement all planned income and cost measures by the end of 2023.

Due to the ongoing COVID-19 pandemic, the value contribution target associated with the programme was slightly reduced from € 581 million to € 563 million at the end of the design phase. However, NORD/LB already made significant progress in the reporting year, particularly in implementing the planned cost measures. The following key milestones were achieved:

- By the end of the reporting year, the concepts of the planned income and cost measures had been largely completed as planned. The Bank is implementing many measures, some of which have already taken effect in the income statement. This applies in particular to measures on the cost side.
- The legal merger of Deutsche Hypo with NORD/LB was completed with the entry in the commercial register on 1 July 2021. Subsequently, Deutsche Hypo’s data and transactions were fully migrated to NORD/LB’s systems by the end of the reporting year. The integration of Deutsche Hypo and the associated streamlining of the Group structure are expected to generate considerable synergy effects in the future. A major measure of the transformation programme was successfully completed as a result.
- The NORD/LB 2024 transformation programme envisages a significant reduction in full-time positions in the NORD/LB Group. The corresponding measures to reduce staffing levels had already been largely completed in previous years; the affected employees will leave by the end of 2023 at the latest. In the reporting year, the number of employees in the NORD/LB Group fell to 4,426 (4,963), which is reflected in a slight decline in personnel expenses. As the number of employees

decreases and the proportion of people working from home increases in the future, NORD/LB will also continue to adapt its building capacities.

- After the Owners' Meeting decided in December 2020 to design the infrastructure for the "new bank management", implementation of the project began in the first quarter. The new bank management represents the technological and process-related core of the transformation as part of NORD/LB 2024. In the reporting year, the project was focused on providing the infrastructure and implementing technical specifications.

Further expenses for restructuring and reorganisation resulted from the transformation programme in the reporting year.

For the coming year 2022, the focus of the transformation programme will increasingly be on the planned earnings measures. In addition to expanding new business in individual segments, this also involves generating higher commission income. Please refer to the information in the forecast report.

**Winding down of the Ship Loan Portfolio**

As planned, NORD/LB had largely reduced the ship loan portfolio with non-performing loans (NPL) by the end of 2021. Due to favourable market trends, positive earnings effects were realised as part of the reduction. These are reported under the Risk provisioning result, Fair Value measurement result and Other operating result. Please refer to the information in the section on the earnings position.

**Guarantees of the State of Lower Saxony**

As a result of the ongoing reduction in the NPL ship loan portfolio, the "Tower Bridge" guarantee was terminated in accordance with the contract with effect from 30 June 2021. The guarantee granted by the State of Lower Saxony in favour of the Bank in the course of the 2019 support contract secured the net carrying amount of the portfolio with non-performing loans intended for complete reduction. Due to the accelerated winding down of the guarantee portfolio, there does no longer exist any economical hedging effect for the remaining portfolio as the additional revenues achieved in the context of the realisation of collateral significantly exceed the expected losses from future guarantee events to be offset against it. Termination of the guarantee contract was based on a unilateral contractual right of termination in favour of NORD/LB, which is linked to the existence of certain economic conditions and to the consent of the DSGV. The associated lower guarantee fees resulted in a noticeable reduction in commission expenses for the reporting year.

Exposures from the "Maritime Industries" portfolio, which is also hedged via guarantees from the state of Lower Saxony, and which primarily includes performing ship financing that is also currently being reduced, as well as aircraft customers, were likewise reduced as planned as at the reporting date of 31 December 2021 as a result of regular repayments. This also led to a significant reduction in commission expenses due to lower guarantee fees.

For a presentation of the developments in the guarantee portfolios, please refer to Note (4) Development of the Guarantee portfolios as at 31 December 2021 in the Notes to the consolidated financial statements. Note (26) Net commission income in the Notes also provides explanations of the guarantee fees paid in the reporting year.

**Servicing, ending and performance of capital instruments**

As at Group level in accordance with IFRS, NORD/LB also reported positive earnings after taxes (net income for the year) in the reporting period at individual institution level in accordance with the German Commercial Code (HGB). At the same time, there was a significant net accumulated loss in accordance with HGB resulting from loss carryforwards from previous periods as at the reporting date. Positive earnings after taxes and a net accumulated loss in accordance with HGB impacted the servicing and valuation of certain capital instruments held by NORD/LB.

For existing instruments that are permanently eligible as additional Tier 1 capital (AT1) in accordance with the CRR, the servicing from the 2021 result is omitted. This omission results contractually from insufficient available distributable items (ADI). This lack of ADI was mainly caused by the net accumulated loss as at the reporting date in accordance with HGB.

The following effects arose for existing silent partner contributions:

The carrying amounts of all silent partner contributions were reduced as at 31 December 2020 due to a net loss for the year arising in 2020 in accordance with HGB or an existing accumulated loss at the time in accordance with the HGB. In the event of a positive earnings after tax according to HGB, the reduced carrying amounts of the silent partner contributions are contractually increased again in the following period in the amount of this positive earnings after tax in the ratio of the carrying amounts of all silent partner contributions to each other (pari passu), but at most up to the amount of their respective nominal values. The write-up amount resulting from these increases is reported in the income statement as “Replenishment of silent contributions” under the item Net income for the year in the reconciliation to net accumulated loss. Even after the increase, the carrying amounts of silent partner contributions as at the reporting date continue to fall short their respective nominal values. As a result of this and/or from the full use of the positive result after taxes in accordance with HGB for the increases, the contractually agreed interest for the silent partner contributions will not apply for 2021.

In addition to these effects, NORD/LB terminated all silent partner contributions that still existed up to that point in 2020 in accordance with the contract. These terminations also included the silent contributions of three special purpose vehicles ("Fürstenberg Capital Erste to Dritte"), which each refinanced the silent contributions at NORD/LB through the issue of structure-congruent bonds (capital notes). For some of the existing silent partner contributions, the terminations became effective as at the end of the reporting date.

Once contractual servicing of capital instruments recognised as liabilities no longer takes place, these instruments will be valued regularly in accordance with IFRS using an effective interest rate-based valuation of future contractual cash flows. Consequently, all silent partner contributions carried in the balance sheet as debt have been measured in accordance with IFRS as at the reporting date. As a result, the valuation of silent partner contributions recorded as debt under IFRS rose at Group level. In return, the changes in value had a negative impact on the result in accordance with IFRS in the reporting period.

On the one hand, this measurement of silent contributions accounted for as debt in accordance with IFRS was significantly influenced by the expected future change in NORD/LB’s earnings after taxes in accordance with HGB. On the other hand, it played an important role in the valuation that NORD/LB terminated all silent contributions that still existed up until that point in 2020 in accordance with the contract, as described above.

**Regulatory capital ratios, leverage ratio and MREL ratio**

NORD/LB met the minimum regulatory capital ratios at Group level in the reporting period (for details see also Note (68) Regulatory Data in the Notes to the consolidated financial statements). All regulatory capital ratios increased in the reporting period, primarily due to a lower total risk exposure amount (RWA). This decline in the total risk exposure amount resulted in particular from lower RWA from counterparty risks, the annual update of RWA from operational risks and from higher RWA relief effects from an existing securitisation transaction. These developments more than offset the RWA increase described in the "Regulatory Changes" section from the new regulations for calculating the risk weightings of derivatives (SA CCR).

The increase in regulatory equity ratios was also due to an increase in share capital of around € 111 million by the State of Lower Saxony in the reporting period. This capital increase corresponded to the level of fees paid by the Bank from 1 October 2020 to 30 September 2021 for guarantees provided by the State of Lower Saxony since 2019 for credit portfolios of the Bank. Such a procedure for implementing capital increases at the level of previously paid guarantee fees was agreed by all owners as part of the extensive capital measures carried out at the end of 2019.

NORD/LB exceeded the minimum leverage ratio as at the reporting date. In particular, due to the reduction in leverage ratio exposure as a result of the application of the changes pursuant to CRR II described in the "Regulatory Changes" section, the leverage ratio increased further in the reporting period.

Against the background of the methodological conversion of the MREL minimum quotas by the SRB during the reporting year (for details see also section "Regulatory changes"), the changes in the MREL ratios in the reporting period cannot be meaningfully compared with the end of 2020. As at the reporting date, NORD/LB was in solid compliance with all the minimum MREL ratios specified by the SRB. This was supported by the fact that since the merger of the former subsidiary Deutsche Hypo with the parent company NORD/LB AöR, which was completed in the reporting period, the liabilities issued by Deutsche Hypo in the past were considered as MRELs. The background to this is the legal provision that only corresponding liabilities of Group parent companies are recognised as MREL-eligible liabilities at Group level.

**External ratings**

*Fitch ratings*

On 2 February 2021, Fitch published a new report on NORD/LB. There were no changes in ratings. The long-term issuer default rating is "A-", the short-term IDR is "F1" and the derivative counterparty rating is "A(dcr)". NORD/LB's ratings are based on Fitch's assessment of institutional support from the Savings Banks Finance Group and the federal states as owners of NORD/LB. On 5 July 2021, Fitch changed NORD/LB's outlook from "negative" to "stable". On 3 December 2021, Fitch confirmed NORD/LB's ratings.

*DBRS Morningstar*

On 18 March 2021, the rating agency DBRS Morningstar increased the ratings for NORD/LB, including the long-term issuer rating to "A(high)", the senior non-preferred rating to "A" and the short-term issuer rating to "R-1 (middle)". The trend for all ratings was "stable". The ratings and trends were in line with the Savings Banks Finance Group (SFG) and did not affect NORD/LB's financial viability rating (Intrinsic Assessment), which remained at "BBB (low)", and the Support Assessment ("SA1"). On 3 December 2021, the agency confirmed NORD/LB's ratings.

*Moody's Investors Service*

Moody’s granted NORD/LB an “A3 (stable)” and a “P-2” deposit rating, as well as a viability rating (baseline credit assessment (BCA)) of “ba3” and an adjusted BCA of “ba1”. NORD/LB’s ratings reflect its membership of the Savings Banks Finance Group’s bank-related security system as well as state support due to its membership of the Sparkassen finance group. On 8 July 2021, following the integration of Deutsche Hypo into NORD/LB, Moody’s withdrew the Deutsche Hypo ratings.

## Report on the Earnings, Assets and Financial Position

Arrows are used in the following sections to illustrate trends in earnings before taxes, cost/income ratio (CIR), return on risk-adjusted capital at the business level (RoRaC) and return on equity (RoE). The table below shows the meanings of the different arrow directions.

| | |
|---|---|
| → | Change between -5 and +5 percent |
| ↘ | Change between -15 and -5 percent |
| ↗ | Change between +5 and +15 percent |
| ↓ | Change more than -15 percent |
| ↑ | Change more than +15 percent |

In the following text, the previous year's figures for the period from 1 January to 31 December 2020 or as at 31 December 2020 are shown in brackets.

**Earnings position**

NORD/LB's earnings position in the 2021 reporting year was influenced by the valuation of financial liabilities measured at amortised cost, the lower fees for guarantees of the State of Lower Saxony and the reduction in the ship portfolio.

The NORD/LB Group reported **earnings before taxes** of € 16 million for the period under review, which is significantly above the previous year's level and the planned value. The latter is mainly due to the positive result from the fair value measurement.

The income statement figures can be summarised as follows:

| | 1 Jan. - 31 Dec. 2021 (in € million) | 1 Jan. - 31 Dec. 2020[2] (in € million) | Change (in %) |
|---|---|---|---|
| Net interest income | 816 | 1 286 | – 37 |
| Net commission income | 52 | – 38 | > 100 |
| Profit/loss from fair value measurement | 200 | 195 | 3 |
| Risk provisioning | 18 | – 426 | > 100 |
| Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss [1] | – 21 | – 36 | – 42 |
| Profit/loss from hedge accounting | – 40 | 66 | > 100 |
| Profit/loss from shares in companies | 21 | – 13 | > 100 |
| Profit/loss from investments accounted for using the equity method | – 17 | – 11 | 55 |
| Administrative expenses | – 917 | – 934 | – 2 |
| Other operating profit/loss | – 14 | – 29 | – 52 |
| **Earnings before reorganisation, restructuring and taxes** | **98** | **60** | **63** |
| Profit/loss from restructuring and transformation | – 82 | – 87 | – 6 |
| **Earnings before taxes** | **16** | **– 27** | **> 100** |
| Income taxes | 3 | 40 | – 93 |
| **Consolidated profit/loss** | **19** | **13** | **46** |

[1] From the sale of financial assets measured at amortised cost, there were gains of € 3 million (€ 4 million) and losses of € 11 million (€ 13 million).
[2] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

At € 816 million, **net interest income** was € -470 million lower than the previous year (€ 1,286 million). This development was due in particular to the measurement of financial liabilities at amortised cost caused by a change in the estimate of cash flows of € -83 million (€ 297 million). In addition, interest income from financial assets measured at amortised cost fell due to the further reduction in the receivables portfolio and the repayment of the associated refinancing. Declining interest expenses from derivatives in the trading portfolio had a positive effect due to the continuing low interest rate level, which was not fully offset by falling interest income from trading derivatives.

The contribution from interest terms in the lending business was moderately below the previous year. The decline resulted primarily from a lower credit volume, with margins modestly increasing. The persistently low interest levels on money markets continued to put pressure on the margins in the deposit business. Compared with the same period of the previous year, the contribution from interest terms on the liabilities side was correspondingly significantly lower. The noticeably lower earnings resulting from base-rate advantages and interest-rate-related, falling margins and the associated reduced earnings from the business in private and commercial current accounts have reduced the result. In contrast, increased earnings from interest rate and liquidity risk management lead to a maturity transformation performance that was better than in the previous year. **Net Interest income** is significantly below target. Above-target gains/losses from interest rate and liquidity risk management cannot compensate for negative effects from the revaluation of financial liabilities measured at amortised cost and lower income from the lending business as a result of the ongoing reduction in total assets. Interest income from the deposit business is lower than in the pro rata plan because of higher customer deposits on combination with persistent negative margins due to the low interest rate levels.

**Net Commission income** increased significantly year on year by € 90 million to € 52 million (€ -38 million). This was mainly due to virtually unchanged commission income and a significant decrease in commission expenses of € 93 million. This effect resulted in particular from reduced fees for the guarantees of the State of Lower Saxony, which fell to a total of € -84 million (€ -164 million) due to the reduction of the hedged loan portfolio and the early cancellation of the guarantee for the Tower Bridge portfolio. **Net commission income** was below the planned value, mainly due to the subdued new business.

At € 200 million, **profit/loss from fair value measurement** was € 5 million higher than in the previous year (€ 195 million). Trading income in fixed-income securities and loans and advances fell predominantly interest rate-related by € -385 million from € 168 million to € -217 million. The loss was mainly due to an increase in the euro interest rate level compared with the end of 2020. Trading income from interest rate derivatives in the amount of € -126 million (€ -49 million) remained negative and was mainly influenced by the valuation result of interest rate swaps in the amount of € -358 million due to the increased euro interest rate level. The positive measurement effects of € 32 million (€ 128 million) in connection with the guarantees of the state of Lower Saxony were lower than last year mainly due to pull-to-par effects. The positive foreign exchange result of € 23 million (€ 51 million) was mainly influenced by the USD exchange rate. The profit/loss from financial assets at fair value through profit or loss in the amount of € 178 million (€ -41 million) and the profit/loss from financial instruments designated at fair value through profit or loss in the amount of € 271 million (€ -69 million) increased due to the favourable changes in interest rate levels. Sales margins also went up and amounted to € 63 million (€ 55 million). Overall, **the profit/loss from fair value measurement** was significantly more positive than the planned value. Negative, interest-rate-induced effects were easily offset by ship sales and positive valuation effects in the guarantees of the State of Lower Saxony.

The **Risk provisioning result** of € 18 million improved significantly by € 444 million compared with the previous year (€ -426 million). A management adjustment was recognised in 2020 in order to give appropriate consideration to existing uncertainties as a result of the COVID-19 pandemic. This was reduced in the reporting year, resulting in a gain of € 25 million. This line item was also significantly impacted by allocations to loan loss provisions from the Special Financing and Corporate Customers segments. In particular, impairment reversals in connection with the further winding down of the ship portfolio in the Special Credit and Portfolio Optimization segment had a positive impact. Compared with the planned value, there was a significant improvement in the **risk provisioning result** overall due to impairment reversals in the course of the further cross-segment reduction of the loan portfolio.

The **Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss** of € -21 million (€ -36 million) was almost exclusively attributable to expenses from the repurchase of issued liabilities in the amount of € -12 million (€ -26 million) and the disposal of receivables in the amount of € -8 million (€ -5 million).

The **Profit/loss from hedge accounting** in the amount of € -40 million (€ -66 million) was mainly due to measurement effects related to interest rates. The result was largely determined by the negative earnings effects of portfolio hedge accounting in the amount of € -32 million (€ 48 million).

The **Profit/loss from shares in companies** amounted to € 21 million (€ -13 million). Compared to the previous year´s period, increased measurement effects from an equity investments were included.

**Profit/loss from investments accounted for using the equity method** in the amount of € -17 million (€ -11 million) was essentially due to a negative result from a participation.

**Administrative expenses** decreased by € 17 million year on year to € -917 million (€ -934 million). This development resulted primarily from a decline in staff expenses, which fell by € 17 million to € -467 million (€ -484 million) as a result of the ongoing staff downsizing in the course of the transformation programme. In contrast, other administrative expenses increased slightly by € -4 million to € -381 million (€ -377 million). This was primarily due to higher IT costs. In contrast, depreciation fell by € 4 million to € -69 million (-€73 million). **Administrative expenses** were significantly lower than planned. The **cost/income ratio (CIR)** increased significantly year on year, primarily due to special effects on the earnings side.

**Other operating profit/loss** of € -14 million (€ -29 million) largely reflected the gains and losses from equity investments, increased expenses in relation to the restructuring fund and, compared with the previous year, lower expenses arising from the Sparkassen deposit guarantee system.

The **Profit/loss from restructuring and transformation** amounted to € -82 million (€ -87 million). In the reporting year, there was a positive restructuring result in the amount of € 9 million (€ -36 million) due to reversals of restructuring provisions. The transformation result for the reporting period was € -91 million (€ -51 million) and resulted primarily from the continued transformation process (NORD/LB 2024 Programme). The **Profit/loss from restructuring and transformation** was noticeably below the planned value.

**Tax income** of € 3 million (€ 40 million) resulted from current tax expenses of € -6 million and offsetting deferred tax income of € 9 million.

| | 1 Jan. - 31. Dec.2021 (in € million) | 1 Jan. - 31. Dec.2020 (in € million) | Change (in %) | Compare planned amount | Accounting variance |
|---|---|---|---|---|---|
| Earnings before taxes | 16 | -27 | > 100 | ↑ | ↑ |
| Cost-Income-Ratio (CIR) | 94.0% | 65.2% | 44 | → | → |
| Return-on-Equity (RoE) | 0.2% | -0.4% | > 100 | ↑ | ↑ |
| Common equity tier 1 capital ratio (in %) [1] | 15.50% | 14.60% | 6 | ↗ | ↑ |
| Leverage Ratio (transitional) [1] | 5.19% | 4.29% | 21 | ↑ | ↑ |

[1] For further explanations on the key figures, please refer to the information in the section “Regulatory equity ratios, leverage ratios and MREL ratios” in the section “Significant events in the financial year” in this management report.

### Assets and financial position

| | 31 Dec. 2021 (in € million) | 31 Dec. 2020[1] (in € million) | Change (in %) |
|---|---|---|---|
| Trading assets | 6 439 | 9 801 | – 34 |
| Financial assets mandatorily at fair value through profit or loss | 959 | 1 353 | – 29 |
| Financial assets at fair value through other comprehensive income | 13 030 | 14 913 | – 13 |
| Financial assets at amortised costs | 84 596 | 90 745 | – 7 |
| Shares in companies | 345 | 322 | 7 |
| Investments accounted for using the equity method | 107 | 127 | – 16 |
| Other assets | 9 187 | 8 915 | 3 |
| **Total assets** | **114 663** | **126 176** | – 9 |
| Trading liabilities | 2 069 | 3 153 | – 34 |
| Financial liabilities designated at fair value through profit or loss | 5 645 | 6 554 | – 14 |
| Financial liabilities at amortised costs | 95 284 | 103 383 | – 8 |
| Provisions | 3 636 | 3 909 | – 7 |
| Other liabilities | 2 149 | 3 402 | – 37 |
| Equity | 5 880 | 5 775 | 2 |
| **Total liabilities** | **114 663** | **126 176** | **– 9** |

[1] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year’s figures.

**Total assets** continued to decline and fell by € -11.5 billion in the reporting period which was due on the one hand to the planned winding down and on the other hand to measurement effects and special items.

At € 84,596 million (€ 90,745 million), **Financial assets at amortised cost** was the largest balance sheet item on the assets side by amount. The principal parts of the traditional credit and lending business are reported here. The winding down of € -6.1 billion is related to the Group’s target balance sheet reduction within the new business model and restrained new business due to the COVID-19 situation. This is evident, among other things, in a decline in loans to customers of € -5.1 billion, particularly in the areas of term deposits, aircraft and ship financing and loans to public-sector customers. In addition, loans and advances to banks fell by € -0.8 billion.

**Trading assets** of € 6,439 million (€ 9,801 million) included € 3,149 million (€ 4,702 million) of derivative financial instruments, the decline of which was in particular attributable to the reduction in positive fair values from interest rate derivatives as a result of the rise in interest rate levels. Positive fair values from currency derivatives fell due to currency and the basis spread-induced effects. Debt securities and receivables held for trading fell from € 5,099 million to € 3,290 million.

**Financial assets mandatorily at fair value through profit or loss** primarily comprise debt securities and receivables. The change from € -394 million to € 959 million was mainly due to the maturity of securities in the amount of € -281 million, the disposal of receivables in the amount of € -89 million and the sale of two investment fund shares in the amount of € -22 million.

**Financial assets at fair value through other comprehensive income** in the amount of € 13,030 million (€ 14,913 million) included securities of € 12,158 million (€ 13,855 million) that are used for short and medium-term liquidity management or that are not generally intended to be held. This decrease of € -1,697 million was primarily caused by the fact that not all maturing securities were replaced. In addition, there was a reduction in receivables in the amount of € -186 million to € 872 million, which was mainly due to a reduction of promissory note loans.

**Other assets** comprise the cash reserve, hedge accounting assets, property and equipment, investment property, intangible assets, assets held for sale, income tax assets and other types of asset.

At € 95,284 million (€ 103,383 million), **Financial liabilities at amortised cost** was the largest balance sheet item on the liabilities side by amount. The reduction is largely due to the decrease in securitised liabilities in the amount of € -3.9 billion and fixed-term deposits in the amount of € -2.3 billion.

**Trading liabilities** of € 2,069 million (€ 3,153 million) mainly included derivative financial instruments with negative fair values of € 2,050 million (€ 3,105 million) . The change in the item was due primarily to the fall in negative fair values from interest rate derivatives resulting from the higher interest rate level. Currency derivatives recorded a slight increase in negative fair values due to exchange rate fluctuations and changed basis spreads.

For **Financial liabilities designated at fair value through profit or loss**, the NORD/LB Group uses the fair value option to reduce or avoid accounting mismatches. The change in the portfolio in the amount of € -909 million resulted in particular from maturities and repayments of own issues, which more than offset the volume of new issues in the entire reporting year. Creditworthiness-induced changes in the valuation of own issues also contributes to the reduction in the portfolio. Market-induced valuation changes had an increasing effect on the portfolio.

The total amount of **Provisions** fell year on year by € -273 million. This was mainly owing to a decrease in provisions for pensions and health care benefit obligations of € -220 million to € 2,985 million (€ 3,205 million) due to the increased actuarial interest rate from 1.2 per cent as at 31 December 2020 to 1.5 per cent as at 31 December 2021. In addition, the restructuring provisions recognised in connection with the transformation process fell by € -52 million to € 462 million (€ 514 million).

The decrease in **Other liabilities** was almost entirely due to lower negative fair values of the hedge accounting derivatives on the liabilities side and the decreased separate line item for portfolio fair value hedges.

**Equity** increased by € 105 million to € 5,880 million. At € 111 million, this increase resulted from an increase in share capital due to the reinvestment of guarantee fees by the State of Lower Saxony. The negative overall result for the period amounted to € -6 million, which was influenced in particular by the change in fair value of securities measured at fair value through other comprehensive income and the remeasurement of pension obligations. Please also refer in this regard to the statement of changes in equity in the consolidated financial statements.

The total of **Contingent liabilities and other obligations** was almost at the previous year's level and amounted to € 12.5 billion as at the reporting date (€ 12.5 billion).

Further information on the Bank's financial position can be found in the cash flow statement of the Consolidated financial statement. For the maturities of existing liabilities, refer to Note (65) Residual term of financial liabilities. Presentations of NORD/LB's liquidity situation and refinancing can also be found in the extended risk report of this management report.

## Description and Development of the Business Segments

NORD/LB's business model and its strategic business areas reflect its functions as a parent company, Landesbank, leading bank of savings banks and commercial bank. The performance of the business areas is illustrated below using the key figures.

**Private and Commercial Customers & Savings Bank Network**

The business area is made up of the Private and Commercial Customers and Savings Banks Network Customers business divisions. It also includes a holding in the public insurance company Braunschweig.

| 31 Dec.2021 (in € million) | Private, Commercial, Savings Banks and Regional Customers | Trend | Development |
|---|---|---|---|
| Earnings before taxes (EBT) | – 14 | ↑ | Income before taxes is negative, but considerably higher than the previous year due to significantly lower risk provisioning (reversals from COVID-19 management adjustments and specific valuation allowances).<br>Net interest income is noticeably below the previous year as a result of lower income from deposit-taking business and net investment income from tied-up equity due to the low-interest phase. In addition, income from lending business was also slightly below the prior-year level.<br>Net fee and commission income increased marginally compared with the previous year, in particular due to the securities business (search for investment alternatives in the low-interest phase).<br>Income from financial instruments at fair value was significantly higher than a year earlier due to positive XVA valuation effects.<br>Initial reversals of the COVID-19 management adjustment in net income from risk provisions led to a significant increase in earnings in the reporting year. In the previous year there were significant additions due to COVID-19.<br>Income from investments accounted for using the equity method includes the investment in Öffentliche Versicherung Braunschweig.<br>Administrative expenses increased significantly due to the internal cost allocation in the segment, with personnel and non-personnel costs at almost the same level as in the previous year.<br>Other operating income/expense is significantly lower than in the previous year. This item is impacted by the recognition of provisions as a result of changes in case law on the AGB amendment mechanism in the reporting year. |
| Cost-Income-Ratio (CIR) | 117.1% | ↑ | The CIR will be significantly higher than in the previous year.<br>The main influencing factors here are the lower earnings and the noticeably higher operating costs. |
| Return-on-Risk-adjusted-Capital (RoRaC) | -2.0% | ↑ | The RoRaC increased significantly compared with the previous year, in particular due to the positive development of earnings before taxes. |

**Corporate Customers**

The Corporate Customers strategic business area comprises the medium-sized and high-end corporate client business of the NORD/LB Group (excluding corporate client business of the Private and Commercial Clients strategic business sector as well as Savings Banks Network Customers), which operates nationwide.

| 31 Dec.2021 (in € million) | Corporate Customers | Trend | Development |
|---|---|---|---|
| Earnings before taxes (EBT) | 142 | ↑ | Earnings before taxes were significantly higher than in the previous year due to lower risk provisioning and lower administrative expenses.<br>Net interest income was down year-on-year as a result of significantly lower income from deposit-taking business due to interest rate levels and considerably lower net investment income from tied-up equity. In addition, income from lending business is marginally below the prior-year level.<br>Net fee and commission income was moderately higher than in the previous year due to an increase in new business.<br>Income from fair value measurement was significantly higher than a year earlier due to XVA measurement effects.<br>Other operating income decreased significantly as a result of the reversal of provisions for processing fees included in the previous year and higher costs for the service provider Kredit Service Nord (KSN).<br>Net income from risk provisioning was considerably higher than in the previous year due to the recognition of the COVID-19 management adjustment in the previous year and an initial reversal in 2021.<br>Administrative expenses decreased significantly year-on-year due to savings in personnel and non-personnel costs and lower internal cost allocations. |
| Cost-Income-Ratio (CIR) | 42.6% | ↘ | The CIR decreased compared to the previous year.<br>Lower costs more than compensate for the decline in earnings. |
| Return-on-Risk-adjusted-Capital (RoRaC) | 10.3% | ↑ | RoRaC is significantly higher than prior year due to significant increase in earnings before taxes. |

**Markets**

The main task of the strategic business area Markets is the trading of capital market products and capital market-related products with institutional customers.

| 31 Dec.2021 (in € million) | Markets | Trend | Development |
|---|---|---|---|
| Earnings before taxes (EBT) | – 14 | ↓ | Earnings before taxes were negative and significantly lower than a year earlier.<br>Earnings are dominated by nonrecurring effects in net trading income and the allowance for losses on loans and advances.<br>Compared with the previous year, net interest income decreased significantly due to lower interest income from securities investments.<br>Slight decrease in net fee and commission income is mainly due to a decline in business activities in Debt Capital Markets.<br>The significant increase in net income from fair value measurement compared with the previous year is based on the absence of last year's high securities valuation losses as a result of the Corona pandemic.<br>However, the current reporting year is burdened by significantly weaker net income from derivatives.<br>Risk provisioning expenses rose sharply due to customers at risk of default in the ABF business area (-€8.7 million).<br>Despite reduced personnel costs, the increase in administrative expenses is based on significantly higher IT material costs. |
| Cost-Income-Ratio (CIR) | 103.4% | ↑ | Significant deterioration in CIR due to lower revenues accompanied by higher administrative expenses. |
| Return-on-Risk-adjusted-Capital (RoRaC) | -3.4% | ↓ | RoRaC runs out significantly below prior-year level due to negative earnings. |

**Special Finance**

The Specialised Finance Customers business area comprises the sub-segments Energy and Infrastructure Customers and Aviation Finance & Investment Solutions.

| 31 Dec.2021 (in € million) | Special finance | Trend | Development |
|---|---|---|---|
| Earnings before taxes (EBT) | 2 | ↑ | Earnings before taxes increased significantly year-on-year.<br>Net interest expense was lower year-on-year, due in particular to declining asset portfolios and margins as well as weaker net investment income from tied-up equity.<br>Net fee and commission income increased significantly due to a higher volume of new business in the Energy & Infrastructure subsegment and lower expenses for the guarantee provided by the State of Lower Saxony.<br>Net income from financial instruments at fair value through profit or loss fell sharply due to the valuation of the Land Lower Saxony guarantee. Valuation effects and increased margin income from derivatives had a positive impact.<br>Net income from risk provisions remained at a high level due to COVID-19-related additions in the aircraft financing subsegment, but was significantly higher overall than in the previous year.<br>Other operating income increased significantly due to non-recurring proceeds from the sale of an aircraft.<br>Administrative expenses were marginally below the previous year's level due to lower internal cost allocations. |
| Cost-Income-Ratio (CIR) | 61.7% | ↗ | CIR rises moderately due to somewhat sharper drop in revenues with only slight decrease in administrative expenses. |
| Return-on-Risk-adjusted-Capital (RoRaC) | 0.2% | ↑ | The RoRaC develops clearly positively due to a significant increase in earnings before taxes and a simultaneous sharp reduction in capital employed as a result of inventory reductions. |

**Real Estate Customers**

With its market-established Deutsche Hypothekenbank brand, NORD/LB understands real estate financing to be financing that generates its cash flow primarily from real estate and for customers who regularly make significant real estate investments.

| 31 Dec.2021 (in € million) | Real Estate Banking Customers | Trend | Development |
|---|---|---|---|
| Earnings before taxes (EBT) | 102 | ↑ | After the previous year, which was dominated by COVID-19, the composition of earnings before taxes is returning to normal. Compared with the previous year, there was a clearly positive leap in earnings.<br>Net interest income was higher than in the previous year, partly due to the successful launch of a new business campaign supported by the participation of the former Deutsche Hypothekenbank in the tender (TLTRO-III).<br>In absolute terms, net fee and commission income is of minor relevance to earnings, as the majority of commission income is reported as an interest-like fee component under interest income.<br>A COVID-19 management adjustment already recognized in the previous year was additionally increased due to the ongoing economic restrictions resulting from the pandemic. Nevertheless, the real estate segment did not yet show any materialization of the COVID-19 pandemic in the reporting year. Compared with the previous year, therefore, there was a sharp reduction in net income from risk provisioning.<br>Other operating profit/loss is of immaterial relevance to the segment's earnings. |
| Cost-Income-Ratio (CIR) | 35.1% | → | The previous year's administrative expenses are only comparable to a limited extent due to the integration of Deutsche Hypothekenbank.<br>Moderate increases in administrative expenses were offset by increases in income, so that the CIR remains unchanged. |
| Return-on-Risk-adjusted-Capital (RoRaC) | 12.1% | ↑ | The strong year-on-year recovery in RoRaC results from the return to a good earnings level. |

**Special Credit & Portfolio Optimization**

The Special Credit & Portfolio Optimization (SCPO) business area was created in 2020 from the previous Special Credit Management (SKM) division and the internal Strategic Portfolio Optimization (SPO) reduction unit and focuses on the reduction of non-strategic portfolios for the previous SPO division in accordance with NORD/LB's strategic realignment.

| 31 Dec.2021 (in € million) | SCPO | Trend | Development |
|---|---|---|---|
| Earnings before taxes (EBT) | 330 | ↑ | Earnings before taxes increased significantly year-on-year due to the active use of market opportunities and the scheduled reduction of NPL ship financing.<br>Net interest income was significantly higher than in the previous year due to the absence of interest reversals in the course of the NPL reduction.<br>Net fee and commission income was significantly higher than in the previous year due to lower expenses for the guarantee provided by the State of Lower Saxony.<br>The successful reduction of the NPL portfolio resulted in significantly positive valuation effects (€227 million) in net income from financial instruments at fair value through profit or loss.<br>Net income from risk provisions was impacted by the reduction of the ship portfolio and associated reversals (€94 million) and was significantly higher than a year earlier.<br>Other operating income plays only a minor role in the segment.<br>General administrative expenses were significantly higher than a year earlier due to increased internal cost allocations. |
| Cost-Income-Ratio (CIR) | 14.0% | ↑ | The CIR increased significantly due to the good result from ship sales. An additional contribution to the improvement was made by the decline in guarantee fees. |
| Return-on-Risk-adjusted-Capital (RoRaC) | 144.1% | ↑ | The RoRaC was also positively influenced by the sales successes in the reporting year. |

**Treasury / Consolidation / Others**

This business area covers all other performance indicators directly related to business activity.

| 31 Dec.2021 (in € million) | Treasury/ Consolidation/ Others | Trend | Development |
|---|---|---|---|
| Earnings before taxes (EBT) | – 324 | ↓ | Net interest expense decreased significantly, mainly due to the negative effect of €(83) million (€297 million) from the remeasurement of financial liabilities measured at amortized cost as a result of a change in the estimate of cash flows.<br>Net fee and commission income, which improved significantly but remained negative, developed positively due to lower fees for securitization transactions.<br>The significantly lower fair value result cannot offset positive earnings contributions from the sharp fall in foreign exchange income and negative valuation effects in particular from pension hedge swaps.<br>The significantly lower net income from hedge accounting is mainly due to interest rate-related valuation effects.<br>Income from investments in affiliated companies was significantly higher than a year earlier due to the earnings contribution from other investments.<br>Administrative expenses were significantly lower than in the previous year due to declining personnel and non-personnel expenses as a result of ongoing staff reductions and lower legal costs. By contrast, IT and consulting costs increased. |

## Overall assessment

NORD/LB can look back on satisfactory business performance in 2021. Despite continued uncertainties as a result of the COVID-19 pandemic, the Bank reported a positive earnings before taxes for the reporting period, which was higher than in the previous year. NORD/LB's earnings position in the 2021 reporting year was affected by the winding down of ship loan portfolio, lower fees for State of Lower Saxony guarantees and the measurement of financial liabilities at amortised cost.

A major focus of the Bank in the reporting year was the implementation of the measures from the NORD/LB 2024 transformation programme. Significant progress has been made in this regard, particularly on the cost side, which is evident, among other things, in the successful integration of Deutsche Hypo and a renewed decline in the Group's average number of employees in 2021 by more than 500 compared to the previous year. The positive effects are already being felt in the Bank's result.

The planned reduction in total assets has been progressing as planned. In the year under review, total assets fell by around € 11.5 billion year on year to under € 115 billion, which was due, among other things, to the almost complete reduction of the NPL ship loan portfolio and a significant decline in inventories of non-performing ship financing. In addition, however, the COVID-19 pandemic also manifested itself in subdued new business in the reporting year. The Bank factored in the uncertainties that persisted due to the pandemic by once again making use of the management adjustment (MAC-19) it also made in the previous year.

At the same time, the risk indicators for NORD/LB's loan portfolio continue to show positive development despite the COVID-19 pandemic. Also as a result of the described reduction in the NPL ship loan portfolio, the Bank's impaired exposure is significantly reduced compared to the previous year. The share of NPL holdings in the total exposure decreased as of the reporting date from around 1.3 per cent at the end of 2020 to around 0.9 per cent. In addition, a very high proportion of 82 per cent of the total credit exposure can still be assigned to the best rating class (very good to good). According to the Bank's assessment, this also indicates the high quality of NORD/LB's loan portfolio.

On the liabilities side, the reduction in total assets was particularly evident in the decline in securitised liabilities and fixed-term deposits taken. At just over € 95 billion, financial liabilities measured at amortized cost nevertheless remain the largest balance sheet item on the liabilities side. NORD/LB's liquidity position was very comfortable throughout the reporting period.

Overall, from the perspective of the Managing Board, it should be noted that the Bank has already made great progress in the first significant steps of the ongoing transformation. These partly involve reducing risks and costs. In the future, the Bank's focus will be on earnings growth. Please refer to the presentations in the Bank's forecast report.

## Supplementary report

There were no events of significant importance that occurred after the end of the reporting period, that were not recognised in the income statement or in the balance sheet and that have impact on the presentation of a true and fair view of the course of business, the business result, the situation and the expected development of the Group.

# Forecast, Opportunities and Risk Report

## General Economic Development

**Global economic outlook**

NORD/LB believes that the currently observable recovery in global economic activity should continue in 2022. However, due to the strength of the global upturn observable in 2021 as a whole, which is of course also to be seen as a direct consequence of the previous weakness ("rebound effect"), there is likely to be a noticeable slowdown in growth dynamics in many countries. NORD/LB expects real gross domestic product to increase by 2.5 per cent in Germany. Higher growth of more than three per cent is likely to be seen in the USA. The expected gradual reduction in supply chain problems should help global economic growth in the future – and then also dampen the inflation risks again.

However, the assessment of the further development of the global economy is still made more difficult by a particularly high level of general uncertainty. Downside risks for NORD/LB's base scenario could arise in particular from the COVID-19 pandemic, geopolitical events and possible negative surprises in supply chain problems. The escalation in the Russia-Ukraine conflict in particular, of course, is not only causing great uncertainty in international financial markets, but also putting a lasting strain on the global economy. In this context, please refer, for example, to the Western sanctions, the Russian countermeasures and the higher energy prices.

The major global central banks will respond to the current inflation environment with key interest rate hikes and a fundamental tightening of monetary policy. The Bank of England has already forged ahead, and the US Federal Reserve will quickly follow the example of the central bank in London. Discussions have now also begun at the European Central Bank. However, the central bank in Frankfurt is set to become a straggler with regard to this point. The bond market is now largely pricing in a tighter monetary policy in many currency areas. The same applies to the foreign exchange market. In view of the exchange rate between the euro and the US dollar, we expect a swing in the baseline scenario around the USD 1.15 per EUR mark in 12 months.

**Finance sector**

Coping with the consequences of the coronavirus pandemic remains one of the major challenges of the European banking market. After earnings were mainly affected to the same extent to which the risk provision expenses increased in 2020, initial catch-up effects could already be seen in 2021. The support measures from the EU, the nation states and central banks as well as the supervisory authorities have so far prevented a general increase in NPL ratios. However, there may be an increase in NPLs in individual segments that are very heavily affected by the pandemic when these support measures are terminated/expired. The crisis has a further strengthening effect on the existing consolidation drivers (cost/earnings pressure, and high competition) and will therefore further increase the pressure on the banking market to consolidate. In addition, it is anticipated that banks will continue to focus on their core business areas. This includes, among other things, the sale of non-strategic assets/equity investments as well as the expansion of their core business areas, some of which is also supported by strategic acquisitions.

In addition, political risks (e.g. dealing with EU-critical governments and Ukraine's conflict with Russia) pose uncertainty for banks.

The advancing digitalisation and increasing competition due to the additional market entry of fintechs or companies from outside the industry are forcing banks to invest heavily, which is also further increasing cost pressures.

### Real estate

The EMEA transaction volume should increase by up to five per cent in 2022 compared with the previous year (see CBRE Research: Market Outlook 2022, EMEA Real Estate). The German investment market is also heading towards a new, very good investment year. A transaction volume of at least € 80 billion is expected for 2022 as a whole. The drivers of the German real estate investment market will be strong economic growth, the further revival of the labour market and the continued low capital market interest rates (see CBRE: Real estate investment market Germany Q4 2021, press release dated 6 January 2022).

### Aircraft

IATA expects global passenger transport (RPK) to increase by 51.0 per cent in 2022 compared with the previous year. As a result, passenger traffic in 2022 will be 39.2 per cent lower than in 2019. For 2022, the IATA is anticipating a loss of USD 11.6 billion for international airlines' net income (2021: USD -51.8 billion). This would correspond to a net margin of around -1.8 per cent (2021: -11.0 per cent). For 2022, IATA is forecasting an increase of 4.9 per cent compared with the previous year for the requested air freight volume (CTK) (see IATA, Industry Statistics Fact Sheet, October 2021).

Cost pressures have increased significantly due to the sharp rise in oil prices. IATA has forecast an average oil price of USD 67 for 2022. We consider a revision of this forecast and significantly higher losses in the current year to be likely. In addition, it is not yet possible to foresee what impact the Russia-Ukraine conflict will have on demand.

## Group Forecast with Opportunities and Risk Report

### Key planning assumptions

The information provided in the forecast report is mainly based on a state of knowledge prior to the start of the Russia-Ukraine conflict. Even if NORD/LB is currently only directly immaterially affected by the effects of this conflict, it cannot be ruled out that indirect effects can also have a material impact on the future performance of the business. Irrespective of this, the conflict leads to a significantly increased uncertainty regarding the forecast of the future performance of the business.

NORD/LB's Group-wide medium-term planning is based on the premises and requirements agreed with the owners of NORD/LB and the European Commission in 2019. As part of the current Group planning, which was adopted by the Bank's committees at the end of 2021, the planning scenario was updated until 2026, taking into account the changed economic forecasts. The transformation process started in 2020 to resize and realign the NORD/LB Group will continue. In this context, the focus is gradually shifting to the implementation of earnings measures.

The binding premise for the planning process is the medium-term economic forecast of NORD/LB Research, which outlines the changes in the economy, interest rates, exchange rates, price increase rates and financial markets. The global economy is currently in the recovery phase, although the future performance of the economy is largely dependent on the successes of containing the COVID-19 pandemic as well as the continued development of the Russia-Ukraine conflict. The risks to the global economic outlook remain significantly higher, particularly due to the uncertain course of the pandemic as well as geopolitical uncertainties. Due to progress in the economic recovery, a gradual consolidation of public finances is likely in the baseline scenario from 2022 onwards, but this is likely to be largely cyclical. Slightly higher interest rates are expected for 2022 than in 2021. Overall, the forecast for 2022 is expected to show robust economic growth.

The forecast of the total risk exposure amount, regulatory equity, regulatory capital ratios and other relevant capital ratios such as the leverage ratio and the various MREL ratios of the NORD/LB Group for 2022 takes into account the relevant legal requirements derived from EU Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR), including transitional regulations, and EU Directive No. 59/2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD), as well as other binding individual requirements of the banking supervisory authorities or resolution authorities for the provision of regulatory capital or MREL-eligible capital.

**2022 planning for the NORD/LB Group**

The 2022 planning is characterised by a moderate increase in income compared with the previous year. The main drivers for this will be the expansion of new business in selected market units and the generation of new sources of income, which were initiated as part of the transformation project. Although income from the reduction portfolios are eliminated from a planning perspective, the elimination of larger one-off effects results in a smoothing of profits.

In the economic environment characterised by uncertainties, significantly higher loss allowances are not ruled out compared with the reporting year. However, this is to be counteracted by making use of the management adjustment (MAC-19) established in 2020.

Administrative expenses are expected to be slightly below the previous year's level in the 2022 plan. Moderately declining personnel and material costs are offset by significantly higher expenses for depreciation on capitalised investments.

For the measures in the context of the realignment and resizing of NORD/LB, a slightly higher expense is planned in 2022 compared with the previous year resulting from the restructuring and transformation.

Overall, the NORD/LB Group is expected to achieve a positive earnings before taxes in the 2022 plan, which is significantly higher than in the previous year. The CIR is expected to improve significantly due to rising income and slightly falling administrative expenses, while the RoE is expected to remain at a low level despite a slight increase. In the 2022 plan, the Common Equity Tier 1 capital ratio (CET1 ratio) will decline slightly compared with 2021 due to the moderate increase in the total risk exposure amount. This also applies to the leverage ratio, taking into account an expected slight increase in total assets.

In anticipation of a recovery in new business volume and the implementation of earnings measures, the NORD/LB Group is expected to see a slight increase in total assets and the total risk exposure amount compared with the previous year.

In accordance with the forecast, the regulatory requirements and binding requirements of the Banking supervisory or resolution authorities with regard to the provision of regulatory capital and MREL-eligible capital will be met in full in 2022. A key component of regulatory capital is Common Equity Tier 1 capital as defined by CRR. Above all due to an increasing total risk exposure amount, the Bank expects the Common Equity Tier 1 ratio to fall slightly in 2022, but still to remain above all statutory requirements and other individual banking supervision requirements.

The corporate customers, markets, special financing and real estate customers market segments will have a significant influence on expected business growth in 2022. In terms of the central management metrics, the following segments differ significantly from the performance of the Bank as a whole in 2022:

In the Retail and Commercial Customers segment and the Savings Banks Network, consisting of the two subsegments Retail and Commercial Customers as well as Savings Banks Network Customers, a significant reduction in earnings before taxes is expected in 2022 compared with 2021, among other things. The key influencing factors for this are a higher net risk expenditure compared with 2021 (in 2021, the risk provisioning result was positively influenced by reversals of the MAC19 adjustment) and, additionally, slightly increasing administrative expenses. The latter result in particular from material expenses and are influenced by an expansion of the IT platform costs. Due to the risk provisions and administrative expenses with only slightly improved earnings, the CIR in the segment is expected to deteriorate marginally in 2022, and the RoRaC is expected to fall significantly due to the lower operating result with slightly reduced tied-up capital.

In the Special Credit & Portfolio Optimization (SCPO) segment, in which the Bank's reduction portfolios are bundled, a significant decline in earnings to roughly the level of 2020 is expected for 2022. The past financial year was characterised by positive special items as part of the successful reduction of NPL ship financing. The segment continues to be strongly influenced by expenses for the state guarantee for the high-performance ship portfolio, which weighed on the otherwise balanced operating result. However, the ongoing reduction of the underlying portfolio will reduce these effects in the future. Against the backdrop of a negative segment result, the CIR and RoRaC indicators also deviated significantly negatively from the overall bank performance.

**Exogenous opportunities and risks**

**Economic factors**
Uncertain global economic developments such as the COVID-19 pandemic, geopolitical tensions such as the Russia-Ukraine conflict and the unpredictability of market disruptions due to political or economic developments may lead in 2022 to deviations from the planning premises of the economic forecast with respect to yield curves, exchange rate forecasts, inflation and the economic situation with corresponding risks or even opportunities for the earnings of NORD/LB.

In particular, the Russia-Ukraine conflict and its direct and indirect effects are associated with increased uncertainty, which makes it significantly more difficult to forecast future business performance.

**Regulatory environment**
Despite taking into account all known regulatory requirements, including the expected changes from 2025 due to the implementation of Basel IV regulations in EU law, known and expected requirements from the resolution authorities as well as charges from bank levies and expenses for deposit guarantee schemes, possible new regulatory requirements or reliefs entail risks, but possibly also opportunities, for the regulatory capital ratios, the leverage ratio and subsequently also for NORD/LB's MREL ratios and earnings position.

**Competition**
Challenges are arising from the emergence of new competitors (fintechs) and cooperation between existing competitors and fintechs in established markets resulting in increased competitive pressure. Competitors from the institutional environment (such as pension funds) are also increasingly offering customers alternative financing options and thus increasing the pressure on the NORD/LB Group's future volume, margin and commission growth. Institutional investors have the opportunity to invest in the Group's loan portfolio and thus benefit from the strength in its main asset classes. There are also opportunities for the NORD/LB Group from the withdrawal of competitors from the market and the expansion of its own good market position in established areas with correspondingly positive effects on earnings before taxes.

**Company-specific opportunities and risks**

**NORD/LB 2024 transformation programme**
General opportunities but also risks are present at the implementation of NORD/LB's redimensioning process, although this will not be completed properly until 2024. This process aims to wind down the portfolios in selected areas of business, reduce the number of staff and, as a result, simplify the structure of the Group

and processes. On the other hand, there is a risk that the restructuring expenses proposed for the redimensioning process will prove to be insufficient. If the defined income and cost measures are not implemented as planned, this could lead to operational risks and pressure on the NORD/LB Group's profitability and KPIs.

**Impact of the COVID-19 Pandemic and the Russia-Ukraine conflict**
Risk provisioning planning due to the uncertain future direction of the COVID-19 pandemic and new business expectations generally offer opportunities in the event of a faster recovery than expected from an economic perspective, but also entail risks that place a greater burden on NORD/LB's earnings before taxes in the event of longer-lasting pandemic-related economic restrictions. The economic effects of the Russia-Ukraine conflict are also not foreseeable at this time and may pose further risks.

In addition to the general company-specific opportunities and risks, NORD/LB sees the following **segment-specific opportunities and risks**, which may have an impact on all key performance indicators of the NORD/LB Group:

Opportunities and risks for the **Retail and Commercial Customers** sub-segment are arising from the advancing digitalisation, which is leading to a profound change in banking. The resulting change in customer behaviour is resulting in opportunities and risks for the current size of the market share and for the acquisition of new customers. In the 2024 Braunschweigische Landessparkasse project, specific sales measures were identified in various modules to increase income and reduce costs. These are being implemented with a corresponding positive or negative impact on the segment result. In the real estate sector of private and business customers, the expansion of digital brokerage platforms offers a number of opportunities, including cooperation with LBS and brokerage of real estate financing. A risk is arising as a result of the shortage of land. In the Retail and Commercial Customers sub-segment, the intended redimensioning of NORD/LB's business model is presenting the challenge of maintaining the existing market position and a significant contribution to earnings with a reduced customer base.

For the **Savings Banks Network Customers** sub-segment, the central giro function for network savings banks forms the basis of the business relationship with the savings banks in the network region and the savings banks in Schleswig-Holstein. The redimensioning of NORD/LB's business model can also be felt here. The Bank plans to continue focusing on a regional entry into the network customer business beyond the central giro office function. Under the current circumstances, the product range is being adapted with regard to the profitability and requirements of the sub-areas of savings banks, corporate and municipal customers with the aim of continuing to achieve a significant earnings contribution.

With its focus on medium-sized and high-end **corporate customers** and its focus on selected sectors, NORD/LB has a broad and granular customer portfolio that is to be expanded further in the future. Based on the product portfolio and the focus on customer-specific structured credit products, further earnings potential can be tapped into while optimising the use of equity capital. These include, among other things, the arrangement and structuring of financing and acquisition financing, capital market-related financing, derivatives as well as products for the management of working capital and balance sheet structure optimisation. In addition to the continuation of competitive and margin pressures, the further course of the pandemic remains a factor of uncertainty. Pandemic-related supply chain disruptions with resulting bottlenecks in raw materials and primary products as well as rising energy prices will continue to weigh on the economy for some time to come. Potential setbacks in the fight against the pandemic, for example due to new variants of the virus, could destroy forecast growth forecasts for the economy. New business is expected to continue to have a good risk structure. The management adjustment (MAC-19) is available for any COVID-19 effects. Risk provisions are expected to return to normal levels in the future.

The **Markets** segment is being systematically developed into a platform manager. The existing asset-backed finance activities will be developed into a fully digital platform with full integration of all functions with a focus on customer experiences and feedback/customer acquisition. The expansion of debt capital markets activities into a customer platform, bond AI and the systematic integration of third-party products (corporate bonds) as well as positioning the company as a sustainable product provider (e.g. through green bonds and other capital market products) should broaden or expand both the product range and the client relationships, exploit earnings potential and gain market shares of this sales market. Markets sees the digital transformation in the competitive environment as an opportunity to deepened existing customer relationships and exploit additional earnings potential within the framework of a digital roadmap through the use of technological solutions and the targeted use of personnel to further develop existing products.

Further challenges are arising from changes in the market environment (change in customer behaviour due to increasing transparency due to digitalisation and concentration of competition, change in communication channels, orientation towards standardisation and reduction in complexity), characterised by margin erosion, persistently low interest rates, sometimes negative interest rates and a flat interest rate curve. In addition, regulatory issues affecting customer business, such as increased capital adequacy, also have an impact on the segment. Furthermore, there is a risk that there will be delays in the planned business initiatives.

The **Structured Finance** segment consists of the two sub-segments Energy and Infrastructure Customers and Aircraft Customers.

In the **Energy and Infrastructure Customers** sub-segment, opportunities are seen by exploiting NORD/LB’s many years of expertise, good market position and deepening of customer relationships, as well as the increasing global and politically driven trend for ESG-compatible energy and infrastructure projects. On this basis, there is also the opportunity for further diversification by tapping into related sectors, in particular digital infrastructure and battery storage technology, and regions complying to the risk strategy of the business area. Furthermore, the involvement of institutional investors is being further strengthened, among other things, by the development of new products, in order to improve NORD/LB’s competitive position and drive forward credit syndication activities in the interest of investors. The main future market-driven challenges lie in increasing competition in a constantly evolving market environment, particularly in the area of renewable energies. In particular, this also includes the constantly changing framework conditions for the remuneration and realisation of renewable energy projects and the resulting consequences for the financing structures.

For the **Aircraft Customers** business area, the continued use of suitable vaccines against the virus and corresponding variants following the negative effects of the COVID-19 pandemic on the aviation industry offers the opportunity for a continued and sustainable market recovery in the aviation sector. This expectation also creates potential for the aviation industry to become more attractive again, which applies to both the capital market and new entrants. Newly emerging financing platforms could increase the competitive pressure in the industry. At the same time, this trend opens up the opportunity for NORD/LB to shape larger exposures, also in the interest of investors, by placing individual assets or portfolio transactions with institutional investors who will not in the future have their own access to the market and by launching structured products (including special funds), and in so doing actively manage the portfolio. The specialist teams for aircraft financing based in Hanover, New York and Singapore enable comprehensive and widespread support to be given to target customers and investors in the regions of Europe/Middle East, North/South America and Asia/Pacific, resulting in additional business opportunities. Even if there is an increasing decoupling between the pandemic and travel behaviour, the possible spread of further virus variants generally entails the risk of increasing international travel restrictions again and thus a negative market development in passenger air traffic. Such a development entails profit risks for the Bank. Here, only air freight would benefit from the pandemic - as before. There is a risk in the aviation industry that newly introduced or further developed aircraft models may exert pressure on the residual values of existing models with older technical equipment. At the same time, new aircraft models do not always achieve the necessary market penetration to be regarded as a suitable asset for property-secured financing, and on the other, technical defects can prevent rapid success on market launch. New sustainability requirements offer opportunities to develop innovations in drive technologies (e.g. hydrogen technology). This trend opens up new financing options and at the same time the prospect of making travel and the aviation industry more attractive in the industry. However, research into market-ready development is still in its early stages and the effects are only expected in the medium to long term.

In the **Real Estate Customers** segment, the NORD/LB Group sees opportunities in the fact that demand for commercial real estate remains high due to a lack of investment alternatives and that the real estate target markets therefore continue to be robust, meaning that there will also be good business opportunities in the future. The Bank has a diversified financing portfolio with regard to its target markets and property classes. As a result of the ongoing COVID-19 pandemic, there were some severe restrictions in economic activity with previously unpredictable consequences for the economic environment. If the effects of the COVID-19 pandemic are reflected in sustained economic and capital market pressures beyond current expectations, this could negatively impact real estate markets with vacancies and depreciation in commercial real estate and a declining demand for credit. The same applies to an unexpectedly significant rise in interest rates. This could lead to increasing risk provisioning expenses, particularly for hotel financing or the financing of specific retail uses. In addition, there is a risk of new business volume in the commercial real estate financing business falling below the forecast, as well as a corresponding decrease of the loan portfolio.

The earnings trend in the internal reduction unit, the **Special Credit and Portfolio Optimization** segment, is characterised by further portfolio reductions. Successful sales activities in NPL ship financing and future market fluctuations could favour the reversal of risk provisions and thus have a positive influence on earnings. Potential negative effects on earnings due to new risk provisioning requirements are largely limited by state guarantees for the ships. Outside the NPL ship financing, the reduction is mainly carried out as part of the regular repayment process. Favourable economic growth can lead to the use of market opportunities and premature returns and accelerate the reduction, with a corresponding positive impact on earnings. In contrast, exacerbated crisis conditions may lead to increased risk provisioning measures for customers who have until now performed well.

**Overall statement on the forecast report**

The transformation path to redimensioning and realigning the NORD/LB Group, which was started in 2020, will continue to be systematically pursued in 2022 as well. The focus will be increasingly on the implementation of the various earnings measures. The company forecast for 2022 is for a moderate increase in income, a further slight decline in administrative expenses and a significant increase in loss allowances compared with the risk result which largely comprised net releases in the 2021 reporting year. Overall, earnings before taxes are expected to be significantly higher.

Risks and opportunities for earnings will arise from uncertain global economic developments, above all in relation to the COVID-19 pandemic but also in relation to geopolitical tensions such as the Russia-Ukraine conflict. The latter will lead to elevated uncertainty in particular. Market developments, yield curves, exchange rates, inflation and economic trends could materialise very differently to what was forecast in the corporate planning used for the company's forecast. In addition to regulatory or competition-induced earnings uncertainties, there are also company-specific opportunities and risks, especially with regard to the implementation of the transformation programme.

## Extended risk report

**Risk management**

The extended risk report was prepared on the basis of IFRS 7 and took into account the requirements of the specifying “German Accounting Standard” DRS 20.

Parts of NORD/LB’s qualitative risk reporting in accordance with the Capital Requirements Regulation (CRR) are integrated into the risk report if they supplement the requirements under commercial law.

Risk reporting includes all companies in the scope of consolidation in accordance with IFRS 10, which also includes special purpose entities (SPEs) that are subject to mandatory consolidation. Consideration of the materiality principle leads to a different scope of application. The group of main companies is determined in an investment analysis, which is described in the section Equity Investment Risk. The main companies are included in the risk reporting using a look-through method at individual risk type level. As a result, risk reporting at NORD/LB is based on the individual risks of the material Group companies. This includes the parent company NORD/LB AöR and the subsidiary NORD/LB Luxembourg S.A. Covered Bond Bank (abbreviated: NORD/LB Luxembourg) and, until 30 June 2021, Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover (abbreviated: Deutsche Hypo). As of 1 July 2021, Deutsche Hypo was legally merged and fully integrated into NORD/LB AöR.

With regard to the total portfolio of financial instruments in the Group, the above-mentioned three companies accounted for more than 95 per cent. From the Group’s overall perspective, all other companies only make a negligible contribution to the individual risks. The risks contained in these other companies are treated as investment risks and, if necessary, additionally explained in a separate report as part of the equity investment risk.

The determination of the material Group companies takes into account both the companies consolidated in accordance with IFRS and the companies from the regulatory scope of consolidation.

Taking into account the Basel “Principles for Effective Aggregation of Risk Data and Risk Reporting” (BCBS 239), risk reporting is carried out in accordance with the management approach, i.e. internal and external risk reporting is based on the same terms, methods and data.

***General risk management***

*Basic principles*

A credit institution’s business activities involve consciously taking risks. Efficient risk management in the sense of risk and return-oriented equity allocation is therefore a central component of modern bank management and is of great importance to NORD/LB. Risk management is primarily designed to manage risks. Internal risk reporting is used to inform NORD/LB decision-makers about the risks taken by the Group in order to manage and monitor the risks and to be able to react in a timely and appropriate manner. External risk reporting also focuses on compliance with legal regulations.

NORD/LB defines risk from a business perspective as the possibility of direct or indirect financial losses due to unexpected negative deviations in the actual results from the forecast results of business activity.

NORD/LB carries out a multi-stage process at least once a year or as required to derive a risk inventory in accordance with legal requirements. The risk inventory reflects the risk types relevant to NORD/LB. In addition, there is a further differentiation between material and non-material risks. In this context, all relevant types of risk that could significantly affect NORD/LB’s net assets (including capital resources), earnings position, liquidity position or achievement of strategic objectives are material.

Due to NORD/LB's positioning as a credit bank, counterparty risks represent significant risks. Counterparty risks are divided into credit risks and investment risks; credit risk is also divided into traditional credit risk and counterparty risk of trading.

Market price risks are also very important as an overarching category for interest rate risks, credit spread risks, currency risks, share price risks and volatility risks. Other significant risk types are liquidity risk, operational risk and business and strategic risk. Reputational risk, pension risk and real estate risk are also considered relevant. All material types of risk are managed by NORD/LB's risk management system.

Pursuant to Section 25a KWG in conjunction with the minimum requirements for risk management (MaRisk), a proper business organisation includes, among other things, the definition of strategies on the basis of procedures for determining and ensuring risk-bearing capacity (RTF), which include both the risks and the capital available to cover them.

NORD/LB Luxembourg is subject to the corresponding regulations of the Luxembourg Financial Supervisory Authority Commission de Surveillance du Secteur Financier (CSSF), which must be complied with accordingly.

As part of NORD/LB's existing risk management, the Managing Board members of NORD/LB AöR and Deutsche Hypo decided on 30 June 2013 to notify Deutsche Hypo of the use of the waiver regulation in accordance with Section 2a (1) in the version of the KWG valid at that time. In this context, the initial prerequisite was the control and profit and loss transfer agreement concluded for an indefinite period between Deutsche Hypo and NORD/LB AöR. In December 2020, the Owners' Meeting resolved to fully integrate Deutsche Hypo into NORD/LB AöR. With the legal merger on 1 July 2021, the waiver regulation became invalid

In 2017, the European Central Bank (ECB) approved NORD/LB's application for a capital waiver for parent companies (parent waiver) in accordance with Section 2a (1) and (2) KWG in conjunction with Art. 7 (3) CRR.

*Strategies*

Handling risks responsibly is the top priority of NORD/LB's business policy. The formulated Group risk strategy forms the risk strategy framework and is superordinate to the risk strategies of NORD/LB companies. The document contains both NORD/LB's risk strategy and the individual bank-related specifics of the main companies identified as part of the risk inventory.

The individual bank strategies of the material companies are integrated into the risk strategy for NORD/LB. The risk strategies of the main companies are defined in accordance with the business model, business strategy and risk strategy requirements of NORD/LB and reviewed at least annually or on an event-driven basis.

In NORD/LB's risk strategy, the individual risk types of the business areas are defined via a business area risk-type matrix as well as the associated risk sub-strategies and the requirements with regard to the allocation of risk capital. Accordingly, the risk strategy defines the willingness to take risks and how to deal with the main types of risk in order to implement the business model. The risk appetite is determined on the basis of the risk inventory of the individual institutions at Group level, taking into account the risk-bearing capacity.

The requirements in accordance with MaRisk and the ECB guidelines were implemented in a Group-wide risk-bearing capacity model of NORD/LB for determining and assessing risk-bearing capacity. At the same time, it integrates the operational procedure for managing and limiting the material risks as an overall bank inflation instrument. In conjunction with the defined escalation procedures, the risk-bearing capacity model supports the ongoing assurance that the capital resources in the context of the Bank's Risk Appetite

Framework are appropriate. In accordance with paragraph 39 of the ECB Guidelines on the Internal Capital Adequacy Assessment Process (ICAAP), the risk-bearing capacity model is based on the going concern premise. The continuation principle is ensured, among other things, by excluding AT1 (Additional Tier 1, additional Tier 1 capital) and T2 (Tier 2 capital, supplementary capital) capital from the economic risk cover capital. The normative perspective is managed with the aim of complying with all internal and external capital requirements over a time horizon of three years. Economic risk potentials are incorporated into this objective by projecting the P2R (Pillar 2 Requirement) requirement.

The operational management and limitation of risks classified as material is based on a quantitative limit system (or additional thresholds for monitoring the business risk based on selected P&L items). The internal requirements of the risk strategy regarding risk capacity and risk appetite are regularly operationalised and monitored within RTF reporting in the form of traffic light signals.

Operational risk management is carried out decentrally in the main NORD/LB companies. The main companies of NORD/LB have a organisational and operational structure as well as a variety of instruments that ensure sufficient transparency about the risk situation and make it possible to manage and monitor the required limitation and portfolio diversification.

*Structure and organisation*

The Managing Board of NORD/LB AöR is responsible for NORD/LB's risk management. The Managing Board of NORD/LB AÖR decides on the Group risk strategy and then discusses it with the Supervisory Board of NORD/LB AöR. In the reporting year, the Group risk strategy was reviewed and adjusted on a regular basis.

The responsible Chief Risk Officer (CRO) of NORD/LB is responsible for defining and monitoring the Group risk strategy in consultation with the market departments. At individual institution level, responsibility lies with the respective CRO.

NORD/LB AöR's Risk Controlling is responsible for the implementation and further development of the Group-wide ICAAP and Internal Liquidity Adequacy Assessment Process (ILAAP) and for the ongoing monitoring of compliance with the Group risk strategy, including the specifics of the individual institutions.

To ensure the greatest possible comparability with regard to the assessment, reporting, management and monitoring of all material risks, the instruments and methods used for this purpose are coordinated with the material institutions.

Further committees are also involved in NORD/LB's risk management.

- **Group Risk Committee:** The Group Risk Committee (GRC) is chaired by NORD/LB's Chief Risk Officer (CRO). Management is responsible for the credit risk management Direct Report (Direct Report generally corresponds to the Head of Division). The permanent voting-entitled members are the CRO and the Chief Operating Officer (COO) of NORD/LB as well as the Direct Reports Risk Controlling, Credit Risk Management, Special Credit and Portfolio Optimisation (SCPO), the Market Heads of NORD/LB and the CROs of the subsidiaries Deutsche Hypo (until 30 June 2021) and NORD/LB Luxembourg. Depending on the occasion, the group of participants is expanded in particular to include representatives of relevant market areas as voting members in the GRC. At the invitation of the Chairperson, additional guests can be invited to the GRC meetings based on the topic. NORD/LB's Research/Economics and Compliance/Group Security Direct Reports take part in the entire GRC meeting as guests. Guests have no voting rights.

  To support the Managing Board in its responsibility for risk management with a focus on the holistic consideration of risk types, the GRC develops, among other things, recommendations for action for the Board of Management in order to keep the business model in line with the portfolio risk and makes decisions on the operational reduction of concentration risks. Within the framework of the overarching requirements set by the Managing Board, the GRC may decide on individual strategies for individual groups of connected customers, countries and industries within the strategic limit systems. The GRC also regularly reports on the activities of the US Risk Committee (USRC), which monitors the risk management of the New York branch. The Chief Risk Officer of NORD/LB is responsible for chairing the USRC meetings.

- **ALCO:** The ALCO (Asset Liability Committee) is an advisory body for the Managing Boards of the NORD/LB Group with regard to:
  a) optimising the risk/return profile of the credit and financial markets portfolios with regard to credit, market price and liquidity risks;
  b) discussions, higher-level management and setting guidelines for key performance indicators (e.g. income, RWA, total assets, new business and funding, market price risks from pension commitments);
  c) the market positioning in financial markets portfolios (banking book).

As part of its task, the ALCO generally follows the economic approach, strictly taking into account regulatory requirements and internal restrictions (e.g. VaR limits, sector and country limits). The Chief Financial Officer of NORD/LB AöR is responsible for chairing the ALCO meetings. The Managing Director of ALCO acts as the prevention representative in ALCO. The members of ALCO are appointed individually. Resolutions are passed by a simple majority decision. Each Managing Board or DBE has one vote. To prevent conflicts with regulatory requirements (e.g. MaRisk) amongst other things, representatives from the Risk Department are not entitled to vote on proposals for the specific orientation of market positioning in the Treasury portfolios.

The ALCO decides on portfolio orientation taking into account the planned targets, risk assessment, portfolio optimisation aspects and restrictions as well as the current market trends. In addition, the ALCO develops recommendations for action for the Executive Board's portfolios (e.g. equity investment and pension commitments). Management measures are implemented in the portfolios on the basis of recommendations for action and consistent resolutions in the respective Group companies.

In addition, the ALCO has selected bank management tasks. Among other things, recommendations for the target interest rate sensitivity under IFRS for hedge accounting and target levels for selected balance sheet structural figures are defined (e.g. MREL).

In addition, implications for the strategy and further business development are discussed and highlighted. The ALCO monitors the development of RWAs and, if necessary, decides on an RWA (re)allocation between the Group institutions or individual DBEs and on the allocation of total assets budgets. As long as there is the freedom to limit market price or liquidity risks in one or more Group companies, the ALCO can flexibly redistribute the operating limits between the institutions. The unit issuing the limit must be included in the discussion. The maximum limits resulting from the risk strategies of the individual institutions and the maximum limit at Group level must be taken into account as ancillary conditions. If a recommendation is made for a loan portfolio transaction, this is submitted to the Executive Board for approval within the scope of line manager responsibility and, if necessary, to the GRC for information.

- **Risk Management Method Board:** This committee develops and adopts standards for key risk controlling methods and reports at NORD/LB level. Members are the respective heads of the specialist departments of NORD/LB and the subsidiary NORD/LB Luxembourg.
- **Other advisory bodies:** The Managing Board is supported by a number of other committees, each of which acts in an advisory capacity in specific specialist areas. These include: the Risk Round Table (handling of questions on operational risks, governance and compliance topics) and the IRBA Committee

(IRBA-C). IRBA-C is a committee appointed by the management that deals with the performance, validation and further development of the IRBA rating procedures. Founded at the beginning of 2021, the Sustainability Board regularly exchanges ideas on current sustainability topics across specialist units.

NORD/LB's risk management structure and organisation aims, among other things, to meet the requirements of the Single Supervisory Mechanism (SSM), the relevant EBA and ECB guidelines and MaRisk. The risk management process is continuously reviewed and further developed. Any adjustments include organisational measures, changes to risk quantification procedures and the ongoing updating of relevant parameters.

The risk-oriented and process-independent audit of the adequacy and effectiveness of risk management is carried out by the internal auditors of the individual NORD/LB institutions. As an instrument of the Managing Board, Internal Audit is an independent component of the internal monitoring system. One of its overarching objectives is to increase and protect the value of the Bank and the Group by, in particular, proactively, objectively and in a risk-oriented manner examining the risks that are important for the Bank and the Group and proactively initiating, monitoring and supporting change as well as effectively mitigating the risks. The internal audit departments of the individual institutions have defined their objectives, tasks, functions and instruments in separate audit policies. Group Auditing operates in addition to the NORD/LB Luxembourg subsidiary's internal audit function. The focus is on auditing the topics of Group-wide risk strategy, Group-wide risk-bearing capacity and ICAAP, Group-wide management of counterparty, market price, liquidity and operational risks, Group reporting and the functionality of internal auditing for significant equity investments. The objectives, tasks, functions and instruments of Group Auditing are defined in the Group Audit Policy.

The handling of new products, new markets, new distribution channels, new services and their variations is regulated within the framework of New Product Processes in NORD/LB's key individual institutions, taking into account the respective framework conditions. Where necessary, coordination takes place between the institutions.

The main objective of these processes for new products is to identify, analyse and assess all potential risks for NORD/LB prior to commencing business. Associated with this is the involvement of all required audit areas as well as documentation of the new business activities, their handling in the overall operational process, the decisions to enter into business and any associated restrictions.

Further statements on the structure and organisation of risk management can be found in the following subsections on structure and organisation for each risk type, in which the structure and process of risk management at NORD/LB are first described in detail. Significant deviations in the subsidiary NORD/LB Luxembourg are subsequently presented separately.

*Reporting*

In the quarterly Finance and Risk Compass, Risk Controlling reports comprehensively to the Managing Board of NORD/LB on the risk situation. The report is also made available to the risk committee of the Supervisory Board. The information is based on the monthly (liquidity and market price risks) or quarterly (operational risks and credit risks) risk-type-specific reporting by Risk Controlling. This individual risk type-specific reporting has replaced the previous reporting about the quarterly report on the risk situation in the reporting year.

***Risk-bearing capacity***

Consistent with the ECB guidelines on ICAAP principle 3, the risk-bearing capacity assessment includes a normative and an economic perspective.

The internal capital available for risk coverage in the economic perspective is based on Common Equity Tier 1 (CET1). In addition, deductible items from economic perspectives are factored in, taking into account the minimum regulatory requirements (hidden charges and dynamisation items, anticipated losses, if necessary). Since 30 September 2021, other risks have also been quantified and integrated into the risk strategy allocation of capital. The 20 per cent of internal capital previously reserved separately from the risk capital for coverage purposes is no longer required.

In addition to the aggregated risk assessment, this comparison also includes monitoring of the risk strategy requirements in the form of limits at the level of risk types, including the reserve for other risks (or thresholds for the mid-year monitoring of the business risk based on selected P&L items). The aim is to assess and ensure the adequacy of the capital base, taking into account different perspectives.

Of the available risk cover capital, around 80 per cent is provided as a limit and represents the risk appetite in the narrower sense. The limitation below the maximum possible limit corresponds to the Bank's focus on a lower-risk profile.

In the risk-bearing capacity model, the core element for monitoring the risk strategy is the regular quantitative comparison of

- capital ratios on the reporting date with the required target capital ratios (normative perspective) and
- the risk potential from risk positions, both those classified as material and others (economic perspective), with the risk cover capital.

| Implementation in RACE | Normative perspective | Economic Perspective |
|---|---|---|
| **Risk potentials** | Measurement according to CRR:<br>- Counterparty risk<br>- Market price risk<br>- Operational risk<br>- CVA risk<br>- Settlement risks<br><br>Note: the liquidity risk is mapped using the Liquidity Coverage Ratio (LCR). | Counterparty risk:<br>Fair Value perspective<br><br>Market price risk:<br>Complete present value measurement including all credit spread risks of tradeable positions<br><br>Liquidity risk:<br>Liquidity progress review over the entire term<br><br>Operational risks:<br>Loss distribution approach |
| **Risk-covering capital** | Differentiated consideration according to CRR:<br>- CET1 capital<br>- core capital<br>- total capital | CET1 capital plus hidden burdens and dynamic modification items |

The interaction between normative and economic perspective required as of the ECB guidelines on ICAAP is implemented at an operational level in the normative perspective via a projection of the P2R requirement (over the planning horizon of medium-term planning). As a result, the normative capital requirement is increased by an additional internal buffer (part of the management buffer).

In line with this objective, both regulatory and economic risk potential are included in the risk-bearing capacity model with their key figures, taking into account a uniform confidence level of 99.9 per cent and a risk horizon of one year. The maximum possible risk potential for each risk type is calculated there, taking into account external and internal restrictions. First, the surpluses between economic and normative risk potentials are determined (risk-by-risk assessment). At the same time, compliance with the regulatory minimum capital requirements is taken into account and compliance with internal risk strategy requirements is ensured. During the optimisation process, the economic risk potential is gradually increased simultatively. This increase induces two feedback effects that act simultaneously during the optimisation process:

| Effects | Feedback effect 1 | Feedback effect 2 |
|---|---|---|
| Characteristic | reduction<br>of the simulated capital ratios | increase<br>of the simulated target capital requirements |
| Description | Rising economic risk potentials induce rising normative risk potentials. As a result, the RWA are rising and the simulated capital ratios are falling. | The rising economic risk potential compared with the rising normative risk potential increases the economic overhang as part of risk by risk assessments. This can lead to an increase in the P2R determined in RACE (Pillar 2 projection). |

The methodological design of the risk-bearing capacity model is binding throughout the Group. Deviations at individual institution level (e.g. in the parameterisation of risk factors) are only possible if no group objectives are endangered and the risk management requirements of the individual institutions have been met. Risk-bearing capacity at Group level must always be ensured and as a top priority.

Risk concentrations are also taken into account when determining risk-bearing capacity. In NORD/LB's understanding, risk concentrations represent accumulations of risk positions that react in the same way when certain developments or a certain event occur. In accordance with the strategic orientation, concentrations within the risk category of credit risk are deliberately entered into as a subcategory of counterparty risks (borrower, country and sector level) and market price risk (credit spread risks and interest rate risks) in the banking book. NORD/LB uses various limit models and stress testing to identify and monitor risk concentrations. Stress test observations are generally carried out across risk types and consequently include assumptions about diversification and concentration within (intra-risk) and between (inter-risk) the material risk types being observed. The operational implementation of the stress tests required by supervisory authorities is carried out at NORD/LB by means of a permanently developed stress test landscape consisting of regular (adverse), event-driven and inverse stress tests. Adverse scenarios 1 to 3 form an integral part of NORD/LB's stress test programme and are reported quarterly as part of risk reporting. They simulate three severity levels up to a severe economic downturn in Adverse 3.

In addition to the Finance and Risk Compass, the Executive Board is informed quarterly of the risks associated with the Pfandbrief business. The report prepared meets the requirements of Section 27 Pfandbriefgesetz (German Pfandbrief Act).

***Counterparty risk***

The credit and equity investment risk is summarised in a consolidated view of counterparty risk. Both types of risk are simulated in a common counterparty risk model.

***Credit risk***

Credit risk is divided into traditional credit risk and counterparty risk of trading. Traditional credit risk refers to the risk that a loss will occur due to the default or deterioration in the creditworthiness of a borrower. Counterparty risk refers to the risk that a loss will occur in trading transactions due to the default or deterioration in the creditworthiness of a debtor or contractual partner. It is divided into default risk in trading, recovery, settlement and issuer risk:

- Default risk in trading refers to the risk that a loss will occur due to a debtor's default or deterioration in creditworthiness. It corresponds to traditional credit risk and relates to money market transactions.
- Replacement risk refers to the risk that the contractual partner will default in a pending transaction with a positive market value and that this transaction will have to be covered again with a loss.

- Settlement risk is divided into advance settlement risk and settlement risk. The advance settlement risk refers to the risk that, in the event of the fulfilment of a transaction after the performance of one's own (advance) service, no return consideration will be provided by the contractual partner or, in the event of mutual offsetting of the services, the compensation payment will not be provided. Settlement risk refers to the risk that transactions cannot be settled by both parties on or after the end of the contractually agreed performance date.
- Issuer risk refers to the risk that a loss will occur due to the default or deterioration in the creditworthiness of an issuer or a reference debtor (credit derivatives).

In addition to the original credit risk, the country risk (transfer risk) also occurs in cross-border transactions. It involves the risk that, despite the ability and willingness of the counterparty to meet the payment claims, a loss may arise due to overriding government obstacles. With regard to counterparty-specific risks, please refer to the presentation in the economic report. Credit risk also includes the wrong-way risk, which results from a positive correlation between the counterparty's probability of default and the risk of the financial instrument concerned.

*Strategy*

For NORD/LB, the lending business and the management of credit risks represent a core competence that is constantly being developed and expanded. The alignment of NORD/LB as a full-service bank results in diversification across various customer groups and products. The content of the credit risk sub-strategy is developed for the respective business areas in accordance with the existing financing principles, the requirements for market presence and taking into account the market conditions and the current loan portfolio structure. The financing principles represent binding guidelines for new business in the credit and capital markets (including ratings of the target addresses) for the responsible market area. The financing principles serve to ensure effective pre-selection with regard to business initiation and do not prejudge the final individual decision. The focus of new business in lending is on contracts with customers or projects with good credit ratings. NORD/LB is also concentrating on business with good addresses in the capital market business.

NORD/LB enters into transactions with customers or counterparties with a poorer credit rating than the one above, taking careful account of the opportunity and risk profiles in conjunction with existing mitigating factors.

NORD/LB's loan portfolio is managed in an opportunity and risk-oriented manner. The aim is to demonstrate competitive profitability and to ensure efficiency and flexibility in terms of the active management of credit risk positions.

NORD/LB mainly focuses regionally on business in Germany. In the foreign lending business, the focus is on developed countries in Europe, North America and Asia. Furthermore, the foreign activities must be related to the Bank's existing business areas and should be promoted to the extent that they serve to improve (regional) portfolio diversification or market penetration at existing foreign locations in the existing business divisions. Opportunistic individual transactions that do not meet the above criteria are permissible as exceptions, but no transaction may be initiated abroad that is detached from the existing core business and existing customer relationship with no regional connection.

The sustainably developed business model offers the Bank every opportunity to offer innovative products and thus to respond to customer needs and to use market opportunities in a risk-conscious manner. The aim continues to be to optimally serve the needs of customers, to continuously improve NORD/LB's risk-adjusted profitability, to decouple earnings growth from RWA growth as far as possible and to ensure the Bank's refinancing and liquidity.

The Bank has an NPL strategy that includes a defined and conceptual framework. If the NPL ratio in individual strategic business areas exceeds a specified threshold (greater than 5.0 per cent), a dedicated NPL strategy is additionally formulated here. This first contains an inventory of the affected business area. On this basis, an ambitious but realistic NPL reduction target is defined, which is realised through an implementation plan. At present, the Bank does not have a dedicated formulated NPL strategy, as all strategic business areas have an NPL ratio of less than 5.0 per cent. To identify any risks in the form of increased NPL holdings at an early stage, the Bank prepares a quarterly NPL report, which also meets the requirements of the ECB guidelines on non-performing loans.

*Structure and organisation*

The risk-related organisational structure as well as the functions, tasks and competencies of the units involved in the risk processes are clearly and unambiguously defined down to employee level. In accordance with MaRisk, the processes in the lending business are characterised by a clear organisational separation of the front and back-office sections up to and including the level of management.

At NORD/LB, the front-office sections conduct the operational financing business for customers, properties and projects both nationally and internationally within the specified limits. They are primarily responsible for the core tasks of acquisition and sales. The front-office sections are responsible for the first vote, for setting conditions and bear responsibility for results. In the case of non-risk-relevant exposures with a lower volume and municipal loans, the front-office sections sometimes bear sole risk responsibility (unilateral competence) and are also responsible for analysis and risk monitoring.

The Credit Risk Management (CRM) back-office section combines an analysis function (including rating determination) with risk monitoring. Furthermore, the Credit Risk Management division is responsible for the second vote taken for decisions on individual loans. In the case of exposures associated with risk concentrations, approval is also given with regard to the loan exposure sizes. As part of a multi-level reporting system, the division also prepares sector portfolio reports on selected sub-segments on a regular basis.

The valuation of real estate and special financing, including the determination of the mortgageable values, is carried out in a separate, market-independent valuation management group.

In the case of risk-relevant exposures, the implementation of the credit decisions, including the contract documentation, and in some cases the credit-related portfolio maintenance is carried out by the BMO (Business Management & Operations) division in cooperation with the market division or SCPO. In the case of special financing, these tasks are exclusively the responsibility of the respective market division or SCPO.

The Credit Portfolio Management group, which is part of the CRM, is responsible for the central management of risk concentrations in NORD/LB’s credit portfolio. Concentrations are considered with regard to the size class of a group of connected customers according to Art. 4 (39) CRR as well as the countries and industries.

The processing of non-performing exposures or exposures in need of restructuring is carried out by SCPO at NORD/LB.

This excludes exposure to financial institutions, including central governments and international local authorities, asset-backed securities (ABS) and corporate bonds, which are processed in the credit risk management division.

Loans with a rating of 11 according to the rating master scale of the German Association of Savings Banks and Girobanks (Deutscher Sparkassen- und Giroverband (DSGV)) (allocation to the high risk category according to the "Initiative Finanzstandort Deutschland" - the Initiative for Germany as a Financial Centre (IFD)) - or poorer must be presented to the restructuring support team. Other defined risk indicators (e.g.

suspicion of conduct that discriminates against creditors, initiation of restructuring processes) can also trigger an obligation to present. SCPO decides whether a takeover will take place in the restructuring or whether the exposure will remain in intensive support.

From a rating of 16 (assignment to the IFD risk class Default (Non Performing Loans)), adoption by SCPO is mandatory. Both the obligation to present and the obligation to take over are, for example, exceptions for low-risk business.

Credit decision-making powers are graduated depending on the total exposure and the rating of the borrowers. Credit decisions are made by a “market” authority holder and a “back office” authority holder (bilateral competence). The second vote is drawn up according to specified criteria in units independent of the front-office sections. This also meets the regulatory requirement for the functional separation of credit votes. In the case of restructuring and resolution commitments as well as commitments under the responsibility of SCPO, the first and second votes (unilateral competence) are made by this back office section.

The Managing Board assumes the overall control of NORD/LB’s credit portfolio. To this end, it draws on the Group Risk Committee (GRC), which supports the Managing Board in its responsibility for risk management and establishes the link between individual loan decisions and portfolio management, as well as taking a holistic view of NORD/LB’s risk types, taking into account the overall portfolio. The individual loan decision remains with the Managing Board.

From certain amounts, decisions are made by the Managing Board or the Risk Committee of the NORD/LB Supervisory Board in accordance with the current table of competences. The Risk Committee participates in granting loans in accordance with the rules on responsibilities adopted by the Supervisory Board.

The approval of the Owners’ Meeting is required to enter into equity investments if the defined amount is exceeded and is only permitted if banking regulatory requirements for this are complied with and the Bank could form a reserve in the amount of the expenses for the acquisition at the time of acquisition without reducing the share capital.

Risk Controlling is responsible for the methods for measuring credit risks and for credit risk management instruments. It is also responsible for the independent monitoring of credit and equity investment risks at overall portfolio level, the related reporting and the responsibility for methods and procedures related to the economic quantification of counterparty risk. Supervisory reporting is the responsibility of the Bank Management/Finances division.

NORD/LB Luxembourg’s risk management is based on NORD/LB’s concepts. The credit decision is made by the respective authorised persons of the Bank in accordance with the back office vote of NORD/LB Luxembourg’s Credit Risk Management division. The independent monitoring of the portfolio is carried out by NORD/LB Luxembourg’s Risk Controlling. Loans requiring comment or restructuring are monitored by NORD/LB’s SCPO division and NORD/LB Luxembourg’s CRM division.

*Collateral*

In addition to the creditworthiness of the borrowers or counterparties reflected in the rating, the available customary bank collateral and other risk mitigation techniques are also key to the assessment of credit risks. NORD/LB therefore accepts domestic and foreign collateral in the form of objects (securities) and rights in order to reduce the credit risk. When accepting collateral, attention is paid to the proportionality of the costs and benefits of the collateral.

Collateral is assessed according to the value at which it is to be recognised both at the time the loan is granted and during ongoing monitoring, at least annually. A going-concern approach is used. When an exposure is transferred to liquidation, the valuation changes and a gone-concern scenario is assumed.

NORD/LB's credit guidelines and lending principles define which basic types of collateral and securities are to be used and the maximum proportion of the mortgagesable value or market value a collateral can be valued at (value limit). Guarantees, loan collateral similar to a guarantee, collateral assignments of receivables and other rights, liens on movable assets, real estate, receivables and other rights as well as collateral assignments of movable assets are accepted as credit collateral. Further collateral can also be contracted with the borrowers, but this does not reduce the unsecured portion of the exposure.

Standard contracts are used for the most part. In the event that a drafted contract deviates from the standard contracts, external legal opinions are obtained or the contract preparation is assigned to authorised law firms. At the same time, permanent monitoring of the relevant legal systems is carried out. For foreign jurisdictions, this is done with the help of international law firms.

*Management and monitoring*

To assess counterparty risk, NORD/LB determines a rating or credit rating class for each borrower as part of the initial or annual credit rating or as and when required. The rating modules used were generally developed as part of various projects carried out by the Cooperation of Savings Banks and Federal State Banks. Individual modules are in-house developments of NORD/LB.

To manage the risks at the level of individual transactions, a specific limit is defined for each borrower as part of the operational limitation, which has the character of a credit limit. The key parameters for deriving this limit are the creditworthiness of the debtor, expressed by a rating, as well as the free funds available to them to service the debt.

Risk concentrations and correlations at portfolio level are mapped in the consolidated counterparty risk model as part of the quantification of credit risk potential.

In addition, risk concentrations are limited by country and industry limits at portfolio level as well as within the framework of the Large Exposure Management limit model based on groups of connected customers. The limitation is based on NORD/LB's risk-bearing capacity.

*Securitisations*

Securitisations are available at NORD/LB as another instrument for managing credit risks. The objectives of securitisation activities are to optimise the risk/return profile of the credit portfolio and reduce the regulatory capital requirements.

To diversify the credit portfolio, the existing credit risks in the company's own books can be passed on to other market participants (NORD/LB as an originator) or additional credit risks can be included (NORD/LB as an investor or sponsor). As a sponsor, NORD/LB provides liquidity facilities to improve the credit quality of its own asset-backed commercial paper programme "Conduit Hannover Funding Company, LLC" or supports the programme by purchasing asset-backed commercial paper.

NORD/LB also conducts securitisation transactions as an arranger of structured transactions in the interests of customers.

All securitisation transactions are subject to an approval and monitoring process so that possible risks can be identified and managed before and after the contract is concluded. NORD/LB uses risk classification procedures approved by supervisory authorities in accordance with Regulation (EU) 2017/2401 as well as other approaches for the credit assessment of securitisation transactions. As part of its investor and sponsor role, NORD/LB pursues a conservative commitment strategy.

NORD/LB's exposure strategy in relation to securitisation is limited to new business with selected customers and offers financing for receivables with own refinancing by Conduit Hannover Funding Company, LLC.

*Valuation*

Credit risk is quantified using the risk indicators expected loss and unexpected loss. The expected loss is determined on the basis of the probability of default and taking into account the loss ratios. The unexpected loss for credit risk is quantified Group-wide via the consolidated counterparty risk model in accordance with the confidence levels set for the RTF model (99.9 per cent) and a time horizon of one year. The model used by NORD/LB incorporates correlations and concentrations into the risk assessment and is subject to annual review and validation.

The counterparty risk model determines the unexpected loss at an overall portfolio level. The model used is based on the CreditRisk+ model. Correlated sector variables are used to map systematic industry influences on loss distribution. The probability of default (PD) is estimated on the basis of the internal rating procedures. Loss given default (LGD) is determined on a transaction-specific basis.

The counterparty risk model uses a simulation process that also includes specific interdependencies between borrowers, e.g. based on Group structures. In addition to losses from defaults, losses that may arise due to rating migrations are also taken into account.

The methods and procedures for risk quantification are coordinated between the risk controlling units of the material Group companies in order to ensure uniformity at NORD/LB. Ongoing risk management is carried out decentrally in the Group companies.

NORD/LB uses the internal rating-based approach (IRBA) to calculate the capital adequacy for credit risks. An exception to this is a small number of portfolios for which the standard credit risk approach (CSA) is used. NORD/LB is authorised by the Banking supervisory authority for rating modules, for the Internal Assessment Approach (IAA) for securitisations and for the application of credit risk mitigation techniques.

NORD/LB Luxembourg also has permission for the relevant rating systems and permission for the use of credit risk mitigation techniques.

*Risk provisioning*

In accordance with the IFRS 9 impairment model, debt instruments, loan commitments and financial guarantees - provided they are not recognised at fair value through profit or loss - are divided into three buckets depending on the change in their credit quality compared with the date of acquisition:

At the time of initial recognition, all relevant financial assets that do not already have objective evidence of an existing impairment must be classified in stage 1, regardless of the debtor’s creditworthiness. In this stage, the expected losses result from the present value of the expected payment defaults resulting from possible defaults in the next twelve months.

If at a subsequent reporting date it is determined that the default risk has increased significantly since initial recognition, even though objective indications of impairment do not exist, the underlying financial assets must be transferred from stage 1 to stage 2. In this stage, a risk provision must be recognised in the amount of the present value of the lifetime expected credit loss over the remaining term of the financial instrument.

If there is objective evidence of impairment on the reporting date, the transfer is made to stage 3 and the financial asset is considered credit-impaired. At this stage, risk provisioning is also measured as the present value of the expected losses over the remaining term. At NORD/LB, risk provisions are calculated at the level of the individual financial instrument. If there is objective evidence of impairment, a stringent allocation to stage 3 of the impairment model must be made, even if no default is expected due to the provision of collateral or other effects. Mapping in stage 2 of credit-impaired assets is excluded. The level of risk provisioning is therefore irrelevant for the level allocation or definition of credit impaired.

NORD/LB determines the risk provision in stages 1 and 2 for all relevant financial instruments as an expected credit loss, whereby the expected loss is calculated on the basis of a parameter-based approach. The parameters exposure-at-default (EaD), probability of default (PD), loss given default (LGD) and a discount rate are used as inputs. As an IRBA institution, NORD/LB mainly uses rating procedures developed in cooperation with other banks. These are, on the one hand, the rating modules of the RSU Rating Service Unit (RSU), which were developed in the Landesbankenverbund, and, on the other, the procedures managed by Sparkassen Rating und Risikosysteme (SR), which arose as part of a cooperation between the Sparkassen-Finanzgruppe (financial group of savings banks). The basis for the PD used in the ECL calculation (expected credit loss) is the internal rating of the credit data record, which results from the corresponding rating procedure. In NORD/LB LGD models, the service providers RSU (non-retail) and SR (retail) provide the expected loss ratio, from which the necessary loss ratio can be derived. The expected cash flows (consisting of expected interest and principal payments) of the credit data record form the basis for the EaD. The expected loss is determined monthly for each financial instrument. For each credit data set, the expected loss over 12 months (12m ECL) and the expected loss over the remaining term (LECL) are calculated.

The parameters for ECL determination are regularly reviewed to ensure that macroeconomic, forward-looking information is adequately taken into account and updated as necessary. The basis for this is provided by the cyclically neutral PD profiles and collateral value trends for RSU and SR real estate. The collateral values or collateral value trends of project financing, aircraft and ships are taken into account within the relevant rating models and in the LGD. On the basis of several probability-weighted macroeconomic scenarios from NORD/LB Research, an appropriate consideration of these forecasts in the available profiles is reviewed quarterly in risk controlling. The scenarios, each representing a baseline, downside and upside scenario, contain forecasts at country level for NORD/LB's most relevant markets for the macroeconomic variables unemployment rate, GDP ("gross domestic product"), CPI ("consumer price index"), leading index equities, short-term interest rates, long-term interest rates and the “national currency to US dollar” exchange rate. In addition, the overarching variable oil price is taken into account. NORD/LB Research determines the scenarios to be considered (expert assessment), whereby the respective probability of occurrence is also determined. The review of the appropriate consideration of scenarios by the PD profiles and collateral value trends for real estate is carried out using macroeconomic models developed together with the rating service providers RSU and SR. In the event of insufficient consideration, the profiles are adjusted for the period under consideration. A direct return to the cyclically averaged PD profile based on the historically observed rating migrations is then planned. Additional information can be found in the “Extended risk report” section “Credit risk in 2021”, heading entitled “Sensitivity of risk provisions to future economic conditions”.

A fundamental deterioration in credit quality as a result of the pandemic means that banks regularly and increasingly form risk provisions for transactions that have deteriorated significantly in their credit quality or have defaulted. Consequently, the effects of the COVID-19 pandemic can lead to increased volatility in banks' risk provisions. In applying IFRS 9, risk provisions for expected credit losses must be recognised in the balance sheet. Among other things, the recoverability of credit collateral must be examined. Credit risk models and forecasts for estimating these expected credit losses must be adapted to current developments. Due to economic uncertainties related to COVID-19, NORD/LB has had to create a management adjustment (MAC-19) resulting in an increase in model-based risk provisioning for loan receivables in impairment stages 1 and 2 in accordance with IFRS 9. The aim of MAC-19 is to take into account the expected but not yet realised effects of COVID-19 in the Bank's risk provisioning for industries heavily affected by the pandemic, which are not mapped via stage 1 and stage 2 modelling.

It is initially based on the U scenario of the COVID-19 stress case, which, in turn, is the result of economic forecasts carried out by NORD/LB Research and then transformed by experts in the relevant areas of the Group into rating and loss ratio shifts. The results were then limited, for the management adjustment, to sectors that are particularly severely affected by the pandemic. In the course of the COVID-19 pandemic, NORD/LB continuously carried out scenario analyses on the industries heavily affected by the pandemic, which form the basis for MAC-19 in the consolidated financial statements. Based on three macroeconomic scenarios of different severity (scenario 1, 2 and 3) and derived risk parameters, an analysis of the resulting effects was carried out. The projection period is set at 31 December 2022. Based on the forecasts, the responsible experts at NORD/LB created effects for the ratings (in the form of rating changes) at industry level for the credit risk. The loss ratios were stressed based on market value deteriorations in asset financing. In addition, dedicated requirements were drawn up at customer level for the Aircraft Financing segment.

The scenario analysis showed that some areas are more affected, which led to an update of the MAC-19 portfolio based on the information gained during the pandemic. The focus was expanded in the course of this and is on the aircraft financing, real estate and corporate customers segments. In the consolidated financial statements, MAC-19 amounted to around € 361.6 million. Divided into segments, the Aircraft Financing segment accounted for around € 174.9 million, Real Estate Customers for around € 96.2 million and Corporate Customers for around € 90.5 million.

As part of the early initial application of IDW RS BFA 7, the management adjustment also affected the risk provision in accordance with HGB in NORD/LB AöR's annual financial statements in the amount of € 349.1 million. Use was made here of the option to determine general loan loss provisions based on the parameter-based IFRS 9 risk provisioning calculation.

In stage 3, the risk provision for the non-quantity business is calculated as the expected loss over the remaining term of the financial instrument. Expert-based determination is carried out on the basis of loss scenarios and their probability of occurrence. The amount of the specific valuation allowance is measured on the basis of the difference between the carrying amount and the recoverable amount as the present value of all expected cash flows. This estimate is carried out for at least two to three scenarios and then aggregated into an individual impairment based on the estimated probability of occurrence of the scenarios. The expected cash flows may result from repayments and/or interest payments plus payments from the realisation of collateral and less realisation costs. The assessment of the amount of risk provisioning is often made on the basis of information that is in part provisional (e.g. restructuring concepts of borrowers) or subject to fluctuations (e.g. collateral values). As a result, there is an increased uncertainty of estimation with regard to key parameters of risk provisioning. The assumptions made are subject to regular review and, if necessary, adjusted to the changed circumstances.

For the volume business, i.e. transactions with exposures of up to € 1.5 million, the risk provisioning in stage 3 is calculated using parameter-based methods using the statistical variables PD, LGD and EaD. In these cases, the probability of default, i.e. the credit risk parameter PD, is uniformly set at 100 per cent.

*Step transfer*

The criterion of significant deterioration in credit quality is decisive for the distinction between stage 1 and stage 2. As at each valuation date, this is checked using quantitative and qualitative criteria, as explained below.

The quantitative criterion related to the significant deterioration is measured by comparing the initially expected probability of default with the probability of default as at the valuation date. The relevant comparative measure shown below is the one-year PD. Based on IFRS 9 B5.5.13 and IFRS 9 B5.5.14, among other things, NORD/LB uses a 12-month horizon as an approximation for the change in credit risk over the expected useful life. An analysis carried out by the Bank, which took into account, among other things, the correlation between changes in the 12-month probability of default and changes in the lifetime probability of default, led to the conclusion that the choice of a 12-month measure is appropriate in relation to the stage transfer. It should be noted in particular that the lifetime PD does not include any factors that are not taken into account in the 12-month PD.

The assessment with regard to a significant deterioration in credit quality is carried out, among other things, by comparing the forward one-year PD at the valuation date derived on the basis of a PD profile at the time of addition and the actual one-year PD on the valuation date. PD profiles provided by the rating service providers RSU and SR are used to compare the current probability of default with the initial probability of default.

A significant deterioration in credit quality is determined on the basis of the cumulative criteria shown below, which must be met:

- Criterion 1: The customer's current one-year PD is at least 30 basis points above the customer's initial (forward) one-year PD (absolute PD change).
- Criterion 2: The customer's current rating level is at least two notches above the rating level in relation to the customer's initial (forward) one-year PD (relative PD change).
- Criterion 3: The current rating level of the customer is worse (higher) than the rating level of the customer upon access.

If the above criteria are met and there is no default (see below), the quantitative criterion is used to allocate to stage 2. Otherwise, subject to the evaluation of qualitative criteria, it is assigned to stage 1 or, in the case of default, stage 3.

Furthermore, there is a significant deterioration in credit quality if at least one of the qualitative criteria is met. It is taken into account whether there is a payment delay of more than 30 days, a classification in the credit. If at least one of the aforementioned conditions is therefore met, it must be transferred to stage 2.

Impairment and thus allocation to stage 3 occurs in the event of a default. Deferrals of interest and/or repayments, concessions, in particular the granting of restructuring loans to support the borrowers' liquidity and the risk of insolvency are generally key indications of impairment in the case of financing. The definition of default used at NORD/LB for the calculation of risk provisions is based on the requirements of Article 178 of Regulation (EU) No 575/2013 (CRR) and the supervisory requirements based on them. A debtor is therefore set to default if, firstly, NORD/LB considers it unlikely that the debtor will settle its liabilities to NORD/LB in full without the Bank having to resort to the realisation of collateral, or, secondly, if a significant liability of the debtor to NORD/LB is more than 90 days overdue. The definition of default was selected in order to ensure the regulatory recognition of the internal rating procedures based on the statutory default definition. It is used consistently at NORD/LB to ensure consistency in the measurement and management of credit risks. The step transfer implemented at NORD/LB represents a symmetrical approach. If there is no default on a key date in accordance with Art. 178 CRR, the transaction is transferred back to stage 2 or, if none of the above criteria for a significant deterioration in credit quality are present, to stage 1.

There may also be an improvement in the situation for NORD/LB during the restructuring or liquidation of an exposure (e.g. positive restructuring progress, and additional provision of collateral). This can lead to a partial, in the best-case scenario even a complete reversal of the risk provision or a transfer from risk provisioning stage 3 to risk provisioning stages 1 or 2. The sustainability of the improvement is key to the level of a recovery or stage transfer, measured against the criteria for formation.

If receivables are estimated to be irrecoverable, there is a requirement to derecognise the receivable. Depreciation must take place within the reporting period in which the receivable is classified as irrecoverable. Receivables that have been terminated and made interest-free are classified as irrecoverable if, among other things, payments are still being made, but the amount is so low and will probably not increase significantly, so that repayment will not be made within a reasonable period (e.g. ten years). Likewise, the receivable must be derecognised in the event of a waiver issued to the debtor or if a settlement offer confirmed by a court is accepted. Other criteria apply depending on the respective loan portfolio.

If there is a contractual change to a financial asset that results in a non-substantial modification according to IFRS 9, it can be assumed that there is still an increased default risk for financial instruments at impairment Stage 2. In this respect, it cannot be concluded automatically that the risk of default has been reduced by the modification. Instead, it must be checked whether there is (still) a significant deterioration in creditworthiness.

This is done by comparing the default risk of the modified asset at the reporting date with the original default risk of the unchanged asset at the time of addition. All available historical and forward-looking information must be included in the analysis. In particular, compliance with the payment obligation after the modification must be assessed. For this reason, it must be confirmed that the borrowers have made the due payments in full and on time over a sufficiently long period of time before a reduction in the default risk can be assumed. Only then can a stage change towards the 12-month ECL take place. However, a one-off payment is not sufficient. As a result, a modified stage 3 asset cannot be immediately transferred to stage 1 after the non-substantial modification. As a result, only a transfer to stage 2 or the retention of stage 3 is initially considered.

The variables used to determine the expected credit loss are determined taking into account the current and future expected economic environment. Credit analysts assess the economic situation for the customer, particularly when determining the probability of default (rating). This is supported by the rating procedures – depending on the respective methodological approach. The rating information is kept up-to-date by means of regular annual and ad hoc re-ratings.

Supplementary information can be found in Note (14) Risk provisioning.

*Reporting*

Risk Controlling is responsible for assessing the risk situation as part of the Finance and Risk Compass. This report also includes the presentation and analysis of all other key management features and parameters required for managing NORD/LB's loan portfolio. It is presented to the Managing Board on a quarterly basis and further specified by industry portfolio reports from the Credit Risk Management division for individual sub-segments.

In addition, the Managing Board of NORD/LB receives further regular and ad hoc reports on NORD/LB's loan portfolio from the CRM Division, e.g. on risk concentrations for groups of connected customers, country and sector concentrations as well as exposures requiring attention (credit watchlist).

For NORD/LB Luxembourg, its risk controlling department prepares an overall risk report on a monthly basis.

***Equity investment risk***

Equity investment risk is also a component of counterparty risk. It refers to the risk of losses arising from the provision of equity to third parties. In addition, a potential loss due to other financial obligations is part of the equity investment risk, unless it was taken into account in the other risks.

*Strategy*

NORD/LB has a historically grown investment portfolio with a large number of equity investments that are active in different sectors. As a rule, the acquisition of equity investments serves to specifically strengthen universal banking activity and to fulfil joint tasks from the Landesbank or central savings bank function. In

NORD/LB's equity investment portfolio, the focus of the equity investments is therefore on the credit institutions and financial services companies, but also on real estate.

As part of its transformation and resizing process, the Bank aims to focus on its core business, reduce redundancies in the Group, simplify processes and thus reduce complexity while complying with the targets set within the framework of capital-boosting measures. This thrust of the Bank is also reflected in its equity investment strategy. The main objective here is to reduce equity investments that neither have a strategic benefit for the Bank's realigned business model nor meet the corresponding expected return.

The equity investment portfolio is managed from a value-oriented perspective, taking into account the Group's targets. The basis for this is the concept of value-oriented equity investment management, which provides for both active management of selected equity investments as well as active management at portfolio level (identification of potential sales candidates and selective portfolio additions). Strategically important equity investments are managed using an integrative approach as part of the value driver strategy. The protection of the Group's interests in relation to equity investments is essentially achieved by centrally specifying key business figures or specific tasks.

*Structure and organisation*

Risks from equity investments at the various levels of the Group are managed by NORD/LB's Equity Investment Management OU in close cooperation with other divisions, in particular Risk Controlling and Bank Management/Finance. Support for domestic and foreign equity investments is provided centrally by the Equity Investment Management OU. Following the merger of Deutsche Hypo in 2021 with retroactive effect from 1 January 2021, NORD/LB's only equity investment, NORD/LB Luxembourg, had no equity investments of its own as at 31 December 2021. The equity investment-specific database is managed by the Equity Investment Management OU with the support of the Bank Management/Finances division.

The analysis of the Equity Investment Management OU is an integral part of the measurement of equity investment risk and for determining the materiality of equity investments. On the basis of the analysis, which also takes into account risks exceeding the carrying amount, a uniform, cross-divisional classification into material, significant and other equity investments is carried out. The audit takes into account both quantitative and qualitative criteria.

The result of the materiality classification is decisive for the intensity of support in all areas of NORD/LB. The treatment of equity investments is further differentiated. NORD/LB Luxembourg's significant equity investment is considered in the Group's internal and external reporting in a review at individual risk type level. Significant and other equity investments are reported as equity investment risks. Significant equity investments are subject to more intensive analysis by the divisions involved in equity investment management than other equity investments.

*Management and monitoring*

All equity investments are monitored on an ongoing basis by evaluating interim reporting, interim and annual financial statements and audit reports. Management is carried out by representatives of NORD/LB or the supervising subsidiaries in supervisory, administrative and advisory boards, shareholders', main and parent company meetings as well as by the performance of operational mandates in the companies.

*Valuation*

The methodology for measuring equity investment risks also takes into account risks that exceed the carrying amount, such as from margin commitments, profit transfer agreements and letters of comfort. In the counterparty risk model, equity investment and credit risks are simulated interdependently in order to take into account concentration risks among the risk types.

*Reporting*

The Equity Investment Management OU reports annually to the Managing Board and the supervisory bodies of NORD/LB on the equity investment portfolio. The report includes, among other things, an analysis of the current performance with regard to the strengths and weaknesses of material and significant equity investments.

In addition, quarterly reporting is carried out on material and significant equity investments as part of the Finance and Risk Compass. Furthermore, it is integrated into the Bank's controlling and planning system by submitting the earnings forecast, which is to be prepared at the end of the quarter together with the investment income or expenses from profit transfer agreements from the equity investments in bank management/finances, which is to be posted in the income statement in the current calendar year.

***Market price risk***

Market price risk refers to potential losses that may result from changes in market parameters. Market price risk is divided into interest rate, credit spread, currency, share price, commodity, fund price and volatility risk:

Interest rate risk exists whenever the value of a position or a portfolio reacts to changes in one or more interest rates or to changes in complete yield curves and these changes may lead to a reduction in the value of the position (present value perspective) or to a reduction in interest income (income-oriented perspective). Interest rate risk also includes, in particular, the risk from changes in interest rate basis spreads, from changes in the yield structure curves as well as repricing risks and interest rate risks from optional components. According to Art. 362 CRR, NORD/LB also divides interest rate risks in the trading book into general and specific risks. NORD/LB's understanding is that general interest rate risk also includes credit spread risk, while specific interest rate risk corresponds to issuer risk.

Credit spread risks arise when the credit spread valid for the respective issuers, borrowers or reference debtors changes, which is used as part of a market valuation or a model valuation of the position. Credit spread risks therefore result from securities, credit derivatives and promissory notes held for trading. Credit products held with the aim of outplacing them are also relevant.

Other sub-risks relevant to NORD/LB include the possibility that the value of a position reacts to changes in one or more foreign exchange rates (currency risk), fund prices (fund price risks) or the volatilities (volatility risk) used for option valuation, and that the changes may lead to a reduction in the value of the position in each case.

As NORD/LB neither conducts business with commodities nor holds positions in shares, the sub-risk types of commodity risk and share price risk are not relevant. These sub-risk types are neither reported in the market price risk reports nor included in the risk-bearing capacity.

*Strategy*

NORD/LB's activities associated with market price risks focus on selected markets, customers and product segments. The positioning in the money, foreign exchange and capital markets is based on the significance and scale of the Group and the demand of customers and the support of overall bank management. NORD/LB does not take a position beyond this.

The focus of trading activities relating to customer business is on interest rate products.

Securities used for interest rate and liquidity management as well as credit investments in securities and credit derivatives result in significant credit spread risks across the Group.

From a risk strategy perspective, market price risks are divided into three blocks:

- The first block "Trading and Investments" contains the market price risks resulting from customer-based trading, strategic investments as part of RWA management and the credit exposures intended for outplacement. This also includes all transactions in the regulatory trading book as well as internal transactions with the second block. Due to the corresponding IFRS classification, the risks in this block are managed from both an economic and normative perspective under a fair value-based, present value perspective.
- The second block "Treasury and Bank Management" contains the market price risks from interest rate and liquidity positions as well as from investment in valuation interest positions. The risks in this block therefore consist exclusively of interest rate risks in the banking book as well as credit spread risks, foreign currency risks and volatility risks entered into as part of interest rate and liquidity risk management. In addition to the full present value consideration (including the credit spread risks of all tradable positions) in the economic perspective, which also includes modelling the pension and aid commitments, the normative perspective includes an income-oriented consideration of the net interest income for the next twelve months as well as a consideration of the valuation effects from credit spreads of securities to be accounted for at fair value.
- The "Central measurement effects (IFRS)" block contains additional risks from central measurement effects resulting from IFRS accounting. Credit spread effects from other items to be accounted for at fair value and CVA risks are particularly relevant here. In the normative perspective, this block also includes currency risks as well as credit spread risks from the guarantees of the State of Lower Saxony to hedge the loss risks of certain ship and aircraft financing portfolios as well as the valuation effects from interest rate and credit spread movements not taken into account in blocks one and two, which are also not monitored by IFRS hedge accounting, with a particular focus on valuation effects from cross-currency spreads and pension commitments.

*Structure and Organisation*

NORD/LB's market price risks are managed by the Treasury, Markets and Aviation Finance & Investment Solutions (AFIS) divisions responsible for the positions. As part of the Global Head function, these divisions are also responsible for trading activities in the foreign branches in London, New York, Singapore and Shanghai. Trading transactions are processed and monitored in separate processing areas. Market price risk management is supported by NORD/LB's ALCO.

Market price risks are monitored by Risk Controlling, which is functionally and organisationally independent of the divisions responsible for the positions in accordance with MaRisk and performs extensive monitoring, limiting and reporting tasks for NORD/LB (including foreign branches). This also includes determining the amounts to be offset from the internal risk model for quarterly reporting in accordance with the CRR. Risk Controlling is also responsible for developing and validating the risk model.

NORD/LB Luxembourg's market price risks are managed decentrally by the local Treasury division. There is a separate risk controlling unit for risk monitoring. The data determined is integrated into reporting at Group level.

*Management and monitoring*

NORD/LB pursues both a present value and a profit-oriented management approach in managing market price risks. While the market price risks are determined and managed using a present value approach in the economic perspective of risk-bearing capacity, the aim of the income-oriented approach in the normative perspective is to measure and manage those market prices that can affect NORD/LB's capital ratios via the IFRS income statement or other comprehensive income (OCI). The interest rate risks in the banking book are an integral part of the market price risks, but are subject to special requirements in modelling, limiting and management.

Various operational limits and sub-limits are derived from NORD/LB's RTF limits to mitigate the risks, which are clearly assigned to the divisions responsible for the positions. While the present value risk potential is limited in the economic perspective via operational VaR limits, the risks in the normative perspective are restricted via scenario-based limits.

The limits for market price risks are set in such a way that they support the activities in the context of customer business and overall bank management in accordance with the trading strategy. The operational limits also cover the risks resulting from the investment strategy for equity in block two adopted by the Managing Board, which is reviewed by ALCO at least once a year. The risks in block three are indirectly mitigated by the RTF limits at NORD/LB level. Interest rate risks from pension commitments, for which there is a separate sub-limit in the normative perspective, are an exception.

*Valuation*

From an economic perspective, the VaR key figures are calculated uniformly across the Group using the historical simulation method. At the end of each month, a VaR calculation is carried out for NORD/LB with a confidence level of 99.9 per cent and a holding period of one year to determine risk-bearing capacity. In the operational limitation of market price risks, other parameters are generally used to determine VaR, e.g. a confidence level of 95 per cent and a holding period of one trading day to monitor the trading book on a daily basis. The basis for the daily VaR determination is the historical changes in risk factors over the last twelve months, while changes since the beginning of 2008 have been used for the calculations of risk-bearing capacity. The models take into account correlation effects between the risk factors and the sub-portfolios.

VaR models are primarily suitable for measuring market price risks in normal market environments. The historical simulation method used is based on historical data and is therefore dependent on the reliability of the time series used. VaR is calculated on the basis of the portfolios received at the end of the day and therefore does not reflect any changes in positions during the day.

The forecast quality of the VaR model is checked by means of extensive back-testing analyses. To this end, the daily change in value of the respective portfolio is compared with the VaR of the previous day. A back-testing exception exists if the observed negative change in value exceeds the VaR in amount. In addition, further validation analyses are carried out annually.

In addition to VaR, stress test analyses are used to examine the effects of extreme market changes on risk positions. The stress test parameters considered were selected so that the material risks for NORD/LB's overall portfolio and for the individual sub-portfolios are covered.

NORD/LB also uses the VaR model to calculate the capital coverage of general interest rate and currency risks in accordance with CRR for the Hanover site and the foreign branches. There is also model approval for the general and specific equity risks. The standard procedure is used for the remaining risk types and for NORD/LB Luxembourg.

Market price risks are determined in the normative perspective using a scenario-based approach. This is based on adverse stress scenarios. Scenarios for interest rates and credit spreads that lead to capital erosion via the income statement or the OCI are particularly relevant.

*Reporting*

The local Risk Controlling units, which are independent of the units responsible for the positions, report daily to the responsible heads of department in the main NORD/LB companies on the market price risks in the "Trading and Investments" block, at least weekly or monthly on the market prices in the "Treasury and Bank Management" block and monthly on the market price prices in the "Central Valuation Effects (IFRS)" block.

The NORD/LB Managing Board is informed of NORD/LB’s market price risks on a monthly basis in the monthly market price risk report and quarterly in the Financial and Risk Compass. In addition, a detailed monthly report on the interest rate risks in the Banking book is submitted to the Managing Board.

***Liquidity risk***

Liquidity risk comprises risks that may arise from disruptions in liquidity of individual market segments, unexpected events in the lending, deposit or issue business or from changes in the Bank’s own refinancing conditions. The breakdown of liquidity risk comprises two types of sub-risk: traditional liquidity risk (also includes intraday liquidity risk) and liquidity spread risk. The following sections explain the two types of liquidity risk.

Traditional liquidity risk refers to the risk that payment obligations cannot be met or cannot be met on time. At NORD/LB, the focus is on looking at the next twelve months on the one hand and on intraday liquidity risk on the other. From a longer-term perspective, the potential cause of risks can be a general disruption in the liquidity of the money markets affecting individual institutions or the entire financial market. In particular, market disruptions can lead to significant asset classes defaulting in the use of collateral. Alternatively, unexpected events in the Bank’s own lending, deposit or issuing business may also be a cause of liquidity bottlenecks. In the intraday analysis, whether an institution effectively manages intraday liquidity is particularly important. Intraday liquidity risk occurs when payments cannot be made at the scheduled time and the liquidity situation is therefore influenced by others. Forecasts of the amount and timing of payment flows underpin the institution’s ability to correctly assess the liquidity situation during the day and to meet its own payment obligations even in stress situations.

Liquidity spread risk refers to the potential loss of earnings resulting from changes in the Bank’s own refinancing conditions on the money or capital market. This may be due to a change in the assessment of the Bank’s creditworthiness by other market participants or a general market development. Besides the refinancing risk, which is explicitly relevant for the long-term liquidity situation of an institution and can become effective in the case of liquidity gaps, a reinvestment risk can also occur in the case of existing future liquidity surpluses. However, this does not result in a traditional liquidity risk (in the sense of a prospective insolvency risk), but may have a negative impact on future earnings if it is no longer possible at a later date to earn the costs of the liabilities side on the assets side. The liquidity spread can also be a risk driver for reinvestment risk if it is assumed that this will be transferred to the asset side. The focus of the analysis is on the entire maturity spectrum. Corresponding model assumptions are made for positions without fixed processes.

Reputational risk is included in the parameterisation of stress for traditional liquidity risk. It is also taken into account in the presentation of the refinancing risk via the historical liquidity-spread changes.

By considering the individual currencies in the liquidity risk, spread risks from cross-currency swaps are also implicitly taken into account in the liquidity spread risk.

Securities are modelled according to their liquidity class. Market liquidity risks are also taken into account via this modelling. Market liquidity risk refers to the potential losses that must be borne if transactions have to be concluded at conditions that do not correspond to the fair market value due to low liquidity in individual market segments. In NORD/LB’s understanding, placement risk is also a component of liquidity risk. It describes the risk that the Bank’s own issues cannot be placed on the market or can only be placed at less favourable conditions.

*Strategy*

Ensuring liquidity at all times is a strategic necessity for NORD/LB. While traditional liquidity risk is to be hedged by holding sufficient liquid assets (in particular securities eligible at central banks), refinancing risks may be taken by means of a liquidity maturity transformation. In both cases, the risks are mitigated by corresponding limits.

The limit for traditional liquidity risk serves to ensure solvency even under conservative stress scenarios, while the limit for the liquidity spread risk is derived from NORD/LB's risk strategy and risk-bearing capacity and allows the chance of a contribution to earnings from the Bank's typical source of success maturity transformation.

NORD/LB's Liquidity Policy defines the business policy principles for liquidity risk management. The associated annexes contain the specific regulations on the processes and responsibilities, in particular for emergencies. In accordance with the emergency plan for a liquidity crisis, the crisis management team is responsible for taking over liquidity management in close coordination with the Managing Board. Guidelines on funding and model validations complete the set of rules for comprehensive compliance with the requirements of ILAAP.

Risk concentrations on the liabilities side are prevented by a diversified investor base and product range. The focus is on institutional and public investors, but the refinancing potential from the other customer groups also serves as a stable source of liquidity procurement. The diversification of refinancing sources is also reinforced by Pfandbrief issues, green bonds and retail deposits.

*Structure and organisation*

At NORD/LB, Treasury and Risk Controlling are involved in the liquidity risk management process.

Treasury assumes the management of positions bearing liquidity risk and bears profits and losses arising from changes in the liquidity situation (general or NORD/LB-specific).

Treasury also presents the liquidity maturity balance sheet to the ALCO and, if necessary, provides recommendations for action with regard to further strategic planning behaviour. In this committee, the Risk Controlling Division is responsible for the report on traditional liquidity risk and liquidity spread risk.

The Risk Controlling division is responsible for the introduction, further development and validation of liquidity risk models. Model development is separate from model validation. The traditional liquidity risk and the liquidity spread risk are also determined and monitored. In addition, Risk Controlling monitors compliance with the liquidity buffer requirements in accordance with MaRisk BTR 3.1 and 3.2, the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR).

NORD/LB Luxembourg's liquidity risks are managed decentrally by the local treasury unit and monitored by its own risk controlling unit. Regular exchange takes place between NORD/LB's main companies for coordination between the decentralised units, both on management-relevant issues in Treasury and on model-relevant issues in Risk Controlling.

*Management and monitoring*

The liquidity spread risk of NORD/LB and the significant subsidiaries is limited in each case by present value limits and maturity-dependent volume structure limits derived from the risk-bearing capacity. Liquidity procedures are also analysed separately by currency.

Traditional liquidity risk is limited primarily on the basis of an analysis of a dynamic stress scenario, which describes the most likely crisis situation in each case. In addition, the dynamic stress scenario is supplemented by three further static stress tests. These include a NORD/LB-specific scenario, a cross-market liquidity crisis and a short-term scenario for a market-wide liquidity disruption on the financial markets.

The evaluation is based on liquidity cash flows and covers the next twelve months on a daily basis. For products without fixed liquidity procedures and for optional components (e.g. from irrevocable loan commitments) as well as with regard to the planned new business and refinancing options, assumptions are made that correspond to the market situation and are subject to regular validation.

The limit system ensures that liquidity surpluses are maintained for at least three months even in the event of stress. In doing so, priority is given to ensuring solvency at all times in this maturity band over possible profitability opportunities. Taking into account profitability aspects, the aim is to guarantee a liquidity surplus for at least six months in the dynamic stress scenario.

Securities are reported according to their market liquidity. Based on a detailed security class concept, the traditional liquidity risk is classified into different classes based on the degree of liquidity of the individual security. The concept also takes into account market liquidity risks. Recognition in the liquidity maturity balance sheet is also carried out depending on the liquidity categorisation and takes place in the maturity spectrum between daily due maturities and final maturity.

In addition to tradability, the applicability as collateral is of primary importance when classifying securities in the liquidity classes. This includes, for example, the suitability of the securities as collateral at the central banks or in the Pfandbrief coverage.

For management at Group level, a Group liquidity maturity balance sheet of the material Group companies is prepared every month. For this purpose, all cash flows in euros and the converted amount of foreign currency cash flows are combined into one overview. In addition, the liquidity maturity balance sheets are prepared in the main foreign currencies.

As part of forward-looking risk monitoring and management, projections of the economic and normative perspective of ILAAP are prepared annually for a five-year horizon. The forecast liquidity risk indicators are based on the planned volume changes in the individual products, take into account adverse developments in addition to a baseline scenario and thus enable anticipatory risk management.

*Valuation*

NORD/LB calculates the utilisation of the volume structure limits for the various maturity bands based on a liquidity maturity balance sheet for the overall position, which essentially reflects the normal case. The quantification of liquidity risk as part of the risk-bearing capacity concept results from the present value consideration of future liquidity gaps (liquidity-spread risk).

The basis for calculating the dynamic and static stress scenarios for modelling the traditional liquidity risk are the current liquidity processes, including assumptions about new business and refinancing. These are stressed in such a way that they each reflect a specific crisis case or a combined crisis, simulating, for example, reduced liquidity of positions or increased drawdown of loan commitments. The stress scenarios can be used to illustrate the effects of unexpected events on the Group's liquidity situation. The instruments allow both a forward-looking presentation and short-term adaptation to acute emergencies.

In addition, the annual projections of the economic and normative perspective described above enable the forward-looking management of all key risk indicators.

The stress scenario concept takes into account the central importance of the market liquidity of all securities in the portfolio. In addition, credit spread risks are also taken into account for all securities when determining market price risks. Since the spreads observed on the market reflect not only the creditworthiness of the issuers but also the market liquidity of the securities, the market liquidity of the securities is also indirectly taken into account in the risk reporting. A separate risk measure for market liquidity risks is not used.

*Reporting*

As part of the quarterly Finance and Risk Compass, the Managing Board is informed about the liquidity risk situation of NORD/LB AöR and NORD/LB. The cross-risk type report contains a section on liquidity risk indicators and further determinants of liquidity risk, e.g. the presentation of NORD/LB's largest customers in the deposit business. In addition, the Managing Board and other relevant addressees receive a comprehensive monthly report on all aspects of economic liquidity risk management at NORD/LB. The responsible heads of department also receive daily information about the traditional liquidity risk in the dynamic scenario.

The liquidity spread risk is reported monthly in Euro and in the major foreign currencies. The maturity balance sheets on which the liquidity spread risk is based are also presented to the monthly ALCO together with the stress tests.

Relevant reports on traditional liquidity risk, liquidity spread risk and the liquidity situation in the status quo and under stress have also been established at the main subsidiary NORD/LB Luxembourg. They inform the controlling divisions and the responsible departments or the entire Managing Board on a quarterly, monthly, weekly or daily basis.

***Operational risk***

Operational risks are possible and unintended events from NORD/LB's perspective that occur as a result of the inadequacy or failure of internal processes, employees, technology or external influences and lead to damage or a significantly negative consequence for NORD/LB. Legal risks are included; strategic risks and business risks are not included.

According to this definition, legal and legal change risks, compliance risks, outsourcing risks, insourcing risks, conduct risk, fraud risks, model risks, IT risks, information security risks, vulnerabilities in the context of emergency and crisis management as well as personnel risks are included in operational risk.

NORD/LB pursues the goal of efficient and sustainable management of operational risks, i.e.:

- early identification of operational risks;
- Avoidance, transfer or reduction as far as economically reasonable;
- consideration of operational risks in corporate decisions;
- fulfilment of the relevant legal requirements;
- avoiding future damage through a sound risk culture that includes transparent handling of operational risks;
- limitation of losses in the event of unexpected extreme events using business continuity and emergency plans; very extreme, unforeseeable events are countered by a crisis management organisation;
- implementation of an appropriate and effective internal control system.

*Management*

Operational risk management is based on the three lines of defence model. Responsibility for managing operational risks lies decentrally with the divisions (first line of defence) within the specified framework conditions. Downstream control processes are installed on the second line of defence as part of the risk management and compliance function, which are supplemented by a central methodological framework for risk identification and assessment as well as superordinate control and reporting processes. The process-independent audit is carried out by the internal auditors (third line of defence).

**Three lines of defence model**

| 1st line of defence | 2nd line of defence | 3rd line of defence |
|---|---|---|
| // Decentral risk control in the divisions | // Central monitoring/control processes, in particular relating to risk management and compliance<br>// Methodical framework | // Process-independent audit by the internal revision |

NORD/LB pursues an integrated approach to managing operational risks and is continuously expanding this approach. The aim is to optimally link the second line of defence processes with each other. In this context, operational risks are identified in an integrated governance, OpRisk & compliance report.

NORD/LB has a uniformly structured internal control system (ICS), which is based on the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). NORD/LB's ICS process organisation includes a control cycle, which is carried out on a regular basis in a risk-oriented manner. The overarching objective is to assess the suitability and effectiveness of the key controls implemented across the Bank.

Thanks to interlinked business continuity management focused on time-critical activities and processes, measures are available for the appropriate emergency operation and achieving a return to normal operation as quickly as possible. The overarching emergency and crisis organisation ensures the ability to communicate and make decisions in the event of escalating emergencies and crises.

*Monitoring and management*

**Control and monitoring**

| Risk identification | Assessment | Reporting |
|---|---|---|
| // Detriment cases<br>// Self-assessment<br>// Risk indicators<br>// Individual risks | // Risk matrix<br>// Scenario analysis<br>// OpVaR-model | // Integrated governance OpRisk & compliance report |

NORD/LB collects damages from operational risks from a de minimis limit of € 5,000. This data provides the starting point for analyses to optimise risk management. The collected claims are exchanged in anonymised form with other institutions in the OpRisk (DakOR) data consortium. The syndicate data expands the data basis used for the internal model. In addition, information is available in the Public Claims OpRisk (ÖffSchOR) database, in which press reports on large losses from operational risks are collected, structured and prepared.

The annual integrated self-assessment includes surveys by the second line of defence in the form of a survey. Risk indicators are used at NORD/LB to identify potential risks at an early stage and counteract them by means of countermeasures. The indicators are selected on a risk-oriented basis and are regularly checked to ensure they are up-to-date.

Scenario analyses are used to gain detailed insights into the risk situation at a topic or process level and to derive needs-based measures. Analysis planning is risk-oriented and based on all available data (such as claims, individual risks, self-assessments). The results flow into the internal OpVaR model.

All risks are assessed on the basis of a Group-wide risk matrix and are included in the Bank's risk reporting. Results are reported to the Managing Board on a quarterly basis. Information that is material from a risk perspective is reported immediately.

The Risk Round Table, established as part of integrated OpRisk Management, is a central committee at management level creating an exchange platform for OpRisk issues and thus enabling overarching management measures. The focus is on operational risks, including legal and legal change risks, compliance risks, outsourcing risks, insourcing risks, conduct risk, fraud risks, model risks, IT risks, information security risks, sustainability risks and vulnerabilities in the context of emergency and crisis management as well as personnel risks.

Employees are made aware of risks through face-to-face and online training and ad hoc information. Lessons learned from cases that have arisen play an important role in this.

Control loops have been introduced for IT and security risks (including cyber risks). They are designed to ensure that internal and external threats can be quickly detected and actively managed. In the IT sector, procedural instructions, replacement capacities and security support the stability of the IT infrastructure. Security concepts and emergency plans supplement the preventive measures to prevent damage from the failure or manipulation of applications and information.

Personnel risk is addressed through a human resources strategy with the aim of ensuring adequate quantitative and qualitative staffing. Staff shortages with regard to time-critical processes are part of contingency planning.

NORD/LB has established extensive protection and prevention measures to protect against criminal offences, money laundering, terrorist financing and other compliance risks. Ongoing control and monitoring activities help to identify relevant issues. If there are indications of a significant fraud case, the further course of action is decided in a committee at management level. There is a whistleblowing system for employees, customers and business partners for the protected disclosure of information.

Protection against legal risks is ensured by contract templates or close support from the legal department. To ensure that no undesirable regulatory gaps arise, Compliance identifies new banking regulatory requirements, informs affected units about the resulting need for action and produces cross-departmental evidence of this. In addition, Compliance works towards adherence to legal regulations and specifications by the departments.

The quality of external suppliers and service providers is ensured by service provider management. For significant outsourcing, a quarterly risk assessment is carried out using defined risk indicators.

NORD/LB uses insurance. NORD/LB's insurance cover is subject to regular analysis with regard to scope and value for money. Natural disasters and terrorist attacks are defined as force majeure, which is countered with appropriate emergency concepts.

*Accounting-related ICS*

NORD/LB's ICS also includes all principles, procedures and measures introduced by management with regard to the accounting process that relate to the organisational implementation of management decisions on the

- regularity and reliability of external accounts;
- Compliance with the legal regulations applicable to NORD/LB and
- ensuring the effectiveness and efficiency of financial reporting

for recommendations.

The ICS serves to avoid the risks associated with the accounting processes, e.g. incorrect presentation, recording or valuation of transactions or misstatement of information in financial reporting.

The accounting-related ICS is integrated into NORD/LB’s overall ICS concept and consists of a hierarchy of controls and key controls that must be carried out periodically or on an ad hoc basis, the results of which must be documented. The key controls are reviewed for appropriateness and effectiveness in a risk-oriented manner. This is done on a regular basis (1 to 3 years) as well as on an ad hoc basis. Testing is part of a control cycle that checks the quality of the internal control system.

NORD/LB’s accounting process is organised locally. The DBE Bank Management/Finances is responsible for the preparation of the annual and consolidated financial statements, including the combined management report in accordance with the legal requirements. Numerous items subject to mandatory posting are already recorded in upstream systems in the front and back office sections and are already subject to checks with regard to proof, completeness and valuation. In addition, there are controls in place with regard to the correct recording of data, which control the disclosure of facts and the preparation of notes.

In the case of new processes to be implemented to meet new reporting obligations and new accounting-related standards, the necessary controls and key controls in this context are integrated and supplemented in the existing control system.

NORD/LB has implemented accounting processes that are structured independently from an organisational perspective. These each contain their own accounting-related control procedures.

The financial statement data from NORD/LB’s company codes is combined into an individual financial statement for NORD/LB via a SAP module. The reporting data of all subsidiaries included in the scope of consolidation is also processed in a SAP module, which also includes the consolidated financial statement measures (e.g. debt, expense, income and capital consolidations). The consolidated financial statements of NORD/LB generated as a result are then subject to quality assurance.

NORD/LB uses external service providers in selected accounting-relevant areas, in particular when calculating obligations to employees.

In addition, daily coordination regarding the processing status takes place between the departments involved in preparing the financial statements, so that management can directly control any questions or delays that arise.

NORD/LB’s internal auditing department checks compliance with the ICS independently of the process. In addition, the accounting-related ICS is subject to an annual audit by the auditor. The results are reported to the Audit Committee.

*Valuation*

NORD/LB uses the standard approach (Pillar I) to calculate the capital requirement.

As part of risk-bearing capacity (Pillar II) and for internal management, a value-at-risk model is used, which is based on a loss allocation approach. The distribution parameters are determined on the basis of internal data, scenario analyses and external data from the DakOR consortium (OpRisk data consortium). An allocation process is used to distribute the model result to the individual institutions, which combines size indicators with risk-sensitive elements. Risk indicators in the warning range have an effect in model markups. The parameterisation of the model is regularly validated and subjected to stress tests. Mitigation effects from insurance or other risk-shifting instruments are currently not taken into account in the quantification model. However, NORD/LB sees the use of industry-standard insurance products as part of active risk management.

***Business and strategic risk***

*Definition*

Business and strategic risk refers to the risk of financial losses due to an unexpected negative deviation in the course of business from expectations, which is not already explicitly or implicitly recorded by other risk types taken into account in the risk-bearing capacity calculation.

*Strategy and management*

Since 2020, NORD/LB has undergone a far-reaching transformation towards a lower-risk and leaner business model. Comprehensive adjustments to processes and the IT infrastructure have been carried out alongside this. The successful implementation of the transformation process has a significant impact on NORD/LB's earning power and profitability. Against this background, business and strategic risk at NORD/LB level has been classified as a significant risk type for ICAAP and ILAAP since 2020. The business and strategic risks are taken into account in the risk-bearing capacity calculation and the associated limitation in the "reserve for other risks".

In addition, monitoring is carried out in a two-stage test process with two threshold values. The level of the early warning and escalation threshold is defined as a risk strategy objective. Business risks are monitored quarterly in the Financial and Risk Compass using selected items in the income statement. If the thresholds are exceeded, information is sent to the Managing Board or, in addition, to the Supervisory Board/Risk Committee. In addition, a cause analysis is prepared and recommendations for action are derived as required.

***Reputational risk***

*Definition and strategy*

Reputational risk refers to the risk that the Bank will suffer serious or permanent damage as a result of a loss of trust among customers or business partners, the public, investors, employees or institutions. A possible cause of reputational risk is the step-in risk. This refers to the risk that financial support will be provided to a stressed non-consolidated unit without any contractual obligation or the financial support will exceed an existing contractual obligation. The main reason for this support is to avoid possible reputational damage.

NORD/LB wants to maintain and continuously expand the trust of stakeholders at all times and be perceived as a fair, reliable partner. In addition, the aim is to manage reputational risks in an efficient and economically sound manner. The following specific objectives are pursued:

- Avoiding reputational risks through policies, knowledge of stakeholders' expectations through continuous dialogue and management of high-risk transactions.
- Identifying and reducing emerging and existing reputational risks at an early stage and
- securely manage reputational risks that have arisen (e.g. through integration into reporting processes and reporting).

*Management*

In addition to compliance and risk controlling, corporate communications and sustainability management also play a central role. The handling of reputational risks is summarised in the framework for the management of reputational risks. Each employee influences the Bank's reputation through his/her conduct. The responsibility for the appropriate management of reputational risks therefore also lies with each individual employee.

With the help of general and Bank-wide regulations for avoiding reputational risks, scope for behaviour is defined within which decisions can be made. In this context, the central regulations are as follows:

- Financing principles;
- Policies that guide and regulate business activities in consideration of environment, social and responsible corporate governance aspects (ESG policies);
- Guidelines on external communication;
- Framework Directive on the Prevention of Money Laundering, Terrorist Financing and Other Criminal Offences (Fraud) and Compliance with Financial Sanctions/Embargoes at NORD/LB;
- NORD/LB Code of Conduct (principles of conduct)

Mechanisms such as defined test steps and checklists help to identify reputational issues in regular processes and to manage them reliably. A committee is convened in urgent cases that pose a threat in connection with reputational risk issues and cannot pass through the proper process due to their urgency in terms of time.

In addition to the continuous cross-departmental exchange of reputation-relevant information, NORD/LB has an early warning system that is continuously reviewed. The findings on reputational risks are incorporated into the regular GOC reporting (governance, operational risk and compliance).

***ESG risks***

Environmental, social and responsible corporate governance (ESG) risks are climate/environmental, social or ethic governance events or conditions that may occur or have a potentially significant negative impact on the Bank’s net assets, financial position, results of operations and reputation. The terms "ESG risks" and “climate and environmental risks” are used synonymously below.

ESG risks are increasingly becoming a general focus. Based on this, NORD/LB sees climate change as a significant macroeconomic risk factor and is exposed to short, medium and long-term risks in this regard. The “ECB Guideline on Climate and Environmental Risks” is currently of particular importance for NORD/LB. For the purposes of this guideline, the relevance of environmental and climate risks in particular was recognised and these were defined as drivers of the types of risk – which materialise primarily in counterparty risks. ESG risks are taken into account in the relevant risk types in the risk inventory. A distinction is made between physical and transitory risks with regard to climate and environmental risks. ESG risks are implicitly already incorporated into the risk models of the key risk types as a risk driver. Historically observed events, such as operational losses arising from physical climate risks, could have an impact on the results of the risk models. In addition, the rating procedure includes an assessment of the borrowers' business model with regard to transitory risks.

To meet the broad scope of the ESG issue in its effects on the entire bank and the resulting cross-departmental tasks, the cross-divisional Sustainability Board was established at the beginning of 2021 for coordination and cohesion.

A Bank-wide project was set up to determine the need for adaptation with regard to ESG. Among other things, this is used to identify the need for implementation to integrate climate and environmental risks into the entirety of the risk management processes as a basis for conceptual and methodological adaptations. Planned activities for 2022 include the expansion of risk management frameworks, the performance of further climate risk analyses on physical and transitory risks, the separate monitoring of particularly affected industries and regions, the review of the need for adaptation in the rating procedures and increased reporting on climate and environmental risks in the reports on the main types of risk.

NORD/LB participated in the “EBA Pilot Sensitivity Study” on climate risks in 2021. Internally, a stress test was carried out for the agricultural industry by examining the impact of an agricultural drought and the transitory risk in the agricultural segment. An internal stress test on transitory climate and environmental risks was also carried out. The studies also serve as important basic research in this new topic area. As a result, data availability will be further improved and stress analyses based on this will be continuously developed. The findings from this should be used in the implementation of further management-relevant topics such as carrying out transitory and physical risk analyses as well as further developing the ICAAP integration and the internal stress test framework.

NORD/LB is taking part in the ECB climate stress test in the first half of 2022. As part of the sustainability project, a set of ESG Key Performance Indicators was developed to manage NORD/LB’s ESG vision, which will be collected for the first time in 2022 and incorporated into the Bank’s management in the future.

**Risk-bearing capacity**

The risk strategy and regulatory capital requirements (CET1, T1 and total capital) were consistently complied with in 2021. The risk-bearing capacity was met as at 31 December 2021.

The economic perspective of risk-bearing capacity defines the CET1 capital as the maximum output value for risk capital and considers deductions from economic viewpoints, e.g. hidden liabilities and potentially a loss forecast. Accordingly, risk capital increased compared with the end of the previous year due to the slight increase in Common Equity Tier 1 capital and the absence of a loss forecast. Furthermore, the integration of the reserve for other risks in the RBC analysis described in the Risk Management section resulted in an increase in both risk capital and risk potential. As at 31 December 2021, internal risk capital in the amount of € 5,831 million was offset by an aggregated risk position of € 2,821 million (based on a confidence level of 99.9 per cent). The utilisation of the risk-bearing capacity was consequently 48 per cent.

The visible increase in risk potential as at the reporting date was mainly due to the inclusion of the reserve for other risks. Overall, a decline in potential was discernible for the significant risks considered to date. The main reason for this was the reduction in potential market price risk in the first quarter compared with the end of°2020. This was due to the increased yield, particularly at the long end of the curve. There was a slight increase in potential counterparty risk from the start of the year. Although the planned exposure winding down continued in the reporting year, the effects of this were more than offset by the negative impact of the COVID-19 pandemic on counterparty risks, resulting in a slight increase in potential. In addition to the conclusion of medium to long-term new lending business, which was refinanced with a shorter term on the liabilities side, the elimination of Deutsche Hypo’s cover register modelling after full integration into Nord/LB contributed mainly to the increase in liquidity-spread risk in the economic perspective of the Group. The significant decrease in operational risk was due to the revised scenario assessments during the transformation.

In 2020, business and strategic risk was defined as a material risk type, in addition to the risk types already defined as material (counterparty, market, liquidity and operational risks). The transformation of the Bank to a lower-risk and more streamlined business model, due to continue until 2024, has had a significant influence on the earnings power and profitability of the Bank. Therefore, NORD/LB decided to classify the business and strategic risk as a material risk type, although the risk value does not exceed the materiality threshold. The risk is included in the risk-bearing capacity calculation and backed by a capital amount as part of the 'Reserve for other risks', which has been part of the risk strategy since 30 September 2021. Furthermore, the business and strategic risk is monitored on a quarterly basis using defined P&L positions. The threshold values defined for monitoring were consistently complied with in the reporting period.

Economic risk limits were monitored based on an approved operating limit in the amount of € 4,600 million. As at 31 December 2021, the operating limit was utilised at 61 percent and covered the risk positions in full.

The requirements set out in the Group risk strategy in relation to the maximum permitted limit utilisation rate at material risk type level were met as at the current reporting date. In the normative perspective (scenario-based consideration), limits have been set since 2020 on the basis of adverse planning scenarios. These limits were likewise adhered to in the reporting period.

| **Risk-bearing capacity**[1)2)] | 31 Dec. 2021 | 31 Dec. 2020 |
|---|---|---|
| **Normative perspective** | | |
| Common equity tier 1 capital (in € million) | 5 831 | 5 763 |
| Regulatory risk potentials (in € million) | 3 009 | 3 183 |
| Common equity tier 1 capital ratio (in %) | 15.50% | 14.48% |
| Tier 1 capital ratio (in %) | 15.64% | 14.61% |
| Total capital ratio (in %) | 19.89% | 19.09% |
| **Economic perspective** | | |
| **Total risk potential (in € million)** | **2 821** | **2 446** |
| Counterparty risk | 851 | 793 |
| Market-price risk | 1 064 | 1 219 |
| Liquidity risk | 126 | 85 |
| Operational risk | 284 | 349 |
| Reserve for other risks | 497 | - |
| **Risk capital (in € million)** | **5 831** | **4 278** |
| **Risk capital utilisation (in %)** | **48.4%** | **57.2%** |

1) Differences in totals are rounding differences.
2) Previous year's figures were partially adjusted.

## Credit risk in 2021

*Analysis of the total exposure*

As at 31 December 2021, the NORD/LB Group's total exposure was € 119 billion and was therefore significantly lower than at the end of the previous year (by € 12 billion) as planned. 46% of this decline in exposure resulted from the financial institutions & insurers sectors (down by € 5.3 billion) and 38% from the services trade & other sectors (down by € 4.4 billion). The focus of the total exposure continued to be on the very good to good rating categories.

The classification is based on the standard IFD rating scale, which has been agreed by the banks, savings banks and associations that belong to the "Initiative Finanzstandort Deutschland" (Initiative for Germany as a Financial Centre). This rating scale is intended to make it easier to compare the rating categories of the individual credit institutions. The rating classes of the 18-stage German Savings Banks Association master rating scale used at NORD/LB can be aligned with the IFD classes.

The Rating Structure table shows the breakdown of the total exposure of the NORD/LB Group by IFD rating category, subdivided into product types and impairment stages.

| **Rating Structure**[1)2)] (in € million) | Loans 31 Dec.2021 | Securities[3)] 31 Dec.2021 | Derivates[4)] 31 Dec.2021 | Other[5)] 31 Dec.2021 | Total exposure 31 Dec.2021 | Total exposure 31 Dec. 2020 |
|---|---|---|---|---|---|---|
| very good to good | 60 460 | 15 402 | 3 832 | 17 840 | 97 534 | 105 343 |
| stage 1[6)] | 59 014 | 3 449 | – | 17 813 | 80 276 | 88 463 |
| stage 2 | 129 | – | – | 2 | 130 | 14 |
| fair value | 1 318 | 11 953 | 3 832 | 24 | 17 127 | 16 867 |
| good / satisfactory | 8 464 | 635 | 348 | 1 449 | 10 897 | 12 528 |
| stage 1 | 8 020 | 167 | – | 1 341 | 9 528 | 10 958 |
| stage 2 | 370 | 189 | – | 108 | 667 | 934 |
| fair value | 74 | 280 | 348 | – | 702 | 636 |
| reasonable / satisfactory | 3 704 | 99 | 77 | 882 | 4 762 | 4 920 |
| stage 1 | 3 010 | – | – | 781 | 3 791 | 4 023 |
| stage 2 | 596 | – | – | 95 | 691 | 633 |
| fair value | 98 | 99 | 77 | 6 | 280 | 263 |
| increased risk | 2 129 | 13 | 145 | 339 | 2 626 | 3 502 |
| stage 1 | 1 150 | – | – | 250 | 1 400 | 2 234 |
| stage 2 | 979 | 13 | – | 89 | 1 081 | 1 056 |
| fair value | – | – | 145 | – | 145 | 212 |
| high risk | 1 004 | – | 34 | 103 | 1 141 | 1 326 |
| stage 1 | 211 | – | – | 20 | 231 | 458 |
| stage 2 | 759 | – | – | 83 | 842 | 821 |
| fair value | 34 | – | 34 | – | 68 | 47 |
| very high risk | 795 | – | 8 | 66 | 869 | 1 184 |
| stage 1 | 218 | – | – | 1 | 218 | 263 |
| stage 2 | 578 | – | – | 66 | 644 | 867 |
| fair value | – | – | 8 | – | 8 | 54 |
| default (=NPL) | 962 | – | 9 | 99 | 1 071 | 1 671 |
| stage 3 | 943 | – | – | 99 | 1 042 | 1 543 |
| fair value | 19 | – | 9 | – | 29 | 128 |
| **Total** | **77 519** | **16 149** | **4 454** | **20 779** | **118 900** | **130 473** |
| stage 1 | 71 622 | 3 615 | – | 20 207 | 95 444 | 106 399 |
| stage 2 | 3 410 | 202 | – | 444 | 4 055 | 4 324 |
| stage 3 | 943 | – | – | 99 | 1 042 | 1 543 |
| fair value | 1 544 | 12 332 | 4 454 | 30 | 18 359 | 18 207 |

1) The ratings are assigned on the basis of the initiative for Germany as a financial center (IFD) rating classes.
2) Differences in totals are rounding differences.
3) Includes the securities holdings of third-party issues (only banking book).
4) Includes derivative financial instruments such as finance swaps, options, futures, forward rate agreements and currency transactions.
5) Includes other products such as pass-through and administered loans.
6) The IFRS 9 impairment stages of the impairment model are shown (net after fair-value deduction).

The items rated in the “very good to good” rating category fell over the reporting period in absolute terms by € 7,809 million. However, the comparatively very high share the best rating category (very good to good) rose slightly to 82 per cent (81 per cent). This can be explained by the fact that business with financing institutions with good credit ratings as well as with service industries (including public authorities) has always been very important, and it is therefore also a reflection of the NORD/LB Group’s risk policy. Together, this business continues to account for a significant share of the total exposure at 72 per cent (73 per cent).

| **Industries by impairment stage**[1)2)] (in € million) | stage 1[3)] 31 Dec.2021 | stage 2 31 Dec.2021 | stage 3 31 Dec.2021 | Fair Value 31 Dec.2021 | Total exposure 31 Dec.2021 | Total exposure 31 Dec. 2020 |
|---|---|---|---|---|---|---|
| Financing institutes / insurance companies | 28 640 | 152 | 36 | 6 973 | 35 801 | 41 121 |
| Service industries / other | 39 367 | 1 863 | 401 | 8 318 | 49 950 | 54 322 |
| Transport / communications | 3 578 | 627 | 243 | 657 | 5 106 | 6 123 |
| Manufacturing industry | 4 145 | 676 | 87 | 907 | 5 814 | 5 611 |
| Energy, water and mining | 13 614 | 401 | 152 | 1 199 | 15 366 | 15 713 |
| Trade, maintenance and repairs | 3 334 | 206 | 50 | 204 | 3 794 | 3 897 |
| Agriculture, forestry and fishing | 1 929 | 93 | 56 | 3 | 2 081 | 2 116 |
| Construction | 835 | 39 | 17 | 98 | 988 | 1 544 |
| Other | – | – | – | – | – | 27 |
| **Total** | **95 444** | **4 055** | **1 042** | **18 359** | **118 900** | **130 473** |

1) As with internal reporting, allocations are made on the basis of economic criteria.
2) Differences in totals are rounding differences.
3) The IFRS 9 impairment stages of the impairment model are shown (net after fair-value deduction).

| **Industries by products**[1)2)] (in € million) | Loans 31 Dec.2021 | Securities[3)] 31 Dec.2021 | Derivates[4)] 31 Dec.2021 | Other[5)] 31 Dec.2021 | Total exposure 31 Dec.2021 | Total exposure 31 Dec.2020 |
|---|---|---|---|---|---|---|
| Financing institutes / insurance companies | 17 529 | 7 391 | 834 | 10 047 | 35 801 | 41 121 |
| Service industries / other | 38 993 | 8 069 | 1 274 | 1 614 | 49 950 | 54 322 |
| Transport / communications | 4 001 | 157 | 418 | 529 | 5 106 | 6 123 |
| Manufacturing industry | 4 211 | 211 | 696 | 697 | 5 814 | 5 611 |
| Energy, water and mining | 8 054 | 294 | 985 | 6 033 | 15 366 | 15 713 |
| Trade, maintenance and repairs | 3 261 | 18 | 180 | 335 | 3 794 | 3 897 |
| Agriculture, forestry and fishing | 642 | – | 3 | 1 436 | 2 081 | 2 116 |
| Construction | 828 | 8 | 64 | 89 | 988 | 1 544 |
| Other | – | – | – | – | – | 27 |
| **Total** | **77 519** | **16 149** | **4 454** | **20 779** | **118 900** | **130 473** |

1) As with internal reporting, allocations are made on the basis of economic criteria.
2) to 5) please see the preceding Rating structure table.

As a result of collateral offsetting, the risk-weighted assets of material Group companies as at 31 December 2021 fell by € 8.8 billion (€ 9.2 billion), which corresponds to a share of 22 per cent (22 per cent) of the total risk exposure amount before risk reduction. This mainly involved financial collaterals as well as public sureties and financial guarantees, guarantees from banks as well as from companies and mortgages to be used for netting.

| Collaterals[1)2)] (in € million) | Loans 31 Dec.2021 | Securities[3)] 31 Dec.2021 | Derivates[4)] 31 Dec.2021 | Other[5)] 31 Dec.2021 | Total exposure 31 Dec.2021 | Total exposure 31 Dec.2020 |
|---|---|---|---|---|---|---|
| Total | 77 519 | 16 149 | 4 454 | 20 779 | 118 900 | 130 473 |
| Mortgages | 9 868 | – | – | 669 | 10 538 | 16 736 |
| Financial collaterals | 350 | – | – | 16 | 367 | 1 017 |
| Sureties and guarantees | 4 118 | 49 | 188 | 520 | 4 876 | 5 289 |
| Others | 18 | – | – | 5 | 23 | 23 |
| Stage 1[6)] | 71 622 | 3 615 | – | 20 207 | 95 444 | 106 399 |
| Mortgages | 9 515 | – | – | 645 | 10 160 | 16 272 |
| Financial collaterals | 347 | – | – | 16 | 363 | 970 |
| Sureties and guarantees | 3 517 | 24 | – | 449 | 3 990 | 4 200 |
| Others | 15 | – | – | 5 | 20 | 21 |
| Stage 2 | 3 410 | 202 | – | 444 | 4 055 | 4 324 |
| Mortgages | 313 | – | – | 24 | 337 | 420 |
| Financial collaterals | 2 | – | – | – | 2 | 2 |
| Sureties and guarantees | 513 | – | – | 69 | 582 | 850 |
| Others | 2 | – | – | – | 2 | 1 |
| Stage 3 | 943 | – | – | 99 | 1 042 | 1 543 |
| Mortgages | 15 | – | – | 1 | 15 | 18 |
| Financial collaterals | 1 | – | – | – | 1 | 14 |
| Sureties and guarantees | 63 | – | – | 2 | 65 | 54 |
| Others | – | – | – | – | – | – |
| Fair value | 1 544 | 12 332 | 4 454 | 30 | 18 359 | 18 207 |
| Mortgages | 26 | – | – | – | 26 | 27 |
| Financial collaterals | – | – | – | – | – | 30 |
| Sureties and guarantees | 26 | 25 | 188 | – | 239 | 185 |
| Others | – | – | – | – | – | – |

[1)]The collateral values shown were calculated taking into account CRR eligibility and avoiding double offsetting. Items for which, for example, the collateral information was included in the LGD estimate were not included in the valuation.
[2)]to [6)] please see the preceding rating structure table.

The breakdown of total exposure by region shows that the eurozone accounts for a high 85 per cent (84 per cent) of the total exposure and remains by far the most important business region for the NORD/LB Group. Germany’s share was 72 per cent (71 per cent) of the total exposure.

| **Regions**[1)2)] (in € million) | Loans 31 Dec.2021 | Securities[3)] 31 Dec.2021 | Derivates[4)] 31 Dec.2021 | Other[5)] 31 Dec.2021 | Total exposure 31 Dec.2021 | Total exposure 31 Dec.2020 |
|---|---|---|---|---|---|---|
| Euro countries | 66 105 | 12 166 | 2 372 | 20 609 | 101 253 | 110 131 |
| Of which: Germany | 56 409 | 8 224 | 1 168 | 19 517 | 85 318 | 92 229 |
| Other Europe | 6 077 | 1 189 | 1 505 | 154 | 8 925 | 10 231 |
| North America | 3 290 | 2 010 | 136 | 1 | 5 437 | 6 043 |
| Middle and South America | 908 | – | 30 | 15 | 953 | 1 130 |
| Middle East / Africa | 250 | – | – | – | 250 | 330 |
| Asia / Australia | 888 | 783 | 411 | – | 2 082 | 2 608 |
| **Total** | **77 519** | **16 149** | **4 454** | **20 779** | **118 900** | **130 473** |

1) The figures are reported, as in the internal reports, by the country in which the borrowers are legally domiciled.
2) to 5) please see the preceding Rating structure table.

The countries below were selected on the basis of the rating-dependent limit utilisation and a country-specific risk assessment, e.g. based on current natural disasters, armed conflicts, current or impending epidemics or pandemics, or the specific composition of portfolios. The focus was then refined further based on the criterion of credit risk exposure.

The exposure in the United Kingdom amounted to € 5.1 billion (€ 5.8 billion), which was primarily divided into € 3.9 billion (€ 3.6 billion) Corporates & Others and € 1.0 billion (€ 2.2 billion) Financial Institutions & Insurance Companies. In Poland, the NORD/LB Group had an exposure of € 852 million (€ 690 million); divided into € 582 million (€ 454 million) Corporates & Others and € 155 million (€ 102 million) Financial Institutions & Insurance Companies. In China, NORD/LB held an exposure of € 143 million (€ 165 million), consisting of € 129 million (€ 99 million) Corporates & Others and € 14 million (€ 66 million) Financial Institutions & Insurance Companies. In Russia, NORD/LB held portfolios of € 11 million (€ 84 million) with respect to Financial Institutions & Insurance Companies, and there was no exposure in Ukraine or Belarus. As a result of the Russia-Ukraine conflict, NORD/LB is thus directly affected only to a very limited extent. In addition, precautions were taken to take full account of the changed situation and, in particular, the international sanctions. NORD/LB also closely monitors and analyses significant developments in other countries. However, the Bank does not consider it necessary to make any loss allowances at this stage.

In addition to direct exposure, the reported exposure also comprises indirect exposure (primarily credit default swaps). The calculation is based on utilisation (in the case of guarantees, the nominal value, and in the case of securities, the carrying amount pursuant to the German Commercial Code (HGB)), and the credit equivalent resulting from derivatives (including add-ons and with due consideration of netting). Irrevocable and revocable credit commitments are included proportionally in the total exposure, while collateral provided to the NORD/LB Group is not taken into account.

The sovereign exposure also includes exposure to regions, municipalities and state-related companies for which the respective central government has a guarantee.

*Securitisations*

During the reporting period, the NORD/LB Group did not originate any new securitisations.

The securitisation positions held by the NORD/LB Group can largely be classified as carrying little risk. The NORD/LB Group did not have any re-securitisation positions or securitisation positions with unsecured protection in the portfolio during the reporting year.

*Non-performing loans (NPL)*

Total NPL exposure as a share of total exposure decreased during the reporting period and as at 31 December 2021 amounted to 0.9 per cent (1.3 per cent). The impaired exposure of € 1.0 billion (€ 1.5 billion) was reduced and amounted to 0.9 per cent (1.2 per cent) of the total exposure. The decline was due in particular to the planned continued reduction of the ship financing portfolio.

| **Industries** **Portfolio loan loss provisions**[1)2)] (in € 000) | Stage 1 and 2 31 Dec.2021 | Stage 3[3] 31 Dec.2021 | Stage 1 and 2 31 Dec.2020 | Stage 3[3] 31 Dec.2020 |
|---|---|---|---|---|
| Financing institutes / insurance companies | 31 004 | 2 513 | 11 617 | 6 811 |
| Service industries / other | 479 039 | 25 129 | 329 056 | 138 941 |
| Transport / communications | 107 667 | 103 799 | 97 964 | 349 958 |
| Manufacturing industry | 61 299 | 41 933 | 46 486 | 72 286 |
| Energy, water and mining | 50 629 | 27 284 | 39 148 | 37 901 |
| Trade, maintenance and repairs | 23 837 | 9 841 | 12 421 | 28 538 |
| Agriculture, forestry and fishing | 13 143 | 18 809 | 23 833 | 25 417 |
| Construction | 14 377 | 2 205 | 5 441 | 14 406 |
| Other | 6 497 | 4 820 | 15 722 | 6 486 |
| **Total** | **787 492** | **236 333** | **581 688** | **680 744** |

1) As with internal reporting, allocations are made on the basis of economic criteria.
2) Differences in totals are rounding differences.
3) For information: the gross carrying amount of impaired NPL was € 3,619 million (€ 3,733 million).

| | Total exposure of overdue, unimpaired receivables | | | | | |
|---|---|---|---|---|---|---|
| **Industries**[1)2)] (in € 000) | Up to 1 month 31 Dec. 2021 | 1 up to 3 months 31 Dec. 2021 | 3 up to 6 months 31 Dec. 2021 | More than 6 months 31 Dec. 2021 | Total 31 Dec. 2021 | Total 31 Dec. 2020 |
| Financing institutes / insurance companies | 53 154 | – | 43 | 244 | 53 440 | 66 421 |
| Service industries / other | 94 216 | 11 172 | 2 840 | 5 472 | 113 700 | 349 252 |
| Transport / communications | 27 743 | 243 | 78 | 11 838 | 39 902 | 204 114 |
| Manufacturing industry | 90 652 | 5 364 | 261 | 847 | 97 124 | 51 874 |
| Energy, water and mining | 32 861 | – | 1 520 | 2 729 | 37 110 | 122 600 |
| Trade, maintenance and repairs | 28 318 | 67 | – | 10 613 | 38 998 | 69 123 |
| Agriculture, forestry and fishing | 39 561 | 1 134 | 1 508 | 2 466 | 44 669 | 59 219 |
| Construction | 10 503 | 199 | 101 | 200 | 11 002 | 3 987 |
| Other | – | – | – | – | – | 874 |
| **Total** | **377 007** | **18 177** | **6 351** | **34 409** | **435 944** | **927 466** |

1) As with internal reporting, allocations are made on the basis of economic criteria and taking into account the provisions of IFRS accounting.
2) Differences in totals are rounding differences.

| **Regions**<br>**Portfolio impairment**[1)2)]<br>(in € 000) | Stage 1 and 2<br>31 Dec. 2021 | Stage 3<br>31 Dec. 2021 | Stage 1 and 2<br>31 Dec. 2020 | Stage 3<br>31 Dec. 2020 |
|---|---|---|---|---|
| Euro countries | 559 219 | 146 998 | 420 444 | 428 956 |
| Other Europe | 32 795 | 59 801 | 39 882 | 55 917 |
| North America | 80 694 | 2 497 | 57 680 | 16 703 |
| Middle and South America | 85 270 | – | 30 811 | 20 219 |
| Middle East / Africa | 4 130 | 20 442 | 6 871 | 6 970 |
| Asia / Australia | 25 149 | 6 430 | 26 000 | 151 777 |
| **Total** | **787 492** | **236 333** | **581 688** | **680 744** |

1) As with internal reporting, allocations are made on the basis of economic criteria and taking into account the IFRS 9 impairment accounting.
2) Differences in totals are rounding differences.

| | Total exposure of overdue, unimpaired receivables | | | | | |
|---|---|---|---|---|---|---|
| **Regions**[1)2)]<br>(in € 000) | up to<br>1 month<br>31 Dec. 2021 | 1 up to<br>3 months<br>31 Dec. 2021 | 3 up to<br>6 months<br>31 Dec. 2021 | More than<br>6 months<br>31 Dec. 2021 | Total<br>31 Dec. 2021 | Total<br>31 Dec. 2020 |
| Euro countries | 298 906 | 18 165 | 6 351 | 30 927 | 354 350 | 576 587 |
| Other Europe | 78 101 | – | – | 3 443 | 81 544 | 329 121 |
| North America | – | – | – | – | – | 7 385 |
| Middle and South America | – | – | – | – | – | – |
| Middle East / Africa | – | 12 | – | 39 | 51 | – |
| Asia / Australia | – | – | – | – | – | 14 374 |
| **Total** | **377 007** | **18 177** | **6 351** | **34 409** | **435 944** | **927 466** |

1) As with internal reporting, allocations are made on the basis of economic criteria.
2) Differences in totals are rounding differences.

The exposure to overdue, unimpaired receivables fell by € 492 million. This decline primarily takes place in a time frame of up to 3 months. As regards the 86 per cent (52 per cent) of receivables that were overdue by up to a month, the NORD/LB generally assumes that they will be repaid.

Differences in the basis of consolidation were the main reason why the impairment figures presented for the impairment stages 1 to 3 amounting to € 1,024 million (€ 1,262 million) deviated from the impairment including loan loss provisions in Note (59) Loan loss provisions and gross carrying amount.

Material Group companies directly wrote off bad debts on loans of € 64 million in the reporting year (€ 74 million). Recoveries on receivables written off amounted to € 58 million (€ 43 million).

With exposures of € 88 million (€ 44 million), no loss allowance was made due to the existing collateral. For financial assets written off during the reporting period and still subject to an enforcement order, the outstanding contractual amount was € 262 million (€ 214 million).

The NORD/LB Group did not obtain assets in the reporting period by taking possession of collateral held as security or utilising other credit enhancements.

*Sensitivity of risk provisions to future economic conditions*

In the parameter-based loss estimation under IFRS 9, the parameters must be checked for appropriate consideration of macroeconomic, forward-looking information and applied if there is sufficient plausibility. This can be done by including them directly in the economic model or by adjusting the parameters provided. NORD/LB follows the option of adjusting the parameters provided. The procedure is based, firstly, on the application "Macro Analyzer" developed and provided by the rating service providers Rating Service Unit GmbH & Co. KG and Sparkassen Rating und Risikosysteme GmbH, which makes it possible, among other things, to check the appropriateness of the current ratings and the economic PD profiles used via top-down analyses. And secondly, in addition to this quantitative analysis, an expert qualitative assessment is carried out. To this end, NORD/LB Research prepares three economic scenarios and the associated probabilities of occurrence on a quarterly basis:

- a baseline scenario that represents the central scenario and
- two less probable scenarios: one positive and one negative.

The scenarios always include a time horizon of at least two years. This time horizon corresponds to the quarterly review. The baseline scenario is consistent with the baseline scenario of Group planning as long as these are requested at the same time. Due to continuous updates, the scenarios may differ in individual values due to increasing time distance. The scenarios under IFRS 9 are calculated on the basis of forecasts from third parties such as Reuters, Bloomberg or Focus Economics. These are obtained from several sources and serve as a benchmark for our own forecasting. Larger deviations are checked for plausibility and consistency.

The following macroeconomic variables are used in the analysis: Oil price, unemployment rate (%), change rate in real GDP (%), change rate in CPI (%), change rate in a leading equity index (%), short-term interest rates (3 months nominal) (%), long-term interest rates (10 years nominal) (%) and change rate in national currency/USD (%).

The oil price trend is the only global variable that flows into the model, all other variables are country-specific. Country-specific variables are available for Germany, the USA and the UK. Furthermore, the countries France, Luxembourg, the Netherlands, Ireland and Austria are taken into account approximately via a forecast for the euro area. Taking into account assumptions about these economies, more than 90 percent of exposure coverage is achieved.

As at 31 December 2021, there were the following probabilities of occurrence:

| **Probability of occurrence** | **positive 31 Dec. 2021** | **base 31 Dec. 2021** | **negative 31 Dec. 2021** | **positive 31 Dec. 2020** | **base 31 Dec. 2020** | **negative 31 Dec. 2020** |
|---|---|---|---|---|---|---|
| in per cent | 20 | 60 | 20 | 20 | 55 | 25 |

As at the reporting date of 31 December 2021, there was a slight increase in the probability of occurrence of the baseline scenario, starting from the negative scenario. This is due to the knowledge gained as the pandemic progresses and the resulting potential characteristics of its further course. The following tables show the assumed forecasts for the countries Germany, the USA, the UK and the eurozone.

| Scenarios[1)2)] | positive 2023 | base 2023 | negative 2023 | positive 2022 | base 2022 | negative 2022 |
|---|---|---|---|---|---|---|
| **Germany** | | | | | | |
| Unemployment rate (in %) | 4.6 | 4.9 | 6.5 | 4.9 | 5.1 | 6.2 |
| GDP (real; Y/Y[1] in %) | 3.2 | 1.8 | 1.8 | 5.4 | 4.1 | 0.5 |
| CPI[2] (in % Y/Y) | 2.4 | 1.9 | 1.4 | 3.3 | 2.7 | 2.1 |
| Leading index shares (DAX, % p.a.) | 3.50% | 3.00% | 8.50% | 8.40% | 4.20% | -11.90% |
| Short-term interest rate (3M Money market rate, in %) | -0.1 | -0.38 | -0.55 | -0.4 | -0.53 | -0.6 |
| Long-term interest rate (10Y Government, in %) | 0.7 | 0.4 | -0.4 | 0.4 | 0.1 | -0.4 |
| Exchange rate (EUR/USD) | 1.19 | 1.17 | 1.14 | 1.18 | 1.17 | 1.11 |
| Rate of change exchange rate (in % Y/Y) | 0.85 | 0 | 2.70 | -1.67 | 1.68 | -5.93 |
| **USA** | | | | | | |
| Unemployment rate (in %) | 3.5 | 4.0 | 4.5 | 3.9 | 4.2 | 4.6 |
| GDP (real; Y/Y[1] in %) | 2.5 | 2.5 | 2.5 | 4.0 | 3.3 | 2.1 |
| CPI[2] (in % Y/Y) | 3.0 | 2.7 | 1.5 | 3.8 | 3.6 | 2.5 |
| Leading index shares (MSCI TR USA, % p.a.) | 6.00% | 6.00% | 4.50% | 7.00% | 6.50% | 2.00% |
| Short-term interest rate (3M Money market rate, in %) | 0.9 | 0.8 | 0.4 | 0.5 | 0.25 | 0.15 |
| Long-term interest rate (10Y Government, in %) | 2.4 | 2.1 | 1.3 | 2.2 | 1.9 | 1.2 |
| Exchange rate (EUR/USD) | 1.19 | 1.17 | 1.14 | 1.18 | 1.17 | 1.11 |
| Rate of change exchange rate (in % Y/Y) | 0.85 | 0 | 2.7 | -1.67 | -1.68 | -5.93 |
| **Great Britain** | | | | | | |
| Unemployment rate (in %) | 4.0 | 4.6 | 5.8 | 4.1 | 4.7 | 6.2 |
| GDP (real; Y/Y[1] in %) | 1.7 | 2.0 | 2.5 | 6.2 | 5.0 | 0.7 |
| CPI[2] (in % Y/Y) | 2.4 | 2.3 | 1.5 | 3.9 | 3.2 | 1.1 |
| Leading index shares (FTSE 100, % p.a.) | 5.00% | 5.50% | 6.00% | 6.50% | 5.50% | -3.80% |
| Short-term interest rate (3M Money market rate, in %) | 0.9 | 0.7 | 0.25 | 0.7 | 0.4 | 0 |
| Long-term interest rate (10Y Government, in %) | 1.9 | 1.5 | 0.6 | 1.5 | 1.3 | 0.35 |
| Exchange rate (GBP/USD) | 1.34 | 1.34 | 1.27 | 1.34 | 1.34 | 1.22 |
| Rate of change exchange rate (in % Y/Y) | -0.29 | 0 | 3.84 | -2.78 | -2.81 | -9.03 |
| **Euroland** | | | | | | |
| Unemployment rate (in %) | 6.5 | 6.9 | 8.9 | 6.9 | 7.1 | 8.2 |
| GDP (real; Y/Y[1] in %) | 2.5 | 2.1 | 1.8 | 4.9 | 4.4 | 0.9 |
| CPI[2] (in % Y/Y) | 2.2 | 1.7 | 1.1 | 3.0 | 2.5 | 1.8 |
| Leading index shares (EuroStoxx 50 Perf., % p.a.) | 3.70% | 3.20% | 8.80% | 9.70% | 4.40% | -11.60% |
| Short-term interest rate (3M Money market rate, in %) | -0.1 | -0.38 | -0.55 | -0.4 | -0.53 | -0.6 |
| Long-term interest rate (10Y Government, in %) | 0.7 | 0.4 | -0.4 | 0.4 | 0.1 | -0.4 |
| Exchange rate (EUR/USD) | 1.19 | 1.17 | 1.14 | 1.18 | 1.17 | 1.11 |
| Rate of change exchange rate (in % Y/Y) | 0.85 | 0 | 2.7 | -1.67 | -1.68 | -5.93 |
| **Global** | | | | | | |
| Oil price - Brent (in USD per barrel) | 59 | 59 | 60 | 79 | 75 | 60 |

[1)] Y/Y = year to year
[2)] Consumer Price Index

In the financial statements, NORD/LB carries out a sensitivity analysis for parameter-based risk provisioning in stages 1 and 2. The basis for this is the scenarios of the analysis carried out in the fourth quarter of 2021 on special macroeconomic constellations, which is carried out as standard at rating module level due to its relevance for management. The following table shows the adjustment factors resulting from the analysis for the individual rating modules if an adjustment occurred in at least one scenario.

| Rating module | positive year 1 | base year 1 | negative year 1 | positive year 2 | base year 2 | negative year 2 |
|---|---|---|---|---|---|---|
| Corporates | 1.00 | 1.13 | 1.44 | 1.00 | 1.00 | 1.36 |
| Aircraft finance | 1.00 | 1.32 | 1.32 | 0.90 | 1.00 | 1.20 |
| International real estate | 1.20 | 1.33 | 1.33 | 1.00 | 1.25 | 1.25 |
| Sparkassen-customer compact rating | 1.00 | 1.00 | 1.35 | 1.00 | 1.00 | 1.28 |
| Leasing finance | 1.00 | 1.00 | 1.00 | 0.90 | 1.00 | 1.00 |
| Project finance | 1.00 | 1.09 | 1.09 | 1.00 | 1.00 | 1.10 |
| Sparkassen - real estate business rating | 0.90 | 1.00 | 1.00 | 0.90 | 1.00 | 1.00 |
| Sparkassen - customer scoring | 0.94 | 1.00 | 1.00 | 0.97 | 1.00 | 1.09 |
| Sparkassen - standard rating | 0.87 | 1.00 | 1.00 | 0.72 | 1.00 | 1.00 |

A factor different from 1 means that the cyclically averaged PD profiles have been corrected accordingly upwards or downwards. The factors are applied for both marginal and conditional PD profiles. In the positive scenario, the negative adjustments made in the course of the COVID-19 pandemic are largely reversed. In the negative one, there were strong adjustments due to the negative outlook, which is reflected above all in the second forecast year. The rating modules banks, international local authorities, leveraged finance, state and transfer risks, ship financing and insurance did not receive any adjustments. For ship financing, this was mainly driven by the planned portfolio reduction within NORD/LB 2024. The other rating modules had holdings of loan-loss provisions in the low single-digits to low double-digit million range.

The table below shows the loan loss provisions assuming that the positive and negative scenarios are each weighted at 100 percent. For better comparability, the table also contains the probability-weighted values reflected in the baseline case, which are reflected in the consolidated financial statements. In addition, a focus was placed on the rating modules in which a different assessment of the need for a parameter adjustment was made in at least one scenario.

| **31.12.2021**<br>**Sensivity calculation for loan loss provisions**<br>(in € million) | positive | base | negative |
|---|---|---|---|
| Exposure at Default[1] | 118 900 | 118 900 | 118 900 |
| of which | | | |
| Corporates | 48 623 | 48 623 | 48 623 |
| Aircraft finance | 271 | 271 | 271 |
| International real estate | 3 848 | 3 848 | 3 848 |
| Sparkassen - customer compact rating | 537 | 537 | 537 |
| Leasing finance | 2 977 | 2 977 | 2 977 |
| Project finance | 14 420 | 14 420 | 14 420 |
| Sparkassen - real estate business rating | 13 620 | 13 620 | 13 620 |
| Sparkassen - customer scoring | 2 794 | 2 794 | 2 794 |
| Sparkassen - standard rating | 6 286 | 6 286 | 6 286 |
| | | | |
| Loan loss provisions[2] | – 905 | – 918 | – 948 |
| of which | | | |
| Corporates | – 321 | – 322 | – 349 |
| Aircraft finance | – 325 | – 329 | – 330 |
| International real estate | – 53 | – 54 | – 54 |
| Sparkassen - customer compact rating | – 17 | – 18 | – 19 |
| Leasing finance | – 15 | – 15 | – 15 |
| Project finance | – 66 | – 68 | – 68 |
| Sparkassen - real estate business rating | – 42 | – 43 | – 43 |
| Sparkassen - customer scoring | – 8 | – 8 | – 8 |
| Sparkassen - standard rating | – 149 | – 152 | – 152 |
| | | | |
| Share of loan loss provisions impairment stage 2 (per cent) | 28% | 32% | 35% |
| of which | | | |
| Corporates | 25% | 26% | 34% |
| Aircraft finance | 26% | 34% | 34% |
| International real estate | 40% | 43% | 43% |
| Sparkassen - customer compact rating | 38% | 42% | 49% |
| Leasing finance | 33% | 34% | 34% |
| Project finance | 19% | 20% | 20% |
| Sparkassen - real estate business rating | 34% | 34% | 34% |
| Sparkassen - customer scoring | 48% | 52% | 52% |
| Sparkassen - standard rating | 23% | 23% | 24% |

1) Exposure at default after risk reduction.
2) The overall loan loss provisions also included the loan loss provisions for the other rating modules as well as compensation through Northvest II in the amount of around € 58 million as well as further adjustments, mainly due to differences in the scope of consolidation in the amount of € 77 million.

An adjustment of the PD profiles due to the positive or negative scenario was examined in the sensitivity calculation. The profiles had effects on the loan loss provisions in stage 1 and 2 as well as on the stage allocation. The previous table contains the breakdowns of the exposure at default after risk reduction via stage 1 to 3 as well as for FV items. This allows for a reconciliation to the tables in the previous sections. The loan loss provisions contain the values for stage 1 to 3. An adjustment of the PD profiles had no influence on the holdings in stage 3, which are based on an expert approach when calculating the loan loss provisions, whereby these are excluded from the adjustments and retain their loan loss provisions from the baseline scenario.

In all scenarios, the loan loss provisions for stage 1 and 2 included the management adjustment for COVID-19 of around € 362 million made by the Bank at the end of 2021 in order to provide better comparability of the data and a pure focus on the effects triggered by the macroeconomic scenarios. The main drivers here were the rating modules aviation (€ 160 million), corporates (€ 84 million), international real estate (€ 42 million) and Sparkassen - standard rating (€ 29 million). The rating module corporates (€ +2/-27 million) has the highest sensitivity to loan loss provisions, which is also the largest module in terms of exposure at default, followed by the aircraft financing rating module (€ +4/-0 million).

Overall, loan loss provisions would be reduced by € 13 million under the positive scenario and increased by € 29 million under the negative scenario. The proportion of loan loss provisions in stage 2 fell from 32 per cent to 28 per cent or increased to 35 per cent under the negative scenario.

*Outlook*

The NORD/LB Group will continue to monitor developments for all relevant asset classes in 2022. Based on its risk policy, the gradual enhancement of the risk model and risk management process, and the focused business strategy, the NORD/LB Group is well prepared overall. Furthermore, ESG risks continue to be analysed and taken into account in counterparty risks.

**Equity investment risk in 2021**

To increase earnings and reduce the capital commitment and potential risks from equity investments, NORD/LB has divested itself of numerous equity investments in recent years by conducting a critical assessment of its equity investment portfolio. This strategy was continued during the reporting year. The merger of Deutsche Hypo with NORD/LB AöR on 1 July 2021 with retroactive effect from 1 January 2021 is particularly noteworthy. With regard to NORD/LB Luxemburg new issue activities were ceased for the Lettre de Gage product as at 31 December 2021. In addition, individual equity investments were sold and a series of smaller equity investments liquidated. An increase in the equity investment in Caplantic GmbH was finalised and is planned for 2022.

The equity investment risk was calculated for the entire reporting year by using the model for counterparty risks, which views credit and equity investment risks on a consolidated basis. The integration approach is designed so that equity investment and credit risks are simulated together to provide an integrated view.

The risk calculated for the equity investment portfolio on the basis of the integrated model for the reporting year totalled € 240 million (€ 225 million for unexpected loss and € 15 million for expected loss). This was a slight increase of € 2 million compared with the last reporting date. This increase was mainly a result of the rise in unexpected loss (+ € 3 million). This was due to the decline in the credit exposure, which led to a correspondingly higher share of the equity investment risk in an unexpected loss on an overall portfolio view in the integrated model. From a risk perspective, the relative importance of equity investments grew in NORD/LB's new business model. The equity investment portfolio exposure was reduced in absolute terms by € 36 million or 8 per cent in the reporting period.

The adequacy of the parameters used for the equity investment analysis concept of NORD/LB has been reviewed regularly. No anomalies were identified in the result. The materiality thresholds of the equity investment classification concept for 2021, slightly down on the previous year, were determined as at 15 December 2020. New significant equity investments were not identified. Following the merger of Deutsche Hypo with NORD/LB, the only remaining significant holding, NORD/LB CBB Luxemburg, was considered in a look-through. As at 31 December 2021, there were also nine significant equity investments that were relevant for the risk-bearing capacity of NORD/LB.

*Outlook*

The main tasks for 2022 for equity investment management will remain the optimisation of the equity investment portfolio with regard to the strategic benefits for the Bank's business model and NORD/LB's return expectations, as well as to secure and improve the market position of the strategic business segments and/or selected holdings.

**Market price risk in 2021**

In the first half of 2021, there was an increase in capital market yields in the eurozone and a steepening of the yield curve. Yields initially fell in the middle of the year and then increased again in the fourth quarter of the year. US dollar yields behaved similarly in 2021.

After credit spreads had widened slightly at the end of the first quarter, they narrowed again in the second quarter. After another increase in the middle of the fourth quarter, they were back at the previous year's year-end level as at the reporting date of 31 December 2021. As measured by cross-currency basis spreads between US dollar and euro interest rates, the yield differential widened slightly in 2021.

In accordance with ICAAP, management of the market price risks comprises the economic and the normative perspectives. The limits in the economic and normative perspectives were complied with as at the reporting date.

In the economic perspective, the process of historic simulation is applied uniformly across the entire Group. The value-at-risk (VaR) is calculated in the analyses of risk-bearing capacity at a confidence level of 99.9 per cent and a holding period of 250 trading days. Other confidence levels and holding periods are used in the Group institutions for operational management.

As at 31 December 2021, the VaR calculated for NORD/LB in the economic perspective amounted to € 1,064 million. This corresponded to a decline of € 155 million compared with the end of the prior year (€ 1,219 million). The limit utilisation was 70 per cent as at the reporting date.

In the correlated total risk exposure in the economic perspective, interest-rate risks and credit-spread risks dominate. All other types of risk are of minor significance. The correlated total risk exposure for NORD/LB breaks down into the following individual partial risks:

| **Market price risks**[1] | Economic Perspective | | | | |
|---|---|---|---|---|---|
| in € million | 31 Dec. 2021 | 30 Sep. 2021 | 30 Jun. 2021 | 31 Mar. 2021 | 31 Dec. 2020 |
| Interest rate risk | 628 | 646 | 576 | 609 | 631 |
| Credit-spread-risk | 712 | 849 | 839 | 861 | 810 |
| Currency risk | 52 | 41 | 38 | 48 | 56 |
| Stock price and fund price risk | – | – | – | – | 4 |
| Votality risk | 16 | 10 | 10 | 13 | 9 |
| Other add-ons | 3 | 3 | 4 | 4 | 42 |
| **Total risk**[2] | **1 064** | **1 059** | **1 102** | **1 028** | **1 219** |

[1] Value at Risk (99.9 per cent; 250 days holding period).
[2] Due to diversification effects, the overall risk is smaller than the sum of the individual risks.

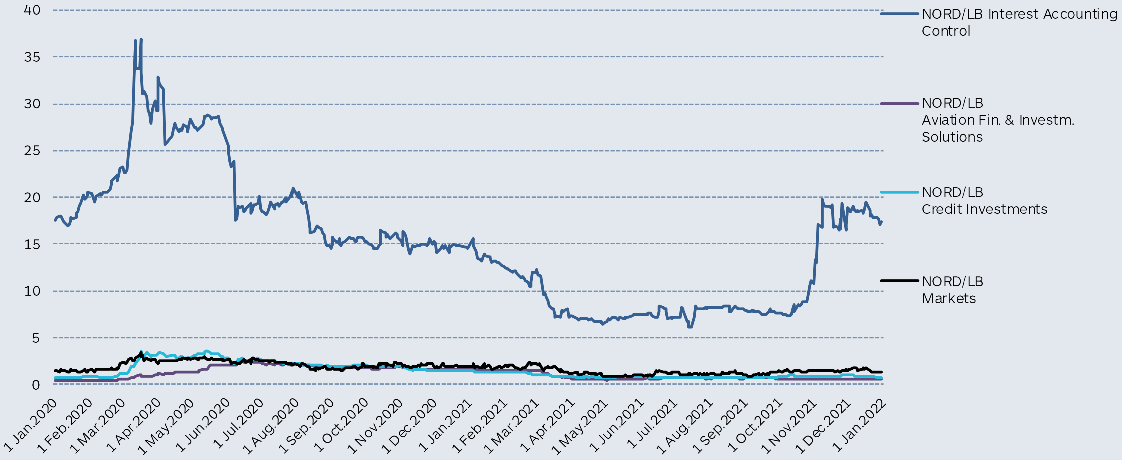
The operational limiting of the individual sub-portfolios in the trade and treasury section of the relevant units of NORD/LB is implemented by way of corresponding sub-limits, which are derived from the total limit for market price risks for NORD/LB. The operational limiting of the corresponding VaR ratios is implemented with different parameters (confidence level, holding period) than in the risk-bearing capacity model. The present-value risk indicators of the material sub-portfolios are determined at NORD/LB on a daily basis.

Both of the charts below show the change in the correlated value-at-risk, as calculated each day, in the present value perspective (economic perspective) since 1 January 2020 for the key sub-portfolios of the relevant units of the NORD/LB Group.

For NORD/LB AöR, a confidence level of 95 per cent and holding period of one trading day is applied for operational limiting.

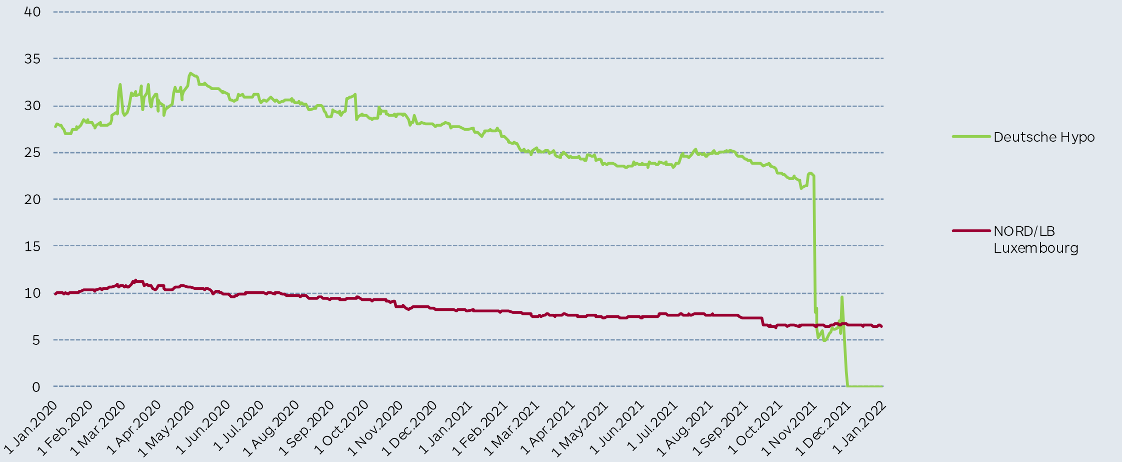
In the first half of 2021, the risks in all sub-portfolios of NORD/LB AöR decreased. This is primarily due to the elimination of market turbulence from the one-year look-back period that occurred at the beginning of the coronavirus pandemic in 2020. In addition, the rise in interest rates in the "NORD/LB Interest Book Management" portfolio led to a decline in risk in Q1 2021. This was due in particular to the measurement of long-term pension commitments, the effect of which was take to the OCI. At the end of October/beginning of November 2021, there was an increase in risk in the "NORD/LB Interest Book Management" portfolio, on the one hand due to the decline in interest rates and, on the other, due to the acquisition of Deutsche Hypo's positions as part of the full integration into NORD/LB AöR.

**Value-at-Risk of NORD/LB AöR (95 %, 1 day)**
in € million




For the Group subsidiary Deutsche Hypo, which was legally merged on 1 July 2021, and the Group subsidiary NORD/LB Luxemburg, a confidence level of 99 per cent and a holding period of one trading day were or is used. The representation of the course of the VaR in the following graphic thus refers to the confidence level, at which the subsidiary institutions are being managed. The risk of the subsidiaries NORD/LB Luxemburg did not materially change year on year. The risks of Deutsche Hypo were fully transferred to the NORD/LB interest book management position following completion of the integration into NORD/LB AöR at the end of November 2021.

**Value-at-Risk of NORD/LB subsidiaries (99 %, 1 day)**
in € million



*Outlook*

In 2022, NORD/LB will continue to monitor market developments carefully for all relevant asset classes. Based on the risk policy, the gradual enhancement of risk models and the risk management process, and the focused trade strategy, NORD/LB is well prepared on the whole, even for volatile market phases.

The impact of climate and environmental risks on NORD/LB's market price risk is currently rated as low overall. Nevertheless, these risks will be taken into account in management and monitoring in 2022.

**Liquidity risk in 2021**

Despite ongoing uncertainty on the money and capital market due to the COVID-19 pandemic, there was clearly sufficient liquidity on the market throughout the reporting period. This was particularly due to the monetary-policy measures of the European Central Bank.

The liquidity situation of NORD/LB was very comfortable throughout the reporting period. As in the previous year, the risk of market-wide negative developments due to the ongoing COVID-19 pandemic and the resulting risks for the institution's overall credit portfolio were taken into account in the liquidity stress tests and consequently in the management of liquidity, as was the case in the previous year. Developments were closely monitored on an ongoing basis and regularly reassessed. This showed that the impact of the COVID-19 pandemic was significantly more moderate overall than was assumed in the strict projections. However, the focus remains on the risks resulting from loan commitments and guarantees/sureties, which continue to exist in conjunction with the gradual reduction of the support measures of the German federal government and the resulting risk of increasing insolvencies.

In 2021, the internal liquidity stress scenario relevant for management purposes was managed for NORD/LB entirely in the green phase, both at Group level and in AöR, and indicated a clearly adequate liquidity situation as at the reporting date. At all times, the liquidity buffers were maintained for one week and one month, in accordance with the Minimum Requirements for Risk Management (MaRisk). NORD/LB's cumulative liquidity maturity balance sheet showed significant liquidity surpluses as at the reporting date in the maturity bands of up to five years. As in the previous year, moderate liquidity gaps existed at the sampling points shown from "up to ten years" to "up to fifteen years". The liquidity surpluses with maturities of up to five years, which had increased in the previous year due to the reduction in assets, fell as planned in the reporting year. The liquidity gaps were within the limits derived from the risk-bearing capacity model. At NORD/LB level, the limits were respected in the reporting year, both when taking all currencies into account and when taking the major individual currencies into account.


The refinancing of the NORD/LB Group is mainly made up of liabilities to banks at 25 Prozent (24 Prozent), to customers at 43 Prozent (42 Prozent) and securitised liabilities at 20 Prozent (22 Prozent). In addition to unsecured securities, NORD/LB also uses secured securities, including public-sector Pfandbriefs in euros and US dollars, real estate, and ship and aircraft Pfandbriefs. There was a total of € 26 billion (€ 29 billion) in mortgage bonds in circulation (including legacy Pfandbriefs issued prior to the entry into force of the Pfandbriefs Act and Lettres de Gage issued under Luxembourg law) of which public-sector Pfandbriefs make up the largest share.

NORD/LB is active in highly liquid markets and maintains a portfolio of high-quality securities. As at the reporting date, the material companies of NORD/LB held securities worth € 23 billion (€ 25 billion), of which 80 per cent (79 per cent) were suitable for repo transactions with the European Central Bank (ECB).

Through close monitoring of the markets and active liquidity management, the NORD/LB Group ensured that it had sufficient liquidity at all times during the reporting year. As at 31 December 2021, the liquidity coverage ratio (LCR) was 139.4 per cent (previous year:157.8 per cent).

*Outlook*

NORD/LB will continue to deal with the further course and effects of the COVID-19 pandemic in 2022. Although liquidity bottlenecks are still unlikely due to the intervention of the central banks, it is absolutely necessary to closely monitor developments against the background of an assumed gradual reduction in central bank measures, as well as with regard to possible payment defaults arising from credit risk and the consequences for the economy as a whole. At the same time, it is still important at an early stage to manage liquidity qualitatively in a difficult profitability environment and to take into account the developments resulting from increasing inflation trends and the resulting interest rate uncertain. Furthermore, the total assets target planned for the end of 2023 must continue to be observed in compliance with the key performance indicators. Climate and environmental risks as well as social aspects are becoming increasingly relevant as risk drivers in the liquidity risk assessment and will be increasingly taken into account in management in the coming years.

**Operational risk in 2021**

NORD/LB uses the standard approach of CRD IV (Pillar I) to calculate the capital requirement. At Group level, this requirement as at 31 December 2021 amounted to € 227 million (€ 258 million).

As at the reporting date, the losses of NORD/LB stood at € 23.5 million (€ 2.0 million). The losses were mainly caused by “external influences”. The cost increases resulted primarily from the COVID-19 pandemic, from a provision regarding the GTC change mechanism and from the improper execution of an interest rate derivative.

Adherence to the principles for preventing the financing of terrorism is ensured at NORD/LB as part of the comprehensive protection and prevention measures put in place by Compliance.

*Outlook*

Integrated operational risk management helps ensure that the transparency of operational risks is increased further and that targeted management is possible. The early detection of risks is supported by a comprehensive indicator system.

Furthermore, the focus is increasingly on identifying, assessing and managing risks that affect the areas of environment, social and responsible corporate governance (ESG). As a result, the issue of sustainability is increasingly taken into account in operational risk management. The management of IT risks is also gaining in importance. This includes, for example, cyber risks and the operational risks associated with an IT transformation.

## Summary of the risk situation

NORD/LB continued its ongoing transformation programme in the reporting year. Accordingly, the total exposure as at the reporting date fell by € 12 billion year on year to € 119 billion as planned. The quality of the loan portfolio improved further in the reporting year from the perspective of the Bank. This can be derived from a very high relative exposure share in the best rating class (very good to good) and a further decline in NPLs in the reporting period. The decline was due in particular to the planned continued reduction of the ship financing portfolio. Contrary to initial expectations, the COVID-19 pandemic did not have any significant negative effects on portfolio quality or the Group's risk situation. As at 31 December 2021, the NORD/LB Group continued to utilise the management adjustment (MAC-19) formed in order to take into account in the balance sheet the uncertainties over how the pandemic would unfold and the resulting potential impact on borrower credit quality.

The market price risk limits in the economic and normative perspectives were complied with as at the reporting date.

The liquidity situation of NORD/LB was very comfortable throughout the reporting period. Through close monitoring of the markets and active liquidity management, the NORD/LB Group ensured that it had sufficient liquidity at all times during the reporting year.

The Bank has taken adequate precautionary measures to address all known risks. Appropriate tools were implemented for the early detection of risks. NORD/LB believes that there are no risks that jeopardise the existence of the company.

NORD/LB met the minimum regulatory capital ratios at Group level in the reporting period. All regulatory capital ratios increased, primarily due to a lower total risk exposure amount (RWA). With regard to a total risk exposure amount for the NORD/LB Group as at 31 December 2021 of € 37,609 million (capital requirements corresponding to € 3,009 million), equity amounted to € 7,479 million. The Common Equity Tier 1 ratio increased to 15.50 per cent (14.59 per cent) as at the reporting date compared with the previous year's reporting date.

The risk-bearing capacity was met as at 31 December 2021.

# Notes to the Financial Statement of NORD/LB (Bank)

## Report on the Earnings, Assets and Financial Position

In the following text the previous year's figures for the period from 1 January to 31 December 2020 or as at 31 December 2020 are shown in brackets.

For reasons of comparability, all figures used from 2020 and 2021 in the section on financial position and financial performance also include the disclosures of the Deutsche Hypo integrated into NORD/LB in the reporting year.

**Earnings position**

In the 2021 reporting year, NORD/LB AöR's earnings position compared with the previous year was particularly influenced by positive developments in net commission income, income from financial transactions as well as lower fees for guarantees of the state of Lower Saxony and the merger with Deutsche Hypo.

The following overview provides details of the composition of the net profit:

| | 1 Jan. - 31. Dec. 2021 (in € million) | 1 Jan. - 31. Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| Net interest income | 831 | 859 | – 3 |
| Net commission income | 92 | 2 | > 100 |
| Earnings from financial transactions in the trading portfolio | 134 | 42 | > 100 |
| Administrative expenses | – 1 032 | – 960 | 8 |
| Depreciation and value adjustments on intangible assets and property, plant and equipment | – 44 | – 48 | – 8 |
| Other profit / loss | – 68 | – 12 | > 100 |
| **Operating result before loan loss provisions / valuation** | **– 87** | **– 117** | **– 26** |
| Valuation result receivables, securities and participations | 110 | – 120 | > 100 |
| which of: Assumption of investment losses | – 2 | – 4 | – 50 |
| **Operating result after loan loss provisions / valuation** | **21** | **– 241** | **> 100** |
| Extraordinary result | 69 | – 85 | > 100 |
| Tax expense (previous year: tax income) | – 15 | 3 | > 100 |
| Income from loss assumptions | – | 30 | – 100 |
| **Annual net income (previous year: annual deficit)** | **75** | **– 293** | **> 100** |

In the 2021 reporting year, the operating result after loan loss provisions/valuation increased by € 262 million to € 21 million (€ -241 million). Compared with the previous year, the result was mainly influenced by the lower fees for guarantees of the State of Lower Saxony in the net commission income, the result from financial transactions in the trading portfolio and the valuation result from receivables, securities and investments.

After taking into account the extraordinary result and the tax expenses, there was **net income for the year** of € 75 million (loss for the year of € -293 million). The net income for the year was used in full to replenish the silent contributions reduced in previous years as a result of the net loss. In this regard, please refer to the information in the section "Service, termination and performance of capital instruments" in the section "Significant events in the reporting year" in the economic report of this management report.

**Interest income** fell by € -28 million to € 831 million (€ 859 million) as a result of the persistently low interest rates on the money and capital markets and the reduction in receivables compared with the same period in the previous year. The reduction in receivables resulted in particular from the further reduction of the Special Credit and Portfolio Optimization segment and from the still subdued new business as a result of the COVID-19 pandemic. Although credit exposure is declining, asset-side margins remain stable. In addition, the passive interest rate contribution declined due to the low interest rate level, particularly in the Private and Commercial Customers and Savings Banks Network Customers segment. Compared with the previous year, earnings from operating interest and liquidity management and the Treasury interest investment improved significantly.

At € 92 million, **net commission income** was significantly higher than in the previous year (€ 2 million). The change is mainly due to the decrease in commission expenses due to the fees of €-81 million (€-158 million) for the guarantees of the State of Lower Saxony. Commission income from the securities business also increased, particularly in the Private and Commercial Customers and Savings Banks Network Customers and Special Financing segments.

**Income from financial transactions in the trading portfolio** increased by € 92 million to € 134 million. The biggest profit driver was the present value of the sales margins from trading activities. In addition, measurement effects resulting from interest rate effects, a positive foreign exchange result and measurement gains in connection with counterparty risks contributed to the positive result.

**Administrative expenses** amounted to €-1,032 million (€-960 million). The workforce continued to decline as a result of the successful transformation project. Nevertheless, personnel expenses of €-525 million (€-474 million) rose mainly due to the allocation to the provident fund for pensions. At €-507 million (€-486 million), other administrative expenses were also significantly above the previous year's figure. This increase was due in particular to increased IT and consulting costs as part of projects to secure the future and increased taxes in connection with the restructuring fund compared with the previous year.

**Expenses for depreciation and write-downs on intangible assets and property and equipment** of €-44 million (€-48 million) fell slightly. In particular, depreciation and write-downs on intangible assets and property and equipment fell due to the sale of real estate and the extension of the useful life of the software used. However, there were increases in the amortisation of intangible assets for internally generated software.

**Other operating profit** fell in the reporting year by €-56 million to €-68 million (€-12 million). The change was mainly due to the decline in income from other provisions, hedge derivatives and subsidies to the support contract of the state of Lower Saxony, which could not be compensated for by the decrease in expenses from the repurchase of own debt securities.

The **valuation result for receivables, securities and participations** improved by € 230 million year on year to € 110 million (€ -120 million). The effect was mainly due to lower write-downs on participations and reversals of specific valuation adjustments as part of the reduction in receivables in the Special Credit and Portfolio Optimization segment.

The **extraordinary result** in the amount of € 69 million (€ -85 million) mainly included the profit from the merger with Deutsche Hypo totalling € 135 million. Furthermore, income from the release of restructuring provisions had a positive effect on earnings compared with the previous year. This was offset by transformation expenses, which included activities aimed at securing the future and maintaining competitiveness, the expenses of which were shown separately due to their materiality. The items were non-recurring in nature and not part of the operating business activities. These expenses arose primarily from strategic, IT and legal advice.

The **tax expenses** of € -15 million (tax income of € 3 million) resulted from an expense for taxes on income and earnings of € -6 million and an expense for other taxes of € -9 million. The expense for taxes on income and earnings consists of a tax expense for current domestic income taxes and tax income for previous years for the foreign units due to tax loss carrybacks.

## Net Assets and Financial Position

Balance sheet values are summarised as follows:

| | 31 Dec. 2021 (in € million) | 31 Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| **Assets** | | | |
| Loans and advances to banks | 17 394 | 17 836 | – 2 |
| Loans and advances to customers | 60 635 | 64 799 | – 6 |
| Securities | 14 904 | 16 567 | – 10 |
| Trading portfolio | 9 490 | 14 988 | – 37 |
| Participations and shares in companies | 492 | 566 | – 13 |
| Other assets | 12 328 | 12 069 | 2 |
| **Total assets** | **115 243** | **126 825** | – 9 |
| **Liabilities** | | | |
| Liabilities to banks | 29 380 | 30 319 | – 3 |
| Liabilities to customers | 46 381 | 49 008 | – 5 |
| Securitised liabilities | 18 160 | 21 736 | – 16 |
| Trading portfolio | 6 418 | 11 113 | – 42 |
| Provisions | 1 922 | 1 893 | 2 |
| Subordinated liabilities | 2 078 | 2 105 | – 1 |
| Liable funds | 5 645 | 5 615 | 1 |
| Other liabilities | 5 259 | 5 036 | 4 |
| **Total liabilities** | **115 243** | **126 825** | **– 9** |
| **Balance sheet notes** | | | |
| Contingent liabilities | 11 335 | 10 899 | 4 |
| Other obligations | 9 034 | 8 449 | 7 |
| **Business volume** | **135 612** | **146 173** | **– 7** |

**Total assets** continued to fall and decreased by € -11.6 billion in the reporting period. For further information on the financial situation, please refer to the extended risk report in this management report.

**Loans and advances to banks** fell by € -442 million year on year to € 17,394 million, particularly in the area of fixed-time deposits.

**Loans and advances to customers** remained the largest balance sheet item at 53 per cent (51 per cent). The € -4.2 billion decline to € 60,635 million was mainly due to the € -2.9 billion decline in mortgage loans and € -1.6 billion in municipal loans and is therefore partly due to the portfolio intended for winding down.

The **securities portfolio** contracted to a total of € 14,904 million, primarily due to the reduction in the bonds and debt securities portfolio. These portfolio reductions were caused primarily by the fact that not all maturing securities were replaced and by the sale of bonds and debt securities as part of the reduction of risk-weighted assets.

The active **trading portfolio** fell to € 9,490 million. This was caused in particular by the decline in the positive fair values of the receiver swaps in interest rate derivatives due to the increased interest rate level in medium and long-term maturity bands.

The € -74 million decline in **participations and shares in affiliated companies** was mainly due to the write-down of two participations.

The main items under **other assets** were cash reserves, assets held in trust, accruals and deferrals and other types of asset.

**Liabilities to banks** decreased by € -939 million, primarily in the area of repo transactions and pass-through funds. Together with **liabilities to customers**, they were the biggest driver of volumes in the efforts to reduce total assets. These were also on a downward trajectory, down € -2.6 billion to € 46,381 million, mainly in the area of fixed-term deposits.

The reduction in **securitised liabilities** by € -3.6 billion to € 18,160 million reflected a reduction in the portfolio due to the lowering of the Bank's own issue portfolio as a result of maturing liabilities. Overall, the volume of new issues over the course of the year at € 1.2 billion was below the total maturities of € 3.4 billion.

The significant decline in the **trading portfolio** on the liabilities side by € -4.7 million to € 6,418 million was caused mainly by the increased interest rate level in medium and long-term maturity bands and thus a decline in the negative fair values of the payer swaps in the interest rate derivatives.

**Provisions** rose by € 29 million year on year. This was due in particular to an increase in pension provisions amounting to € 29 million, as a result of a continued decline in the actuarial interest rate.

The **other liabilities** position included in particular fiduciary obligations, other liabilities, accruals and deferrals and the fund for general banking risks.

The increase in **equity** was due in particular to the reinvestment of guarantee commissions by the State of Lower Saxony and the write-up of silent partner contributions.

Further information on the refinancing and liquidity situation can be found in the Extended Risk Report of this management report.

# Consolidated Financial Statements

# Income Statement

| | Notes | 1 Jan.-31 Dec. 2021 (in € million) | 1 Jan.-31 Dec. 2020[2] (in € million) | Change (in %) |
|---|---|---|---|---|
| Interest income from assets | | 4 075 | 4 838 | – 16 |
| *of which: interst income calculated using the effective interst method* | | 1 768 | 2 120 | – 17 |
| Interest expenses from assets | | – 66 | – 54 | 22 |
| Interest expenses from liabilities | | – 3 263 | – 3 625 | – 10 |
| Interest income from liabilities | | 70 | 127 | – 45 |
| *of which: interst income calculated using the effective interst method* | | 70 | 127 | – 45 |
| **Net interest income** | **24** | **816** | **1 286** | **– 37** |
| Commission income | | 195 | 198 | – 2 |
| Commission expenses | | – 143 | – 236 | – 39 |
| **Net commission income** | **25** | **52** | **– 38** | **> 100** |
| Profit/loss from fair value measurement | 26 | 200 | 195 | 3 |
| Risk provisioning | 27 | 18 | – 426 | > 100 |
| Disposal profit/loss from financial instruments not measured at fair value through profit or loss [1] | 28 | – 21 | – 36 | – 42 |
| Profit/loss from hedge accounting | 29 | – 40 | 66 | > 100 |
| Profit/loss from shares in companies | 30 | 21 | – 13 | > 100 |
| Profit/loss from investments accounted for using the equity method | 31 | – 17 | – 11 | 55 |
| Administrative expenses | 32 | – 917 | – 934 | – 2 |
| Other operating profit/loss | 33 | – 14 | – 29 | – 52 |
| **Earnings before restructuring, transformation and taxes** | | **98** | **60** | **63** |
| Profit/loss from restructuring and transformation | 34 | – 82 | – 87 | – 6 |
| **Earnings before taxes** | | **16** | **– 27** | **> 100** |
| Income taxes | 35 | 3 | 40 | – 93 |
| **Consolidated profit/loss** | | **19** | **13** | **46** |
| of which: attributable to the owners of NORD/LB | | 19 | 19 | |
| of which: attributable to non-controlling interests | | – | – 6 | |

[1] From the disposale of financial assets measured at amortised cost, there were gains of 3 Mio € (4 Mio €) and losses of -11 Mio € (-13 Mio €).
[2] The prior-year figures were restated for individual items; for more information, see Note 5 Restatement of previous year's figures..

## Statement of Comrehensive Income

The statement of comprehensive income for NORD/LB Group is comprised of the income and expenses recognised in the income statement and in other comprehensive income (OCI).

| | 1 Jan.-31 Dec. 2021 (in € million) | 1 Jan.-31 Dec. 2020[1] (in € million) | Change (in %) |
|---|---|---|---|
| **Consolidated profit/loss** | **19** | **13** | **46** |
| **Other comprehensive income which is not reclassified to the income statement in subsequent periods** | | | |
| Investments accounted for using the equity method - Share of other comprehensive income | – 8 | – 7 | 14 |
| Changes in financial liabilities designated at fair value through profit or loss due to changes in own credit risk | – 66 | – 56 | 18 |
| Revaluation of the net liability from defined benefit pension plans | 208 | – 186 | > 100 |
| Deferred taxes | – 57 | 39 | > 100 |
| | **77** | **– 210** | **> 100** |
| **Other comprehensive income which is reclassified to the income statement in subsequent periods** | | | |
| Changes in financial assets at fair value through other comprehensive income | | | |
| Unrealised profit/losses | – 274 | 66 | > 100 |
| Reclassification due to profit/loss realisation | 80 | 50 | 60 |
| Investments accounted for using the equity method - Share of other comprehensive income | 41 | – 1 | > 100 |
| Translation differences of foreign business units | | | |
| Unrealised profit / losses | 4 | – 4 | > 100 |
| Deferred taxes | 47 | – 37 | > 100 |
| | **– 102** | **74** | **> 100** |
| **Other comprehensive income** | **– 25** | **– 136** | **– 82** |
| **Comprehensive income for the period under review** | **– 6** | **– 123** | **– 95** |
| of which: attributable to the owners of NORD/LB | – 6 | – 117 | |
| of which: attributable to non-controlling interests | – | – 6 | |

[1] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

# Balance Sheet

| **Assets** | Notes | 31 Dec.2021 (in € million) | 31 Dec.2020[1)] (in € million) | Change (in %) |
|---|---|---|---|---|
| Cash reserve | 36 | 6 930 | 6 031 | 15 |
| Trading assets | 37 | 6 439 | 9 801 | – 34 |
| *of which: Loans and advances to customers* | | *663* | *692* | – 4 |
| Financial assets mandatorily at fair value through profit or loss | 37 | 959 | 1 353 | – 29 |
| *of which: Loans and advances to banks* | | *56* | *58* | – 3 |
| *of which: Loans and advances to customers* | | *245* | *326* | – 25 |
| Financial assets at fair value through other comprehensive income | 38 | 13 030 | 14 913 | – 13 |
| *of which: Loans and advances to banks* | | *378* | *473* | – 20 |
| *of which: Loans and advances to customers* | | *494* | *585* | – 16 |
| Financial assets at amortised cost | 39 | 84 596 | 90 745 | – 7 |
| *of which: Loans and advances to banks* | | *13 595* | *14 418* | – 6 |
| *of which: Loans and advances to customers* | | *67 408* | *72 502* | – 7 |
| Positive fair values from hedge accounting derivatives | 40 | 474 | 856 | – 45 |
| Balancing item for financial instruments hedged in the portfolio fair value hedge | 41 | 284 | 425 | – 33 |
| Shares in companies | 42 | 345 | 322 | 7 |
| Investments accounted for using the equity method | | 107 | 127 | – 16 |
| Property and equipment | 43 | 287 | 302 | – 5 |
| Investment property | 44 | 126 | 131 | – 4 |
| Intangible assets | 45 | 118 | 126 | – 6 |
| Assets held for sale | 46 | – | 67 | -100 |
| Current income tax assets | 47 | 22 | 23 | – 4 |
| Deferred income taxes | | 453 | 458 | – 1 |
| Other assets | 48 | 493 | 496 | – 1 |
| **Total assets** | | **114 663** | **126 176** | **– 9** |

1) The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year’s figures.

| Liabilities | Notes | 31 Dec.2021 (in € million) | 31 Dec.2020[1)] (in € million) | Change (in %) |
|---|---|---|---|---|
| Trading liabilities | | 2 069 | 3 153 | – 34 |
| Financial liabilities designated at fair value through profit or loss | 49 | 5 645 | 6 554 | – 14 |
| *of which: Liabilities to banks* | | *267* | *265* | 1 |
| *of which: Liabilities to customers* | | *3 666* | *3 879* | – 5 |
| *of which: Securitised liabilities* | | *1 712* | *2 410* | – 29 |
| Financial liabilities at amortised cost | 50 | 95 284 | 103 383 | – 8 |
| *of which: Liabilities to banks* | | *28 438* | *30 195* | – 6 |
| *of which: Liabilities to customers* | | *45 691* | *48 535* | – 6 |
| *of which: Securitised liabilities* | | *20 873* | *24 844* | – 16 |
| *of which: Subordinated liabilities* | | *2 295* | *2 258* | 2 |
| Negative fair values from hedge accounting derivatives | 51 | 1 099 | 1 966 | – 44 |
| Balancing item for financial instruments hedged in the portfolio fair value hedge | 52 | 531 | 1 003 | – 47 |
| Provisions | 53 | 3 636 | 3 909 | – 7 |
| Current income tax liabilities | 54 | 37 | 29 | 28 |
| Deferred income taxes | | 49 | 64 | – 23 |
| Other liabilities | 55 | 433 | 340 | 27 |
| **Equity** | **56** | | | |
| Issued capital | | 3 083 | 2 972 | 4 |
| Capital reserves | | 2 589 | 2 589 | – |
| Retained earnings | | 973 | 978 | – 1 |
| Accumulated other comprehensive income (OCI) | | – 808 | – 803 | 1 |
| Currency translation reserve | | – 9 | – 13 | – 31 |
| **Equity capital attributable to the owners of NORD/LB** | | **5 828** | **5 723** | **2** |
| Additional equity | | 50 | 50 | – |
| Equity capital attributable to non-controlling interests | | 2 | 2 | – |
| | | **5 880** | **5 775** | **2** |
| **Total liabilities** | | **114 663** | **126 176** | **– 9** |

1) The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

# Statement of Changes in Equity

The individual components of equity as well as the performance of these components in 2020 and 2021 can be seen in the following statement of changes in equity:

| (in € million) | Issued capital | Capital reserves | Retained earnings | Accumulated OCI | Currency translation reserve | Equity capital attributable to the owners of NORD/LB | Additional equity | Equity capital attributable to non-controlling interests | Consolidated equity |
|---|---|---|---|---|---|---|---|---|---|
| **Equity as at 1 Jan 2021** | **2 972** | **2 589** | **978** | **– 803** | **– 13** | **5 723** | **50** | **2** | **5 775** |
| Consolidated profit/loss | – | – | 19 | – | – | 19 | – | – | 19 |
| Changes in financial assets at fair value through other comprehensive income | – | – | – | – 194 | – | – 194 | – | – | – 194 |
| Investments accounted for using the equity method - Share of other comprehensive income | – | – | – | 33 | – | 33 | – | – | 33 |
| Changes in financial liabilities designated at fair value through profit or loss due to changes in own credit risk | – | – | – | – 66 | – | – 66 | – | – | – 66 |
| Revaluation of the net liability from defined benefit pension plans | – | – | – | 208 | – | 208 | – | – | 208 |
| Translation differences of foreign business units | – | – | – | – | 4 | 4 | – | – | 4 |
| Deferred taxes | – | – | – | – 10 | – | **– 10** | – | – | **– 10** |
| Other comprehensive income | – | – | – | – 29 | 4 | – 25 | – | – | – 25 |
| **Comprehensive income for the period under preview** | **–** | **–** | **19** | **– 29** | **4** | **– 6** | **–** | **–** | **– 6** |
| Capital increases / decreases | 111 | – | – | – | – | 111 | – | – | 111 |
| Other changes in capital | – | – | – 24 | 24 | – | – | – | – | – |
| **Equity as at 31 Dec 2020** | **3 083** | **2 589** | **973** | **– 808** | **– 9** | **5 828** | **50** | **2** | **5 880** |

| (in € million) | Issued capital | Capital reserves | Retained earnings | Accumulated OCI | Currency translation reserve | Equity capital attributable to the owners of NORD/LB | Additional equity | Equity capital attributable to non-controlling interests | Consolidated equity |
|---|---|---|---|---|---|---|---|---|---|
| **Equity as at 1 Jan 2020** | **2 835** | **2 589** | **1 081** | **– 722** | **– 9** | **5 774** | **50** | **14** | **5 838** |
| Adjustments according to IAS 8[1] | – | – | – 83 | 13 | – | **– 70** | – | – | **– 70** |
| **Adjusted equity as at 1 Jan 2020** | **2 835** | **2 589** | **998** | **– 709** | **– 9** | **5 704** | **50** | **14** | **5 768** |
| Consolidated profit/loss | – | – | 19 | – | – | **19** | – | – 6 | **13** |
| Changes in financial assets at fair value through other comprehensive income | – | – | – | 116 | – | **116** | – | – | **116** |
| Investments accounted for using the equity method - Share of other comprehensive income | – | – | – | – 8 | – | **– 8** | – | – | **– 8** |
| Changes in financial liabilities designated at fair value through profit or loss due to changes in own credit risk | – | – | – | – 56 | – | **– 56** | – | – | **– 56** |
| Revaluation of the net liability from defined benefit pension plans | – | – | – | – 186 | – | **– 186** | – | – | **– 186** |
| Translation differences of foreign business units | – | – | – | – | – 4 | **– 4** | – | – | **– 4** |
| Deferred taxes | – | – | – | 2 | – | **2** | – | – | **2** |
| Other comprehensive income | – | – | – | – 132 | – 4 | – 136 | – | – | – 136 |
| **Comprehensive income for the period under preview** | **–** | **–** | **19** | **– 132** | **– 4** | **– 117** | **–** | **– 6** | **– 123** |
| Capital increases / decreases | 137 | – | – | – | – | **137** | – | – | **137** |
| Changes in the basis of consolidation | – | – | – 1 | – | – | **– 1** | – | – 6 | **– 7** |
| Other changes in capital | – | – | – 38 | 38 | – | **–** | – | – | **–** |
| **Equity as at 31 Dec 2020** | **2 972** | **2 589** | **978** | **– 803** | **– 13** | **5 723** | **50** | **2** | **5 775** |

[1] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

For further information, please refer to the explanations in Note (56) Equity.

# Cash Flow Statement

| | 1 Jan. - 31. Dec. 2021 (in € million) | 1 Jan. - 31. Dec. 2020[1)] (in € million) | Change (in %) |
|---|---|---|---|
| **Consolidated profit/loss for the period** | **19** | **13** | **46** |
| Non-cash items included in consolidated profit/loss and reconciliation to cash flow from operating activities | | | |
| Depreciation, impairment and write-ups | 344 | – 251 | > 100 |
| Increase / decrease in provisions | 79 | 118 | – 33 |
| Gains/losses from the sale of shares in companies, shares in companies accounted for using the equity method, property, plant and equipment, investment property and intangible assets | – 5 | 1 | > 100 |
| Risk provisioning | – 18 | 426 | > 100 |
| Restructuring result | 82 | 87 | – 6 |
| Other adjustments net | – 929 | – 1 601 | – 42 |
| **Sub-total** | **– 428** | **– 1 207** | **– 65** |
| Changes in assets and liabilities from operating activities: | | | |
| Financial assets at amortised costs | 6 118 | 13 654 | – 55 |
| Trading assets/liabilities and hedge derivatives | 1 113 | – 145 | > 100 |
| Financial assets mandatorily at fair value through profit or loss | 439 | 332 | 32 |
| Financial assets at fair value through other comprehensive income | 1 519 | 2 367 | – 36 |
| Other assets from operating activities | 109 | 227 | – 52 |
| Financial liabilities at amortised costs | – 8 248 | – 12 801 | – 36 |
| Financial liabilities designated at fair value through profit or loss | – 724 | – 1 349 | – 46 |
| Other liabilities from operating activities | 46 | 650 | – 93 |
| Interest and dividends received | 3 578 | 4 314 | – 17 |
| Interest paid | – 2 601 | – 2 943 | – 12 |
| Income taxes paid | 4 | – 5 | > 100 |
| **Cash flow from operating activities** | **925** | **3 094** | **– 70** |

1) The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year’s figures.

| | 1 Jan. - 31. Dec. 2021 (in € million) | 1 Jan. - 31. Dec. 2020[1)2)] (in € million) | Change (in %) |
|---|---|---|---|
| Cash flow from investment activities: | | | |
| Cash receipts from the disposal of | | | |
| shares in companies | 9 | 3 | > 100 |
| property and equipment | 3 | 20 | – 85 |
| Payments for acquisition of | | | |
| property and equipment | – 44 | – 36 | 22 |
| Cash receipts from the disposal of consolidated companies and other business units | 107 | 1 | > 100 |
| **Cash flow from investment activities** | **75** | **– 12** | **> 100** |
| Cash flow from financing activities: | | | |
| Cash receipts from equity capital contributions | 110 | 137 | – 20 |
| Decrease in funds from other capital | – 90 | – 498 | – 82 |
| Interest expenses on subordinated capital | – 102 | – 125 | – 18 |
| Interest and Repayment from leases | – 36 | – 19 | 89 |
| **Cash flow from financing activities** | **– 118** | **– 505** | **– 77** |
| **Cash and cash equivalents as at 1 January** | **6 031** | **3 454** | **75** |
| Cash flow from operating activities | 925 | 3 094 | – 70 |
| Cash flow from investment activities | 75 | – 12 | > 100 |
| Cash flow from financing activities | – 118 | – 505 | – 77 |
| **Total cash flow** | **882** | **2 577** | **– 66** |
| Effects of changes in exchange rates | 17 | – | – |
| **Cash and cash equivalents as at 31 December** | **6 930** | **6 031** | **15** |

1) The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.
2) Only the repayment portion is included in the previous year's figure for the interest and repayment portion from leases.

With respect to the cash and cash equivalents as at 31 December, please see Note (36) Cash reserve.

The cash flow statement is not a substitute for liquidity or financial planning in the NORD/LB Group, nor is it used as a control tool. With regard to the management of the liquidity risk within the NORD/LB Group, refer to the information in the risk report.

# Note

# General disclosures

**(1) Principles for the Preparation of the Consolidated Financial Statements**

Norddeutsche Landesbank Girozentrale Hanover, Braunschweig, Magdeburg (NORD/LB) is registered with the Hanover (HRA 26247), Braunschweig (HRA 10261) and Stendal (HRA 22150) local courts. The consolidated financial statements of NORD/LB as at 31 December 2021 were prepared on the basis of Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as applicable within the European Union (EU). The standards applied were those published at the end of the financial year and adopted by the EU. The national provisions of the German Commercial Code (HGB) under §°315e°HGB were also observed.

The consolidated financial statements as at 31 December 2021 comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the notes. Segment reporting takes place within the notes in Note (22) Segment reporting by business segment and Note (23) Segment reporting by geographical segment. Reporting on the nature and scope of risks relating to financial instruments in accordance with IFRS 7.31–42, in particular with regard to credit, liquidity and market risks, is partially provided in the Notes and partly within the risk report as part of the Group management report. The notes include the disclosures on credit risk required by IFRS 7.35H-35J with regard to risk provisions and gross carrying amounts, including the related explanations of modifications (see Note (59) Risk provisions and gross carrying amount). In addition, the quantitative maturity analysis of liabilities with regard to liquidity risk in accordance with IFRS 7.39 is shown in Note (65) Residual terms of financial liabilities.

Assets at the NORD/LB Group are measured at amortised cost. The notable exceptions from this are those financial instruments which are measured at fair value in accordance with IFRS 9. Accounting and measurement were based on a going-concern assumption. Earnings and expenses are accrued or deferred pro rata temporis. They are recognised and reported in the period to which they are economically attributable. The main accounting policies are set out below.

The estimates and assessments required to carry out the accounting according to IFRS are based on assumptions and parameters that were made with the proper exercise of discretion by management. Estimates and assessments are continuously reviewed, and are based on experience as well as other factors, including expectations which appear reasonable given the future circumstances. Global developments and the sector-specific environment are also taken into consideration.

Estimates and assessments are made in accordance with the relevant standard and with respect to the following points in particular: Determination of fair values of Level 2 and Level 3 financial assets and liabilities including assessment of the presence of an active or inactive market (Note (13) Financial instruments in conjunction with Note (57) Fair value hierarchy), measurement of provisions for pensions in respect of determining the underlying parameters (Note (19) Provisions for pensions and similar obligations and (20) Other provisions in conjunction with Note (53) Provisions), measurement of risk provisioning with respect to future cash flows (Note (14) Risk provisions in conjunction with Note (59) Risk provisions and gross carrying amount), determination of deferred tax assets in respect of the recoverability of unused tax losses (Note (21) Income taxes in conjunction with Note (35) Income taxes, Note (47) Income tax assets and Note (54) Income tax liabilities), measurement of provisions (Note (19) and (20) in conjunction with Note (53)), measurement of leasing obligations with respect to the incremental borrowing rate of interest and the anticipated useful life (Note (16)). Where more extensive estimates were required, the assumptions made are presented. Please refer to the relevant information on sensitivity in Note (57) Fair value hierarchy for the impact of using assumptions to measure Level 3 financial instruments.

Estimates and assessments themselves as well as the underlying assessment factors and estimation methods are regularly compared to events that have actually occurred. Changes to estimates relating to one period only are recognised in that period alone and, if the change relates to the current or subsequent reporting periods, they are noted correspondingly in that period and subsequent periods.

Other than estimates, the following are the main discretionary decisions taken by management as regards accounting and measurement in the NORD/LB Group that could result in changes to accounting and measurement in subsequent periods: The use of the fair value option for financial instruments (Note (13) in conjunction with Note (37) Financial assets at fair value through profit or loss and Note (49) Financial liabilities at fair value through profit or loss, the application of the reclassification rules of IFRS 9 (Note (13)), accruals and deferrals of finance leases and operating leases (Note (16) Lease transactions in conjunction with Note (71) Leases agreements), the recognition of provisions (Note (19) Provisions for pensions and similar obligations and (20) Other provisions in conjunction with Note (53) Provisions), assets held for sale (Note (18) Assets held for sale in conjunction with Note (46) Assets held for sale) and the assessment of control in respect of shares of companies, including the assessment of credit-financed project companies or fund companies due to activities as fund managers (Note (9) Basis of consolidation in conjunction with Note (74) Disclosures concerning shares in companies).

Furthermore, environmental, social and governance criteria (ESG) can influence the measurement of assets and liabilities. Influences from ESG factors, insofar as they are relevant to creditworthiness, are already implicitly taken into account in the established rating procedures for borrowers of the NORD/LB Group. In addition to the further development of appropriate methods, the Group is also working on numerous other issues as part of ongoing projects to strengthen sustainability in the financial sector. Although it is not currently possible to derive any significant effects on accounting and measurement policies from this, models to support any quantitative estimates, as well as discretionary decisions and estimates, are already being developed with a view to future development.

The reporting currency for the consolidated financial statements is the euro. All amounts are stated as rounded figures in millions of EUR (€°million) according to standard commercial practice, unless otherwise indicated. The figures for the previous year are stated afterwards in brackets.

These consolidated financial statements were signed by the Managing Board on 22 March 2022 and approved for forwarding to the Supervisory Board.

### (2) Impact of the COVID-19 pandemic

The measures initiated due to the COVID-19 pandemic by crisis prevention management in the NORD/LB Group have been continuously adjusted as the pandemic unfolds. The economic impact continues to be closely monitored; the adequacy of borrower credit ratings in particular is regularly reviewed.

As at 31 December 2021, there were COVID-19-related individual forbearance measures related to 99 (125) borrowers with a total gross carrying amount of € 836 million (€ 649 million). Loans subject to the public guarantee system (COVID-19 aid measures by KfW or comparable institutions) amounted to € 160 million (€ 117 million) gross carrying amount at the end of 2021.

*Management adjustment (MAC-19)*

As at 31 December 2021, the NORD/LB Group continued to utilise the management adjustment (MAC-19) made for the first time in the 2020 financial year in order to take into account in the balance sheet the uncertainties over how the pandemic will unfold –in particular the spread of strains that could result in extended or new lockdowns, and the resulting potential impact on borrower credit quality. A return to prepandemic economic levels is not currently expected until 2023, which means it is envisaged that MAC-19 will be used until the end of 2022. The extended state support measures cover the credit assessment of the borrowers' creditworthiness. However, indirect influencing factors such as increasing supply chain bottlenecks cannot be conclusively assessed.

The aim of MAC-19 is to take into account expected future effects on those sectors severely affected by the pandemic but, in the context of ratings, are not yet visible in the form of a deterioration in creditworthiness and thus in risk provisions, which are not mapped via stage 1 and 2 models as at the reporting date of 31 December 2021. As at 31 December 2021, the focus was on the (sub-)segments of aircraft financing, real estate and corporate customers. The basis for this was the updated economic forecasts of NORD/LB Research, based on a macroeconomic medium-term forecast as a baseline as well as three adverse scenarios of different severity (scenario 1 (mild), 2 (medium severe) and 3 (severe)), under which an adjustment was made for the reporting year in the form of a definition of a leading scenario per industry. The scenarios were based on two global variables (Brent oil price in USD and EUR/USD exchange rate) and six country-specific variables per economy (such as unemployment rate, real GDP, etc.). Furthermore, the rating and loss ratio shifts were no longer purely expert-based, but first derived using the stress test analyser of the rating service provider RSU Rating Service Unit and then validated by experts in the relevant areas in the second step. The parameters are shown in the following tables. For the sake of better legibility and downstream significance, the performance of the leading equity index in the respective economy was not included in the model. The same applies to the country-specific forecasts for the economies of Canada and the UK.

| Germany | Scenario 1 | | Scenario 2 | | Scenario 3 | |
|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| Unemployment rate (in %) | 6,4 | 6,7 | 7,0 | 7,8 | 7,5 | 8,7 |
| GDP (real; Y/Y[1] in %) | 1,3 | 1,5 | 1,2 | -0,6 | -0,6 | -3,9 |
| CPI[2] (in % Y/Y) | 2,1 | 0,9 | 1,8 | 0,2 | 1,40 | -0,50 |
| Short Interest (3M Money Market rate, in %) | -0,60 | -0,60 | -0,60 | -0,65 | -0,65 | -0,80 |
| Long-Term Interest Rate (10Y Government, in %) | -0,40 | -0,50 | -0,60 | -0,70 | -0,70 | -0,90 |
| Exchangerate (EUR/USD) | 1,15 | 1,11 | 1,14 | 1,03 | 1,12 | 1,00 |

1) Y/Y = year to year
2) Consumer Price Index

| USA | Scenario 1 | | Scenario 2 | | Scenario 3 | |
|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| Unemployment rate (in %) | 7,5 | 8,3 | 9,0 | 11,0 | 13,5 | 13,0 |
| GDP (real; Y/Y1 in %) | 1,8 | 2,1 | 0,5 | -1,2 | -1,5 | -3,5 |
| CPI[2] (in % Y/Y) | 1,8 | 1,3 | 1,5 | 0,2 | 1,1 | -0,7 |
| Short Interest (3M Money Market rate, in %) | 0,20 | 0,25 | 0,20 | 0,20 | 0,10 | 0,10 |
| Long-Term Interest Rate (10Y Government, in %) | 1,10 | 0,85 | 1,00 | 0,70 | 0,95 | 0,40 |
| Exchangerate (EUR/USD) | 1,15 | 1,11 | 1,14 | 1,03 | 1,12 | 1,00 |

1) Y/Y = year to year
2) ) Consumer Price Index

| Euroland | Scenario 1 | | Scenario 2 | | Scenario 3 | |
|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| Unemployment rate (in %) | 8,7 | 9,5 | 9,5 | 11,0 | 10,5 | 12,0 |
| GDP (real; Y/Y1 in %) | 2,3 | 1,2 | 1,8 | -1,1 | 0,4 | -4,6 |
| CPI[2] (in % Y/Y) | 1,4 | 0,7 | 1,1 | -0,3 | 0,7 | -0,8 |
| Short Interest (3M Money Market rate, in %) | -0,60 | -0,60 | -0,60 | -0,65 | -0,65 | -0,80 |
| Long-Term Interest Rate (10Y Government, in %) | -0,40 | -0,50 | -0,60 | -0,70 | -0,70 | -0,90 |
| Exchangerate (EUR/USD) | 1,15 | 1,11 | 1,14 | 1,03 | 1,12 | 1,00 |

[1)] Y/Y = year to year
[2)] ) Consumer Price Index

The forecasts for Europe serve as an approximation for France, Ireland, Italy, Luxembourg, the Netherlands, Austria and Spain. The assumed trend of the global variable oil price and EUR/ USD exchange rate can be found in the table below.

| Price of Oil | Szenario 1 | | Szenario 2 | | Szenario 3 | |
|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| Brent (USD/ Barrel) | 51 | 50 | 49 | 40 | 40 | 35 |
| Exchangerate (EUR/USD) | 1,15 | 1,11 | 1,14 | 1,03 | 1,12 | 1,00 |

As at 31 December 2021, MAC-19 fell to € 362 million (€ 386 million) due to the repayment or default of the underlying loans. Due to very negative expectations, the Aircraft Financing sub-segment was assigned the leading scenario 3, meaning that, broken down by segment, € 175 million of MAC-19 was allocated to this sub-segment. The Energy and Infrastructure financing sub-segment of special financing was excluded from the MAC-19 due to positive ratings forecasts (the Energy and Infrastructure financing sub-segment as at 31 December 2020: € 13 million of special financing totalled € 176 million). In the Corporate Customers segment, scenario 3 was also determined at the end of the year due to the increased uncertainties, with an amount of € 91 million (€ 122 million). As at 30 June 2021, this segment was still assigned a leading scenario 1 with an amount of € 64 million. The MAC-19 focus is on the automotive, construction, consumer goods, metal and plant engineering, services, travel and leisure industries. Real estate customers (now also scenario 3, according to scenario 2 as at 30 June 2021) accounted for € 96 million (€ 88 million).

*Participation in longer-term financing transactions of the European Central Bank*

As at 31 December 2021, the volume of long-term financing transactions (Targeted longer-term refinancing operations III; TLTRO-III) of the European Central Bank (ECB) included in the item liabilities to banks within the liabilities measured at amortised cost amounted to around € 500 million (€ 890 million). Liabilities are recognised and measured in accordance with IFRS 9. Interest income from liabilities amounted to around € 8 million (€ 2 million). For the interest rate advantage provided for in the program in excess of the special interest rate and the associated lending targets linked to it, the prerequisites for collecting around € 3 million (€ 0 million) were not met until the second half of 2021.

### (3) Explanation of the Accounting-Related Impact of the Guarantee Contracts from the Support Contract

Within the framework of the three guarantee contracts signed in financial year 2019, the state of Lower Saxony assumed for the benefit of the Norddeutsche Landesbank Girozentrale and NORD/LB Luxemburg S.A. Covered Bond Bank, the unconditional, irrevocable and non-subordinate guarantee to hedge against the loss risks of certain ship and aircraft finance portfolios.

The guarantee contracts comprised two ship financing reference portfolios from the Special Credit & Portfolio Optimization segment and a reference portfolio of aircraft financing from the Special Financing segment with corresponding loans including the associated customer derivatives and a number of loan commitments, guarantees and overdraft facilities. For the loan portfolio from the Special Credit & Portfolio Optimization segment, the guarantees extend to the net carrying amount of a portfolio with non-performing loans (NPL) intended for complete winding down as well as to the gross carrying amount of another portfolio. The gross carrying amount is also hedged for the loan portfolio from the aircraft customers' portfolio.

Based on the guarantee contracts, payment claims in the amount of the anticipated loss vis-à-vis the State of Lower Saxony arise upon occurrence of one or more guarantee cases. The warranty contracts include the following:

- shortfall resulting from amounts not being paid either in whole or in part as at the due date,
- contractual reduction of the nominal amount owed without a corresponding settlement payment and/or
- loss arising from early repayment of capital amounts and/or a negative market value in the event of the early sale of a customer derivative.

In the consolidated balance sheet of NORD/LB, the guarantee agreements are posted as credit derivatives and measured at fair value, as, viewed individually, they do not fulfil the prerequisites of the applicable accounting standards for the existence of a financial guarantee. Taking into consideration the individual measurement principle, these derivatives cannot be offset in the balance sheet to mitigate risks as securities for the transactions contained in the hedged portfolios. Consequently, all transactions in the guarantee portfolios remain subject to risk provisioning and ongoing fair value measurement, even after conclusion of the guarantee contracts. The hedging effect of the derivatives is visible at the level of the income statement of the NORD/LB Group by way of the compensative recording of the counterbalancing measurement effects arising from the hedged risks (risk provision and fair value changes) of the guarantee portfolio and of the performance of the derivatives in the subsequent periods. In this respect, the compensation effect may be postponed to later periods during the guarantees' term due to differences in the measurement methods. This only involves temporary differences, as over the term of the relevant guarantee the fair value of the derivatives gets closer to the final settlement amount, which corresponds to the sum of the contractual payment obligations of the guarantor arising from the guarantee cases. With regard to the changes in the guarantees and the portfolios for the 2021 financial year, please see Note (4) Guaranteed Portfolio as at 31 December 2021.

In return for granting the guarantees, NORD/LB pays the state of Lower Saxony a commission for each one. With respect to the guarantee for the NPL portfolio, this is determined variably as a percentage of the total guarantee amount which reduces in line with the portfolio winding down and is charged monthly. For the two other portfolios, a fixed guarantee fee is stipulated which is payable in defined quarterly instalments (Note (25) Net commission income).

The guarantee contracts must mandatorily end when the respective guarantee portfolio has been completely wound up and all outstanding payment obligations have been settled (variable maturity date). In the guarantee contracts for the portfolios with the hedged gross carrying amounts, 31 December 2024 is also originally defined as a fixed maturity date with an extension option. The extension option included in these two contracts was utilised annually, so that these contracts now have a term until 31 December 2027.

The guarantee contract for the NPL portfolio includes a unilateral right of termination in favour of NORD/LB, linked to the existence of certain economic conditions and to the consent of the Deutsche Sparkassen- und Giroverbandes (German Savings Bank and Giro Association - DSGV). NORD/LB exercised this right of termination with effect from 30 June 2021. The liability of the State of Lower Saxony under the guarantee thus ended on this date. For further information, refer to the “Significant events in the reporting year” section of the combined management report.

In addition to the three guarantee contracts mentioned, the support contract also provides for an exemption of the Bank by the state of Lower Saxony from risks associated with the potentially increased health-care benefits payable by NORD/LB to individuals drawing a pension and employees up to an amount of € 200 million. With regard to the country’s performance obligation as at the reporting date, refer to Note (39) Financial assets at amortised cost.

**(4) Development of the Guaranteed Portfolio as at 31 December 2021**

The performance in the reporting period of the hedged assets and liabilities and of the guarantee amount formed as a hedging derivative is presented below per guarantee. It is subdivided according to balance sheet items and valuation approach, and also by the off-balance-sheet transactions and, for the IFRS 9 loss allowances formed on the assets of the portfolios, by impairment level. The fair values of the derivatives listed form the anticipated and realised guarantee payments of the guarantor that had not yet been invoiced as of the reporting date, as well as future guarantee fee payments, and contain all measurement-relevant changes that refer back to the hedged risks, in particular, credit default risks.

As part of the adjustment of the valuation model and the associated recalibration of the unobservable parameters, the measurement of the possible future defaults of the portfolio items was adjusted. This change in estimate resulted in an adjustment to the fair value of both derivatives: the fair value of the derivative for the portfolio in the Special Credit & Portfolio Optimization segment fell by € 2.7 million as at 31 December 2021, while the fair value of the derivative for the aircraft financing portfolio from the Special Financing segment increased by around € 12 million.

A portfolio in the segment Special Credit & Portfolio Optimization was hedged as at 31 December 2021 at a gross carrying amount of € 576 million (€ 994 million) (of which € 25 million (€ 42 million) was measured at fair value) plus € 68 million (€ 114 million) of contingent liabilities. The hedged gross carrying amount of the receivables measured at amortised cost included in the portfolio was offset against a risk provision in stages 1, 2 and 3 in the amount of € 4 million (€ 3 million), € 12 million (€ 15 million) and € 0 million (€ 8 million) respectively.

The fair value of the derivative rose slightly to € 51 million (€ 48 million), which is mainly due to the lower deferred guarantee commission.

The Aircraft Financing sub-portfolio from the Special Financing segment was hedged as at 31 December 2021 at a gross carrying amount of € 707 million (€ 1,058 million) (of which € 37 million (€ 50 million) was measured at fair value) plus € 0 million (€ 41 million) of contingent liabilities. The hedged gross carrying amount of the receivables measured at amortised cost included in the performing loans sub-portfolio was offset against a risk provision in stages 1, 2 and 3 in the amount of € 30 million (€ 21 million), € 11 million (€ 20 million) and € 10 million (€ 2 million) respectively.

The fair value of the derivative increased to € 57 million (€ 41 million), which is mainly due to the increase in the expected future default rates of the borrowers in the reference portfolio.

| (in € million) | Ship customers / Maritime industry customers - Hedging Gross carrying amount | | | | |
|---|---|---|---|---|---|
| | Opening balance 1 Jan. 2021 | Changes in stock | Loss allowances and profit/loss from Financial Instruments at Fair Value through Profit or Loss | Currency translation | Closing balance 31 Dec. 2021 |
| **Assets** | | | | | |
| Trading assets - Loans and advances to customers | 14 | – | – | – | 14 |
| Trading assets - Positive fair values from derivatives | 15 | – 1 | – 5 | – 1 | 8 |
| Financial assets mandatorily at fair value through profit or loss - Loans and advances to customers | 13 | – 9 | – 1 | – | 3 |
| Financial assets at amortised cost - Gross carrying amount from Loans and advances to customers | 952 | – 410 | – | 9 | 551 |
| Loss allowances - Stage 1 | – 3 | – | – 1 | – | – 4 |
| Loss allowances - Stage 2 | – 15 | 2 | 2 | – 1 | – 12 |
| Loss allowances - Stage 3 | – 8 | 8 | – | – | – |
| **Total** | **968** | **– 410** | **– 5** | **7** | **560** |
| **Liabilities** | | | | | |
| Trading liabilities - Negative fair values from derivatives | 1 | – | 3 | – 1 | 3 |
| Financial liabilities at amortised cost - Liabilities to customers | 1 | – 1 | – | – | – |
| Provisions in lending business - Stage 2 | 1 | – 1 | – | – | – |
| **Total** | **3** | **– 2** | **3** | **– 1** | **3** |
| **Contingent liabilities** | | | | | |
| Credit commitments | 67 | – 14 | – | – | 53 |
| Financial guarantees | 3 | – 3 | – | – | – |
| Other Off-balance-sheet liabilities | 44 | – 29 | – | – | 15 |
| **Total** | **114** | **– 46** | **–** | **–** | **68** |
| **Net value of the hedged portfolio** | **1 079** | **– 454** | **– 8** | **8** | **625** |
| **Guarantee contract (Hedging derivative)** | **48** | **–** | **3** | **–** | **51** |

The Aircraft Financing sub-portfolio from the Special Financing segment was hedged as at 31 December 2021 at a gross carrying amount of € 707 million (€ 1,058 million) (of which € 37 million (€ 50 million) was measured at fair value) plus € 0 million (€ 41 million) of contingent liabilities. The hedged gross carrying amount of the receivables measured at amortised cost included in the performing loans sub-portfolio was offset against a risk provision in stages 1, 2 and 3 in the amount of € 30 million (€ 21 million), € 11 million (€ 20 million) and € 10 million (€ 2 million) respectively.

The fair value of the derivative increased to € 57 million (€ 41 million), which is mainly due to the increase in the expected future default rates of the borrowers in the reference portfolio.

| (in € million) | Aircraft customers - Hedging Gross carrying amount Opening balance 1 Jan. 2021 | Changes in stock | Loss allowances and profit/loss from Financial Instruments at Fair Value through Profit or Loss | Currency translation | Closing balance 31 Dec. 2021 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Trading assets - Loans and advances to customers | 22 | 1 | – | – | 23 |
| Trading assets - Positive fair values from derivatives | 28 | – 1 | – 11 | – 2 | 14 |
| Financial assets at amortised cost - Gross carrying amount from Loans and advances to customers | 1 008 | – 348 | – | 10 | 670 |
| Loss allowances - Stage 1 | – 21 | – 1 | – 11 | 3 | – 30 |
| Loss allowances - Stage 2 | – 20 | 9 | 3 | – 3 | – 11 |
| Loss allowances - Stage 3 | – 2 | – | – 8 | – | – 10 |
| **Total** | **1 015** | **– 340** | **– 27** | **8** | **656** |
| **Contingent liabilities** | | | | | |
| Credit commitments | 41 | – 41 | – | – | – |
| **Total** | **41** | **– 41** | **–** | **–** | **–** |
| **Net value of the hedged portfolio** | **1 056** | **– 381** | **– 27** | **8** | **656** |
| **Guarantee contract (Hedging derivative)** | **41** | **–** | **16** | **–** | **57** |

## (5) Restatement of Previous Year’s Figures

In these consolidated financial statements, the previous year’s figures were adjusted in the following points in accordance with IAS 8.42.

In the NORD/LB Group’s structured own issues, there are regularly significant differences between the prices on the primary market, on which the issue takes place, and the prices on the secondary market on the same day, which are to be treated as day-one profits or losses. In the past, these day one effects were recognised directly in the income statement, although amortisation over the term of the respective issue would have been required. The issues still in the portfolio concerned are those with the earliest issue date in August 2005 and the latest residual term until December 2059.

In the 2015 financial year, NORD/LB transferred its obligations from the company pension scheme in part to the legally independent provident fund Norddeutsche Landesbank Girozentrale Hannover/Braunschweig e. V. (provident fund) and provided them accordingly with financial assets. While NORD/LB continues to bear the subsidiary liability from the company pension agreements, the provident fund indirectly provides the benefits to the beneficiaries for NORD/LB. To date, NORD/LB has reported an entitlement to reimbursement in the consolidated financial statements within Other assets in accordance with IAS 19, which corresponds to the fair value of the assets of the provident fund. A renewed assessment of the requirement to consolidate the provident fund revealed that it would have been classified as a subsidiary subject to mandatory consolidation in accordance with IFRS 10. The provident fund is now included retroactively in the NORD/LB Group’s scope of consolidation. Since the financial assets of the provident fund also include financial instruments issued by NORD/LB, the retroactive inclusion of the provident fund in NORD/LB’s scope of consolidation resulted in a reduction in the balance sheet."

The necessary adjustments are shown in the following tables.

Adjustment of the balance sheet values as at 31 December 2020:

| 31 Dec.2020 (in € million) | Before adjustment | Adjustment Day-One-Profit/Loss | Adjustment Unterstützungskasse | After adjustment |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through other comprehensive income | 14 903 | – | 10 | 14 913 |
| Deferred income taxes | 457 | – | 1 | 458 |
| Other assets | 822 | – | – 326 | 496 |
| Further assets | 110 309 | – | – | 110 309 |
| **Total assets** | **126 491** | **–** | **– 315** | **126 176** |
| **Liabilities** | | | | |
| Designated financial liabilities at fair value through profit or loss | 6 508 | 46 | – | 6 554 |
| *of which: Liabilities to customers* | *3 839* | *40* | – | *3 879* |
| *of which: Securitised liabilities* | *2 404* | *6* | – | *2 410* |
| Financial liabilities at amortised cost | 103 727 | – | – 344 | 103 383 |
| Other liabilities | 311 | – | 29 | 340 |
| Further liabilities | 10 124 | – | – | 10 124 |
| **Equity** | | | | |
| Issued capital | 2 972 | – | – | 2 972 |
| Capital reserves | 2 589 | – | – | 2 589 |
| Retained earnings | 1 039 | – 46 | – 15 | 978 |
| Accumulated other OCI | – 818 | – | 15 | – 803 |
| Currency translation reserve | – 13 | – | – | – 13 |
| **Equity capital attributable to the owners of NORD/LB** | **5 769** | **– 46** | **–** | **5 723** |
| Additional equity | 50 | – | – | 50 |
| Equity capital attributable to non-controlling interests | 2 | – | – | 2 |
| | **5 821** | **– 46** | **–** | **5 775** |
| **Total liabilities and equity** | **126 491** | **–** | **– 315** | **126 176** |

Adjustment of consolidated profit/loss and comprehensive income for the period from 1 January to 31 December 2020:

| 1 Jan. - 31 Dec.2020 (in € million) | Before adjustment | Adjustment Day-One-Profit/Loss | Adjustment Unterstützungskasse | After adjustment |
|---|---|---|---|---|
| Interest income from assets | 4 838 | – | – | 4 838 |
| *of which: interst income calculated using the effective interst method* | 2 120 | – | – | 2 120 |
| Interest expenses from assets | – 54 | – | – | – 54 |
| Interest expenses from liabilities | – 3 626 | – | 1 | – 3 625 |
| Interest income from liabilities | 127 | – | – | 127 |
| *of which: interst income calculated using the effective interst method* | 127 | – | – | 127 |
| **Net interest income** | **1 285** | **–** | **1** | **1 286** |
| Profit/loss from financial assets at fair value | 202 | – 7 | – | 195 |
| Other operating profit / loss | – 21 | – | – 8 | – 29 |
| Further expenses and income | – 1 392 | – | – | – 1 392 |
| **Earnings before restructuring, reorganisation and taxes** | **74** | **– 7** | **– 7** | **60** |
| Restructuring result | – 87 | – | – | – 87 |
| **Earnings before taxes** | **– 13** | **– 7** | **– 7** | **– 27** |
| Income taxes | 38 | – | 2 | 40 |
| **Consolidated profit/loss** | **25** | **– 7** | **– 5** | **13** |
| of which: attributable to the owners of NORD/LB | 31 | – 7 | – 5 | 19 |
| of which: attributable to non controlling interests | – 6 | – | – | – 6 |
| **Other comprehensive income which is not recycled in the income statement in subsequent periods** | | | | |
| | **– 212** | **–** | **2** | **– 210** |
| **Other comprehensive income which is recycled in the income statement in subsequent periods** | | | | |
| | **74** | **–** | **–** | **74** |
| **Other comprehensive income** | **– 138** | **–** | **2** | **– 136** |
| **Comprehensive income for the period under review** | **– 113** | **– 7** | **– 3** | **– 123** |
| of which: attributable to the owners of NORD/LB | – 107 | – 7 | – 3 | – 117 |
| of which: attributable to non-controlling interests | – 6 | – | – | – 6 |

The respective adjustments were also taken into account in the following notes: (24) Net interest income, (26) Profit/loss from fair value measurement , (33) Other operating profit/loss, (35) Income taxes, (38) Financial assets at fair value through other comprehensive income, (47) Income tax assets, (48) Other assets, (49) Financial liabilities at fair value through profit or loss, (50) Financial liabilities at amortised cost, (54) Income tax liabilities, (55) Other liabilities, (56) Equity, (57) Fair value hierarchy, (58) Day-one profits or losses, (60) Net results by measurement category, (65) Residual terms of financial liabilities, (70) Longer-term assets and liabilities.

In Note (74) Disclosures concerning shares in companies, the previous year's values are corrected in accordance with IAS 8.42 when specifying the size of the unconsolidated structured companies (leasing property companies).

## (6) Applied IFRS

In these consolidated financial statements, all standards, interpretations and their respective changes have been applied insofar as they were recognised by the EU as part of the endorsement process and are relevant for the NORD/LB Group in the 2021 reporting year.

In the reporting period, account was taken of the following standards and amendments to standards applicable to the NORD/LB Group for the first time as at 1 January 2021:

**Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 interest rate benchmark reform (Phase 2)**

The amendments to the IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 standards published in August 2020 are the result of phase 2 of the IASB's IBOR project. The aim of these changes is to mitigate the impact of replacing the existing benchmark rates with alternative reference rates. In particular, the rules provide practical relief in relation to changes required by the IBOR reform. In addition, it should be possible to continue the hedge accounting relationship under adjusted documentation despite the benchmark interest rate being replaced. For the implementation status of the IBOR reform in the NORD/LB Group, refer to Note (7) Implementation of the interest rate benchmark reform as at 31 December 2021.

**Amendments to IFRS 16 – rental concessions related to the coronavirus pandemic**

In May 2020, the IASB published amendments to IFRS 16. This offers lessees temporary optional relief in accounting for rental concessions granted as a direct result of the COVID-19 pandemic. The relief allows lessees to waive the assessment of whether a lease concession granted due to the COVID-19 pandemic constitutes a contractual modification, provided that these relate to lease payments due by 30 June, 2021. A lessee taking advantage of this relief must recognise any change in lease payments resulting from the COVID-19-related lease in the same way as it would account for the change using IFRS 16 if it were not a modification to the lease. There is no comparable relief for lessors.

The changes have no effect on the NORD/LB consolidated financial statements, as the Group, as lessee, does not exercise the relief.

Due to the ongoing COVID-19 pandemic, the IASB issued further amendments in March 2021 that allow reliefs in assessing contract modifications to also apply to lease payments due by 30 June 2022. In addition, the IASB clarifies that this option must be exercised retrospectively when applied and any effects must be cumulatively recognised in retained earnings or other equity items. As the NORD/LB Group, as lessee, continues to make no use of the option, the changes have no impact on the consolidated financial statements.

As permitted, the early application of the following standards and standard amendments adopted into European law, which are only to be implemented for the NORD/LB consolidated financial statements after 31 December 2021, was waived:

**IFRS 17 – Insurance contracts**

In May 2017, the IASB published the new standard IFRS 17 regarding the accounting of insurance contracts, which replaced the former standard IFRS 4 Insurance contracts. This regulates anew the principles in relation to the recognition, measurement and reporting of insurance contracts. IFRS 17 was originally to be applied retrospectively as a mandatory requirement for financial years starting on or after 1 January 2021.

In June 2020, the IASB published amendments and clarifications to IFRS 17 and IFRS 4, which postponed, among other things, the date of the initial application of IFRS 17 (including amendments) to financial years beginning on or after 1 January 2023. The fixed expiry date of the temporary exception to IFRS 9 in IFRS 4 was postponed accordingly to the end of the last financial year beginning before 1 January 2023. This is not expected to result in any material changes compared with the current accounting practice of the NORD/LB Group.

In December 2021, the IASB published further adjustments to IFRS 17, which come into force with the first-time application of IFRS 17. The amendments mainly relate to comparative information on financial assets of reporting entities that apply IFRS 17 and IFRS 9 simultaneously for the first time. These amendments, which have not yet been adopted into European law, will not have any impact on NORD/LB's consolidated financial statements.

**Amendments to IFRS 3 – Updating a reference to the conceptual framework**

The reference to the Conceptual Framework published in May 2020 resulted in editorial changes to IFRS 3, which must be taken into account for financial years beginning on or after 1 January 2022. This will not have any effect on NORD/LB's consolidated financial statements.

**Amendments to IAS 1 – Disclosure of accounting policies**

The amendments to IAS 1 are designed to assist preparers of financial statements in deciding which accounting policies to disclose in the financial statements. These were published by the IASB in February 2021 and are mandatory for financial years beginning on or after 1 January 2023. Significant effects on the NORD/LB consolidated financial statements are not expected.

**Amendments to IAS 8 – Definition of accounting estimates**

In February 2021, the IASB issued amendments to IAS 8 regarding the definition of accounting estimates. The amendments are designed to make it easier for IFRS users to distinguish between accounting policies and accounting estimates. There is a mandatory initial application for financial years beginning on or after 1 January 2023. No significant effects from these changes are expected on NORD/LB's consolidated financial statements.

**Amendments to IAS 16 – Property and equipment — Proceeds before intended use**

In May 2020, the IASB issued amendments to IAS 16. These prohibit the deduction of income from property and equipment costs if these arise from the sale of items produced during the installation necessary for the intended use of the property, plant and equipment. Instead, the costs and proceeds from the sale of such items must be recognised in the operating result. The changes are applicable as a mandatory requirement for financial years starting on or after 1 January 2022. From a current perspective, the changes will have no impact on NORD/LB's consolidated financial statements.

**Amendments to IAS 37 – Onerous contracts — Cost of fulfilling a contract**

Through the amendments to IAS 37 published in May 2020, the IASB specifies that in the case of onerous contracts, the costs of contract performance consist of direct costs of contract performance as well as the proportion of overhead costs that is directly allocated to the contract. There is a mandatory initial application for financial years beginning on or after 1 January 2022. The NORD/LB Group is currently not affected by onerous contracts.

**Improvements to IFRS (2018 – 2020 cycle) as part of the IASB's annual improvement process**

As part of the IASB's annual improvement process, amendments were made to IFRS 1, IFRS 9, IFRS 16 and IAS 41, which are to be applied for financial years beginning on or after 1 January 2022. The changes and clarifications will have no material impact on NORD/LB's consolidated financial statements.

The amendments to IFRS 9 relate to the disposal of financial liabilities, which is triggered by exceeding the threshold of 10 per cent deviation between the net present value of the cash flows before and after a contract modification. The IASB states that the fees included in the cash flows may only represent the fees paid or received directly as part of the contract modification between the parties. This includes fees paid or received by either contractual party on behalf of the other.

In addition, as part of the annual improvements process in example 13 of the accompanying document IFRS 16 *Illustrative examples*, the presentation on the reimbursement of leasehold improvements was deleted in order to avoid ambiguities with regard to the treatment of leasing incentives.

The following standards and standard amendments are pending adoption into European law by the European Commission on the date of preparation of the consolidated financial statements:

**Amendments to IAS 1 – Classification of liabilities by maturity**

In January 2020, the IASB issued amendments to IAS 1 regarding the classification of liabilities by maturity. The mandatory first-time application from 2022 onwards was amended by a further publication of the IASB in July 2020 to financial years beginning on or after 1 January 2023. The amendments to IAS 1 clarify the criteria for classifying liabilities as current or non-current. No significant effect on the NORD/LB consolidated financial statements is expected.

**Amendments to IAS 12 – Deferred taxes**

In May 2021, the IASB published amendments to IAS 12, which essentially aim to recognise deferred taxes in connection with the recognition of lessee relationships in accordance with IFRS 16. It is intended to be applied for financial years beginning on or after 1 January 2023. Specifically, the prohibition on the recognition of deferred taxes (*initial recognition exemption*) for assets and liabilities arising from a single transaction is excluded. In particular, this is intended to prevent a distortion of the Group tax rate that arises in the case of multi-year leasing contracts, since the deferred tax assets and liabilities recognised without the prohibition on recognition would only be offset if the overall term was considered. A corresponding draft amendment was already available at the time of initial application of IFRS 16. For these reasons, the NORD/LB Group has not made use of the initial recognition exemption for lessee relationships since IFRS 16 was applied, so that the changes will not have any impact on the consolidated financial statements.

The standards and amendments to be implemented for the NORD/LB consolidated financial statements after 31 December 2021 are intended to be applied for the first time at the respective initial application date.

### (7) Implementation of the Interest Rate Benchmark Reform by 31.12.2021

In the 2021 financial year, the NORD/LB Group continued working hard to implement the global reform of benchmark interest rates ("IBOR reform"). In accordance with the opinion of the Financial Conduct Authority of 5 March 2021, the LIBOR reference interest rates for EUR, GBP, CHF and JPY as well as the USD LIBOR were discontinued for certain periods as at 31 December 2021 and, in terms of EUR LIBOR and CHF LIBOR, the associated conversion to the respective following reference interest rate. In the case of GBP LIBOR and JPY LIBOR, the transition to synthetic LIBOR reference rates applied on a temporary basis from 1 January 2022 for individual currency and maturity combinations took place. Significant USD LIBOR rates will not be discontinued before 30 June 2023. Furthermore, the EONIA was discontinued from 3 January 2022 onwards.

**Specific challenges related to the IBOR Reform**

The IBOR reform mainly impacts the operational business and risk management in the affected business areas. The main challenges in the year under review were operational. Examples include the renegotiation of credit agreements through bilateral negotiations with customers, updating contractual conditions and revising operational controls in the context of the reform.

Financial risk is predominantly limited to interest rate risk, which may occur if variable-interest or benchmark-rate-dependent underlying transactions and their hedges are converted into interest rates at different times or different benchmark interest rates in the future. The NORD/LB Group does not expect any significant effects from this at portfolio level.

**Product-related implementation**

The implementation of the IBOR reform is largely completed in the affected product groups:

*Derivatives business*

In the first half of 2021, in preparation for the replacement of the EONIA (Euro OverNight Index Average) by the €STR (Euro Short-Term Rate), the measurement of bilateral, secured OTC derivatives, i.e. those not cleared via central counterparties, was adjusted. In the second half of 2021, the adjustment of the discounting and the collateral interest rates for the main bilateral counterparties was completed or the necessary negotiations with the counterparties were conducted. Impairments resulting from the changeover measures were neutralised by offsetting balancing payments.

In addition, the conversion of the variable benchmark interest rates to the level of the individual transactions began in 2021. Numerous variable benchmark rates are affected by this, including GBP LIBOR, CHF LIBOR, JPY LIBOR, EUR LIBOR, EONIA and EFFR. Interest rate derivatives economically linked to loan agreements were converted in parallel with the changes to the loan agreements. The corresponding technical and functional requirements (e.g. fallback rules in accordance with ISDA specifications) were created back in 2020.

Different conversion methods were used for this. The most frequently used method for converting derivatives based on GBP LIBOR, CHF LIBOR, JPY LIBOR and EUR LIBOR is the contractual agreement in 2021 or prior to the first interest rate fixing in 2022 that from the first interest rate fixing in 2022 the respective compounded overnight rate of the same currency plus of the ISDA IBOR fallback spread will apply to the respective variable reference rate. Alternatively, in some cases an immediate transition to the respective compounded overnight rate of the same currency plus a market-based spread was offered and implemented. In this case, the conversion is carried out in a value-neutral manner for both parties. For some derivatives, it was not possible to conclude a transition agreement in 2021, so that this will be made up for until the first interest rate fixing in 2022.

The following table lists the nominal values of the centrally cleared derivatives (excluding hedge derivatives) by variable benchmark interest rate for which a contract conversion has taken place in 2021 or for which the conversion is still pending in the future. The discounting has already been converted for these derivatives:

| Nominal values | EONIA | USD LIBOR | | GBP LIBOR | JPY LIBOR | CHF LIBOR | Total | |
|---|---|---|---|---|---|---|---|---|
| (in € million) | completely converted to €STR | still based on USD LIBOR | already converted to USD SOFR | already converted to GBP SONIA | already converted to JPY TONAR | already converted to CHF SARON | still based on original RFR | already converted to new RFR |
| Interest-rate risks | 15 154 | 8 641 | 2 776 | 9 482 | 339 | 66 | 8 641 | 27 817 |
| **Total** | **15 154** | **8 641** | **2 776** | **9 482** | **339** | **66** | **8 641** | **27 817** |

In addition to the centrally cleared derivatives, contractual changes to the bilateral contracts were also made in 2021 following the amendments made to individual contracts in 2020. The following table lists the nominal values of bilateral derivative contracts (excluding hedge derivatives) by variable benchmark rate for which a contract conversion has already taken place or for which the conversion is still pending in the future:

| Nominal values (in € million) | EONIA | USD LIBOR | | GBP LIBOR | | JPY LIBOR | | CHF LIBOR | | EUR LIBOR | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | completely converted to €STR | still based on USD LIBOR | already converted to USD SOFR | still based on GBP LIBOR | already converted to GBP SONIA | still based on JPY LIBOR | already converted to JPY TONAR | still based on CHF LIBOR | already converted to CHF SARON | completely converted to EURIBOR | still based on original RFR | already converted to new RFR |
| Interest-rate risks | 3 598 | 2 999 | 1 565 | 3 100 | 1 917 | 78 | 83 | 18 | 155 | 3 | 6 195 | 7 321 |
| Currency risks | – | 7 635 | – | 1 392 | 1 751 | 168 | – | 63 | – | – | 9 258 | 1 751 |
| **Total** | **3 598** | **10 634** | **1 565** | **4 492** | **3 668** | **246** | **83** | **81** | **155** | **3** | **15 453** | **9 072** |

*Hedge accounting*

The aforementioned adjustments in the derivatives business also include the adaptation of the portfolio fair value hedge accounting for interest rate risks to the new interest rate standard. The Fair Value Hedge Accounting portfolio is used to hedge pure EUR and USD currency portfolios.

Due to the continued use of EURIBOR, there were no adjustments to the hedging of the EURIBOR risk.

In the case of USD portfolio hedges, the replacement of USD LIBOR with a compounded SOFR interest rate plus a surcharge is expected to take place in stages until 30 June 2023, based on the ISDA IBOR fallback protocol. In micro hedge accounting, the impact of the IBOR reform on effectiveness is avoided by taking into account an appropriate credit spread adjustment in the interest rate conversion. The resulting one-off measurement effects are neutralised by corresponding balancing payments to the counterparty.

The value of the centrally cleared hedge derivatives used as part of the portfolio hedge, for which the conversion to the USD SOFR as a whole is still pending, was nominally € 1,942 million as of 31 December 2021.

In addition to the centrally cleared hedge derivatives, contractual changes to the bilateral hedge derivatives were also made in 2021. The following table lists the nominal values of the bilateral hedge derivative contracts for which a contract conversion has taken place in 2021 or whose conversion is still pending in the future:

| Nominal values (in € million) | USD LIBOR | GBP LIBOR | | Total | |
|---|---|---|---|---|---|
| | still based on USD LIBOR | still based on GBP LIBOR | already converted to GBP SONIA | still based on original RFR | already converted to new RFR |
| Interest-rate risks | 945 | 60 | 124 | 1 005 | 124 |
| Currency risks | 10 | – | – | 10 | – |
| **Total** | **955** | **60** | **124** | **1 015** | **124** |

*Securities, loans and account products*

In the area of issued variable-interest securities, the NORD/LB Group is only marginally affected by the reform. In the case of EUR-denominated variable interest-bearing issues, there is no need for action in the foreseeable future due to the continued use of EURIBOR. In the portfolio of foreign currency issues (excluding USD LIBOR), there are only two variable-rate securities with a maturity after 2021. As a result of the publication of the relevant USD LIBOR, which is to be extended until 30 June 2023, there is no further need for action from today's perspective as the last interest rate fixing date for the remaining issues also is on

30 June 2023. New issues with a variable benchmark interest rate are currently only issued in EUR based on the EURIBOR.

Regular analysis and impact assessment is also carried out in the area of purchased securities. In this case, the interest rate will be adjusted in line with the first interest rate fixing in 2022. Numerous coordination meetings have already been held with the issuers on this. This also applies to the current portfolio of asset-backed securities. The final table lists the securities purchased along with the loans by their variable benchmark rate for which a contract conversion is expected in 2022.

In relation to the lending business and the associated account products, the necessary comprehensive portfolio analysis was completed in the 2021 financial year. This was used to identify transactions that require a contractual change as the maturity date is later than the expected discontinuation of the current benchmark interest rate and the existing contracts do not already contain sufficient regulations for dealing with a benchmark interest rate conversion. As only variable-interest financial instruments are affected by the reform, it is expected that this will only have an impact on the existing business in the Wholesale division in the NORD/LB Group.

The contractual change to the new benchmark interest rates and the repricing of the existing loan transactions or account products takes place on the basis of a uniformly defined conversion procedure. The individual contractual conversion was processed locally in the affected credit areas in 2021 and was essentially completed by the end of the fourth quarter of 2021. This conversion includes, on a case-by-case basis, the replacement of the previous benchmark interest rates in the respective contract with an alternative benchmark interest rate or the addition of fallback agreements.

With regard to new business for loans and account products, the legal implementation of the reform in the corresponding contract templates was also concluded except for the USD LIBOR-based business. The IT adjustments required were also completed in 2021.

The following table lists the securities and lending transactions according to their variable benchmark interest rate for which a contract conversion has taken place in 2021 or whose conversion is still pending in the future:

| | USD LIBOR | GBP LIBOR | | JPY LIBOR | CHF LIBOR | EUR LIBOR | Total | |
|---|---|---|---|---|---|---|---|---|
| | still based on USD LIBOR | still based on GBP LIBOR | already converted to GBP SONIA | still based on JPY LIBOR | still based on CHF LIBOR | completely converted to EURIBOR | still based on original RFR | already converted to new RFR |
| Gross carrying amount (in € million) | 2 367 | 3 041 | 38 | 64 | 61 | 99 | 5 533 | 137 |
| Number | 344 | 208 | 6 | 3 | 15 | 8 | 570 | 14 |

**(8) Consolidation Fundamentals**

The consolidated financial statements of the NORD/LB Group, which have been prepared using uniform accounting policies, include the financial statements of the parent company (NORD/LB) and the subsidiaries controlled by it. Control means when a Group company which has decision-making powers in respect of the significant business activities of another entity, has an entitlement or right to variable returns, and can influence the amount of such variable returns through its decision-making powers.

As well as its original investments, the NORD/LB Group examines its customer relationships to determine whether controlling interests are present.

The assessment of whether the Group controls project companies financed by borrowing that are in financial difficulties – and whether it should therefore include such companies as subsidiaries in the consolidated financial statements – constitutes a material discretionary decision. Due to its lending relationship with such companies, the NORD/LB Group is constantly exposed to variable returns. In means of whether it controls the company in question, the decisive factors are whether it has power over the company on the basis of its rights arising from the loan agreement, and whether the investors hold positions as principals or agents of NORD/LB within the meaning of IFRS 10. The NORD/LB Group assesses the latter question on the basis of the following three factors: (1) Nature and scope of the investors' participation in the risks and rewards of the company (2) Scope of the decision-making powers, and (3) Bank's termination rights. The NORD/LB Group re-assesses the consolidation requirement if a credit event (event of default) has occurred or if the company's structure has changed.

Another material discretionary decision is the assessment of whether the NORD/LB Group controls a fund on the basis of its activities as fund manager or capital management company. The NORD/LB Group will regularly meet the first two criteria of the definition of control (decision-making powers and variable returns). The decisive factor regarding the consolidation requirement for funds is whether the Group acts as principal or merely as the agent of the investors because they have delegated their decision-making powers to the NORD/LB Group. This assessment takes account of the scope of the NORD/LB Group's decision-making powers, the investors' termination rights and the Group's total participation in returns from the fund in relation to other investors.

Business combinations were presented according to the acquisition method. For this purpose, all assets and liabilities of subsidiaries were recognised at their fair value, taking account of deferred tax, on acquisition of the controlling influence. Any goodwill resulting from initial consolidation is recognised under intangible assets. Goodwill is impairment-tested at least once per year and may be written down. Shares in the equity of subsidiaries not held by the parent are recognised within Group equity as equity capital attributable to non-controlling interests, in the amount of the share of identifiable net assets of the acquired entity.

If a subsidiary is a partnership, the non-controlling interests are recognised as liabilities.

If the equity of consolidated partnerships is negative on first consolidation, it is allocated in full to the NORD/LB Group. Any previous contractual relationships are deemed terminated when the business combination takes place, and are derecognised as consideration for the business combination.

Intragroup receivables and liabilities, expenses and income are eliminated upon consolidation of debt or expense and income. Interim profits/losses within the Group are consolidated as part of the elimination process for interim profit/losses.

The profits/losses of subsidiaries acquired or disposed of during the year are included in the Income statement accordingly, from the date of acquisition or by the date of disposal.

A joint venture is a joint agreement whereby the parties having joint control of the agreement possess rights to the net assets covered by the agreement.

An associate is an entity over which the investor has significant influence.

Joint ventures and associates are recognised in the balance sheet according to the equity method and are reported as investments accounted for using the equity method. When applying the equity method, the NORD/LB Group's shares in the associate or joint venture are initially recognised at cost. The investments are then increased or reduced by the Group's share of the profit obtained or loss incurred, or of the other profit/loss (other comprehensive income, OCI) of the associate or joint venture. If the NORD/LB Group's share of the losses of an associate or joint venture equals or exceeds the value of the shares in said entity, no further loss components are recognised unless the Group has entered into legal or constructive obligations, or makes payments in place of the entity accounted for using the equity method.

For transactions between a Group company and a joint venture or associate, profits and losses are eliminated to the extent of the Group's share in the relevant entity.

Deconsolidation takes place at the point in time when the Group no longer has a a controlling influence over the subsidiary. The assets and liabilities of the subsidiary are derecognised at their carrying amounts. Shares in the former subsidiary without controlling influence are also derecognised. The fair value of the consideration received is recognised. If there is still an equity investment in the former subsidiary, it is recognised at fair value. Differences resulting from recognition and derecognition are recognised in the Group income statement. Amounts related to this subsidiary that were carried under other profit/loss (other comprehensive income, OCI) in prior periods are rebooked to the Group income statement or, if required by other IFRSs, are rebooked directly to retained earnings.

**(9) Basis of Consolidation**

These consolidated financial statements include not only NORD/LB as parent, but also 18 (21) subsidiaries in which NORD/LB directly or indirectly holds more than 50 per cent of the voting rights or over which NORD/LB can exercise a controlling influence in another manner. In addition, one (one) joint venture and five (six) associates are recognised. The joint venture and the additional associates are accounted for using the equity method.

Compared with 31 December 2020, the following changes were made to the basis of consolidation:

With effect from 1 July 2021, Deutsche Hypothekenbank (Actien-Gesellschaft) was merged with NORD/LB as the receiving legal entity as a previously legally independent real estate financing subsidiary and fully consolidated subsidiary.

In five fully consolidated single-ship and multi-ship companies, the ships were sold as their main asset in 2021. As a result, the following subsidiaries are no longer controlled and have been deconsolidated:

- APSE SPV1 Pte. Ltd, Singapore
- Maritime Asia Emerald Pte. Ltd., Singapore
- Maritime Asia Opal Pte. Ltd. Singapore
- Maritime Asia Zircon Pte. Ltd., Singapore
- Maritime Asia Pearl Pte. Ltd., Singapore

In connection with the implementation of the NORD/LB 2024 project, the Bank founded two new companies in the first quarter of 2021. The two property companies based in Bremen

- BGG Katharina GmbH & Co. KG
- BGG Rathausmarkt GmbH & Co. KG

was included in the consolidated financial statements for the first time as fully consolidated subsidiaries as at 30 June 2021.

As at 30 June 2021, LINOVO Productions GmbH & Co. KG i.L., Munich, as an associate, has no longer been included in the consolidated financial statements using the equity method for materiality reasons. It is a film fund company whose investments are largely repaid.

The effects resulting from the change in the scope of consolidation had no significant influence on the financial position and financial performance of the NORD/LB Group.

After reviewing the consolidation criteria of IFRS 10, the provident fund (Unterstützungskasse) Norddeutsche Landesbank Girozentrale Hannover/Braunschweig was included in the scope of consolidation as at 31 December 2021, as the application of the exemption rule under IFRS 10.4A does not apply (see Note (5) Restatement of previous year's figures).

The subsidiaries, joint ventures and associates included in the consolidated financial statements are listed in Note(78) Equity holdings.

### (10) Currency Translation

Monetary assets and liabilities denominated in foreign currency and non-monetary items recognised at fair value are translated at the reference exchange rates of the ECB (ECB reference rates) on the measurement date. Non-monetary items recognised at cost are measured at historical prices. Expenses and earnings in foreign currencies are translated at the exchange rates applied when translating the respective balance sheet items. Foreign exchange differences on monetary items are reflected in the income statement; non-monetary items are carried according to the recognition of profits and/or losses on such items in other comprehensive income (OCI) or in the income statement.

Assets and liabilities of foreign subsidiaries which are to be consolidated and whose functional currency is not the euro are translated at ECB reference exchange rates on the measurement date. With the exception of accumulated other comprehensive income (OCI; translated at the closing rate) and the net profit/loss, equity is translated on the basis of historical exchange rates. Income and expenses are translated into the reporting currency at average exchange rates for the period. The exchange differences that arise are recognised as a separate item under OCI. Exchange differences accrued until disposal are included in the disposal profit/loss.

### (11) Interest and Commission

Earnings are recognised in accordance with the applicable accounting standards. Here, IFRS 9 is particularly relevant for the NORD/LB Group. Interest on interest-bearing assets and liabilities is realised on a pro rata temporis basis, taking account of the effective interest rate method, and is recognised under interest income or interest expenses.

In the case of impairments of Stage 3 interest-bearing assets, the interest income is determined, in contrast to stages 1 and 2, on the basis of the interest rate used to calculate the impairment (unwinding, see Note(14) Risk provisions).

Dividend income is recorded as dividends when the right to receive the dividend is established.

### (12) Commission

Commission income is recognised in accordance with IFRS 15. Commission income that must be received at a specific point in time is recognised in the income statement when the service is performed. This relates primarily to commission income from account management and payment transactions as well as to brokerage business. The control over agreed services passes directly to customers when the services are rendered by NORD/LB, even though in some cases the services are invoiced to the customers only afterwards.

If services are rendered across multiple periods, income from service transactions is recognised on the financial reporting date according to the degree of completion of the transaction's performance obligations. This relates primarily to commission income from the lending business, the securities syndicate business and asset management. As a rule, an equally distributed, permanent service provision with corresponding entitlement to remuneration from the customers is recognised. If not already paid by the customer, income from customer agreements for services rendered are reported as receivables. Conditional income from services not yet fully rendered are reported as contract assets under other assets. Remuneration already paid by customers for services not yet rendered is deferred as a contract liability under other liabilities and is recognised as income in the period when the service is rendered.

The income is calculated based on the contractually agreed transaction price. In many cases, the remuneration is due when the service is rendered. Invoices are issued either in advance of, at the time of, or after the service is rendered. Where invoices are issued after services are rendered, the invoicing delay generally does not exceed a period of one year. No changes are made based on the fair value of money. Fixed prices are usually agreed. Variable remunerations are not estimated. Variable remunerations are generally not limited by separate additional conditions, i.e. a material reclaim of cumulated income by the customer is not expected. Customer contracts do not contain material non-financial compensation. If a distribution is relevant, the transaction price is allocated based on the stand-alone sales prices of the services. Bundled services for which one transaction price is paid and which share the same performance period or time are not split since these are irrelevant with respect to revenue recognition. Discounts are not recognised since these are only granted in exceptional cases.

Costs incurred to obtain or fulfil a contract are capitalised as an asset under the balance sheet item other assets if the NORD/LB Group expects reimbursement from the customer. Capitalised contract costs are amortized on a straight line basis over the service period.

### (13) Financial Instruments

A financial instrument is defined as a contract which results in a financial asset for one entity and in a financial liability or equity instrument for another entity.

*a) Recognition and derecognition*

A financial instrument is recognised on the balance sheet when the Group becomes a contracting party to the contractual arrangements for the financial instrument. In the case of regular spot purchases or sales of financial assets, recognition and derecognition take place on the trade date.

A financial asset is derecognised when the contractual rights to cash flows from the asset have expired or when the NORD/LB Group has substantially transferred all rewards and risks. A financial liability is derecognised when the obligations specified in the contract are discharged, cancelled or expire.

In the event of a partial transfer of rewards and risks and the retention of power of disposal, the financial asset is recognised to the extent that the Group continues to hold the opportunities and risks of changes in the value of the transferred asset.

The reacquisition of own debt instruments is also covered by the derecognition of financial liabilities. Differences between the carrying amount of the liability at repurchase (including share premiums and discounts) and the purchase price are recognised in profit and loss. On resale of own debt instruments at a later date, a new financial liability is created with the cost of acquisition corresponding to the disposal proceeds. Differences between this new cost of acquisition and the redemption amount are distributed over the residual term of the debt instrument according to the effective interest method.

*b) Classification and measurement of financial assets*

The initial measurement of financial assets and liabilities is at fair value upon recognition, which is usually equal to the acquisition costs.

The subsequent measurement is based on the IFRS 9 measurement category to which the financial instruments were assigned when initially recognised (classification).

The classification of financial assets is based on the actual management of the cash flows from financial assets (business model criterion) and on the characteristics of the contractually agreed cash flows (cash-flow criterion).

ba) Business model

NORD/LB combines financial assets at an aggregate level into assessment units. The formation of the assessment units is based on the business areas of the Group. These assessment units are assigned to an IFRS 9 business model in accordance with their objective. The allocation criteria used are the strategic management of the transactions, previous transactions, expectations about future transactions within the assessment unit, as well as the nature of performance measurement and the corresponding internal reporting. The Management Board determines the assessment unit and, based on that determination, the resulting allocation to an IFRS 9 compliant business model. The allocation of the assessment units with their corresponding objective-based IFRS 9 business models is reviewed at least once a year as a part of the review or adjustment of the segment strategies.

The “Hold” business model includes financial assets for which the objective is to receive the contractual cash flows from these assets until they mature. When assessing whether this business model is applicable, the Bank takes into account at the level of the corresponding assessment unit the frequency, volume and timing of sales in previous periods, the reasons for these sales and expected future sales activities. This review process is conducted under the assumption that sales just prior to maturity or due to a deterioration in creditworthiness are fundamentally compatible with this business model. The same applies to disposals that are material in terms of disposal volume, but which occur only very infrequently, as well as for disposals that are immaterial both individually and in total, even if they occur frequently.

The “Hold and sell” business model envisages both the receipt of contractual cash flows and disposals of financial assets that occur more than just occasionally. For example, portfolios with the objective of covering the daily liquidity requirement or achieving a specific (interest) income profile are allocated to this business model.

The “Other” business model includes financial assets that are not allocated to the “Hold” business model or the “Hold and sell” business model. Financial instruments within this business model are held for trading or are managed based on fair value. In both cases, the NORD/LB Group holds the financial assets with the objective of realising cash flows primarily from their sale. The receipt of contractual cash flows is not an integral component of this business model.

bb) Cash flow criterion

Each individual financial asset must be analysed with regard to the cash flow criterion to determine the extent to which the financial asset’s contractual cash flows include only unleveraged interest and principal payments. This analysis is based on the contractual terms and conditions applicable when the asset is initially recognised.

Contractual cash flows that do not meet the requirements for the cash flow criterion include, for example, principal payments in excess of the contractual nominal amount, interest payments linked to shares, commodity prices or other indices, or a nominal currency that differs from the currency of the reference interest rate, or similar clauses allowing for additional income potential (certain cash sweep or pay-as-you-earn agreements).

In contrast, termination rights, special repayment agreements and extension options meet the cash flow criterion if the repayment amount, in other words the fair value of the financial instrument on initial recognition, in addition to outstanding principal repayments and interest, includes prepayment compensation appropriate for the cost of refinancing or if the extension option provides for an interest rate for the extension period equal to the interest rate originally agreed in the contract.

The assessment of the cash flow criterion does not include contractual components that have only a very minor effect on the contractual cash flows or whose occurrence is considered to be very improbable.

In the case of non-recourse financing, the cash flow criterion is deemed not to be met if the review of the cash flows generated by the financed asset (look-through test) confirms that the NORD/LB Group bears the risks from the financed property on a loan-specific basis. In accordance with the guidelines in the NORD/LB Group, this is particularly the case if the relationship of the loan amount to the value of the collateral exceeds a defined threshold.

Depending on the business model and the assessment of the cash flow criterion, the following measurement categories are derived.

bc) Financial assets at amortised cost

This category includes non-derivative financial debt instruments allocated to the “Hold” business model if the cash flow criterion is also met. As significant portions of the traditional credit and lending business are presented here, this is the largest category in the NORD/LB Group. Part of the NORD/LB Group’s securities portfolio is also assigned to this category.

Assets included in this category are subsequently measured at amortised cost using the effective interest-rate method. In addition, under the impairment regulations the carrying amount in the balance sheet is reduced by expected credit losses (see Notes (14) Risk provisioning, (27) Profit/loss from risk provisioning and (59) Risk provisioning and gross carrying amount). Allocations to and reversals of risk provisioning are recognised in the income statement under risk provisioning. Interest is reported in net interest income; commissions that fall under the provisions of IFRS 15 are reported in net commission income.

bd) Financial assets at fair value through other comprehensive income

This category includes non-derivative financial assets allocated to the “Hold and sell” business model if the cash flow criterion is also met. The NORD/LB Group allocates to this category primarily securities intended for short and medium-term liquidity management purposes, or those the Group does not generally intend to hold until maturity. In the lending business, this category was used for only a very narrow spectrum of products, primarily promissory note loans.

Subsequent measurement in this category is carried out at fair value. The result from the fair value measurement is reported in other comprehensive income (OCI). On disposal of the financial asset, the accumulated measurement profit/loss recognised until then in other comprehensive income (OCI) is reversed and recognised in the income statement.

Differences between the cost of acquisition and the redemption amount for debt instruments are amortised through profit and loss using the effective interest method. Interest is reported in net interest income; commissions that fall under the provisions of IFRS 15 are reported in net commission income.

The debt securities allocated to this category are subject to the same impairment regulations as financial assets at amortised cost, (see Notes (14) Risk provisioning, (27) Profit/loss from risk provisioning and (59)

Risk provisioning and gross carrying amount). Allocations to and reversals of risk provisioning are also recognised here through profit or loss under risk provisioning. However, the expected credit losses determined for this category do not reduce the balance sheet carrying amount at fair value, rather they are recognised in other comprehensive income (OCI).

There is an option to allocate to this measurement category at initial recognition those equity instruments that have to be measured at fair value through profit or loss. The impairment regulations are not applicable to equity instruments. Upon disposal, the measurement profit or loss that has accumulated in other comprehensive income (OCI) is not reclassified to the income statement, rather it is recognised directly in equity in retained earnings. As in the previous year, this option was not utilised in the reporting year.

be) Financial assets at fair value through profit or loss

Financial assets in this category are measured subsequently at fair value through profit and loss. There is no separate amortisation of premiums and discounts at constant effective interest rates. Interest and commissions are recognised in net interest income and net commission income. The effects from the fair value measurement are reported under profit/loss from financial assets at fair value in the income statement.

Financial assets at fair value through profit or loss are divided into three subcategories:

i) Trading assets (financial assets held for trading)

This subcategory includes financial assets acquired with the intention of selling them soon thereafter. They are therefore always allocated to the “Other” business model. In addition, all derivatives with positive fair values that are not hedging instruments used in hedge accounting are recognised under trading assets. Trading assets in the NORD/LB Group comprise primarily debt securities and derivatives. Syndication portfolios are also allocated to this category because of the Group’s intention to place them in the market.

ii) Financial assets mandatorily at fair value through profit or loss

This subcategory includes financial assets that are either allocated to the “Other” business model even though they are not held as trading assets, or which regardless of the business model do not meet the cash flow criterion. In the NORD/LB Group, equity instruments not held for trading are also recognised under this subcategory.

iii) Financial assets designated at fair value through profit or loss

This subcategory, also known as the fair value option, is not currently used in the NORD/LB Group.

*c) Classification and measurement of financial liabilities*

*ca)* Financial liabilities at amortised cost

This category includes, in particular, liabilities to banks and customers, securitised liabilities and subordinated capital, insofar as these liabilities were not designated under the fair value option at fair value. Subsequent measurement is at amortised cost applying the effective interest rate method. Interest is reported in net interest income, and commissions that fall under the provisions of IFRS 15 are reported in net commission income.

cb) Financial liabilities at fair value through profit or loss

The financial liabilities in this category are subsequently measured at fair value through profit and loss. There is no separate amortisation of premiums and discounts at constant effective interest rates. Interest and commissions are recognised in net interest income and net commission income.

Financial liabilities at fair value through profit or loss are divided into two subcategories:

i) Financial assets designated at fair value through profit or loss

This subcategory includes all derivatives with negative fair values that are not hedging investments in hedge accounting, and other financial liabilities that are held for trading, in particular delivery obligations from short-sales. All fair value changes related to liabilities held for trading are reported in the income statement under profit/loss from financial assets at fair value.

ii) Financial liabilities designated at fair value through profit or loss
Financial liabilities otherwise measured at amortised cost on initial recognition which the Group has irrevocably designated at fair value through profit or loss can be designated in this subcategory. The NORD/LB Group uses the fair value option to minimise or avoid accounting mismatches. In contrast to the subcategory trading liabilities, the changes in fair value attributable to the group's own credit risk are recognised in other comprehensive income (OCI). However, if such recognition in OCI causes or increases an accounting mismatch, the total fair value changes are recognised in the income statement. When the transactions are derecognised, these fair value changes are reclassified into retained earnings. Further information on the nature and scope of application of the fair value option in the Group, as well as on the change in credit risk, is provided in Note (49) Financial liabilities at fair value through profit or loss.

*d) Reclassifications*
Reclassifications of financial assets may be made as a result of a significant change in the IFRS 9 business model. A significant change in the business model can only be the result of internal or external changes that result in the start or discontinuation of a business activity which is not only significant for the work processes but alsa transparent for external parties. Additionally, a change in the business model must be specified by the Management Board. At the time of reclassification, the financial assets are prospectively classified taking into consideration the changed business model and subsequently measured. Any differences in value resulting from the reclassification are recorded in the income statement or in other comprehensive income (OCI). As in the previous year, no reclassifications were required in the NORD/LB Group during the period under review. The total assets reduction as part of the implementation of the target figures agreed with the European Commission did not meet the requirements for reclassification.

*e) Modifications*
If the contractual cash flows of a financial asset measured at amortised cost are renegotiated or otherwise changed (modification), it is examined whether this modification is substantial. A substantial modification leads to the derecognition of the previous financial asset while at the same time new financial asset is recognized. The general principles apply to the initial measurement and classification of the new financial asset. In the case of modifications that are deemed not to be substantial, the difference in the present value of cash flows before and after modification is recognised in the modification gain or loss and amortised over the remaining term of the financial asset.

The determination of whether a modification is substantial or not is initially qualitative and, if necessary, additionally quantitative. Modification measures whose effects can be clearly classified in terms of quality as substantial (e.g. debt equity swap) or not substantial (change in the repayment or interest agreement with a term of up to one year) do not require any further quantitative review. Otherwise, a present-value-based review is carried out as to whether the cash flows change significantly as a result of the contractual modification (e.g. no interest payable until the end of the term).

*f) Determination of fair value*
The fair value of financial instruments as per IFRS 9 in conjunction with IFRS 13 reflects the price at which an asset can be sold or a liability can be transferred on the basis of a normal transaction between market participants on the measurement date, i.e. the fair value is a market-related value and is not entity-specific. According to IFRS 13, the fair value is either the price that can be observed directly or a price determined using a measurement method.

The valuation models used in the NORD/LB Group and the data flowing into them are reviewed periodically. The resulting fair values are subject to internal controls and monitoring procedures. These controls and processes are carried out in and coordinated by the Bank Control/Finance and Risk Control divisions.

All relevant factors, such as bid-ask spread, counterparty default risk or business-typical discount rates, are appropriately taken into account when determining fair value. In the context of the bid-ask spread, a valuation is made at the average rate or average notation. The financial instruments particularly impacted by this include securities or liabilities whose fair values are based on prices listed on active markets, as well as financial instruments, such as OTC derivatives, whose fair values are determined using a measurement method and for which the average quote is an observable input in the measurement method.

No listed prices are generally available for OTC market derivatives; their fair values are therefore determined using other measurement methods. The measurement is first carried out using cash flow models without taking account of the credit default risk. The measurement adjustment on the basis of the counterparty default risk (credit value adjustment (CVA)/debit value adjustment (DVA)) is calculated on the basis of the net risk position pursuant to IFRS 13.48. The calculation is based on simulated future market values and, if available, market-implied input data.

fa) Fair value hierarchy financial instruments recognised at fair value in the balance sheet
The respective level in the three-stage fair value hierarchy is determined by the market proximity of the variables included in the determination. If input data from multiple levels of the fair value hierarchy are used in the determination of fair value, the financial instrument is assigned to the lowest level at which the input data has a significant influence on the fair value measurement.

Level 1
A financial instrument is categorised in Level 1 if it is traded on an active market and if publicly listed market prices or prices actually traded on the over-the-counter market (OTC market) are used to determine the instrument's fair value. If such data is not available, executable prices from traders and brokers without a transaction are used as a reference. Instruments are allocated in this case to Level 1 if there is an active market for these broker quotes, i.e. the bid-ask spread is low and there are multiple price suppliers with very little difference in their prices. Level 1 input factors are not regularly corrected.

Level 2
If broker quotations are for (mixed) prices or if the price is determined on an inactive market, the instruments are assigned to Level 2 if the quotations relate to binding offers, observable prices or market transactions. Likewise, (mixed) prices calculated by price service agencies on the basis of reported prices are to be assigned to Level 2.

Furthermore. Financial instruments are allocated to Level 2 if the fair value is calculated using recognised measurement methods or models or through external pricing services, and the measurement in such cases makes either full or significant use of observable input data such as spread curves. This includes measurement methods that are widely recognised in the market under normal market conditions (e.g. the discounted cash flow method and the Hull & White model for options) and the calculations are based on inputs available on an active market. Wherever possible, the respective inputs are taken from the markets on which the instruments are issued or acquired.

Measurement models are used primarily for OTC derivatives and securities listed on inactive markets. The models include a range of inputs parameters such as market prices and other market quotations, risk-free yield curves, risk premiums, exchange rates and volatilities. A standard market approach is always selected for necessary model parameterisations.

In the case of asset-side securities for which there is no active market and for which market prices can not be used for measurement, the fair value for measurement purposes is determined on the basis of discounted cash flows. With the discounted cash flow method, all payments are discounted using the risk-free interest-rate curve adjusted by the credit spread. Spreads are determined based on comparable financial instruments (for example, taking account of the respective market segment and the issuer's credit rating).

The financial instruments in the NORD/LB Group to be measured in this way are identified on the basis of individual securities and a subsequent separation into active and inactive markets. Changes in market assessments are consistently included in the measurement. Several divisions within the Group identify, analyse and measure financial instruments in inactive markets. This approach makes it possible to assess inactivity in the most objective manner.

Level 3
Financial instruments for which there is no active market, which cannot be measured on the basis of market prices and cannot be fully measured on the basis of observable market parameters, are allocated to Level 3. In differentiation to Level 2 measurement, Level 3 measurement generally uses both institution-specific models and market-based discounted-cash-flow models as well as significant volumes of data which are not observable on the market. The inputs used in these methods include, among other things, assumptions about cash flows, loss estimates and the discount rate, and are determined as far as possible on a near-market basis.

Level 3 procedures are used for portfolios of interest-bearing securities and derivatives for which the market has been classified as inactive or for which significant valuation parameters are not observable in the market. These include:

- Equity-linked structures measured using historical volatilities
- CMS spread options since the ingoing correlation is not directly observable
- Own and third-party issues as well as futures on such issues if the credit/funding spread is not observable on the market.

Furthermore, all loans measured at fair value and loan commitments intended for syndication that are presented as derivatives, are regularly assigned to Level 3. The portfolio guarantees of the state of Lower Saxony which are accounted for as credit derivatives and therefore also assigned to Level 3.

fb) Fair value hierarchy – financial instruments that are not recognised at fair value in the balance sheet
The same rules for determining fair value apply to financial instruments for which a fair value is determined solely for disclosure purposes as for financial instruments whose fair value is reported in the balance sheet. Such financial instruments include, for example, the cash reserve, loans/advances and liabilities to banks and customers, certain debt securities, securitised liabilities and subordinated capital.

For the cash reserve as well as current loans/advances and liabilities to banks and customers (demand deposits), the nominal value is taken as the fair value on account of the short-term nature of these items.

In the same way as for financial instruments recognised on the balance sheet at fair value, various forms of measurement are used in practice for securities and liabilities (e.g. market or comparative prices, or measurement models). The discounted-cash-flow model is generally used. In this case, the value is often determined with the help of a risk-free yield curve adjusted for risk premiums and other relevant components. For liabilities, the own credit default risk is taken as the risk premium. Appropriate assignment to levels in the existing fair value hierarchy is based on the significance of the input data.

No observable market prices are available for non-current loans/advances and liabilities to banks and customers or for deposits, since there are no observable primary or secondary markets. The fair value of these financial instruments is determined with the help of recognised measurement methods (discounted-cash-flow model). Inputs for this model are the risk-free interest rate, a risk premium and (as appropriate) additional premiums to cover administrative and equity costs.

Further information on the fair value hierarchy and the fair values of financial instruments can be found in Note (57) Fair value hierarchy.

*g) Measurement of equity investments not falling under IFRS 10, IFRS 11 or IAS 28*
Investments that do not fall under IFRS 10, IFRS 11 or IAS 28 are measured at fair value in accordance with IFRS 9.

If equity investments are traded on an active market, the market/stock exchange price is used to determine the fair value. If no price quotes on an active market are available, the fair value is calculated using generally accepted measurement methods. These include the capitalised-earnings-value method used in the NORD/LB Group. This method is assigned to Level 3 in the fair value hierarchy as per IFRS 13 (see Note (57) Fair value hierarchy).

With the capitalised-earnings-value method, the fair value is determined from the present value of future net inflows to the shareholders associated with ownership in the company (present value of future profits).

The net earnings of shareholders, which must be discounted to calculate the earnings power, relate primarily to the distributions of financial surpluses generated by the company. The basis for determining the fair value of an investment comprises a forecast of the earnings performance in the current year, detailed planning for the following year and, where appropriate, medium-term planning for the subsequent period of up to four years (planning phase I). For subsequent years beyond the horizon of planning phase I, it is regularly assumed that the company has an indefinite lifetime. For this purpose, a perpetual bond is calculated to reflect the sustainable situation of the affiliated company (planning phase II). These expected future profits are discounted as at the reporting date, taking account of anticipated distributions.

The discount rate applied reflects the return from an adequate alternative investment (in respect of maturity and risk) to the investment in the affiliated company and is derived on the basis of a capital market model. It comprises the components of the risk-free interest rate as per the basic interest rate and a risk premium to account for the uncertainty of future financial surpluses. In this case, the risk premium is the product of an average market risk premium and the beta factor, which expresses the specific risk structure of the relevant entity to be measured. The beta factor, as a relative measure, describes the extent to which the yield of the respective share in the affiliated company follows changes in the yield of the market portfolio.

To value investments in companies which are not listed on the stock exchange, comparison groups of securities traded on the stock exchange are formed and for each individual value, the beta factor is calculated in relation to the market portfolio, in other words the most extensive national share index that contains the security. In brief, the beta factor of the comparison group calculated in this way is a significant multiplier to determine value when calculating the capitalisation interest.

When measuring investments where there is no planning or which largely contain property and equipment, fair value is determined using the net asset value procedure. The assets of the company are not recognised at their carrying amount but at the possibly deviating fair value; they are then added up and adjusted by the fair value of the company’s liabilities.

*h) Subordinated liabilities*
The subordinated liabilities of the NORD/LB Group are recognised as under financial liabilities at amortised cost. They consist of securitised and unsecuritised subordinated liabilities and silent participations.

Due to the contractual termination provisions, silent participations in the NORD/LB Group should basically be classified as debt capital, in keeping with the requirements of IAS 32; under the German Commercial Code (HGB). All silent participations are included under equity in the balance sheet.

The silent participations in the NORD/LB Group are provided with a profit-dependent interest rate and participate in the net loss for the year or the net accumulated loss. All silent deposits still in the portfolio have been terminated by NORD/LB with effect from the end of 31 December 2021 or 31 December 2022. Due to the current earnings forecast at NORD/LB Group, which largely depends on NORD/LB's future earnings position and economic development, the estimates regarding future contractual cash flows of the silent deposits had to be adjusted as at the reporting date. As a result, the carrying amount must be recalculated by discounting the estimated future interest and redemption payments at the original effective interest rate in accordance with IFRS 9.B5.4.6. The resulting difference is recognised through profit and loss under the net interest income in the year of the new estimate and amortised at an effective interest rate in the following years see (Note (24) Interest income).

*i) Structured products*

Structured products comprise two components: a host contract (e.g. security) and one or more embedded derivative financial instruments (e.g. swaps, futures or caps). Both components are the object of only one contract regarding the structured product, so these products constitute a legal unit and cannot be traded separately from one another due to the contractual unit.

For structured financial assets, the host contract and the derivative are classified in their entirety. Any financial liabilities requiring separation that are not allocated to the financial liabilities at fair value through profit or loss category are measured and reported separately. The host contract is accounted for and measured at amortised cost, whereas the embedded derivative is accounted for and measured as part of the trading portfolio.

*j) Hedge accounting (accounting for hedging transactions)*

Hedge accounting denotes the accounting presentation of hedging transactions. Here, hedges are created between underlying transactions and hedging investments. The aim is to avoid or reduce fluctuations in the net profit/loss due to the use of different measurement approaches for underlying transactions and hedging investments.

The NORD/LB Group applies fair value hedge accounting exclusively on the basis of the provisions of IAS 39. With fair value hedging, assets (or parts thereof) or liabilities are hedged against changes in fair value. The Group's issue and lending transactions, as well as its liquidity management securities portfolios, are particularly exposed to a value fluctuation risk of this sort if such securities are interest bearing. Both individual transactions and single-currency portfolios in euros and US dollars are hedged against interest rate risk using fair value hedges. Interest-rate swaps or cross-currency interest-rate swaps are used as hedging derivatives.

The hedge accounting requirements, and in particular the proof of effective hedging, must be met on all reporting dates and for all hedging transactions. Prospective effectiveness testing in the NORD/LB Group is carried out with the critical term matching, market data shift and regression methods. The retrospective effectiveness test is performed using the regression method or the modified dollar offset method.

With regard to the retrospective effectiveness test in the portfolio fair value hedge, disposals from the hedged portfolios of underlying transactions are treated using the bottom-layer method.

The derivative financial instruments used for hedging purposes are recognised at fair value and are shown on the balance sheet as positive or negative fair values from hedge-accounting derivatives (Note (40) or Note (51) Positive/Negative fair values from hedge accounting derivatives). Valuation changes are recognised in the income statement (Note (29) Profit/loss from hedge accounting). For the hedged asset or liability, the changes in fair value resulting from the hedged risk are also recognised in profit/loss under profit/loss from hedge accounting. Profit/loss from hedge accounting is mainly affected by the measurement of the variable side of the hedging instruments.

When employing hedge accounting for financial assets at fair value through other comprehensive income, the portion of any change in value relating to the hedged risks is recognised through profit or loss under profit/loss from hedge accounting, while the portion that is not related to the hedged risk is recognised in other comprehensive income (OCI).

For the purposes of micro fair value hedge accounting, financial instruments measured at amortised cost are corrected on both the asset and liability sides of the balance sheet by the change in fair value attributable to the hedged risk (hedge adjustment). When hedging interest-rate risks in portfolio fair value hedge accounting, fair value changes to the asset and liability-side underlying transactions relating to the hedged risk are recognised in the balancing item for financial instruments hedged in the portfolio fair value hedge, on the assets or liabilities side of the balance sheet respectively. Asset-side underlying transactions measured at fair value through other comprehensive income continue to be reported at full fair value. The portfolio fair value hedge currently contains items on both the asset and liability sides.

A hedging relationship ends when the underlying or hedging transaction expires, is disposed or exercised, or when the hedge accounting requirements cease to be met. The hedging transactions in the portfolio fair value hedge accounting are entered into for a period of one month. For hedging instruments and underlying transactions in effective hedging relationships, see Note (29).

*k) Accounting for "day-one profits or losses"*

The transaction price upon initial recognition of a liability or asset regularly corresponds to the fair value. Under certain conditions defined in IFRS 13, this assumption must be reviewed on a case-by-case basis. If it is determined that the transaction price does not correspond to the fair value of the asset or liability, the resulting gain or loss (day one profit or loss) must be recognised through profit or loss in accordance with IFRS 13 unless other IFRS stipulate a different procedure.

The accounting of a day-one profit or loss for a financial instrument depends on the determination of the fair value at the time of initial recognition. If only observable market data is used, or if the fair value corresponds to the quoted price of an identical instrument on an active market, the day-one profit or loss is recognised directly in profit or loss. If this is not the case, i.e. if unobservable market data is included in the fair value calculation, the day-one profit or loss must be accrued instead. This accrual is shown separately from the fair value of the financial instrument and is reversed through profit or loss over the remaining term of the instrument.

*l) Securities repo and lending transactions*

In genuine securities repurchase (repo) transactions, the transfer of a security sold under a repurchase agreement ("repoed") does not result in a derecognition, since the transferring entity essentially retains all risks and rewards related to ownership of the subject of the repo. The transferred asset should therefore continue to be recognised by the pension provider and measured according to the respective category. The payment received must be recognised on the liabilities side as a financial liability. Agreed interest payments are recognised under interest expenses according to their maturity.

If they meet the business model and cash flow criteria, reverse repo transactions are recognised as financial assets at amortised cost. The securities bought under repurchase agreements on which the financial transaction is based are not shown in the balance sheet. Interest arising from such transactions is carried under Interest income according to maturity.

No non-genuine securities transactions were concluded in the NORD/LB Group.

The policies for the balance-sheet recognition of genuine repurchase transactions apply as appropriate to securities lending. Securities lent are carried as security portfolios and measured in accordance with IFRS 9, while borrowed securities are not recognised in the balance sheet. Cash collateral provided for securities lending transactions is shown as a receivable, while cash collateral received is shown as a liability.

Regarding the scope and volume of repos and securities lending, reference is made to Note (62) Transfer and derecognition of financial assets.

*m) Loan commitments and financial guarantees*
Loan commitments are only recognised at fair value on the balance sheet if they have been designated as such or can be settled in cash or through the delivery of other financial instruments. Furthermore, all loan commitments intended for syndication are recognised as derivatives and measured at fair value. However, loan commitments are not recognised on the balance sheet. In these cases, provisions are created to take the expected credit loss into account.

The financial guarantees of the NORD/LB Group also contain financial guarantees in accordance with the definition of IFRS 9 (see Note Other financial liabilities).

The net method is used for financial guarantees issued and recognised in the NORD/LB Group. For this purpose, initial recognition is at fair value, which is zero because present-value entitlements and obligations generally balance one another out. The fair value is not subsequently carried forward. Premium payments received are recognised in the income Statement. In case of pending utilisation, provisions are recognised in the amount of the expected present value utilisation.

Financial guarantees received are generally recognised as collateral within the scope of the risk assessment of the associated assets - insofar as they are of value.

With respect to the guarantees of the State of Lower Saxony on certain loan portfolios, these are not treated on the balance sheet as financial guarantees within the meaning of the IFRS, but as credit derivatives (see Note (3) Explanation of the accounting-related impact of the guarantee contracts from the support contract).

*n) Securitisations*
Various financial assets from the credit business are securitised. For this purpose, use may be made of the synthetic securitisation method, or of the possibility of a “true sale” to special purpose entities (SPE) which, for their part, issue securities to investors (true-sale securitisation). Interest and principal payments relating to the securities depend on the performance of the underlying asset, and not on that of the issuer.

Balance-sheet treatment of transactions of this type depends on the type and method of securitisation. In the case of synthetic securitisation, the assets remain on the balance sheet and are recognised together with concluded credit derivatives as per the IFRS 9 requirements. For a true-sale securitisation, the assets are derecognised if and when the risks and rewards of said assets have (almost) been transferred in full to the SPE. If (almost) all risks and rewards from the assets have neither been transferred nor retained and if the NORD/LB Group still has title to the assets, they remain in the NORD/LB Group’s balance sheet to the extent that the Group continues to participate in the risks and rewards (continuing involvement). If the SPE is consolidated, the assets remain on the consolidated balance sheet.

**(14) Risk Provisions**

In accordance with the regulations of IFRS 9, direct write-downs are made for losses that have already occurred and a loss allowance is made for expected losses. The three-stage impairment model is applied to all debt instruments that are measured at amortised cost or at fair value through other comprehensive income, as well as to off-balance-sheet liabilities.

When initially recognised, all relevant financial assets for which objective indications of impairment are not already evident must be allocated to Stage 1. The expected losses in this stage derive from the present value of the payment defaults expected from potential default events over the next 12 months. The losses expected to arise as a result of weighting the exposure by the percentage probability of default over the next 12 months (determined on the basis of the internal rating classification) and the present loss ratio in the event of default are determined. Interest income in this stage is recognised based on the gross carrying amount, i.e. by applying the effective interest rate to the carrying amount before deducting the expected losses.

If at a subsequent reporting date it is determined that the default risk has increased significantly since initial recognition, even though objective indications of impairment do not exist, the underlying financial assets must be transferred from Stage 1 to Stage 2. In this stage, loss allowances must be recognised for the present value of the financial instrument's lifetime expected credit loss, taking into account the corresponding probability of default matching the relevant maturity. Interest is realised similar to Stage 1.

The NORD/LB Group uses quantitative and qualitative criteria to determine a significant increase in default risk. The quantitative review is performed using the credit-related change in the 12-month probability of default. To do that, the Group compares the forward-12-month probability of default defined upon initial recognition using a default profile and the actual 12-month probability of default as determined at the measurement date. In addition, the credit quality is deemed to have deteriorated significantly if qualitative criteria are met, such as either a payment in arrears of more than 30 days or the exposure is forborne.

Where there is an objective indication of impairment on the reporting date, the asset is transferred to Stage 3 and deemed credit-impaired. At this stage, loss allowances are also measured as the present value of the expected losses over the remaining term. However, unlike at Stage 1 or 2, interest is recognised based on the net carrying amount, i.e. after deducting loss allowances. This does not take the contractually agreed interest rate into account as interest income, rather the present value effect (unwinding) determined by accruing the net carrying amount.

Significant criteria for objective evidence of impairment include, for example, arrears on interest and principal payments in excess of 90 days, or major financial difficulties on the part of the borrower, such as imputed and actual insolvency or sustained negative performance of a restructuring. These criteria also include concessions by the NORD/LB Group to the borrower, such as deferral of principal payments, exemption from interest or waiver of claim.

The definition used in the NORD/LB Group of an event triggering an impairment is based on the regulatory requirements for defining default pursuant to CRR. As a result, all loan receivables currently in default pursuant to CRR are allocated to Stage 3.

Financial assets which when purchased or issued already exhibit objective indications of impairment (POCI assets) are not subject to the "three stage model". In these cases, loss allowances are not recognised upon initial recognition of the asset, because the lifetime expected credit loss is already taken into account appropriately through the measurement at fair value upon initial recognition. Loss allowances are then recorded in subsequent periods for the amount of the change in the lifetime expected credit loss compared with the initial expected credit loss.

Financial assets which exhibit only a low default risk as at the financial reporting date may be allocated to Stage 1 without performing another review. The NORD/LB Group does not make use of the option to exercise the relief.

The simplified approach may be used in the case of trade receivables, lease receivables and certain assets as defined in IFRS 15, whereby an asset may be generally allocated to Stage 2 upon initial recognition independent of the development of its credit quality. The simplified approach is also not used in the NORD/LB Group.

If a significant increase in the default risk is no longer determined as at the reporting date, the respective financial asset must be transferred from Stage 2 back to Stage 1. The retransfer of a financial asset from Stage 3 to Stage 2 is necessary if there is no longer any objective evidence of impairment and the periods of good conduct applicable in accordance with CRR and the NORD/LB Group’s default and recovery plan are complied with.

Loss allowances are calculated at the level of the individual financial asset. For all Stage 1 and 2 financial assets and for non-significant Stage 3 financial assets, a parameter-based determination of the risk provision is made on the basis of default probabilities, loss rates and the possible amount of receivables in the event of default. For significant Stage 3 financial assets, an expert-based approach is used, taking into account several scenarios. The scenarios are determined and weighted depending on the risk, taking into account the special circumstances of the respective market segment (e.g. historical averages) and the individual case (e.g. market and earning power of the financed property). The number of scenarios to be applied depends on the significance of the risk associated with the individual claim. Different scenarios look at factors such as the timing and amount of expected cash flows in response to specific events (continuation of the exposure or disposal) as well as their estimated probability of occurrence.

In the case of assets at amortised cost, the loss allowances determined reduce the reported value of the balance sheet item in which the financial asset is disclosed. For debt instruments measured at fair value through other comprehensive income, the loss allowances are reported under accumulated other comprehensive income (OCI).

The expected loss model, broken down by Stage 1, 2 or 3, is used to determine the loss allowances for off-balance-sheet obligations in the form of loan commitments and financial guarantees and is reported as provisions in lending business.

If, in the course of the restructuring or liquidation of an exposure, it is expected that financial assets are irrecoverable, the relevant gross carrying amount is written down. Cash inflows for written-off receivables are recognised through profit and loss.

The expenses from allocations to loss allowances and the income from reversals of loss allowances are shown in the income statement under Risk provisions. The interest income to be taken into account for Stage 3 financial assets in relation to the net carrying amount (unwinding) is reported in net interest income.

**(15) Property and Equipment and Investment Properties**

Investment properties comprise land and buildings/parts thereof held to obtain rental income and/or for capital appreciation purposes.

In the case of mixed-use real estate, the non-self-occupied parts are accounted for separately if they can be sold separately or leased separately under a finance lease. For properties with third-party use fall below 20 per cent of the basic rental area, the entire property is accounted for under property and equipment.

Property and equipment and investment properties is carried at cost upon acquisition; transaction costs are included in the initial measurement. Subsequent costs are capitalised as far as they lead to a significant improvement of the asset and increase its future economic benefit. Government grants are deducted directly from the acquisition and production costs of the related asset.

Subsequent measurement of depreciable assets takes into account straight-line amortization according to their useful economic life. Impairments are applied at the amount at which the carrying amount exceeds the higher amount of fair value less the costs of disposal and value in use of the asset. If the reasons for an impairment no longer apply, a write-up is implemented up to a maximum of the amortised costs or amortised production costs. Depreciations are recognised under administrative expenses, while the impairments as well as reversals of impairment losses are recognised under other operating profit/loss. Property and equipment and investment properties are depreciated over the following periods:

| | Period of use in years |
|---|---|
| Buildings (Tangible assets) | 2-50 |
| Buildings (Investment Properties) | 5-50 |
| Operating and office equipment | 5-50 |
| Other property and equipment | 5-50 |

The capitalised-earnings-value method is applied together with market data to determine the fair value of investment properties. All experts have the necessary qualifications and current experience. There was no assessment by independent experts.

### (16) Leases

Leasing transactions are recognised and measured in accordance with the regulations of IFRS 16. A distinction is made here between the characteristics of the accounting entity as lessee and as lessor. The scope of application covers all contracts for which the right to use or control an asset is transferred for an agreed period against remuneration.

**NORD/LB as lessee**

At the start of the lease, the NORD/LB Group recognises a leasing liability in the amount of the discounted, as yet unpaid lease payments payable over the contractually agreed term under the balance sheet item other liabilities. To this end, the interest rate or incremental borrowing rate of interest underlying the lease for equivalent secured borrowings in the relevant contract currency is applied. This rate reflects the term of the lease with similar collateralisation and a similar value of the right-of-use in a comparable commercial situation and the creditworthiness of the Group company concluding the contract. In the event of negative incremental borrowing rates of interest, the as yet unpaid lease payments are not discounted. Received options with respect to extensions, termination or purchases are recognised when their exercise is highly probable. In the following, the lease liability is increased by the expense arising from the accrued interest and reduced by the lease payments made.

The NORD/LB Group also recognises a right-of-use in the amount of the lease liability under the item property and equipment. Initial directly attributable costs incurred are capitalised together with the leased asset. In the following, the right-of-use is measured at amortised cost. Depreciations are recognised under administrative expenses, while the impairments as well as reversals of impairment losses are recognised under other operating profit/loss.

In the event of changes to the recognised leases, the lease liability and the corresponding right-of-use are remeasured.

The NORD/LB Group exercises the option to not record rights of use or leasing liabilities for short-term and low-value leases. The expenses from these contracts are recognised in the periods in which they occur as administrative expenses.

**NORD/LB as lessor**

Leases must be classified as finance leases or operating leases at the start of the lease. If all risks and rewards of ownership are essentially transferred to the lessee, the lease must be classified as a finance lease, otherwise the lease must be classified as an operating lease.

In a finance lease, a receivable in the sum of the lessee's payment obligations arising from the lease is recognised on the balance sheet on commencement of the lease term. The receivable is recognised at the net investment value (difference between gross investment in the lease and unearned financial income) and is carried under receivables. Directly attributable ancillary costs are distributed over the contract term. Lease payments are split into a principal component and an interest component. The principal component is deducted from the receivables not effecting net income and the interest component is recognised through profit and loss as interest income received.

Under an operating lease, the leased asset is recognised as an asset at amortised cost and reported under property and equipment, investment property or intangible Assets. The lease payments received are recognised under other operating income. The interest expense from the financing of the leased item is recognised under other operating expenses. Depreciation and amortisation are recognised under administrative expenses and impairment losses and reversals of impairment losses are recognised under other operating income. The assets in operating leases are written down over a period of 31 to 50 years.

**(17) Intangible Assets**

The main items recognised under intangible assets are acquired and internally developed software.

Intangible assets acquired by the Group are recognised on the balance sheet at cost. Internally developed intangible assets are capitalised at cost if the inflow of economic benefits is likely and expenses can be determined reliably. If capitalisation criteria are not met, costs are recognised immediately through profit and loss. Capitalised costs of internally developed software comprise expenses for internal and external services incurred during the development phase which are directly attributable (for customising and testing activities in particular). Subsequent amortised costs or amortised production costs are capitalised as far as that they result in a significant improvement of the asset and increase its future economic benefit.

For intangible assets with a limited useful life, straight-line depreciation is recognised according to their useful economic life. Impairments are applied to intangible assets with a limited useful life at the amount at which the carrying amount exceeds the higher amount of fair value less the costs of disposal and value in use of the asset. Reversals of impairment losses are implemented when the reasons for the impairments no longer apply, but they may not exceed amortised costs or amortised production costs. Depreciations are recognised under administrative expenses, while the impairments as well as reversals of impairment losses are recognised under other operating profit/loss.

Intangible assets with a limited useful life are depreciated over a period of 2 to 11 years.

The NORD/LB Group does not have any intangible assets with indefinite useful lives.

### (18) Assets Held for Sale

Non-current assets or disposal groups for which the carrying amount is primarily realised through a sale and not through operational use are recognised in separate balance sheet items if they can be disposed of immediately in their present condition and if disposal is highly probable. Disposal is deemed highly probable if the responsible level of management has decided on a plan for the sale and an active start has been made on the search for a buyer and on implementing the plan. Furthermore, non-current assets or disposal groups must actually be offered for acquisition at a price that is appropriately proportionate to the present fair value. In addition, the disposal should be expected to qualify for recognition as a completed sale within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The relevant assets are measured at fair value less costs of disposal, if this figure is lower than the carrying amount. Non-current assets classified as held for sale are no longer subject to depreciation as of the reclassification date. Impairment losses resulting from non-current assets and disposal groups are, however, recognised. Assets held for sale also include discontinued operations. A discontinued operation is a component of an entity classified as held for sale which represents a separate major line of business or geographical business segment, part of a plan to dispose of such a component, or a subsidiary acquired solely for resale.

### (19) Provisions for Pensions and similar Obligations

According to IAS 19, direct and indirect pension liabilities from defined benefit plans are determined as at the reporting date by independent actuaries using the projected unit credit Method (PUC). Plan assets invested to cover defined benefit pension commitments and similar retirement benefits are measured at their fair values and offset against the corresponding obligations.

Differences between assumptions made and developments that actually take place as well as changes in the assumptions made when measuring defined benefit plans and similar obligations result in actuarial gains and losses, which are recognised under other comprehensive income (OCI) in the year during which they arise.

The balance of defined benefit pension commitments and similar retirement benefits, together with plan assets (net pension liability) is interested at the discount rate used as the basis for measuring the gross pension liability. The resultant net interest expense is recognised in the income statement under Interest expenses. Other expenses due to pension commitments paid out and similar retirement benefits resulting primarily from entitlements earned in the financial year are taken into account under administrative expenses in the income statement.

To determine the present value of defined benefit pension obligations, the actuarial interest rate (discount rate) also determined according to the mercer yield curve approach (MYC) for high-quality corporate bonds and anticipated future salary and pension increase rates are taken into account in addition to the biometric assumptions. The 2018 G Reference Tables by Klaus Heubeck were used to map mortality and disability. Gains or losses from the reduction or settlement of a defined benefit plan are recognised through profit or loss at the time of such reduction or settlement. The defined benefit obligation is determined based on the following actuarial assumptions:

| (in %) | 31 Dec. 2021 | 31 Dec. 2020 |
|---|---|---|
| **Domestic** | | |
| Actuarial interest rate | 1.50 | 1.20 |
| Salary development (weighted) | 2.00 | 2.00 |
| Pension development (contingent on the occupational pension scheme) | 2.75 | 2.75 |
| Cost increase rate for medical allowance | 3.50 | 3.50 |
| Mortality, invalidity, etc. | Grundlage Heubeck Sterbetafel 2018 G | Grundlage Heubeck Sterbetafel 2018 G |
| **Abroad (weighted parameters)** | | |
| Actuarial interest rate | 1.88 | 1.31 |
| Salary development (weighted) | 2.73 | 2.70 |
| Pension development | 3.22 | 3.23 |
| Mortality, invalidity, etc. | USA RP-2014, GBS3PMA Light/S3PFA light base tables with CMI 2014 projec-tions basis, LUX DAV 2004 R, | USA RP-2014, GBS3PMA Light/S3PFA light base tables with CMI 2014 projec-tions basis, LUX DAV 2004 R |
| Inflation | 3.28 | 3.02 |

### (20) Other Provisions

Other provisions are recorded for uncertain liabilities to third parties and imminent losses on pending transactions if a present legal or constructive obligation results from an event in the past, utilization is likely and the amount can be reliably determined. Provisions are measured according to the best estimate of the amount rationally required to meet the present obligation (or to transfer the obligation to an independent third party) on the reporting date. Management is responsible for this estimate. Empirical values from similar transactions and (as relevant) expert reports or specialists' opinions are included for this purpose. Risks and uncertainties are taken into account by measuring the obligation on the basis of the most probable event from a range of potential events. Future events which could influence the amount required to meet an obligation are taken into account if there are objective indications that they could occur. Provisions are discounted as far as that the effect is significant.

### (21) Income Taxes

Current income tax assets and liabilities are calculated using the applicable tax rates at which the payment to or reimbursement from the taxation authority is expected. In the event that the amounts stated in the tax returns may not be realised (uncertain tax items) current income tax liabilities have been formed. The amount is determined from the best-possible estimate of the expected tax payment (expected value or most likely value of the uncertain tax). Current income tax assets from uncertain tax assets are shown on the balance if it is likely that they can be realised. Only if there is a tax loss carried forward, no current income tax assets or liabilities for uncertain tax items are shown on the balance sheet, rather deferred tax claims are modified for tax losses carried forward that have not yet been used.

Deferred tax assets and liabilities are calculated from the difference between the carrying amount of an asset or liability on the balance sheet and the corresponding tax base. On account of the temporary differences, deferred tax assets and liabilities are likely to result in effects due to income tax reliefs or burdens in future periods. They are measured using the tax rates expected to be valid for the period in which an asset is realised or a liability is met. Entity-specific tax rates (and tax rules) are applied for this purpose, as valid or adopted on the reporting date.

A deferred tax asset is recognised for the carryforward of unused tax losses and unused tax credits only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Current income tax assets and liabilities, and deferred tax assets and liabilities, are offset if the prerequisites for offsetting are met. No discounting is applied. Depending on the treatment of the underlying items, deferred tax assets and/or liabilities are recognised either in the income statement or in other comprehensive income (OCI).

Income tax assets and liabilities are recognised separately on the balance sheet, divided into actual and deferred assets and liabilities for the reporting year. The carrying amount of a deferred tax asset is impairment-tested as of each reporting date.

Income tax expense or income is recognised in the income taxes item in the group's income statement.

## Segment Reporting

Segment reporting provides information on the Group's operational fields of activity. The segment reporting below is based on IFRS 8 Operating Segments in accordance with the management approach. The segment information is presented in accordance with IFRS on the basis of internal reporting the way it is regularly reported internally for performance assessment and for decisions on the allocation of resources to the segments. The total risk exposure amount was recognised uniformly for the business segments and the Group, shown pursuant to CRR/CRD as at the reporting date. As at the reporting date, there were no renamings or mergers of existing business segments compared to the previous year.

**Segment Reporting by Business Segment**

The segments are defined as customer or product groups which reflect the organisational structures and with this the internal control of the Group. The calculation is based on the internal assessments of the Group companies. Internal control focuses on the earnings before taxes of the operational units.

The product ranges offered in the segments are described in the following notes. The income generated from them is presented in the following overview table. The product range of the NORD/LB Group offered comprises traditional credit business and syndicate business, savings and giro products, securities, foreign exchange and derivative transactions, complex structured finance solutions, private banking products, liquidity and risk management, as well as services such as account management, payment transactions, securities trading, brokerage activities, documentary business, credit processing, sureties, guarantees and advisory services for asset management.

**Success Indicators and Key Figures**

Interest income generated by the individual segments is calculated based on the market interest rate method. In doing so, the contribution from interest terms for each transaction is determined by comparing the terms with the structurally congruent market rate for a notional offsetting transaction applicable at the time they were concluded. This market interest rate is also used as the cost rate for the balancing provision in Treasury. As a result, there is no gross recognition of interest income and interest expenses. The financing income from committed equity is distributed across market segments.

Every interest-bearing customer transaction is applied to the balancing provision held by the Treasury as the central cash management unit. As there are no direct business relationships between the market areas, no inter-segment earnings are recognised in internal reporting.

Segment expenses comprise primary expenses, expenses allocated on the basis of cost and service charging, and distributed overhead costs. Risk provisions is allocated to the segments according to actual costs incurred.

The Bank's overall earnings, such as the profit/loss from hedge accounting and the disposal profit/loss from financial instruments not measured at fair value through profit or loss, are not allocated to the operational business areas, but rather to the "Treasury / Consolidation / Other" segment.

In addition to the profit and loss account figures, the attributable total risk exposure amount, segment assets and liabilities, committed capital and the key figures of cost-income ratio (CIR), return on risk adjusted capital (RoRaC) and return-on-equity (RoE) are also presented in the segment report. The total risk exposure amounts pursuant to CRR/CRD will be reported as at the financial reporting date. The cost-income ratio is defined as the ratio of administrative expenses to the sum of the following types of income: Net interest income, net commission income, profit/loss from fair value measurement, disposal profit/loss from financial instruments that are not measured at fair value through profit or loss, profit/loss from hedge accounting, profit/loss from investments accounted for using the equity method and other operating profit/loss.

Committed capital in the segments is calculated on the basis of average annual values. The amount of the reconciliation between the committed capital recognised in the segments and the long-term equity under commercial law at company level is included in the reconciliation segment. A reconciliation from long-term equity under commercial law to balance sheet equity is presented separately at the end of the segment overview.

The following segments are considered in the segment reporting by business segment:

**Private and Commercial Customers as well as Savings Bank Network Customers**

The business area is made up of the Private and Commercial Customers and Savings Banks Network Customers business divisions. In addition, it includes a holding in the Öffentliche Versicherung Braunschweig.

**Private and Commercial Customers**

Private and commercial customers includes the sub-areas of private banking, commercial customers, corporate retail customers, branch advisory customers, and service customers in the business areas of Braunschweigische Landessparkasse (BLSK) and the locations in Hanover, Hamburg, Bremen and Oldenburg.

BLSK's business area comprises the City of Braunschweig and the parts of the former Duchy of Braunschweig, which are now part of the federal state of Lower Saxony. As an institution with partial legal capacity within NORD/LB, BLSK is a savings bank established on the market.

The range of products and services is based on the financial concepts of the customer-segment-specific savings banks, including the range of products offered by the savings banks network partners, including the Öffentliche Versicherung Braunschweig insurance company.

In addition, the expanded services in the high-end customer groups range from asset management, tandem support for corporate and business customers at BLSK and NORD/LB to entrepreneurial banking.

**Savings Bank Network Customers**

The Savings Bank Network Customers segment serves the savings banks in the states of Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania (network savings banks) and in Schleswig-Holstein and Brandenburg (extended network). In addition, there are business activities relating to corporate customers managed jointly with the savings banks and municipal customers.

From NORD/LB's point of view, savings banks play three roles: They are a customer, carrier and market access to a broad customer base. The Bank acts as a partner of the savings banks. As part of its clearing house function, NORD/LB is the principal bank of the savings banks for short-term and long-term refinancing, manages liquidity reserves and acts as a provider of central services for savings banks in payment transactions and foreign business. In the promotional lending business, the NORD/LB Group acts in the interconnected region as the central pass-through institution for KfW loans. It also offers services for savings banks in the capital market business.

The corporate customer business in the area of network customers takes place in consultation with the respective savings bank with a view to joint market development in the network region and in the extended network region.

The business with municipal customers includes the regional municipal loan business in the network area, extended network area and in the Bremen region. In addition to the traditional lending business, NORD/LB provides comprehensive advice to municipalities throughout Germany on all issues relating to capital market products, such as derivatives, investments, portfolio management and facility management.

**Corporate Customers**

The Corporate Customers strategic business division comprises the medium-sized and high-end corporate client business of the NORD/LB Group (excluding corporate client business of the Private and Commercial Clients strategic business sector as well as Savings Banks Network Customers), which operates nationwide:

- As a reliable partner in Germany and its neighbouring countries for medium-sized and high-end corporate customers
- With a focus on three core regions: North, Central and South, where NORD/LB impresses with its very good local customer relationships, regardless of the sector
- With customers from selected industries, who are supported nationwide with many years of in-depth industry expertise

The main goal is to achieve core bank status for its customers.

Furthermore, the Corporate Customers business segment also includes the financing of corporate acquisitions by private equity companies.

**Markets**

The main task of the Markets strategic business segment is the trading of capital market products and capital market-related products with institutional customers. In terms of the capital market business, the focus is on interest, credit, money market and foreign currency products as well as structured products for the securities account A and B business. Business activities in this area concentrate primarily on the interest segment. Furthermore, capital-market-related products, such as corporate Schuldschein note loans or alternative investment products are also sold to institutional customers as required.

The Markets segment is the operator of NORD/LB’s Financial Markets platform. This includes, in particular, the DCM platform, which brings issuers and investors together, the ABF platform, which offers capital-market-related and low-risk credit products to the Bank's customers, as well as the capital market product platform, which focuses on interest rate and FX products for the Bank's wholesale divisions.

The customer groups start with German and European institutional investors (insurance companies, asset managers, pension plans, public authorities and corporate customers) and extend to (mainly) European public sector issuers and financial institutions. The regional focus of business activities is on Germany and the German-speaking region, supplemented by the international sales approach for Europe taken by NORD/LB Luxemburg S.A. Covered Bond Bank. In addition, the market activities include customer business in financial market products for NORD/LB’s customer groups outside markets. The customers served by Sales Wholesale Customers are corporate customers, aircraft customers, commercial real estate customers, energy and infrastructure customers as well as network customers.

In addition to the sales business, the Markets strategic business segment also offers traditional trading services (market access for customers in the product groups of interest, foreign currency and their derivatives). In the trading business, the focus is on strengthening customer-generated income across all customer groups. An expansion in the product range geared towards the needs of customers and an increase in cross-selling activities should support the customer areas with increased customer penetration and further exploit existing earnings potential.

**Special Finance**

The Special Finance segment comprises the sub-segments Energy and Infrastructure Customers and Aviation Finance & Investment Solutions

**Energy and Infrastructure Customers**

The central locations of the Energy and Infrastructure business area are Hanover, Oldenburg, London, New York and Singapore. The focus is on structuring and arranging bespoke, individual financing solutions, mainly for project-related transactions. In the Energy sector, financing relates mostly to new construction and capacity expansions of wind and photovoltaic plants, and, most recently, battery storage. The focus of the infrastructure business is on the Public buildings, Economic infrastructure and Rail-based transportation sectors. The portfolio is increasingly being supplemented by project financing for digital infrastructure (e.g. broadband). At the heart of this is the development of customer relationships with sustainable earning structures and acceptable risks within the existing limits.

**Aircraft Customers**

The Aircraft Customers segment encompasses primarily asset-based aircraft financing and is based mainly at the Hanover location with additional sales staff in Singapore and New York. NORD/LB has almost 40 years of expertise in this asset class and therefore a high reach and visibility in the market. In addition to the commercial financing of aircraft, other financial products such as Schuldschein note loans or derivatives are offered in this segment.

The Aviation Finance & Investment Solutions (AFIS) division bundles the former Aircraft Customers division, the placement functions and the network of banks as well as institutional investors for alternative investments (individual and portfolio transactions) across all NORD/LB asset classes.

By means of suitable refinancing and outplacement instruments, the division enables the Bank to actively manage its portfolio. Here, the syndication and placement of individual and portfolio transactions is a fundamental part of the Bank's business strategy and the Aircraft Customers subsegment.

**Real Estate Banking Customers**

With its market-established Deutsche Hypothekenbank brand, NORD/LB understands real estate financing to be financing that generates its cash flow primarily from real estate and for customers who regularly make significant real estate investments. These customers include, in particular, institutional investors, open and closed real estate funds, real estate companies/REITs, asset managers, leasing companies, financial investors, professional private investors, developers, and affiliated companies.

In the area of commercial real estate financing, the business focus is on financing residential buildings for rental purposes and offices or retail units as fungible investment properties which are normally or can normally be rented out on a long-term basis. The Bank also finances commercial property in the hotel, logistics and mixed-use properties segments.

In addition to Germany, the regional focus of the business activities is on European regions with a high concentration of target customers, a large real estate portfolio and positive long-term development. The key markets are Germany, France, the United Kingdom, Belgium, Luxembourg, the Netherlands, Poland, Spain and Austria.

The Bank grants green loans to expand the green value chain and to increase the green share in the financing portfolio. As a result, it expects a reduction in portfolio risk due to a modern pool of securities characterised by energy-efficient construction, modern plant technology, lower operating costs and more stringent specifications for future-proof overall building design.

**Overall Bank Management Function: Special Credit & Portfolio Optimization**

The Special Credit & Portfolio Optimization (SCPO) business segment was created in 2020 from the previous Special Credit Management (SKM) division and the internal Strategic Portfolio Optimization (SPO) reduction unit and focuses on the reduction of non-strategic portfolios for the previous SPO division in accordance with NORD/LB's strategic realignment. In addition to ship financing, this includes other reduction portfolios such as Housing and Supra-regional municipal finance. SCPO does not represent a strategic business segment, but serves as an area with an overall bank management function for the support and winding down of non-strategic customer relationships and asset classes.

The SPO Ships portfolio (primarily non-performing ship financing) comprises the "Tower Bridge" and "SPO Other" portfolios and is subject to risk shielding through loss allowances. NORD/LB terminated the previously existing financial guarantee of the State of Lower Saxony for "Tower Bridge" as at 30 June. The "Maritime Industries" portfolio (primarily performing ship financing) continues to be subject to risk shielding through the financial guarantee of the state of Lower Saxony and in parts through the securitisation transaction Northvest II. This sub-portfolio is to be wound down primarily as part of the regular repayment process.

Further wind-down portfolios include Housing, Supra-regional municipal finance and non-strategic agricultural and corporate customers. These are to be wound down mainly as part of the regular repayment process.

**Overall Bank Management Function: Treasury / Consilidation / Others**

This segment covers all other performance indicators directly related to business activities, such as Group companies not recognised in the segments, earnings components not allocated to the segments at overall institution level, profit or loss from financial instruments not recognised in the economic performance of the business segments (in particular from central measurement effects), from financial investments and from hedge accounting, as well as overall bank projects and consolidation items. Other operating income also includes bank levies.

In addition, the business segment includes the Treasury division, which makes a significant contribution to the sustainable business growth of NORD/LB through the management of liquidity, funding as well as interest rate and currency risks. In addition, Treasury provides all market areas with the instruments for effective interest calculation and conditions. Treasury also has market access to the international money and foreign exchange markets. Moreover, the Treasury segment also plays a central role in managing and optimising the banking book.

As part of the integration of Deutsche Hypothekenbank into the AöR, Treasury has taken over the focal points of the previous issue activities of Deutsche Hypothekenbank and will continue to do so. This applies in particular to the issue of mortgage Pfandbriefs, often in benchmark format, as well as the issue activity of green bonds in various formats. The aim is to present a green value chain in full, starting with green assets (green buildings) through to the issue of green bonds.

In addition, the expansion of ESG-compliant issue activities is being further developed. The first step is to examine how quickly the green value chain can be extended to the renewable energies business segment. This puts the focus on the issue of EU taxonomy-compliant products. Further business segments are to follow, so that NORD/LB AöR will acquire a status as a diversified issuer of ESG bonds.

**Reconciliation**

The reconciliation items from internal accounting to the consolidated overall figures for the income statement are shown here. It also includes reclassifications of profit and loss items that are shown differently in the internal management system compared with the external reporting.

**Segment reporting by region**

Regional distribution of income, earnings before taxes, segment assets and segment liabilities is based on the domicile of the branch or Group company concerned. Consolidation-related circumstances are shown separately.

## (22) Segment Reporting by Business Segment

| 1 Jan. - 31 Dec. 2021 (in € million) | Private and Commercial Customers and Savings Bank Network | Corporate Customers | Markets | Special Finance | Real Estate Banking Customers | Special Credit & Portfolio Optimization | Treasury / Consolidation / Others | Reconciliations | NORD/LB Group |
|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 165 | 260 | 66 | 170 | 173 | 80 | – 20 | – 79 | 816 |
| Net commission income | 77 | 38 | 34 | 37 | 9 | – 67 | – 24 | – 51 | 52 |
| Profit/loss from financial instruments at fair value | 11 | 8 | 24 | 36 | 1 | 253 | – 43 | – 90 | 200 |
| Risk provisions | 26 | – 32 | – 10 | – 97 | – 17 | 102 | 31 | 15 | 18 |
| Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss | – | – | – | – | – | – | – 18 | – 3 | – 22 |
| Profit/loss from hedge accounting | – | – | – | – | – | – | – 41 | – | – 41 |
| Profit/loss from shares in companies | – | – | – | – | – | – | 21 | – | 21 |
| Profit/loss from investments accounted for using the equity method | 2 | – | – | – | – | – | – 19 | – | – 17 |
| Administrative expenses | – 271 | – 129 | – 132 | – 158 | – 64 | – 37 | – 101 | – 24 | – 917 |
| Other operating profit/loss | – 24 | – 3 | 3 | 14 | 1 | – 1 | – 28 | 25 | – 14 |
| **Earnings before restructuring and transformation** | **– 14** | **142** | **– 14** | **2** | **102** | **330** | **– 243** | **– 207** | **98** |
| Profit/loss from restructuring and transformation | – | – | – | – | – | – | – 82 | – | – 82 |
| **Earnings before taxes** | **– 14** | **142** | **– 14** | **2** | **102** | **330** | **– 324** | **– 207** | **16** |
| Income taxes | – | – | – | – | – | – | – | – 3 | – 3 |
| **Consolidated profit/loss** | **– 14** | **142** | **– 14** | **2** | **102** | **330** | **– 324** | **– 204** | **19** |
| Segment assets | 22 767 | 15 877 | 8 151 | 16 693 | 12 429 | 6 793 | 27 508 | 4 444 | 114 663 |
| of which: investments at equity | 40 | – | – | – | – | – | 67 | – | 107 |
| Segment liabilities | 12 875 | 5 344 | 29 771 | 2 780 | 255 | 1 883 | 57 376 | 4 379 | 114 663 |
| Total risk exposure amount | 4 451 | 9 243 | 3 019 | 6 791 | 6 125 | 1 370 | 3 302 | 3 309 | 37 609 |
| Capital employed[1] | 684 | 1 385 | 423 | 997 | 839 | 229 | 1 117 | 1 005 | 6 678 |
| CIR | 117.1% | 42.6% | 103.4% | 61.7% | 35.1% | 14.0% | | | 94.0% |
| RoRaC/RoE[2] | -2.0% | 10.3% | -3.4% | 0.2% | 12.1% | 144.1% | | | 0.2% |

| 1 Jan. - 31 Dec. 2020<br>(in € million) | Private and Commercial Customers and Savings Bank Network | Corporate Customers | Markets | Special Finance | Real Estate Banking Customers | Special Credit & Portfolio Optimization | Treasury / Consolidation / Others | Reconciliations | NORD/LB Group |
|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 185 | 282 | 98 | 199 | 164 | 67 | 218 | 73 | 1 286 |
| Net commission income | 73 | 35 | 39 | 14 | 3 | – 146 | – 40 | – 17 | – 39 |
| Profit/loss from financial instruments at fair value | 3 | 3 | 8 | 70 | – 1 | 10 | 72 | 29 | 195 |
| Risk provisions | – 42 | – 73 | – 1 | – 274 | – 79 | 27 | 18 | – 2 | – 426 |
| Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss | – | – | – | – | – | – | – 36 | – | – 36 |
| Profit/loss from hedge accounting | – | – | – | – | – | – | 66 | – | 66 |
| Profit/loss from shares in companies | – | – | – | – | – | – | – 13 | – | – 13 |
| Profit/loss from investments accounted for using the equity method | 2 | – | – | – | – | – | – 14 | – | – 11 |
| Administrative expenses | – 242 | – 162 | – 114 | – 163 | – 58 | – 13 | – 173 | – 9 | – 934 |
| Other operating profit/loss | – 12 | 4 | 1 | 4 | 1 | 2 | – 29 | – | – 29 |
| **Earnings before restructuring and transformation** | **– 32** | **89** | **31** | **– 150** | **30** | **– 53** | **70** | **74** | **60** |
| Profit/loss from restructuring and transformation | – | – | – | – | – | – | – 87 | – | – 87 |
| **Earnings before taxes** | **– 32** | **89** | **31** | **– 150** | **30** | **– 53** | **– 17** | **74** | **– 27** |
| Income taxes | – | – | – | – | – | – | – | – 40 | – 40 |
| **Consolidated profit/loss** | **– 32** | **89** | **31** | **– 150** | **30** | **– 53** | **– 17** | **114** | **13** |
| Segment assets | 22 183 | 16 068 | 11 670 | 17 836 | 12 832 | 9 172 | 35 057 | 1 358 | 126 176 |
| of which: investments at equity | 40 | – | – | – | – | – | 85 | – | 125 |
| Segment liabilities | 12 382 | 4 631 | 31 078 | 2 540 | 160 | 1 775 | 71 726 | 1 883 | 126 176 |
| Total risk exposure amount | 4 924 | 10 295 | 2 604 | 7 398 | 5 547 | 1 953 | 2 608 | 4 462 | 39 791 |
| Capital employed[1)] | 751 | 1 652 | 434 | 1 216 | 805 | 213 | 1 350 | 156 | 6 578 |
| CIR | 96.0% | 49.9% | 78.0% | 56.6% | 34.9% | -20.0% | | | 65.2% |
| RoRaC/RoE[2)] | -4.2% | 5.4% | 7.1% | -12.3% | 3.7% | -24.7% | | | -0.4% |

[1)] Reconciliation of long-term equity under commercial law to reported equity:

| (in € million) | 31 Dec. 2021 | 31 Dec. 2020 |
|---|---|---|
| Long-term equity under commercial law | 6 678 | 6 578 |
| Accumulated OCI | – 817 | – 816 |
| Earnings after taxes | 19 | 13 |
| **Reported equity** | **5 880** | **5 775** |

[2)] RoRaC at the business level:
Earnings before taxes / committed capital.
RoE at the company level:
(Earnings before taxes / long-term equity under commercial law (see table above)

[3)] In the case of individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

## (23) Segment Reporting by Geographical Segment

| 1 Jan. - 31. Dec.2021 (in € million) | Germany | Europe excluding Germany | America | Asia | Consolida-tion | NORD/LB Group |
|---|---|---|---|---|---|---|
| Earnings [1] | 1 080 | 15 | 60 | 26 | – 207 | 975 |
| Earnings before taxes (EBT) | 236 | – 3 | – 22 | 12 | – 208 | 16 |
| Segment assets | 110 074 | 10 796 | 2 499 | 1 267 | – 9 974 | 114 663 |
| Segment liabilities | 110 074 | 10 796 | 2 499 | 1 267 | – 9 974 | 114 663 |
| Total risk exposure amount | 33 061 | 5 353 | 2 014 | 511 | – 3 329 | 37 609 |
| Capital employed | 5 781 | 596 | 228 | 72 | – | 6 678 |
| CIR | 73.7% | 341.5% | 73.9% | 89.1% | | 94.0% |
| RoRaC/RoE[2] | 4.1% | -0.4% | -9.6% | 16.8% | | 0.2% |

| 1 Jan. - 31. Dec.2020 (in € million) | Germany | Europe excluding Germany | America | Asia | Consolida-tion | NORD/LB Group |
|---|---|---|---|---|---|---|
| Earnings[1] | 1 373 | 118 | 43 | 9 | – 110 | 1 433 |
| Earnings before taxes (EBT) | – 72 | – 3 | – 39 | – 39 | 127 | – 27 |
| Segment assets | 121 499 | 12 818 | 2 951 | 1 443 | – 12 535 | 126 176 |
| Segment liabilities | 121 499 | 12 818 | 2 951 | 1 443 | – 12 535 | 126 176 |
| Total risk exposure amount | 37 454 | 6 660 | 1 653 | 550 | – 6 527 | 39 791 |
| Capital employed | 5 508 | 715 | 263 | 92 | – | 6 578 |
| CIR | 62.7% | 49.0% | 90.8% | 273.7% | | 65.2% |
| RoRaC/RoE[2] | -1.3% | -0.5% | -15.0% | -42.6% | | -0.4% |

[1] Earnings are defined as the sum of net interest income, net commission income, profit/loss from financial assets at fair value, profit/loss from hedge accounting, profit/loss from investments accounted for using the equity method and other operating profit/loss.
[2] RoRaC at the segment level:
Earnings before taxes / committed capital

RoE at company level:
Earnings before taxes / long-term equity under commercial law (= reported equity - OCI (up until 2017: revaluation reserve) – earnings after taxes)

Due to the presentation, the reproduction of mathematical operations in the tables at hand can lead to minor differences.

# Notes to the income statement

### (24) Net Interest Income

The interest income and interest expense items include paid and received interest, accrued interest and pro rata reversals of premiums and discounts on financial instruments. Due to the fact that silent participations must be classified as debt under IAS 32 under certain circumstances, the corresponding expenses and earnings are likewise recognised in net interest income.

| | 1 Jan. - 31. Dec. 2021 (in € million) | 1 Jan. - 31. Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| **Interest income from assets** | | | |
| **Interest income from financial assets at fair value through profit or loss** | | | |
| Interest income from trading assets | 1 857 | 2 055 | – 10 |
| Interest income from trading and hedge accounting derivatives | 1 789 | 1 972 | – 9 |
| Interest income from debt securities and other fixed interest securities | 8 | 11 | – 27 |
| Interest income from loans and advances | 60 | 72 | – 17 |
| Interest income from financial instruments mandatorily at fair value through profit or loss | 20 | 32 | – 38 |
| Interest income from debt securities and other fixed interest securities | 6 | 10 | – 40 |
| Interest income from loans and advances | 14 | 22 | – 36 |
| | **1 877** | **2 087** | **– 10** |
| **Interest income from financial assets at fair value through other comprehensive income** | | | |
| Interest income from debt securities and other fixed interest securities | 137 | 159 | – 14 |
| Interest income from loans and advances | 16 | 22 | – 27 |
| | **153** | **181** | **– 15** |
| **Interest income from financial assets at amortised cost** | | | |
| Interest income from debt securities and other fixed interest securities | 91 | 97 | – 6 |
| Interest income from loans and advances | 1 510 | 1 822 | – 17 |
| Interest income from impaired debt securities and other fixed interest securities as well as loans and advances | 14 | 19 | – 26 |
| | **1 615** | **1 938** | **– 17** |
| **Dividend income** | **14** | **5** | **> 100** |
| | | | |
| **Other interest income and similar income** | | | |
| Interest income from hedge accounting amortisations | 333 | 386 | – 14 |
| Other interest income and similar income | 83 | 241 | – 66 |
| | **416** | **627** | **– 34** |
| | **4 075** | **4 838** | **– 16** |

| | 1 Jan. - 31. Dec. 2021 (in € million) | 1 Jan. - 31. Dec. 2020[1)] (in € million) | Change (in %) |
|---|---|---|---|
| **Interest expenses from assets** | **– 66** | **– 54** | **22** |
| **Interest expenses from liabilities** | | | |
| **Interest expenses from financial labilities at fair value through profit or loss** | | | |
| Interest expenses from trading liabilities | – 1 725 | – 1 926 | – 10 |
| Interest expenses from trading and hedge accounting derivatives | – 1 725 | – 1 926 | – 10 |
| Interest expenses from financial labilities designated at fair value through profit or loss | – 97 | – 132 | – 27 |
| Interest expenses from deposits | – 80 | – 93 | – 14 |
| Interest expenses from securitised liabilities | – 17 | – 39 | – 56 |
| | **– 1 822** | **– 2 058** | **– 11** |
| **Interest expenses from financial liabilities at amortised cost** | | | |
| Interest expenses from deposits | – 785 | – 918 | – 14 |
| Interest expenses from securitised liabilities | – 205 | – 272 | – 25 |
| | **– 990** | **– 1 190** | **– 17** |
| **Other interest expenses and similar expenses** | | | |
| Interest expenses from hedge accounting amortisations | – 324 | – 334 | – 3 |
| Other interest expenses and similar expenses | – 127 | – 43 | > 100 |
| | **– 451** | **– 377** | 20 |
| | **– 3 263** | **– 3 625** | **– 10** |
| **Interest income from liabilities** | **70** | **127** | **– 45** |
| **Total** | **816** | **1 286** | **– 37** |

[1)] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

The interest expenses from assets and the interest income from liabilities mainly relate to the Group's lending and money market transactions. In addition, interest expenses include a measurement effect resulting from the application of IFRS 9.B5.4.6 in the amount of € -83 million (€ 297 million), which resulted from the reestimate of cash flows associated with financial liabilities measured at amortised cost.

## (25) Net Commission Income

| | 1 Jan. - 31. Dec. 2021 (in € million) | 1 Jan. - 31. Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| **Commission income** | | | |
| Lending and guarantee business | 83 | 71 | 17 |
| Account management and payment transactions | 29 | 43 | – 33 |
| Trust activities | 1 | 1 | – |
| Security transactions and custody service | 39 | 42 | – 7 |
| Brokerage business | 36 | 32 | 13 |
| Other commission income | 7 | 9 | – 22 |
| | **195** | **198** | **– 2** |
| **Commission expenses** | | | |
| Lending and guarantee business | – 126 | – 209 | – 40 |
| Account management and payment transactions | – 2 | – 2 | – |
| Security transactions and custody service | – 9 | – 10 | – 10 |
| Brokerage business | – 4 | – 7 | – 43 |
| Other commission expenses | – 2 | – 8 | – 75 |
| | **– 143** | **– 236** | **– 39** |
| **Total** | **52** | **– 38** | **> 100** |

Commission expenses included the commission to be paid by NORD/LB in return for the granting of guarantees by the State of Lower Saxony. In the reporting period, this amounted to €-8 million (€-42 million) for the guarantee terminated by NORD/LB as at 1 July 2021 for the non-performing loans portfolio of the Special Credit & Portfolio Optimisation segment, €-60 million (€-96 million) for the other portfolio of the Special Credit & Portfolio Optimisation segment and €-16 million (€-26 million) for the reference portfolio from the Aircraft Customers segment.

Commission income included income from financial instruments not recognised in profit or loss reported at fair value in the amount of € 152 million (€ 156 million) as well as costs from financial instruments not recognised in profit or loss reported at fair value in the amount of €-173 million (€-221 million).

### (26) Profit/loss from Fair Value Measurement

| | 1 Jan. - 31 Dec. 2021 (in € million) | 1 Jan. - 31 Dec. 2020[1)] (in € million) | Change (in %) |
|---|---|---|---|
| **Trading result** | | | |
| Profit/loss from derivatives | | | |
| Interest-rate risks | – 126 | – 49 | > 100 |
| Currency risks | 32 | 3 | > 100 |
| Share-price and other price risks | 1 | 1 | – |
| Credit derivatives | 42 | 131 | – 68 |
| | **– 51** | **86** | **> 100** |
| Profit/loss from debt-securities and other fixed-interest securities | – 60 | 105 | > 100 |
| Profit/loss from receivables held for trading | – 156 | 64 | > 100 |
| Profit/loss from short sales | – 1 | – | – |
| Other trading result | – 4 | – 1 | > 100 |
| | **– 272** | **254** | **> 100** |
| **Profit/loss from financial assets at fair value through profit or loss** | | | |
| Profit/loss from equity instruments | 1 | – | – |
| Profit/loss from debt-securities and other fixed-interest securities | – 5 | – 4 | 25 |
| Profit/loss from receivables | 182 | – 37 | > 100 |
| | **178** | **– 41** | **> 100** |
| **Profit/loss from designated financial instruments at fair value through profit or loss** | | | |
| Profit/loss from deposits | 231 | – 86 | > 100 |
| Profit/loss from securitised liabilties | 40 | 17 | > 100 |
| | **271** | **– 69** | **> 100** |
| **Foreign exchange result** | **23** | **51** | **– 55** |
| **Total** | **200** | **195** | **3** |

1) The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

## (27) Risk Provisions

| | 1 Jan. - 31 Dec. 2021 (in € million) | 1 Jan. - 31 Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| **Risk provisions of financial assets at fair value through other comprehensive income** | | | |
| Income from the reversal of risk provisions for | | | |
| Debt securities and other fixed interest securities | 2 | 1 | 100 |
| Expenses from allocations to risk provisions for | | | |
| Debt securities and other fixed-interest securities | – 3 | – 2 | 50 |
| | **– 1** | **– 1** | **–** |
| **Risk provisions of financial assets at amortised cost** | | | |
| Income from the reversal of risk provisions for | | | |
| Debt securities and other fixed interest securities | 8 | 2 | > 100 |
| Loans and advances | 528 | 299 | 77 |
| | **536** | **301** | **78** |
| Expenses from allocations to risk provisions for | | | |
| Debt securities and other fixed interest securities | – | – 8 | – 100 |
| Loans and advances | – 522 | – 714 | – 27 |
| | **– 522** | **– 722** | **– 28** |
| | **14** | **– 421** | **> 100** |
| **Provisions in lending business** | | | |
| Income from the reversal | 39 | 64 | – 39 |
| Expenses from allocation | – 30 | – 37 | – 19 |
| | **9** | **27** | **– 67** |
| **Recoveries of receivables written off** | **58** | **43** | **35** |
| **Direct write-offs** | **– 64** | **– 74** | **– 14** |
| **Premium payments for credit insurance** | **–** | **– 1** | **– 100** |
| **Modification results** | **2** | **1** | **100** |
| **Total** | **18** | **– 426** | **> 100** |

The modification results of € 2 million (€ 1 million) were due to the modification of financial instruments for which the loss allowances was determined based on lifetime expected credit loss. The associated amortised acquisition costs amounted to € 187 million (€ 544 million) before the modification.

## (28) Disposal Profit/Loss from Financial Instruments not measured at Fair Value through Profit or Loss

| | 1 Jan.-30 Dec. 2021 (in € million) | 1 Jan.-30 Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| **Disposal profit/loss from financial assets at fair value through other comprehensive income** | | | |
| Disposal profit/los of | | | |
| Debt securities and other fixed interest securities | – 1 | – | – |
| **Disposal profit/loss from financial assets at amortised cost** | | | |
| Disposal profit/los of | | | |
| Debt securities and other fixed interest securities | 1 | – 5 | > 100 |
| Loans and advances | – 8 | – 5 | 60 |
| | – 7 | – 10 | – 30 |
| **Disposal profit/loss from financial liabilities at amortised cost** | | | |
| Disposal profit/los of | | | |
| Deposits | – 13 | – 20 | – 35 |
| Securitised liabilities | 1 | – 6 | > 100 |
| | – 12 | – 26 | – 54 |
| **Other disposal profit/loss** | **– 1** | **–** | **–** |
| **Total** | **– 21** | **– 36** | **– 42** |

Income of € 3 million (€ 3 million) from financial instruments measured at amortised cost and expenses of € 10 million (€ -13 million) included in the disposal result from the repurchase of issued liabilities and from the disposal of receivables.

**(29) Profit/loss from Hedge Accounting**

The profit/loss from hedge accounting includes netted changes in fair value relating to the hedged risk on the underlying transactions and netted changes in fair value to hedging instruments in effective fair value hedges.

| | 1 Jan. - 31 Dec. 2021 (in € million) | 1 Jan. - 31 Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| **Profit/loss from micro fair value hedges** | | | |
| From hedged items | – 172 | 105 | > 100 |
| From derivatives designated as hedging instruments | 164 | – 87 | > 100 |
| | **– 8** | **18** | **> 100** |
| **Profit/loss from portfolio fair value hedges** | | | |
| From hedged items | 173 | – 6 | > 100 |
| From derivatives designated as hedging instruments | – 205 | 54 | > 100 |
| | **– 32** | **48** | **> 100** |
| **Total** | **– 40** | **66** | **> 100** |

**(30) Profit/loss from Shares in Companies**

Income from shares in companies includes current income, valuation results recognised in profit or loss and disposal results from non-consolidated company shares.

| | 1 Jan. - 31 Dec. 2021 (in € million) | 1 Jan. - 31 Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| Profit/loss from shares in subsidiaries | – | 3 | – 100 |
| Profit/loss from shares in joint ventures | 3 | – | – |
| Profit/loss from shares in associated companies | – 1 | 1 | > 100 |
| Profit/loss from other shares in companies | 19 | – 17 | > 100 |
| **Total** | **21** | **– 13** | **> 100** |

**(31) Profit/loss from Investments Accounted for using the Equity Method**

Hereafter, profit/loss from investments accounted for using the equity method is shown below. It includes contributions to earnings from joint ventures and associated undertakings that are valued using the equity method.

| | 1 Jan.-30 Dec. 2021 (in € million) | 1 Jan.-30 Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| Shares in joint ventures | 1 | – | – |
| Shares in associated companies | – 18 | – 11 | 64 |
| **Total** | **– 17** | **– 11** | **55** |

### (32) Administrative Expenses

| | 1 Jan.-31 Dec. 2021 (in € million) | 1 Jan.-31 Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| **Staff expenses** | | | |
| Wages and salaries | – 353 | – 368 | – 4 |
| Social insurance contributions | – 52 | – 55 | – 5 |
| Expenditure on pension schemes and other benefits | – 55 | – 55 | – |
| Other staff expenses | – 7 | – 6 | 17 |
| | **– 467** | **– 484** | **– 4** |
| **Other administrative expenses** | | | |
| Costs for IT and communications | – 238 | – 231 | 3 |
| Building and occupancy costs | – 28 | – 29 | – 3 |
| Expenses for marketing, communications and entertainment | – 12 | – 11 | 9 |
| Personnel-related material expenses | – 9 | – 8 | 13 |
| Costs for legal, auditing, appraisal and consulting services | – 53 | – 52 | 2 |
| Levies and contributions | – 16 | – 18 | – 11 |
| Expenses for operating and office equipment | – 4 | – 5 | – 20 |
| Expenses for leasing | – 4 | – 3 | 33 |
| Other administrative expenses | – 17 | – 20 | – 15 |
| | **– 381** | **– 377** | **1** |
| **Amortisation and depreciation** | | | |
| Property and equipment | – 30 | – 33 | – 9 |
| Investment property | – 3 | – 3 | – |
| Intangible assets | – 36 | – 37 | – 3 |
| | **– 69** | **– 73** | **– 5** |
| **Total** | **– 917** | **– 934** | **– 2** |

Personnel expenses included expenses for defined contribution plans in the amount of €-5 million (€-4 million).

### (33) Other Operating Profit/Loss

| | 1 Jan.-30 Dec. 2021 (in € million) | 1 Jan.-30 Dec. 2020[1] (in € million) | Change (in %) |
|---|---|---|---|
| **Other operating income** | | | |
| Income from the reversal of provisions | 7 | 19 | – 63 |
| Rental income from investment property | 10 | 9 | 11 |
| Income from the disposal of non-financial assets | 1 | 19 | – 95 |
| Reimbursements | 9 | 7 | 29 |
| Other operating income | 83 | 27 | > 100 |
| | **110** | **81** | **36** |
| **Other operating expenses** | | | |
| Expenses from bank levy and deposit protection fund | – 89 | – 84 | 6 |
| Expenses from additions of impairment losses on non-financial assets | – 1 | – | – |
| Expenses from Investment property | – 6 | – 3 | 100 |
| Expenses from the disposal of non-financial assets | – 1 | – | – |
| Other taxes | – 16 | – 6 | > 100 |
| Other operating expenses | – 11 | – 17 | – 35 |
| | **– 124** | **– 110** | **13** |
| **Total** | **– 14** | **– 29** | **– 52** |

[1] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

Other operating income mainly included income from the sale of a building in the amount of € 39 million and a final consolidation result from a shipping group in the amount of € 16 million.

### (34) Profit/Loss from Restructuring and Transformation

Income from restructuring and transformation totalling € -82 million (€ -87 million) included expenditure relating to the NORD/LB 2024 transformation programme. NORD/LB 2024's measures led to a fundamental restructuring of the Group. The associated expenses are not assigned to the operating business activities of the NORD/LB Group, but shown separately due to their significance and their extraordinary non-recurring nature. These are both personnel costs and expenses for consultancy services incurred as part of the Group's transformation for strategy, implementation, IT and legal consultancy.

### (35) Income Taxes

| | 1 Jan.-31 Dec. 2021 (in € million) | 1 Jan.-31 Dec. 2020[1)] (in € million) | Change (in %) |
|---|---|---|---|
| **Current taxes on income and earnings** | | | |
| Tax expenses / income for the current year | – 23 | – 3 | > 100 |
| Tax expenses / income for previous years | 17 | 10 | 70 |
| | **– 6** | **7** | **> 100** |
| **Deferred taxes** | | | |
| Deferred taxes due to the accrual / reversal of temporary differences and tax losses / tax credits not previously considered | 13 | 37 | – 65 |
| Deferred taxes due to changes in tax legislation / tax rates | – | – 1 | – 100 |
| Deferred taxes due to temporary differences in previous periods not previously considered | – 4 | – 3 | 33 |
| | **9** | **33** | **– 73** |
| **Total** | **3** | **40** | **– 93** |

[1)] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

The following tax reconciliation shows an analysis of the difference between the expected income tax expense that would result from applying the German income tax rate to IFRS earnings before taxes and the income tax expense that was actually reported.

| | 1 Jan.-31 Dec. 2021 (in € million) | 1 Jan.-31 Dec. 2020[1)] (in € million) |
|---|---|---|
| **IFRS earnings before taxes** | **16** | **– 27** |
| Anticipated income tax result | – 5 | 9 |
| **Effects of reconciliation:** | | |
| Effects of differing tax rates | 6 | – 7 |
| Taxes from previous years reported in the reporting period | 13 | 7 |
| Effects of changes in tax rates | – | – 1 |
| Non-deductible operational expenditure | – 59 | – 34 |
| Effects of tax-free earnings | 8 | 2 |
| Effect of permanent accounting-related effects | – 4 | – 2 |
| Effects of write-ups / write-downs / recognition adjustments | 45 | 70 |
| Other effects | – 1 | – 4 |
| **Reported income tax result** | **3** | **40** |

[1)] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

The expected income tax expense in the tax reconciliation is calculated from the corporate tax rate of 15 percent applicable in Germany in 2021 plus a solidarity surcharge of 5.5 percent and the average commercial tax rate of approx. 16.2 per cent. This resulted in a domestic income tax rate of 32.0 percent (32.0 per cent).

Deferred taxes of the domestic Group entities are measured at the tax rate of 32.0 per cent (32.0 per cent) applicable at the reporting date or in the future.

The impact of different tax rates is based on different tax rates in different countries. The effects of loss allowances/recognition corrections include, among other things, the effects from the subsequent increase or decrease in the recognition of loss carryforwards as well as from unrecognised deferred tax assets on temporary differences and loss carryforwards.

## Notes to the Comprehensive Income Statement

Income tax effects are attributable to the individual components of other comprehensive income (OCI) in the statement of comprehensive income as follows:

| (in € million) | 1 Jan. - 31 Dec. 2021 Amount before taxes | 1 Jan. - 31 Dec. 2021 Income tax effect | 1 Jan. - 31 Dec. 2021 Amount after taxes | 1 Jan. - 31 Dec. 2020[1] Amount before taxes | 1 Jan. - 31 Dec. 2020[1] Income tax effect | 1 Jan. - 31 Dec. 2020[1] Amount after taxes |
|---|---|---|---|---|---|---|
| Investments accounted for using the equity method - Share of other comprehensive income | 32 | – 11 | 21 | – 8 | 2 | – 6 |
| Changes in financial liabilities designated at fair value through profit or loss due to changes in own credit risk | – 66 | 13 | – 53 | – 58 | 7 | – 51 |
| Revaluation of the net liability from defined benefit pension plans | 208 | – 72 | 136 | – 186 | 30 | – 156 |
| Changes in financial assets at fair value through other comprehensive income | – 194 | 61 | – 133 | 116 | – 37 | 79 |
| Translation differences of foreign business units | 4 | – | 4 | – 4 | – | – 4 |
| **Other comprehensive income** | **– 16** | **– 9** | **– 25** | **– 140** | **2** | **– 138** |

[1] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year’s figures.

# Notes to the Balance Sheet

## (36) Cash Reserve

| | 31 Dec. 2021 (in € million) | 31 Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| Cash on hand | 142 | 54 | > 100 |
| Cash balances at Central Banks | 6 788 | 5 977 | 14 |
| **Total** | **6 930** | **6 031** | **15** |

## (37) Financial Assets at Fair Value through Profit or Loss

| | 31 Dec. 2021 (in € million) | 31 Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| **Trading assets** | | | |
| Positive fair values from derivatives | | | |
| Interest-rate risks | 2 860 | 4 230 | – 32 |
| Currency risks | 123 | 357 | – 66 |
| Share-price and other price risks | 2 | 2 | – |
| Credit derivatives | 164 | 113 | 45 |
| | **3 149** | **4 702** | **– 33** |
| Debt-securities and other fixed-interest securities | 782 | 2 202 | – 64 |
| Loans and advances to customers | 663 | 692 | – 4 |
| Registered securities | 1 845 | 2 205 | – 16 |
| | **6 439** | **9 801** | **– 34** |
| **Financial assets mandatorily at fair value through profit or loss** | | | |
| Equity instruments | 20 | 20 | – |
| Debt-securities and other fixed-interest securities | 638 | 949 | – 33 |
| Loans and advances to banks | 56 | 58 | – 3 |
| Loans and advances to customers | 245 | 326 | – 25 |
| | **959** | **1 353** | **– 29** |
| **Total** | **7 398** | **11 154** | **– 34** |

The credit derivatives reported under trading assets include the guarantees received from the state of Lower Saxony as part of NORD/LB's capital strengthening on certain portfolios of the Special Credit & Portfolio Optimisation (SCPO) segment and on the aircraft customer portfolio of the Special Financing segment. Under IFRS, these guarantees must be reported as credit derivatives and had a carrying amount as at the reporting date of € 108 million.

The category of financial assets that must be reported at fair value through profit or loss includes financial assets that must be measured at fair value through profit or loss due to the cash flow condition according to IFRS 9.

The fair value change induced by credit risk is determined as a difference analysis within the framework of a generally accepted procedure that follows market practices. The amount stated is the difference between the fair value determined as at the reporting date based on the current market data and the current NORD/LB spread curves and the fair value calculated using the market data and the NORD/LB spread curves used in the previous reporting period.

### (38) Financial Assets at Fair Value through Other Comprehensive Income

| | 31 Dec. 2021 (in € million) | 31 Dec. 2020[1] (in € million) | Change (in %) |
|---|---|---|---|
| Debt-securities and other fixed-interest securities | 12 158 | 13 855 | – 12 |
| Loans and advances to banks | 378 | 473 | – 20 |
| Loans and advances to customers | 494 | 585 | – 16 |
| **Total** | **13 030** | **14 913** | **– 13** |

[1] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

The changes in the risk provisions recognised in other comprehensive income (OCI) related to this item is presented under Note (59) Risk provisioning and gross carrying amount.

### (39) Financial Assets at Amortised Cost

| | 31 Dec. 2021 (in € million) | 31 Dec. 2020[1] (in € million) | Change (in %) |
|---|---|---|---|
| Debt-securities and other fixed-interest securities | 3 593 | 3 825 | – 6 |
| Loans and advances to banks | 13 595 | 14 418 | – 6 |
| Loans and advances to customers | 67 408 | 72 502 | – 7 |
| **Total** | **84 596** | **90 745** | **– 7** |

Loans and advances to customers included an amount of € 75 million (€ 89 million), resulting from the support contract and relating to the performance obligation of the State of Lower Saxony arising from NORD/LB's exemption from risks in connection with increased healthcare benefits.

The change in the risk provisions contained in the item is presented in Note (59) Risk provisioning and gross carrying amount.

### (40) Positive Fair Values from Hedge Accounting Derivates

The position includes positive fair values of the hedging instruments in effective micro and portfolio fair value hedge relationships.

| | 31 Dec. 2021 (in € million) | 31 Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| Micro fair value hedge derivative | 474 | 773 | – 39 |
| Portfolio fair value hedge derivative | – | 83 | – 100 |
| **Total** | **474** | **856** | **– 45** |

### (41) Balancing Items for Financial Instruments hedged in the Portfolio Fair Value Hedge

The item comprises the fair value changes of assets attributable to the hedged risk included as underlying transactions in a portfolio fair value hedge.

## (42) Shares in Companies

The balance sheet item shares in companies includes all shares in NORD/LB Group companies which are not accounted for in accordance with IFRS 10, IFRS 11 or IAS 28 but in accordance with IFRS 9.

| | 31 Dec. 2021 (in € million) | 31 Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| Subsidaries | 25 | 18 | 39 |
| Joint Ventures | 10 | 7 | 43 |
| Associated companies | 34 | 39 | – 13 |
| Other shares in companies | 276 | 258 | 7 |
| **Total** | **345** | **322** | **7** |

## (43) Property and Equipment

| | 31 Dec. 2021 (in € million) | 31 Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| Land and buildings | 189 | 194 | – 3 |
| Operating and office equipment | 31 | 34 | – 9 |
| Other property and equipment | 4 | 1 | > 100 |
| Property, plant and equipment under construction | 3 | 1 | > 100 |
| Advance payments for property and equipment | 1 | – | – |
| Right-of-use assets from leasing | 63 | 73 | – 14 |
| **Total** | **287** | **302** | **– 5** |

The changes in property and equipment is presented in Note (44) Investment properties.

## (44) Investment Property

Investment properties had a total carrying amount of € 126 million (€ 131 million). The corresponding fair value of investment properties is € 185 million (€ 180 million) and falls into Level 2 in accordance with the fair value hierarchy under IFRS 13.

The results from investment properties are as follows:

| | 1 Jan. - 31 Dec. 2021 (in € million) | 1 Jan. - 31 Dec. 2020 (in € million) |
|---|---|---|
| Rental income | 11 | 9 |
| Direct operating expenses | 6 | 3 |

The changes in acquisition and production costs and of accumulated depreciation for property and equipment and for investment properties are presented in the following table:

| (in Mio €) | Land and buildings | Operating and office equipment | Other property equipment | Right-of-use-assets from leasing | **Total** | Investment property |
|---|---|---|---|---|---|---|
| **Cost as at 1 January 2020** | **574** | **220** | **1** | **104** | **899** | **167** |
| Additions | – 52 | 6 | – | 3 | **– 43** | – |
| Disposals | 12 | 5 | – | 4 | **21** | – |
| Transfers | – | – | – | – | **–** | 19 |
| Change from currency translation | – | – 1 | – | – | **– 1** | – |
| **Total 31 December 2020** | **510** | **220** | **1** | **103** | **834** | **186** |
| **Accumulated depreciation as at 1 January 2020** | **309** | **182** | **–** | **17** | **508** | **45** |
| Scheduled depreciation | 7 | 10 | – | 16 | **33** | 3 |
| Impairments (non-scheduled) | – | – | – | – | **–** | 7 |
| Disposals | – | 5 | – | 3 | **8** | – |
| Change from currency translation | – | – 1 | – | – | **– 1** | – |
| **Total 31 December 2020** | **316** | **186** | **–** | **30** | **532** | **55** |
| **Closing balance as at 31 December 2020** | **194** | **34** | **1** | **73** | **302** | **131** |
| **Cost as at 1 January 2021** | **510** | **220** | **1** | **104** | **835** | **186** |
| Additions | – | 8 | 3 | 17 | **28** | – |
| Disposals | 4 | 8 | – | 24 | **36** | – |
| Change from currency translation | – | 2 | – | – | **2** | – |
| **Total 31 December 2021** | **506** | **222** | **4** | **97** | **829** | **186** |
| **Accumulated depreciation as at 1 January 2021** | **316** | **186** | **–** | **30** | **532** | **55** |
| Scheduled depreciation | 5 | 10 | – | 13 | **28** | 3 |
| Impairments (non-scheduled) | – | – | – | – | **–** | 2 |
| Disposals | 4 | 6 | – | 9 | **19** | – |
| Change from currency translation | – | 1 | – | – | **1** | – |
| **Total 31 December 2021** | **317** | **191** | **–** | **34** | **542** | **60** |
| **Closing balance as at 31 December 2021** | **189** | **31** | **4** | **63** | **287** | **126** |

## (45) Intangible Assets

| | 31 Dec. 2021 (in € million) | 31 Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| **Software** | | | |
| Purchased | 49 | 66 | – 26 |
| Internally generated | 34 | 43 | – 21 |
| | **83** | **109** | **– 24** |
| Prepayments and intangible assets under development and preparation | 31 | 10 | > 100 |
| Leased software | 4 | 7 | – 43 |
| **Total** | **118** | **126** | **– 6** |

Intangible assets under development refer primarily to internally generated software. Fully depreciated software will continue to be used.

The main intangible assets of the NORD/LB Group are listed below:

| | Carrying amount (in € million) | | Remaining depreciation period (in years) | |
|---|---|---|---|---|
| | 31 Dec.2021[1] | 31 Dec.2020[1] | 31 Dec.2021 | 31 Dec.2020 |
| IT applications | 22 | 32 | 6 | 7 |
| Internally developed software | 63 | 50 | 3 | 4 |

[1] The amounts include both intangible assets that are completed and under construction.

Intangible assets changed as follows:

| (in € million) | Software purchased | Software internally generated | Prepayments and intangible assets under development and preparation | Leased software | **Total** |
|---|---|---|---|---|---|
| **Cost as at 1 January 2020** | **197** | **311** | **13** | **9** | **530** |
| Additions | 4 | 10 | 9 | 2 | 25 |
| Disposals | 2 | – | 2 | – | 4 |
| Transfers | 12 | – | – 10 | – | 2 |
| **Total at 31 December 2020** | **211** | **321** | **10** | **11** | **553** |
| **Accumulated depreciation as at 1 January 2020** | **124** | **265** | **–** | **2** | **391** |
| Scheduled depreciation | 22 | 13 | – | 2 | **37** |
| Transfers | 2 | – | – | – | **2** |
| Disposals | 3 | – | – | – | **3** |
| **Total at 31 December 2020** | **145** | **278** | **–** | **4** | **427** |
| **Closing balance as at 31 December 2020** | **66** | **43** | **10** | **7** | **126** |
| **Cost as at 1 January 2021** | **211** | **321** | **10** | **10** | **552** |
| Additions | 3 | 5 | 23 | – | **31** |
| Disposals | 9 | – | – | 1 | **10** |
| Transfers | 2 | – | – 2 | – | **–** |
| **Total at 31 December 2021** | **207** | **326** | **31** | **9** | **573** |
| **Accumulated depreciation as at 1 January 2021** | **145** | **278** | **–** | **4** | **427** |
| Scheduled depreciation | 20 | 14 | – | 1 | **35** |
| Disposals | 7 | – | – | – | **7** |
| **Total at 31 December 2021** | **158** | **292** | **–** | **5** | **455** |
| **Closing balance as at 31 December 2021** | **49** | **34** | **31** | **4** | **118** |

## (46) Assets Held for Sale

Assets held for sale in accordance with IFRS 5 break down as follows:

| | 31 Dec. 2021 (in € million) | 31 Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| Property and equipment | – | 67 | – 100 |
| **Total** | **–** | **67** | **– 100** |

As at 31 December 2020, property and equipment (11 ships) from the Group Controlling/Miscellaneous segment in the amount of € 67 million that were sold in 2021 were reported under Assets Held for Sale. As a result of the sale, a profit of EUR 17 million was generated, which is reported in the Note (33) Other operating profit/loss.

## (47) Income Tax Assets

| | 31 Dec.2021 (in € million) | 31 Dec.2020[1] (in € million) | Change (in %) |
|---|---|---|---|
| Current income tax assets | 22 | 23 | – 4 |
| Deferred tax assets | 453 | 458 | – 1 |
| **Total** | **475** | **481** | **– 1** |

[1] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

Deferred tax assets represent the potential income tax relief from temporary differences between assets and liabilities in the IFRS consolidated balance sheet and the tax values in accordance with the internal tax guidelines of the Group companies. The total deferred tax assets recognised in other comprehensive income (OCI) amounted to € 121 million (€ 179 million) as at 31 December 2021.

Deferred income tax assets were created in connection with the following balance sheet items and unused tax losses:

| | 31 Dec.2021 (in € million) | 31 Dec.2020[1)] (in € million) | Change (in %) |
|---|---|---|---|
| **Assets** | | | |
| Financial assets at fair value through profit or loss | 21 | 33 | – 36 |
| Financial assets at fair value through other comprehensive income | 3 | 4 | – 25 |
| Financial assets at amortised costs | 62 | 197 | – 69 |
| Shares in companies | 12 | 13 | – 8 |
| Property and equipment | 38 | 40 | – 5 |
| Other assets | 103 | 114 | – 10 |
| **Liabilities** | | | – |
| Trading liabilities | 21 | 36 | – 42 |
| Designated financial liabilities at fair value through profit or loss | 61 | 117 | – 48 |
| Financial liabilities at amortised costs | 572 | 454 | 26 |
| Negative fair values from hedge accounting derivatives | 382 | 747 | – 49 |
| Provisions | 656 | 783 | – 16 |
| Other liabilities | 12 | 37 | – 68 |
| Tax loss carried forward | 8 | 7 | 14 |
| **Total** | **1 951** | **2 582** | **– 24** |
| Net | 1 498 | 2 124 | – 29 |
| **Total** | **453** | **458** | **– 1** |

[1)] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

In addition to deferred taxes recognised in the income statement, netted deferred income tax assets included € 51 million (€ 37 million) from financial liabilities reported at fair value through profit or loss and € 70 million (€ 142 million) from provisions, which were recognised through other comprehensive income (OCI).

No deferred tax assets were recognised for loss carryforwards from corporate tax in the amount of € 2,592 million (€ 3,137 million) and from commercial tax in the amount of € 2,596 million (€ 3,118 million) as at 31 December 2021 due to a limited planning horizon and the resulting insufficient probability of use.

Tax loss carryforwards from corporation tax in the amount of € 5 million (€ 5 million) will expire in the next five years, the remaining existing tax loss carryforwards can be used indefinitely.

The NORD/LB Group recognises deferred tax assets for companies that suffered a loss in the current period as at 31 December 2021 that exceed the deferred tax liabilities by € 428 million (€ 369 million). These deferred tax assets, the use of which depends on future taxable profits, are recognised only to the extent that their realisation is sufficiently certain. This assumes that sufficient taxable results will be available in a foreseeable future period against which an offset can be made. On the basis of the medium-term plan, the Bank makes the assessment that the deferred tax assets are recoverable and can be substantiated by sufficient taxable income.

No deferred taxes were recognised for temporary differences of € 1,442 million (€ 1,245 million) that can be carried forward indefinitely.

### (48) Other Assets

| | 31 Dec.2021 (in € million) | 31 Dec.2020[1] (in € million) | Change (in %) |
|---|---|---|---|
| Claims against reinsurance policies from retirement benefit obligations | 244 | 226 | 8 |
| Loans and advances on interim accounts | 92 | 94 | – 2 |
| Deferred item | 23 | 26 | – 12 |
| Bailout purchases | – | 24 | – 100 |
| Receivabales | – | 1 | – 100 |
| Contract assets | 40 | 10 | > 100 |
| Other assets | 94 | 115 | – 18 |
| **Total** | **493** | **496** | **– 1** |

[1] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

The majority of receivables from interim accounts are receivables in connection with the lending business, securities trading business and transactions on payment transaction accounts.

The changes in other Assets, which are related to income from customer contracts, can be seen in the following summary:

| | | Receivables | | Contract assets |
|---|---|---|---|---|
| (in € million) | 2021 | 2020 | 2021 | 2020 |
| **1 Jan.** | **1** | **1** | **8** | **9** |
| Satisfaction of performance obligations | 2 | 1 | 36 | 1 |
| Consideration received | – 2 | – 2 | – 1 | – |
| Changes from the basis of consolidation | – 1 | – | – 3 | – |
| **31 Dec.** | **–** | **–** | **40** | **10** |

### (49) Financial Liabilities at Fair Value through Profit or Loss

| | 31 Dec.2021 (in € million) | 31 Dec.2020[1] (in € million) | Change (in %) |
|---|---|---|---|
| **Trading liabilities** | | | |
| Negative fair values from derivatives | | | |
| Interest-rate risks | 1 627 | 2 718 | – 40 |
| Currency risks | 417 | 355 | 17 |
| Share-price and other price risks | 1 | 1 | – |
| Credit derivatives | 5 | 31 | – 84 |
| | **2 050** | **3 105** | **– 34** |
| Delivery obligations from short-sales | 19 | 48 | – 60 |
| | **2 069** | **3 153** | **– 34** |
| **Financial liabilities designated at fair value through profit or loss** | | | |
| Deposits | | | |
| Liabilities to banks | 267 | 265 | 1 |
| Liabilities to customers | 3 666 | 3 879 | – 5 |
| | **3 933** | **4 144** | **– 5** |
| Securitised liabilities | 1 712 | 2 410 | – 29 |
| | **5 645** | **6 554** | **– 14** |
| **Total** | **7 714** | **9 707** | **– 21** |

[1] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

The change in fair value attributable to changes in own credit risk of financial liabilities designated at fair value through profit or loss is reported in other comprehensive income (OCI). This amounted to -66 Mio € ( -59 Mio €) for the reporting period.

The fair value change induced by credit risk is determined as a difference analysis within the framework of a generally accepted procedure that follows market practices. The amount stated is the sum of the change from the difference in fair value determined daily based on the current market data including the current NORD/LB spread and the fair value based on the current market data without the NORD/LB spread.

As at 31 December 2021, the carrying amount of liabilities designated at fair value through profit or loss was € 341 million higher (€ 543 million higher) than the corresponding redemption amount. The difference is mainly due to higher interest on liabilities compared to the current market interest rate.

## (50) Financial Liabilities at Amortised Cost

| | 31 Dec. 2021 (in € million) | 31 Dec. 2020[1)] (in € million) | Change (in %) |
|---|---|---|---|
| **Deposits** | | | |
| Deposits from banks | 4 096 | 5 765 | – 29 |
| Saving deposits from customers | 1 044 | 1 053 | – 1 |
| Other liabililities | 68 989 | 71 568 | – 4 |
| Subordinated liabilities | 282 | 153 | 84 |
| | **74 411** | **78 539** | **– 5** |
| **Securitised Liabilities** | | | |
| Mortgage bonds | 9 797 | 10 839 | – 10 |
| Municipal debentures | 2 525 | 3 677 | – 31 |
| Other securitised Liabilities | 6 538 | 8 223 | – 20 |
| Subordinated securitised liabilities | 2 013 | 2 105 | – 4 |
| | **20 873** | **24 844** | **– 16** |
| **Other financial liabilities** | – | – | – |
| **Total** | **95 284** | **103 383** | **– 8** |

[1)] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

The changes in subordinated securitised liabilities resulted, among other things, from a negative effect on earnings of € 83 million (positive effect on earnings € 297 million) due to a remeasurement in accordance with IFRS 9B5.4.6 in connection with a change in the estimated cash flows.

## (51) Negative Fair Values from Hedge Accounting Derivates

The item includes negative fair values of the hedging instruments in effective micro and portfolio fair value hedge relationships.

| | 31 Dec.2021 (in € million) | 31 Dec.2020 (in € million) | Change (in %) |
|---|---|---|---|
| Micro fair value hedge derivatives | 1 066 | 1 930 | – 45 |
| Portfolio fair value hedge derivatives | 33 | 36 | – 8 |
| **Total** | **1 099** | **1 966** | **– 44** |

## (52) Balancing Items for Financial Instruments hedged in the Portfolio Fair Value Hedge

The item comprises the fair value changes in financial liabilities attributable to the hedged risk, which are included as an underlying transaction in a portfolio fair value hedge.

## (53) Provisions

Provisions are broken down as follows:

| | 31 Dec.2021 (in € million) | 31 Dec.2020 (in € million) | Change (in %) |
|---|---|---|---|
| **Provisions for pensions and other obligations** | **2 985** | **3 205** | **– 7** |
| **Other provisions** | | | |
| Provisions for personnel | 55 | 61 | – 10 |
| Provisions in lending business | 55 | 65 | – 15 |
| Provisions for litigation and recourse risks | 26 | 16 | 63 |
| Provisions for restructuring measures | 462 | 514 | – 10 |
| Other provisions | 53 | 48 | 10 |
| | **651** | **704** | **– 8** |
| **Total** | **3 636** | **3 909** | **– 7** |

### Pensionens and similar Oblgations

The net liability from defined benefit pension obligations is derived as follows:

| | 31 Dec. 2021 (in € million) | 31 Dec. 2020 (in € million) | Change (in %) |
|---|---|---|---|
| Present value of defined benefit obligations | 3 035 | 3 253 | – 7 |
| Less fair value of plan assets | 50 | 48 | 4 |
| **Total** | **2 985** | **3 205** | **– 7** |

The NORD/LB Group has both defined benefit pension commitments and, to a lesser extent, defined contribution pension commitments.

**Description of pension plans**

The NORD/LB Group’s company pension scheme is based on several pension systems. Employees acquire entitlement to pension entitlements (defined contribution plan) through a defined contribution made by the Group to external pension providers. Pension entitlements are based on annual benefit components, the amount of which depends on the individual pensionable annual salary. In this case, the pension contributions are recognised as current expenses in accordance with the accounting rules pursuant to IAS 19 for defined contribution plans. No pension provisions are formed.

In addition, employees acquire entitlements to pension entitlements with a defined pension benefit which depends on factors such as expected wage and salary increases, age, length of service and a forecast pension trend (defined benefit plan). Essentially, these are various pension components, which would see disability and survivors’ pensions also being granted, depending on the occurrence of the insured events, in addition to the old-age pension. The plan assets of the pension commitments are mainly backed by plan assets in the form of equity securities and fixed-income securities. There are also entitlements to benefit payments.

There are defined benefit pension entitlements from direct commitments as well as indirect commitments. The benefits from direct pension entitlements are provided directly by NORD/LB, while the benefits from indirect pension entitlements are provided by the legally independent Unterstützungskasse Norddeutsche Landesbank Girozentrale Hannover/Braunschweig e. V., Hannover (Hannover provident fund). The management bodies of the Hannover provident fund are made up of employer and employee representatives of the NORD/LB Group. The provident fund is endowed with a lump sum or partially reinsured, and is provided with liquid funds by NORD/LB within the legal framework to provide its pension benefits. NORD/LB is also liable in a subsidiary manner for providing the benefits of the provident fund as the sponsoring undertaking of the pension commitments. As a company subject to mandatory consolidation, the provident fund is included in NORD/LB's consolidated financial statements.

The NORD/LB Group has several different pension schemes, whereby the commitments are based on service agreements under collective agreements or individual contractual commitments. The main pension schemes here are the total pension commitment under civil servant law: the 1973 Scheme and the 2000 Scheme. For these pension schemes, the accounting principles under IAS 19 for defined benefit plans are applied.

The defined benefit pension commitment based on the 2000 Scheme has also been applied to members of the Managing Board since 1 January 2000. In addition, depending on the role of the committee member and the number of reappointments to the Managing Board, additional initial components are assigned in addition to the pension components acquired on a pro rata basis. Members of the Managing Board who joined the company before 1 January 2000 received a general pension commitment on an individual basis in accordance with the regulations up to 31 December 1999.

No further employees are included in either the 1973 Scheme or the 2000 Scheme. The 2000 Scheme was last applied with effect from 31 December 2013.

Since 1 January 2014, the pension commitments for new employees of NORD/LB AöR are shown as a reinsured provident fund via BVV Versorgungskasse des Bankgewerbes e.V., Berlin (BVV).

In addition, all employees of the Bank have the option of funding an additional pension through deferred compensation via the BVV Versicherungsverein des Bankgewerbes a.G. (pension fund).

**Risks from defined benefit pension plans**

The NORD/LB Group is exposed to various risks in connection with the defined benefit pension plans.

As an institution under public law, NORD/LB was subject to guarantor liability until 17 July 2001 inclusive. This led to creditors and thus also employees being entitled to payment of their pension entitlements viz-à-viz the respective establishments of the public-law institution. As at 17 July 2001, the guarantor's liability of savings banks and regional banks was abolished by the European Commission. This means that all pension commitments agreed up to this point in time are subject to the guarantor's liability without limitation. All pension commitments granted up to 18 July 2005 are also covered by the guarantor's liability, provided that entitlement to the pension benefit existed before 31 December 2015. All pension commitments agreed since 18 July 2001 as well as all commitments not covered by the transitional provision are covered against insolvency by NORD/LB by means of a contribution to the pension insurance association.

Both the liabilities from defined benefit pension commitments and the plan assets may fluctuate over time. This can have a negative or positive impact on the funding status. The fluctuations in defined benefit pension liabilities are particularly sensitive to the change in financial assumptions, such as actuarial interest rates, but also from the change in demographic assumptions such as a change in life expectancy. Due to the structure of the existing pension commitments, the amount of the promised benefits depends, among other things, on changes in pensionable income, the contribution assessment limit in the statutory pension insurance and the social security pension. Where these variables develop differently than assumed in the provision calculations, there will be a need for refinancing. The NORD/LB Group regularly reviews the situation of pension payments (liquidity management) as well as the investment strategy and amount. The basis for determining the amount of the investment and pension payments as at each reporting date relates to the actuarial reports. The majority of the investment volume is invested in cash and cash equivalents and, to a minor extent, in long-term government bonds with a rating of at least AA listed on an active market. The same amount of pension payments is invested in short-term, highly fungible other investments. The interest rate risk is largely reduced by the evenly rolling nature of the investment in debt instruments (government bonds). Market and investment risk is offset by observing the minimum rating (AA) of the investments and by the investment type (mainly government bonds). The management of liquidity risk, among other things due to pension payments, is described in the risk report.

At the level of the provident fund, the management bodies have defined the framework conditions for investing funds in a set of investment guidelines. At the provident fund, the funds used to finance pension benefits are predominantly invested in low-risk forms of investment. The management bodies may appoint third parties to manage the cash assets.

**Multi-employer pension plans**

Along with other financial institutions in Germany, the NORD/LB Group is a member company of BVV. Both the Group as an employer and the eligible employees regularly make pension contributions to BVV. The BVV tariffs provide for fixed pension payments with profit sharing.

The Group classifies the BVV plan as a defined benefit plan in accordance with IAS 19 and treats it as a defined contribution plan in its financial reporting as the available information is insufficient for accounting as a defined benefit plan. BVV is subject to the employer's subsidiary liability with regard to its own employees. NORD/LB considers the probability of a claim from subsidiary liability to be extremely low and therefore does not form either a contingent liability or a provision for this issue.

The net liability of the defined benefit obligation can be reconciled from the opening to the closing balance of the period, taking into account the effects of the items listed:

| | Defined benefit obligation | | Fair value of plan assets | | Negative balance (net indebtness) | | Change (in %) |
|---|---|---|---|---|---|---|---|
| (in € million) | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | |
| **Opening balance** | **3 253** | **3 024** | **48** | **47** | **3 205** | **2 977** | **8** |
| Current service cost | 44 | 43 | – | – | 44 | 43 | 2 |
| Interest income (interest expense) | 39 | 45 | 1 | 1 | 38 | 44 | – 14 |
| Changes from currency translation | 3 | – 2 | 6 | – 2 | – 3 | – | – |
| Benefits paid | – 79 | – 76 | – 2 | – 2 | – 77 | – 74 | 4 |
| Employer contributions | – | – | 1 | 1 | – 1 | – 1 | – |
| Reversals | – | 1 | – | – | – | 1 | – 100 |
| | **3 260** | **3 035** | **54** | **45** | **3 206** | **2 990** | **7** |
| Revaluation | | | | | | | |
| Adjustments made on the basis of experience | – 31 | 24 | – | – | – 31 | 24 | > 100 |
| Profit / losses from the change in demographic assumptions | – | 6 | – | – | – | 6 | – 100 |
| Profit / losses from the change in financial assumptions | – 194 | 188 | – | – | – 194 | 188 | > 100 |
| Income from plan assets (Without interest income) | – | – | – 4 | 3 | 4 | – 3 | > 100 |
| **Closing balance** | **3 035** | **3 253** | **50** | **48** | **2 985** | **3 205** | **– 7** |

In addition to the pension commitments, the present value of the defined benefit liability included commitments to benefit payments in the amount of € 359 million (€ 371 million).

The defined benefit liability is broken down as at the reporting date into amounts from defined benefit plans in the amount of € 3,035 million (€ 3,253 million), which are not funded from a fund.

The fair value of plan assets is comprised as follows:

| | 31 Dec.2021 (in € million) | 31 Dec.2020 (in € million) | Change (in %) |
|---|---|---|---|
| Equity instruments | | | |
| Active market | 20 | 19 | 5 |
| Debt instruments | | | |
| Active market | 18 | 18 | – |
| Other financial assets | | | |
| Active market | 8 | 7 | 14 |
| Inactive market | 4 | 4 | – |
| | **12** | **11** | **9** |
| **Total** | **50** | **48** | **4** |

Own debt or equity instruments, other assets held for own use or real estate held for own use are not included in the fair value of the plan assets. Other assets included asset values of reinsurance policies in the amount of € 4 million (€ 4 million).

The following table shows the maturities of the expected undiscounted defined benefit liabilities:

| (in € million) | Pensions expenses 31 Dec.2021 | Pensions expenses 31 Dec.2020 |
|---|---|---|
| Less than 1 year | 76 | 75 |
| Between 1 and 2 years | 79 | 78 |
| Between 2 and 3 years | 82 | 82 |
| Between 3 and 4 years | 86 | 85 |
| Between 4 and 5 years | 90 | 89 |
| **Total** | **413** | **409** |

The duration of the defined benefit pension liability is 21 (21) years and is reviewed each year by an actuarial appraiser.

Due to actuarial assumptions, the defined benefit liability is subject to change. The following bandwidth analysis indicates the effects of the changes in the respective assumptions listed on the amount of the defined benefit liability based on the assumptions that there are no correlations and that the other assumptions remain unchanged.

| (in € million) | Increase 31 Dec.2021 | Decline 31 Dec.2021 | Increase 31 Dec.2020 | Decline 31 Dec.2020 |
|---|---|---|---|---|
| Actuarial interest rate | 312 | 270 | 350 | 301 |
| Wages | 21 | 21 | 22 | 22 |
| Pensions | 75 | 72 | 84 | 80 |
| Cost increase rate for allowance payments | 82 | 62 | 71 | 75 |
| Mortality, invalidity, etc. | 150 | 148 | 167 | 163 |

A sensitivity of -/+ 0.50 (0.50) per cent was assumed for the actuarial interest rate, -/+ 0.25 (0.25) percent for the salary and pension trend, and 1.0 (1.0) per cent for benefit payments. With a constant probability of mortality of 88.2 (88.2) per cent compared to the previous year, this only results in effects on the scope of liabilities as a result of the higher actuarial interest rate compared to the previous year and the resulting lower liability volume. Due to materiality aspects, only a domestic sensitivity analysis was performed.

Other provisions changed as follows in the reporting year:

| (in € million) | Provisions for personnel | Provisions in lending business | Provisions for litigation and recourse risks | Provisions for restructuring measures | Other provisions | **Total** |
|---|---|---|---|---|---|---|
| **1.1.** | **61** | **65** | **16** | **514** | **48** | **704** |
| Utilisation | 7 | – | 1 | 32 | 6 | **46** |
| Resolutions | 2 | 39 | 2 | 23 | 15 | **81** |
| Additions | 3 | 30 | 13 | 7 | 24 | **77** |
| Reversals | – | – | – | – | 2 | **2** |
| Effects on changes of currency translation and other changes | – | – 1 | – | – 4 | – | **– 5** |
| **31 Dec.** | **55** | **55** | **26** | **462** | **53** | **651** |

The restructuring provisions resulted primarily from the NORD/LB 2024 transformation programme and the previous One Bank reorganisation programme of the NORD/LB Group. They related to early retirement-related measures in connection with the leveraging of synergies in the NORD/LB Group and the resizing of the Group as part of the implementation of the new business model. With regard to the severance payments, a corresponding transfer was made to liabilities at the time of the contract. For the restructuring provisions for early retirement measures, there were still estimation uncertainties regarding the amount and timing of utilisation at the time the provision is formed. These related to the life expectancy of the beneficiaries and the social security contributions to be paid. The NORD/LB Group expects significant use over the next four to ten years.

A large part of the provisions for obligations arising from human resources have a long-term character. This included provisions of € 4 million (€ 9 illion) due to restructuring measures. The restructuring measures resulted from an efficiency improvement programme launched in 2011 and did not meet the definition of restructuring measures in accordance with IAS 37.70. Both the provisions due to restructuring measures and the provisions for early retirement schemes of € 5 million (€ 9 million), which are also included in the provisions for HR liabilities, are highly dependent on individual cases and are therefore still subject to uncertainties. Provisions are used successively in subsequent periods. Other provisions for human resources are mainly of a short-term nature.

With regard to provisions for litigation and recourse risks, there are uncertainties with regard to the amount and timing of the utilisation of these provisions on the basis of low empirical values and the diversity of the underlying facts as well as the uncertainty with regard to the outcome of possible legal or arbitration proceedings.

All other provisions are essentially due in the long term.

### (54) Income Tax Liabilities

| | 31 Dec.2021 (in € million) | 31 Dec.2020 (in € million) | Change (in %) |
|---|---|---|---|
| Current income tax liabilities | 37 | 29 | 28 |
| Deferred income taxes | 49 | 64 | – 23 |
| **Total** | **86** | **93** | **– 8** |

Current income tax liabilities include payment obligations from current income taxes to domestic and foreign tax authorities.

Deferred tax liabilities represent the potential income tax burden from temporary differences between the values of assets and liabilities in the IFRS consolidated balance sheet and the tax values in accordance with the internal tax guidelines of the Group companies. The total deferred tax liabilities recognised in other comprehensive income (OCI) amounted to € 48 million (€ 108 million) as at 31 December 2021.

Deferred tax liabilities relate to the following balance sheet items:

| | 31 Dec.2021 (in € million) | 31 Dec.2020 (in € million) | Change (in %) |
|---|---|---|---|
| **Assets** | | | |
| Trading assets | 30 | 207 | – 86 |
| Financial assets at fair value through profit or loss | 4 | 10 | – 60 |
| Financial assets at fair value through other comprehensive income | 213 | 232 | – 8 |
| Financial assets at amortised costs | 44 | 425 | – 90 |
| Positive fair values from hedge accounting derivatives | 243 | 354 | – 31 |
| Shares in companies | 3 | 3 | – |
| Property and equipment | 122 | 123 | – 1 |
| Intangible assets | 22 | 19 | 16 |
| Other assets | 293 | 218 | 34 |
| **Liabilities** | | | |
| Trading liabilities | – | 199 | – 100 |
| Designated financial liabilities at fair value through profit or loss | 3 | 3 | – |
| Financial liabilities at amortised costs | 531 | 366 | 45 |
| Provisions | 14 | 17 | – 18 |
| Other laibilities | 25 | 12 | > 100 |
| **Total** | **1 547** | **2 188** | **– 29** |
| Net | 1 498 | 2 124 | – 29 |
| **Total** | **49** | **64** | **– 23** |

In addition to deferred taxes, which are recognised in the income statement, deferred tax liabilities from financial assets at fair value through other comprehensive income included € 48 million (€ 108 million), which was recognised in other comprehensive income (OCI). For taxable differences from shares in subsidiaries in the amount of € 22 million (€ 24 million), no deferred tax liabilities were recognised in accordance with IAS 12.39.

### (55) Other Liabilities

| | 31 Dec.2021 (in € million) | 31 Dec.2020[1] (in € million) | Change (in %) |
|---|---|---|---|
| Liabilities from interim accounts | 137 | 61 | > 100 |
| Liabilities from short-term employee remuneration | 26 | 5 | > 100 |
| Liabilities resulting from unsettled invoices | 29 | 33 | – 12 |
| Liabilities from payable taxes and social insurance contributions | 36 | 13 | > 100 |
| Defferred item | 8 | 9 | – 11 |
| Liabilities from leasing | 67 | 78 | – 14 |
| Other liabilities | 130 | 141 | – 8 |
| **Total** | **433** | **340** | **27** |

[1] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

Liabilities on interim accounts are mainly liabilities in connection with the lending business, securities trading business and transactions on payment accounts.

Liabilities from short-term employee compensation mainly consist of remaining vacation entitlements as well as bonuses and emoluments; the latter will be paid out to employees of the Group in the first half of 2022.

With regard to liabilities from leasing transactions, please refer to Notes (16) Leases and (71) Leasing agreements.

### (56) Equity

Composition of equity:

| | 31 Dec.2021 (in € million) | 31 Dec.2020[1] (in € million) | Change (in %) |
|---|---|---|---|
| Issued capital | 3 083 | 2 972 | 4 |
| Capital reserve | 2 589 | 2 589 | – |
| Retained earnings | 973 | 978 | – 1 |
| Accumulated OCI | – 808 | – 803 | 1 |
| Currency translation reserve | – 9 | – 13 | – 31 |
| **Equity attributable to the owners of NORD/LB** | **5 828** | **5 723** | **2** |
| Additional equity | 50 | 50 | – |
| Non-controlling interests | 2 | 2 | – |
| **Total** | **5 880** | **5 775** | **2** |

[1] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

As the owners of NORD/LB, Niedersachsen Invest GmbH (NIG) held stakes of 41.38 per cent (42.92 per cent), Hannoversche Beteiligungsgesellschaft Niedersachsen mbH (HanBG) 15.38 per cent (12.23 per cent), Land Sachsen-Anhalt 6.42 per cent (6.66 per cent), FIDES Gamma GmbH and FIDES Delta GmbH each hold 12.27 per cent (12.73 per cent), Sparkassenverband Niedersachsen (SVN) 9.16 per cent (9.51 per cent), Sparkassenbeteiligungsverband Sachsen-Anhalt (SBV) 1.83 per cent (1.90 per cent) and Sparkassenzweckszweckverband Mecklenburgenburgenburg-Vorpommern (SZV) 1.27 per cent (1.32 per cent) as at the reporting date. NIG and HanBG act for the State of Lower Saxony. The commissions paid to HanBG as part of the guarantees granted by the State of Lower Saxony were contributed by HanBG to NORD/LB, so that the subscribed capital increased by € 111 million to € 3,083 million with effect from the beginning of

31 December 2021. Accordingly, the ownership structure of the owners changed compared with the previous year.

The capital reserve included the amounts (premium) paid in the case of capital increases by NORD/LB's owners in excess of the subscribed capital as well as silent participations totalling € 10 million (€ 10 million), which represent equity in accordance with IAS 32 in accordance with their economic nature. The profit share for silent participations amounted to € 0 million (€ 0 million).

Retained earnings include the profits retained in the Group in previous reporting years as well as the allocation of the net result less the shares of other shareholders in the result.

The cumulative other comprehensive income (OCI) item includes the effects of the measurement of financial assets at fair value through other comprehensive income, the pro rata changes in equity of the shares in companies accounted for using the equity method and the effects of the revaluation of the net assets from defined benefit pension plans. Changes in designated financial liabilities at fair value through profit or loss due to changes in own credit risk

The reserve for currency translation contains the effects resulting from the application of the modified exchange rate on the reporting date from the translation of the annual financial statements of foreign business units with a functional currency that differs from the euro.

The amount of € 50 million (€ 50 million) presented under additional equity components related to a tranche of additional Tier 1 bonds (AT1 bonds) issued in the NORD/LB Group.

In addition, other shareholders are also involved in the NORD/LB Group's equity. These hold shares in the equity of subsidiaries and are reported as non-controlling interests (NCI) in Group equity. There are no margin commitments for the minority interests disclosed in the NCI.

No dividend was paid for 2020.

Similarly, no dividend distribution is planned for 2021.

## Notes to the Cash Flow Statement

The cash flow statement shows the change in cash and cash equivalents in the reporting year due to cash flows from operating, investing and financing activities.

Cash and cash equivalents are defined as cash reserves (cash in hand and balances held at central banks). There are no restrictions on the use of cash and cash equivalents.

The cash flow from operating activities is determined on the basis of the consolidated result using the indirect method. Expenses and income that were not recognised in cash in the reporting year are initially allocated or deducted. In addition, all expenses and income that were reported to cash but cannot be allocated to the operating business unit are eliminated. These payments are recognised in the cash flows from investing or financing activities.

In accordance with the recommendations of the IASB, payment transactions from receivables, from securities in the trading portfolio and from liabilities are reported as cash flow from operating activities.

Cash flow from investing activities comprises payment transactions for the investment portfolio as well as incoming and outgoing payments for property and equipment and the acquisition of subsidiaries.

Cash flow from financing activities comprises cash flows from changes in equity and hybrid capital (subordinated capital) and interest payments on subordinated capital.

In addition to the information in the cash flow statement, the following shows the changes in equity, subordinated capital and lease liabilities from the opening balance to the closing balance:

| | Equity | | Subordinated capital | | Lease | |
|---|---|---|---|---|---|---|
| (in € million) | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **01 January** | **5 775** | **5 768** | **2 258** | **3 136** | **73** | **87** |
| Consolidated profit/loss | 19 | 13 | – | – | – | – |
| Repayment | – | – | – 90 | – 498 | – 24 | – 19 |
| Interests | – | – | – | – | – 7 | – 2 |
| Other cash changes | – | – | – | – | – 5 | – 2 |
| No cash changes | | | | | | |
| Changes due to acquisition or loss of control of subsidiaries or other business operations | 107 | – | – | – | – | – |
| Exchange rate-related changes | – | – 4 | 61 | – 67 | – | – |
| Other changes | – 21 | – 2 | 66 | – 313 | 26 | 9 |
| **31 December** | **5 880** | **5 775** | **2 295** | **2 258** | **63** | **73** |

In transactions that led to the acquisition or loss of control of subsidiaries and other business units in the reporting period, remuneration of € 0 million (€ 0 million) was paid in the reporting period or € 107 million (€ 0 million) was received in cash and cash equivalents. The assets and liabilities of the subsidiaries over which control was gained or lost during the financial year are as follows:

| Assets | Acquisition of control | | Loss of control | |
|---|---|---|---|---|
| (in € million) | 31 Dec. 2021 | 31 Dec. 2020 | 31 Dec. 2021 | 31 Dec. 2020 |
| Shares in companies | – | – | 18 | 6 |
| Assets held for sale | – | 67 | 67 | – |
| Deferred income taxes | – | – | – | 5 |
| **Total assets** | **–** | **67** | **85** | **11** |

| Liabilities | Acquisition of control | | Loss of control | |
|---|---|---|---|---|
| (in € million) | 31 Dec. 2021 | 31 Dec. 2020 | 31 Dec. 2021 | 31 Dec. 2020 |
| Financial liabilities at amortised costs | – | – | – | 6 |
| **Total liabilities** | **–** | **–** | **–** | **6** |

# Other Disclosures

## Notes on Financial Instruments

### (57) Fair Value Hierarchy

The fair values of financial assets and their classification in the fair value hierarchy are compared with their carrying amounts in the following table.

| | 31 Dec.2021 | | | | | |
|---|---|---|---|---|---|---|
| (in € million) | Level 1 | Level 2 | Level 3 | Total fair values | Carrying amount | Difference |
| **Assets** | | | | | | |
| Cash reserve | 6 930 | – | – | 6 930 | 6 930 | – |
| Trading assets | 8 | 4 124 | 2 307 | 6 439 | 6 439 | – |
| Positive fair values from derivatives | – | 3 032 | 117 | 3 149 | 3 149 | – |
| Interest-rate risks | – | 2 851 | 9 | 2 860 | 2 860 | – |
| Currency risks | – | 123 | – | 123 | 123 | – |
| Share-price and other price risks | – | 2 | – | 2 | 2 | – |
| Credit derivatives | – | 56 | 108 | 164 | 164 | – |
| Debt securities and other fixed interest securities | 8 | 772 | 2 | 782 | 782 | – |
| Loans and advances | – | 320 | 2 188 | 2 508 | 2 508 | – |
| Financial assets mandatorily at fair value through profit or loss | 463 | 198 | 298 | 959 | 959 | – |
| Equity instruments | 19 | 1 | – | 20 | 20 | – |
| Debt securities and other fixed interest securities | 444 | 194 | – | 638 | 638 | – |
| Loans and advances | – | 3 | 298 | 301 | 301 | – |
| Financial assets at fair value through other comrehensive income | 1 406 | 10 721 | 903 | 13 030 | 13 030 | – |
| Debt securities and other fixed interest securities | 1 406 | 10 721 | 31 | 12 158 | 12 158 | – |
| Loans and advances | – | – | 872 | 872 | 872 | – |
| Financial assets at amortised cost | 161 | 3 601 | 82 286 | 86 048 | 84 596 | 1 452 |
| Debt securities and other fixed interest securities | 50 | 3 601 | – | 3 651 | 3 593 | 58 |
| Loans and advances | 111 | – | 82 286 | 82 397 | 81 003 | 1 394 |
| Positive fair values from hedge accounting derivatives | – | 468 | 6 | 474 | 474 | – |
| Positive fair values from allocated micro fair value hedge derivatives | – | 468 | 6 | 474 | 474 | – |
| Interest-rate risks | – | 461 | 6 | 467 | 467 | – |
| Currency risks | – | 7 | – | 7 | 7 | – |
| Balancing items for financial instruments hedged in in the portfolio fair value hedge | – | – | – | –[1] | 284 | – 284 |
| Shares in companies | 21 | – | 324 | 345 | 345 | – |
| **Total** | **8 989** | **19 112** | **86 124** | **114 225** | **113 057** | **1 168** |

[1] Contributions relating to the assets item "Balancing items for financial instruments hedged in the portfolio fair value hedge" are shown in the fair values of the hedged financial instruments.

| (in € million) | 31 Dec.2020 Level 1[2] | Level 2 | Level 3 | Total fair values | Carrying amount[2] | Difference |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash reserve | 6 031 | – | – | 6 031 | 6 031 | – |
| Trading assets | 345 | 7 171 | 2 285 | 9 801 | 9 801 | – |
| Positive fair values from derivatives | – | 4 604 | 98 | 4 702 | 4 702 | – |
| Interest-rate risks | – | 4 228 | 2 | 4 230 | 4 230 | – |
| Currency risks | – | 357 | – | 357 | 357 | – |
| Share-price and other price risks | – | 1 | 1 | 2 | 2 | – |
| Credit derivatives | – | 18 | 95 | 113 | 113 | – |
| Debt securities and other fixed interest securities | 345 | 1 794 | 63 | 2 202 | 2 202 | – |
| Loans and advances | – | 773 | 2 124 | 2 897 | 2 897 | – |
| Financial assets mandatorily at fair value through profit or loss | 742 | 360 | 251 | 1 353 | 1 353 | – |
| Equity instruments | 20 | – | – | 20 | 20 | – |
| Debt securities and other fixed interest securities | 722 | 227 | – | 949 | 949 | – |
| Loans and advances | – | 133 | 251 | 384 | 384 | – |
| Financial assets at fair value through other comrehensive income | 2 455 | 11 237 | 1 221 | 14 913 | 14 913 | – |
| Debt securities and other fixed interest securities | 2 455 | 11 237 | 163 | 13 855 | 13 855 | – |
| Loans and advances | – | – | 1 058 | 1 058 | 1 058 | – |
| Financial assets at amortised cost | 375 | 6 537 | 87 451 | 94 363 | 90 745 | 3 618 |
| Debt securities and other fixed interest securities | 237 | 3 635 | – | 3 872 | 3 825 | 47 |
| Loans and advances | 138 | 2 902 | 87 451 | 90 491 | 86 920 | 3 571 |
| Positive fair values from hedge accounting derivatives | – | 856 | – | 856 | 856 | – |
| Positive fair values from allocated micro fair value hedge derivatives | – | 773 | – | 773 | 773 | – |
| Interest-rate risks | – | 755 | – | 755 | 755 | – |
| Currency risks | – | 18 | – | 18 | 18 | – |
| Positive fair values from allocated portfolio fair value hedge derivatives | – | 83 | – | 83 | 83 | – |
| Interest-rate risks | – | 83 | – | 83 | 83 | – |
| Balancing items for financial instruments hedged in in the portfolio fair value hedge | – | – | – | –[1] | 425 | – 425 |
| Shares in companies | 10 | – | 312 | 322 | 322 | – |
| Other assets (only financial instruments) measured at fair value | – | 4 | – | 4 | 4 | – |
| **Total** | **9 958** | **26 165** | **91 520** | **127 643** | **124 450** | **3 193** |

[1] Contributions relating to the assets item “Balancing items for financial instruments hedged in the portfolio fair value hedge” are shown in the fair values of the hedged financial instruments.
[2] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year’s figures.

The fair values of financial liabilities and their classification in the fair value hierarchy are compared with their carrying amounts in the following table.

| | 31 Dec.2021 | | | | | |
|---|---|---|---|---|---|---|
| (in € million) | Level 1 | Level 2 | Level 3 | Total fair values | Carrying amount | Difference |
| **Liabilities** | | | | | | |
| Trading liabilities | – | 2 040 | 29 | 2 069 | 2 069 | – |
| Negative fair values from derivatives | – | 2 021 | 29 | 2 050 | 2 050 | – |
| Interest-rate risks | – | 1 598 | 29 | 1 627 | 1 627 | – |
| Currency risks | – | 417 | – | 417 | 417 | – |
| Share-price and other price risks | – | 1 | – | 1 | 1 | – |
| Credit derivatives | – | 5 | – | 5 | 5 | – |
| Delivery obligations from short-sales | – | 19 | – | 19 | 19 | – |
| Financial liabilities designated at fair value through profit or loss | 505 | 2 222 | 2 918 | 5 645 | 5 645 | – |
| Deposits | – | 1 753 | 2 180 | 3 933 | 3 933 | – |
| Securitised liabilities | 505 | 469 | 738 | 1 712 | 1 712 | – |
| Financial liabilities at amortised cost | 1 386 | 35 215 | 60 845 | 97 446 | 95 284 | 2 162 |
| Deposits | – | 18 984 | 57 463 | 76 447 | 74 411 | 2 036 |
| Securitised liabilities | 1 386 | 16 231 | 3 382 | 20 999 | 20 873 | 126 |
| Negative fair values from hedge accounting derivatives | – | 1 099 | – | 1 099 | 1 099 | – |
| Negative fair values from allocated micro fair value hedge derivatives | – | 1 066 | – | 1 066 | 1 066 | – |
| Interest-rate risks | – | 895 | – | 895 | 895 | – |
| Currency risks | – | 171 | – | 171 | 171 | – |
| Negative fair values from allocated portfolio fair value hedge derivatives | – | 33 | – | 33 | 33 | – |
| Interest-rate risks | – | 33 | – | 33 | 33 | – |
| Balancing items for financial instruments hedged in in the portfolio fair value hedge | – | – | – | –[1)] | 531 | – 531 |
| Other liabilities (only financial instruments) not recognised at fair value | – | – | 1 | 1 | 1 | – |
| **Total** | **1 891** | **40 576** | **63 793** | **106 260** | **104 629** | **1 631** |

[1)] Contributions relating to the liabilities item “Balancing items for financial instruments hedged in the portfolio fair value hedge” are shown in the fair values of the hedged financial instruments.

| (in € million) | 31 Dec.2020 Level 1 | Level 2[2] | Level 3[2] | Total fair values | Carrying amount[2] | Difference |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Trading liabilities | – | 3 001 | 152 | 3 153 | 3 153 | – |
| Negative fair values from derivatives | – | 2 953 | 152 | 3 105 | 3 105 | – |
| Interest-rate risks | – | 2 595 | 123 | 2 718 | 2 718 | – |
| Currency risks | – | 355 | – | 355 | 355 | – |
| Share-price and other price risks | – | 1 | – | 1 | 1 | – |
| Credit derivatives | – | 2 | 29 | 31 | 31 | – |
| Delivery obligations from short-sales | – | 48 | – | 48 | 48 | – |
| Financial liabilities designated at fair value through profit or loss | 1 055 | 2 605 | 2 894 | 6 554 | 6 554 | – |
| Deposits | – | 1 978 | 2 166 | 4 144 | 4 144 | – |
| Securitised liabilities | 1 055 | 627 | 728 | 2 410 | 2 410 | – |
| Financial liabilities at amortised cost | 1 866 | 41 149 | 63 732 | 106 747 | 103 383 | 3 364 |
| Deposits | – | 22 110 | 59 476 | 81 586 | 78 539 | 3 047 |
| Securitised liabilities | 1 866 | 19 039 | 4 256 | 25 161 | 24 844 | 317 |
| Negative fair values from hedge accounting derivatives | – | 1 966 | – | 1 966 | 1 966 | – |
| Negative fair values from allocated micro fair value hedge derivatives | – | 1 930 | – | 1 930 | 1 930 | – |
| Interest-rate risks | – | 1 765 | – | 1 765 | 1 765 | – |
| Currency risks | – | 165 | – | 165 | 165 | – |
| Negative fair values from allocated portfolio fair value hedge derivatives | – | 36 | – | 36 | 36 | – |
| Interest-rate risks | – | 36 | – | 36 | 36 | – |
| Balancing items for financial instruments hedged in in the portfolio fair value hedge | – | – | – | –[1] | 1 003 | – 1 003 |
| Other liabilities (only financial instruments) not recognised at fair value | – | – | 1 | 1 | 1 | – |
| **Total** | **2 921** | **48 721** | **66 779** | **118 421** | **116 060** | **2 361** |

[1] Contributions relating to the liabilities item “Balancing items for financial instruments hedged in the portfolio fair value hedge” are shown in the fair values of the hedged financial instruments.
[2] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year’s figures.

The transfers within the fair value hierarchy are summarised as follows:

| 2021 (in € million) | From level 1 to level 2 | From level 2 to level 1 | From level 2 to level 3 | From level 3 to level 2 |
|---|---|---|---|---|
| Trading assets | 1 | – | 22 | 30 |
| Debt securities and other fixed interest securities | 1 | – | – | – |
| Loans and advances | – | – | 22 | 30 |
| Financial assets at fair value through profit or loss | – | 25 | – | – |
| Debt securities and other fixed interest securities | – | 25 | – | – |
| Financial assets at fair value through other comrehensive income | 262 | 78 | – | 9 |
| Debt securities and other fixed interest securities | 262 | 78 | – | 9 |
| Designated financial liabilities at fair value through profit or loss | – | – | 13 | 12 |
| Deposits | – | – | 13 | 11 |
| Securitised liabilities | – | – | – | 1 |

| 2020<br>(in € million) | From level 1 to level 2 | From level 2 to level 1 | From level 2 to level 3[1] | From level 3 to level 2 |
|---|---|---|---|---|
| Trading assets | 19 | 1 | 154 | 1 |
| Debt securities and other fixed interest securities | 19 | 1 | – | – |
| Loans and advances | – | – | 154 | 1 |
| Financial assets at fair value through profit or loss | 26 | 1 | 55 | – |
| Equity instruments | – | 1 | – | – |
| Debt securities and other fixed interest securities | 26 | – | – | – |
| Loans and advances | – | – | 55 | – |
| Financial assets at fair value through other comrehensive income | 1 634 | 113 | 62 | – |
| Debt securities and other fixed interest securities | 1 634 | 113 | 62 | – |
| Trading liabilities | – | – | 7 | – |
| Negative fair values from derivatives | – | – | 7 | – |
| Interest-rate risks | – | – | 7 | – |
| Designated financial liabilities at fair value through profit or loss | – | – | 1 270 | 117 |
| Deposits | – | – | 595 | 117 |
| Securitised liabilities | – | – | 675 | – |

[1] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

Most level transfers as at the reporting date compared with 31 December 2020 took place between Level 1 and Level 2. These transfers are due to changes in trading activity.

The date of the transfer between the individual levels is the end of the reporting period.

The change in financial assets and liabilities in Level 3 of the fair-value hierarchy is as follows:

| | Trading assets | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Positive fair values from derivatives Iterest-rate risks | | Positive fair values from derivatives Share-price and other price risks | | Positive fair values from derivatives credit derivatives | | Debt securities and other fixed interest securities | | Loans and advances to trading and other trading assets | |
| (in € million) | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **1 Jan.** | **2** | **11** | **1** | **–** | **95** | **3** | **63** | **28** | **2 124** | **1 782** |
| Effect in the income statement [1] | – 1 | – 9 | – 1 | 1 | 13 | 92 | – | 3 | – 140 | 54 |
| Addition through purchase or issue | 8 | – | – | – | – | – | 31 | 110 | 1 971 | 1 391 |
| Disposal from sale | – | – | – | – | – | – | 92 | 78 | 1 770 | 1 106 |
| Repayment/exercise | – | – | – | – | – | – | – | – | 9 | 136 |
| Addition from level 1 and 2 | – | – | – | – | – | – | – | – | 22 | 154 |
| Disposal to level 1 and 2 | – | – | – | – | – | – | – | – | 30 | 1 |
| Changes from the basis of consolidation | – | – | – | – | – | – | – | – | – | – 1 |
| Change from currency translation | – | – | – | – | – | – | – | – | 20 | – 13 |
| **31 Dec.** | **9** | **2** | **–** | **1** | **108** | **95** | **2** | **63** | **2 188** | **2 124** |
| For information:<br>Effect on income statement for financial instruments still held [1] | – 1 | – | – 1 | – | 13 | 93 | – | – | – 65 | 48 |

[1] The effects reported include net interest income and deferrals, measurement gains/losses and realised profit/loss; these are reported in the income statement under the items net interest income and profit/loss from financial assets at fair value.

| (in € million) | Financial assets at fair value through profit or loss<br>Loans and advances<br>2021 | 2020 |
|---|---|---|
| **1 Jan.** | **251** | **357** |
| Effect in the income statement [1] | 240 | 200 |
| Addition through purchase or issue | 98 | 87 |
| Repayment/exercise | 291 | 448 |
| Addition from level 1 and 2 | – | 55 |
| **31 Dec.** | **298** | **251** |
| For information:<br>Effect on income statement for financial instruments still held [1] | 124 | – 53 |

[1] The effects reported include net interest income and deferrals, measurement gains/losses and realised profit/loss; these are reported in the income statement under the items net interest income and profit/loss from financial assets at fair value.

| (in € million) | Debt securities and other fixed interest securities<br>2021 | 2020 | Loans and advances<br>2021 | 2020 |
|---|---|---|---|---|
| **1 Jan.** | **163** | **45** | **1 058** | **1 427** |
| Effect in the income statement [1] | – | – | – 12 | – 17 |
| Effect in other comprehensive income (OCI) | 1 | – | – 29 | – 9 |
| Addition through purchase or issue | – | 70 | – | – |
| Disposal from sale | 23 | – | – | – |
| Repayment/exercise | 103 | 14 | 145 | 343 |
| Addition from level 1 and 2 | – | 62 | – | – |
| Disposal to level 1 and 2 | 9 | – | – | – |
| Change from currency translation | 2 | – | – | – |
| **31 Dec.** | **31** | **163** | **872** | **1 058** |
| For information:<br>Effect on income statement for financial instruments still held [1] | – | – | – 9 | – 10 |

[1] The effects reported include net interest income and deferrals, measurement gains/losses and realised profit/loss; these are reported in the income statement under the items net interest income, profit/loss from risk provisioning, and disposal profit/loss from financial instruments that are not measured at fair value through profit or loss.

| (in € million) | Positive fair values from hedge accounting derivatives<br>Positive fair values from allocated micro fair value hedge derivatives<br>2021 | 2020 |
|---|---|---|
| **1 Jan.** | **–** | **–** |
| Addition through purchase or issue | **6** | **–** |
| **31 Dec.** | **6** | **–** |

[1] The effects reported include net interest income and deferrals, measurement gains/losses and realised profit/loss; these are reported in the income statement under the items net interest income and profit/loss from hedge accounting.

| (in € million) | Shares in companies 2021 | 2020 | Financial assets held for sale measured at fair value 2021 | 2020 |
|---|---|---|---|---|
| **1 Jan.** | 312 | 328 | – | 42 |
| Effect in the income statement [1] | 21 | – 17 | – | – |
| Disposal from sale | 9 | 3 | – | 42 |
| Changes from the basis of consolidation | – | 4 | – | – |
| **31 Dec.** | **324** | **312** | **–** | **–** |
| For information:<br>Effect on income statement for financial instruments still held [1] | 21 | – 17 | – | – |

[1] The effects reported include net interest income and deferrals, measurement gains/losses and realised profit/loss; these are reported in the income statement under the items net interest income, profit/loss from financial assets at fair value, risk provisioning, disposal profit/loss from financial instruments that are not measured at fair value through profit or loss, profit/loss from shares in companies, administrative expenses and other operating result.

| | Trading liabilities | | | |
|---|---|---|---|---|
| (in € million) | Negative fair values from derivatives interest-rate risks 2021 | 2020 | Negative fair values from derivatives credit derivatives 2021 | 2020 |
| **1 Jan.** | **123** | **69** | **29** | **51** |
| Effect on the income statement [1] | – 116 | – 69 | – 29 | – 22 |
| Addition through purchase or issue | 22 | 116 | – | – |
| Addition from level 1 and 2 | – | 7 | – | – |
| **31 Dec.** | **29** | **123** | **–** | **29** |
| For information:<br>Effect on income statement for financial instruments still held [1] | – | – | – 7 | – 22 |

[1] The effects reported include net interest income and deferrals, measurement gains/losses and realised profit/loss; these are reported in the income statement under the items net interest income and profit/loss from financial assets at fair value.

| | Designated financial liabilities at fair value through profit or loss | | | |
|---|---|---|---|---|
| (in € million) | Deposits 2021 | 2020[2] | Securitised liabilities 2021 | 2020[2] |
| **1 Jan.** | **2 166** | **1 632** | **728** | **–** |
| Effect in the income statement [1] | – 88 | 44 | – 16 | – 1 |
| Effect in other comprehensive income (OCI) | 28 | 20 | 16 | 1 |
| Addition through purchase or issue | 154 | 158 | 74 | 53 |
| Repayment/exercise | 82 | 166 | 63 | – |
| Addition from level 1 and 2 | 13 | 595 | – | 675 |
| Disposal to level 1 and 2 | 11 | 117 | 1 | – |
| **31 Dec.** | **2 180** | **2 166** | **738** | **728** |
| For information:<br>Effect on income statement for financial instruments still held [1] | – 88 | 56 | – 17 | – 1 |

[1] The effects reported include net interest income and deferrals, measurement gains/losses and realised profit/loss; these are reported in the income statement under the items net interest income and profit/loss from financial assets at fair value.
[2] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year’s figures.

The following significant non-observable input data were used for the fair value measurement of financial instruments classified in Level 3.

| Product | Fair value 31 Dec.2021 (in € million) | Significant non-observable input data in the fair value measurement | Spread of the used input data | Weighted average |
|---|---|---|---|---|
| Interest-bearing bond (liabilities) | 738 | Discount rate | -0,3 - 1,7% | 0,3% |
| Participations | 324 | Discount rate | 6,4 - 9,1% | 8,9% |
| Loans (assets) | 1 813 | Rating | Rating Class (27er DSGV- Skala) 1-20 | Averaged Rating 4 |
| | 19 | | | |
| | 1 558 | Cashflow | 0 - 2,5% | 0,3% |
| Loans (liabilities) | 2 164 | Discount rate | -0,3 - 1,8% | 1,3% |
| | 15 | Hstorical volatilities | 10% | 10% |
| Derivatives (assets) | 45 | Rating | Rating class (27er DSGV- Skala) 1-27 | Averaged Rating 11 |
| | 64 | | Rating class (27er DSGV- Skala) 10-25 | Averaged Rating 18 |
| | 8 | Correlation | 81 - 121 | 101 |
| | 1 | Historical volatilities | 0,6 - 0,8 | 0,7 |
| Derivatives (liabilities) | 2 | Rating | Rating class (27er DSGV- Skala) 9-12 | Averaged Rating 12 |
| | 27 | Price of underlyings | 99 - 142 | 112 |

Changes to the material input that cannot be observed on the market may result in a significantly higher or lower fair value. As part of the sensitivity analysis, the respective input parameter was improved and deteriorated in accordance with the following table. The potential change in the fair value of Level 3 from the suggested change to the parameter is specified below.

| Product | Significant non-observable input data in the fair value measurement | Changes in sensitivity analysis | Potential changes in fair value 31 Dec. 2021 (in € million) | Potential changes in fair value 31 Dec.2021 (in € million) |
|---|---|---|---|---|
| Interest-bearing bond (liabilities) | Discount rate | +/- 10 basis points | -/+ 3 | +/- 4 |
| Participations | Discount rate | +/- 50 basis points | -17; 7 | -17; 0 |
| Loans (assets) | Rating | +/- 1 rating grade | -/+ 1 | +/- 1 |
| | Discount rate | +/- 10 per cent | -/+ 10 | +/- 56 |
| | Cashflow | +/- 1 per cent | +/- 0,2 | +/- 1 |
| Loans (liabilities) | Discount rate | +/- 10 per cent | -/+ 21 | +/- 29 |
| Derivatives (assets) | Rating | +/- 1 rating grade | 22; -19 | 67; -70 |
| | Correlation | | +/- 0,1 | – |
| | Historical volatilities | +/- 5 per cent | -/+ 0,3 | – |
| Derivatives (liabilities) | Rating | +/- 1 rating grade | -0,5; 0,4 | -0,5; 0,4 |
| | Underlying | +/- ein Prozent | +/- 0,3 | -/+ 1 |

There are no relevant correlations between significant Level 3 input for the fair value measurement of Level 3 financial instruments. This therefore did not have any impact on fair value.

### (58) Day-One Profits or Losses

Day-one profits or losses arising in the NORD/LB Group and their changes are presented below.

| | Financial liabilities designated at fair value through profit or loss | |
|---|---|---|
| (in € million) | 2021 | 2020[1] |
| **1 Jan.** | **46** | **39** |
| New transactions Day-One Profits | **16** | **9** |
| Effect on the income statement | **– 3** | **– 2** |
| **31 Dec.** | **59** | **46** |

[1] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

Day-one profits or losses arise in the NORD/LB Group when there are significant price differences between the primary and secondary markets on the same day in the case of long-term structured issues. Moreover, in the present case, the secondary market has a larger trading volume and a stronger trading volume than the primary market. The primary market, as the market on which the issue takes place, is therefore not identical to the main market or the most advantageous market, and the transaction price of the issue does not therefore correspond to the fair value.

The amount of the day-one profit or loss is determined at the level of the individual transaction. For this purpose, the difference between the balance sheet valuation and the issue market value is determined at the value date. Since not all valuation-relevant input factors are observable on the market, day-one profit or loss must be amortised over the remaining term of the respective transaction.

## (59) Risk Provisions and Gross Carrying Amount

The following overview presents the change during the reporting period in the loss allowances for financial assets not measured at fair value through profit and loss and for off-balance-sheet items:

| (in € million) | | Transfer | | | Addition loss allowances | | Reversal/utilisation loss allowances | | | Other changes | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening balance 1 Jan. 2021 | Stage 1 | Stage 2 | Stage 3 | Credit-related additions | Addition of assets | Credit-related reversals | Utilisation | Disposal of assets | Modification of assets | Unwinding | Currency translation | Change from the basis of consolidation | Other changes | Closing balance 31 Dec. 2021 |
| **Financial assets at fair value through other comprehensive income** | | | | | | | | | | | | | | | |
| Stage 1 | | | | | | | | | | | | | | | |
| Debt securities | 1 | 1 | – | – | – | – | 1 | – | – | – | – | – | – | – | 1 |
| | 1 | 1 | – | – | – | – | 1 | – | – | – | – | – | – | – | 1 |
| Stage 2 | | | | | | | | | | | | | | | |
| Debt securities | 4 | – 1 | – | – | – | 3 | – | – | 1 | – | – | – | – | – | 5 |
| | 4 | – 1 | – | – | – | 3 | – | – | 1 | – | – | – | – | – | 5 |
| | **5** | **–** | **–** | **–** | **–** | **3** | **1** | **–** | **1** | **–** | **–** | **–** | **–** | **–** | **6** |
| **Financial assets at amortised cost** | | | | | | | | | | | | | | | |
| Stage 1 | | | | | | | | | | | | | | | |
| Debt securities | 5 | 2 | – | – | – | – | 6 | – | – | – | – | – | – | – | 1 |
| Loans and advances | 232 | 17 | – 66 | – 1 | 140 | 25 | 126 | – | 16 | – | – | 8 | – | – | 213 |
| | 237 | 19 | – 66 | – 1 | 140 | 25 | 132 | – | 16 | – | – | 8 | – | – | 214 |
| Stage 2 | | | | | | | | | | | | | | | |
| Debt securities | 5 | – 2 | – | – | – | – | 1 | – | – | – | – | – | – | – | 2 |
| Loans and advances | 260 | – 17 | 66 | – 18 | 213 | 20 | 149 | – | 85 | – | – | – 8 | – | – | 282 |
| | 265 | – 19 | 66 | – 18 | 213 | 20 | 150 | – | 85 | – | – | – 8 | – | – | 284 |
| Stage 3 | | | | | | | | | | | | | | | |
| Loans and advances | 522 | – | – | 19 | 298 | 51 | 57 | 273 | 334 | 13 | – 14 | 27 | 130 | – | 382 |
| | 522 | – | – | 19 | 298 | 51 | 57 | 273 | 334 | 13 | – 14 | 27 | 130 | – | 382 |
| | **1 024** | **–** | **–** | **–** | **651** | **96** | **339** | **273** | **435** | **13** | **– 14** | **27** | **130** | **–** | **880** |
| **Total** | **1 029** | **–** | **–** | **–** | **651** | **99** | **340** | **273** | **436** | **13** | **– 14** | **27** | **130** | **–** | **886** |

| (in € million) | Opening balance 1 Jan. 2021 | Transfer | | | Addition loss allowances | | Reversal/utilisation loss allowances | | | Other changes | | | | | Closing balance 31 Dec. 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 3 | Credit-related additions | Addition of assets | Credit-related reversals | Utilisation | Disposal of assets | Modification of assets | Unwinding | Currency translation | Change from the basis of consolidation | Other changes | |
| **Off-balance sheet liabilities** | | | | | | | | | | | | | | | |
| Stage 1 | | | | | | | | | | | | | | | |
| Loan commitments | 7 | 1 | – | – | – | 4 | 4 | – | 3 | – | – | – | – | – | 5 |
| Financial guarantees | 2 | 1 | – | – | – | 1 | 3 | – | – | – | – | – | – | – | 1 |
| Off-balance-sheet liabilities | 4 | – | – | – | – | 2 | 3 | – | 1 | – | – | – | – | – | 2 |
| | 13 | 2 | – | – | – | 7 | 10 | – | 4 | – | – | – | – | – | 8 |
| Stage 2 | | | | | | | | | | | | | | | |
| Loan commitments | 3 | – 1 | – | – | 5 | 19 | 21 | – | 7 | – | – | 5 | – | – | 3 |
| Financial guarantees | 9 | – 1 | – | – | 2 | – | 2 | – | 5 | – | – | – | – | – | 3 |
| Off-balance-sheet liabilities | 5 | – | – | – | 2 | 1 | – | – | 2 | – | – | – 2 | – | – | 4 |
| | 17 | – 2 | – | – | 9 | 20 | 23 | – | 14 | – | – | 3 | – | – | 10 |
| Stage 3 | | | | | | | | | | | | | | | |
| Loan commitments | 1 | – | – | – | 3 | 4 | 1 | – | 2 | – | – | – 1 | – | – | 4 |
| Financial guarantees | 8 | – | – | – | – | – | 2 | – | 2 | – | – | – | – | – | 4 |
| Off-balance-sheet liabilities | 9 | – | – | – | 15 | 10 | 16 | – | 3 | – | – 1 | – 2 | – | – | 12 |
| | 18 | – | – | – | 18 | 14 | 19 | – | 7 | – | – 1 | – 3 | – | – | 20 |
| **Total** | **48** | **–** | **–** | **–** | **27** | **41** | **52** | **–** | **25** | **–** | **– 1** | **–** | **–** | **–** | **38** |

The main drivers of the reduction in loss allowances in the reporting year were the further reduction of the ship financing portfolio with the associated allowances consumption.

The credit rating-related reversals include effects from management adjustments (MAC-19) in the amount of € 24 million, which led to a corresponding reduction in the risk loss allowances (see Note (2) Impact of the COVID-19 pandemic).

The following overview presents the change during the period of the previous year in the loss allowances for financial assets not measured at fair value through profit and loss and for off-balance-sheet items.

| (in € million) | | Transfer | | | Addition loss allowances | | Reversal/utilisation loss allowances | | | Other changes | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening balance 1 Jan. 2020 | Stage 1 | Stage 2 | Stage 3 | Credit-related additions | Addition of assets | Credit-related reversals | Utilisation | Disposal of assets | Modification of assets | Unwinding | Currency translation | Change from the basis of consolidation | Other changes | Closing balance 31 Dec. 2020 |
| **Financial assets at fair value through other comprehensive income** | | | | | | | | | | | | | | | |
| Stage 1 | | | | | | | | | | | | | | | |
| Debt securities | 1 | – | – | – | – | – | – | – | – | – | – | – | – | – | 1 |
| | 1 | – | – | – | – | – | – | – | – | – | – | – | – | – | 1 |
| Stage 2 | | | | | | | | | | | | | | | |
| Debt securities | 3 | – | – | – | 1 | – | – | – | – | – | – | – | – | – | 4 |
| | 3 | – | – | – | 1 | – | – | – | – | – | – | – | – | – | 4 |
| | **4** | **–** | **–** | **–** | **1** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **5** |
| **Financial assets at amortised cost** | | | | | | | | | | | | | | | |
| Stage 1 | | | | | | | | | | | | | | | |
| Debt securities | 1 | 2 | – | – | 4 | – | 2 | – | – | – | – | – | – | – | 5 |
| Loans and advances | 49 | 24 | – 5 | – | 182 | 44 | 33 | – | 28 | – | – | – 1 | – | – | 232 |
| Cash reserve | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| | 50 | 26 | – 5 | – | 186 | 44 | 35 | – | 28 | – | – | – 1 | – | – | 237 |
| Stage 2 | | | | | | | | | | | | | | | |
| Debt securities | 4 | – 2 | – | – | 3 | – | – | – | – | – | – | – | – | – | 5 |
| Loans and advances | 94 | – 24 | 5 | – 9 | 234 | 14 | 13 | – | 38 | – | – | – 3 | – | – | 260 |
| | 98 | – 26 | 5 | – 9 | 237 | 14 | 13 | – | 38 | – | – | – 3 | – | – | 265 |
| Stage 3 | | | | | | | | | | | | | | | |
| Loans and advances | 1 452 | – | – | 9 | 397 | 86 | 53 | 748 | 378 | 2 | – 18 | – 42 | – 125 | – 60 | 522 |
| | 1 452 | – | – | 9 | 397 | 86 | 53 | 748 | 378 | 2 | – 18 | – 42 | – 125 | – 60 | 522 |
| | **1 600** | **–** | **–** | **–** | **820** | **144** | **101** | **748** | **444** | **2** | **– 18** | **– 46** | **– 125** | **– 60** | **1 024** |
| **Total** | **1 604** | **–** | **–** | **–** | **821** | **144** | **101** | **748** | **444** | **2** | **– 18** | **– 46** | **– 125** | **– 60** | **1 029** |

| (in € million) | Opening balance 1 Jan. 2020 | Transfer | | | Addition loss allowances | | Reversal/utilisation loss allowances | | | Other changes | | | | | Closing balance 31 Dec. 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 3 | Credit-related additions | Addition of assets | Credit-related reversals | Utilisation | Disposal of assets | Modification of assets | Unwinding | Currency translation | Change from the basis of consolidation | Other changes | |
| **Off-balance sheet liabilities** | | | | | | | | | | | | | | | |
| Stage 1 | | | | | | | | | | | | | | | |
| Loan commitments | 4 | – | – | – | 1 | 6 | 3 | – | 1 | – | – | – | – | – | 7 |
| Financial guarantees | 1 | 1 | – | – | – | 3 | 2 | – | 2 | – | – | 1 | – | – | 2 |
| Off-balance-sheet liabilities | 3 | – | – 1 | – | 2 | 3 | 2 | – | 1 | – | – | – | – | – | 4 |
| | 8 | 1 | – 1 | – | 3 | 12 | 7 | – | 4 | – | – | 1 | – | – | 13 |
| Stage 2 | | | | | | | | | | | | | | | |
| Loan commitments | 2 | – | – | – | 5 | 1 | 1 | – | 3 | – | – | – 1 | – | – | 3 |
| Financial guarantees | 8 | – 1 | – | – | 12 | – | – | – | 10 | – | – | – | – | – | 9 |
| Off-balance-sheet liabilities | 2 | – | 1 | – | 3 | 1 | – | – | 2 | – | – | – | – | – | 5 |
| | 12 | – 1 | 1 | – | 20 | 2 | 1 | – | 15 | – | – | – 1 | – | – | 17 |
| Stage 3 | | | | | | | | | | | | | | | |
| Loan commitments | 8 | – | – | – | 10 | 15 | 14 | – | 19 | – | – | 1 | – | – | 1 |
| Financial guarantees | 9 | – | – | – | – | – | 9 | – | 2 | – | – | 10 | – | – | 8 |
| Off-balance-sheet liabilities | 24 | – | – | – | 1 | 19 | 36 | – | 2 | – | – | 3 | – | – | 9 |
| | 41 | – | – | – | 11 | 34 | 59 | – | 23 | – | – | 14 | – | – | 18 |
| **Total** | **61** | **–** | **–** | **–** | **34** | **48** | **67** | **–** | **42** | **–** | **–** | **14** | **–** | **–** | **48** |

The change in the gross carrying amounts during the reporting period for financial assets not measured at fair value through profit or loss is shown in the following overview.

| (in € million) | | Transfer | | | | | Other changes | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening balance 1 Jan. 2021 | Stage 1 | Stage 2 | Stage 3 | Addition of assets | Disposal of assets | Direct write-offs of assets | Modification of assets | Currency translation | Change from the basis of consolidation | Other Changes | Closing balance 31 Dec. 2021 |
| **Financial assets at fair value through other comprehensive income** | | | | | | | | | | | | |
| Stage 1 | | | | | | | | | | | | |
| Debt securities | 12 670 | 87 | – 52 | – | 820 | 2 179 | – | – | 40 | – | – | 11 386 |
| Loans and advances | 999 | – | – | – | 13 | 170 | – | – | – | – | – | 842 |
| | 13 669 | 87 | – 52 | – | 833 | 2 349 | – | – | 40 | – | – | 12 228 |
| Stage 2 | | | | | | | | | | | | |
| Debt securities | 317 | – 87 | 52 | – | – | 76 | – | – | – | – | – | 206 |
| | 317 | – 87 | 52 | – | – | 76 | – | – | – | – | – | 206 |
| | 13 986 | – | – | – | 833 | 2 425 | – | – | 40 | – | – | 12 434 |
| **Financial assets at amortised cost** | | | | | | | | | | | | |
| Stage 1 | | | | | | | | | | | | |
| Debt securities | 3 440 | 151 | – 10 | – | 60 | 342 | – | – | 95 | – | – | 3 394 |
| Loans and advances | 82 999 | 411 | – 1 396 | – 62 | 18 694 | 23 347 | 42 | – | 266 | – | – 10 | 77 513 |
| Cash reserve | 6 031 | – | – | – | 4 742 | 3 905 | – | – | 58 | – | 4 | 6 930 |
| | 92 470 | 562 | – 1 406 | – 62 | 23 496 | 27 594 | 42 | – | 419 | – | – 6 | 87 837 |
| Stage 2 | | | | | | | | | | | | |
| Debt securities | 395 | – 151 | 10 | – | – | 70 | – | – | 17 | – | – | 201 |
| Loans and advances | 3 508 | – 409 | 1 397 | – 115 | 267 | 1 439 | 10 | 1 | 93 | – | – | 3 293 |
| | 3 903 | – 560 | 1 407 | – 115 | 267 | 1 509 | 10 | 1 | 110 | – | – | 3 494 |
| Stage 3 | | | | | | | | | | | | |
| Loans and advances | 1 427 | – 2 | – 1 | 177 | 191 | 596 | 355 | 1 | 30 | 204 | – | 1 076 |
| | 1 427 | – 2 | – 1 | 177 | 191 | 596 | 355 | 1 | 30 | 204 | – | 1 076 |
| | 97 800 | – | – | – | 23 954 | 29 699 | 407 | 2 | 559 | 204 | – 6 | 92 407 |
| **Total** | 111 786 | – | – | – | 24 787 | 32 124 | 407 | 2 | 599 | 204 | – 6 | 104 841 |

In the reporting year, financial assets with a gross total carrying amount of € 174 million were modified at the end of the year in cases where the contractual adjustment did not lead to derecognition.

The following overview presents the change over the previous year in the gross carrying amounts of financial assets not measured at fair value through profit or loss.

| (in € million) | Opening balance 1 Jan. 2020 | Transfer Stage 1 | Transfer Stage 2 | Transfer Stage 3 | Addition of assets | Disposal of assets | Other changes: Direct write-offs of assets | Other changes: Modification of assets | Other changes: Currency translation | Other changes: Change from the basis of consolidation | Other changes: Other Changes | Closing balance 31 Dec. 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets at fair value through other comprehensive income** | | | | | | | | | | | | |
| Stage 1 | | | | | | | | | | | | |
| Debt securities | 14 872 | – | – 198 | – | 2 179 | 4 136 | – | – | – 47 | – | – | 12 670 |
| Loans and advances | 1 358 | – | – | – | 14 | 373 | – | – | – | – | – | 999 |
| | 16 230 | – | – 198 | – | 2 193 | 4 509 | – | – | – 47 | – | – | 13 669 |
| Stage 2 | | | | | | | | | | | | |
| Debt securities | 103 | – | 198 | – | 16 | – | – | – | – | – | – | 317 |
| | 103 | – | 198 | – | 16 | – | – | – | – | – | – | 317 |
| | 16 333 | – | – | – | 2 209 | 4 509 | – | – | – 47 | – | – | 13 986 |
| **Financial assets at amortised cost** | | | | | | | | | | | | |
| Stage 1 | | | | | | | | | | | | |
| Debt securities | 3 877 | 101 | – 195 | – | 320 | 562 | – | – | – 101 | – | – | 3 440 |
| Loans and advances | 96 182 | 652 | – 1 927 | – 208 | 14 279 | 25 408 | 34 | – | – 459 | – | – 78 | 82 999 |
| Cash reserve | 3 454 | – | – | – | 7 477 | 4 924 | – | – | 23 | – | 1 | 6 031 |
| | 103 513 | 753 | – 2 122 | – 208 | 22 076 | 30 894 | 34 | – | – 537 | – | – 77 | 92 470 |
| Stage 2 | | | | | | | | | | | | |
| Debt securities | 308 | – 101 | 195 | – | 43 | 18 | – | – | – 32 | – | – | 395 |
| Loans and advances | 2 688 | – 652 | 1 927 | – 351 | 888 | 927 | 8 | 1 | – 58 | – | – | 3 508 |
| | 2 996 | – 753 | 2 122 | – 351 | 931 | 945 | 8 | 1 | – 90 | – | – | 3 903 |
| Stage 3 | | | | | | | | | | | | |
| Loans and advances | 2 714 | – | – | 559 | 214 | 958 | 856 | – | – 54 | – 192 | – | 1 427 |
| | 2 714 | – | – | 559 | 214 | 958 | 856 | – | – 54 | – 192 | – | 1 427 |
| | 109 223 | – | – | – | 23 221 | 32 797 | 898 | 1 | – 681 | – 192 | – 77 | 97 800 |
| **Total** | 125 556 | – | – | – | 25 430 | 37 306 | 898 | 1 | – 728 | – 192 | – 77 | 111 786 |

In the reporting year, financial assets with a gross total carrying amount of € 432 million were modified at the end of the year for which the contractual adjustment did not lead to derecognition.

### (60) Net Results by Measurement Category

| | 1 Jan. - 31 Dec. 2021 (in € million) | 1 Jan. - 31 Dec. 2020[1)] (in € million) | Change (in %) |
|---|---|---|---|
| Trading profit/loss | – 272 | 254 | > 100 |
| Financial assets at fair value through profit or loss | 178 | – 41 | > 100 |
| Designated financial assets at fair value through profit or loss - Net result in the income statement | 271 | – 69 | > 100 |
| Designated financial assets at fair value through profit or loss - Net result OCI | – 66 | – 56 | 18 |
| Financial assets at fair value through other comprehensive income - Net result in the income statement | – 2 | – 1 | 100 |
| Financial assets at fair value through other comprehensive income - Net result OCI | – 194 | 116 | > 100 |
| Financial assets at amortised cost | 2 | – 461 | > 100 |
| Financial liabilities at amortised cost | – 12 | – 26 | – 54 |
| **Total** | **– 95** | **– 284** | **– 67** |

1) The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

The net income in the income statement from financial assets measured at fair value through other comprehensive income and from financial assets measured at amortised cost consists of risk provisions, modification result and disposal result. The net result in other comprehensive income (OCI) from financial assets at fair value through other comprehensive income includes changes from fair value measurement, risk provisions and the disposal result. Net income from financial liabilities at amortised cost corresponds to the disposal result.

Net gains/losses from hedge accounting are not included in the net results because they are not assigned to any of the categories.

### (61) Offsetting of Financial Assets and Financial Liabilities

The effects of offsetting claims relating to financial assets and liabilities are presented in the following table.

| 31 Dec.2021 | Gross amount | Amount of the | **Net amount** | Master netting arrangements and other without financially balancing | | | **Net amount** |
|---|---|---|---|---|---|---|---|
| | before balancing | financially balancing | **after balancing** | Financial instruments | Collaterals | | |
| (in € million) | | | | | Securities collateral | Cash collateral | |
| **Assets** | | | | | | | |
| Offsetting of current accounts | 2 233 | 239 | **1 994** | – | – | – | **1 994** |
| Derivatives | 9 171 | 5 549 | **3 622** | 1 563 | – | 482 | **1 577** |
| Securities lending and repos | 19 | – | **19** | 14 | 5 | – | **–** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Offsetting of current accounts | 20 982 | 239 | **20 743** | – | – | – | **20 743** |
| Derivatives | 8 698 | 5 549 | **3 149** | 1 563 | – | 1 205 | **381** |
| Securities lending and repos | 723 | – | **723** | 14 | 704 | 1 | **4** |

| 31 Dec.2020 | Gross amount | Amount of the | Net amount | Master netting arrangements and other without financially balancing | | | Net amount |
|---|---|---|---|---|---|---|---|
| | before balancing | financially balancing | after balancing | Financial instruments | Collaterals | | |
| (in € million) | | | | | Securities collateral | Cash collateral | |
| **Assets** | | | | | | | |
| Offsetting of current accounts | 2 662 | 187 | **2 475** | – | – | – | **2 475** |
| Derivatives | 14 267 | 8 710 | **5 557** | 2 084 | – | 714 | **2 759** |
| Securities lending and repos | 821 | – | **821** | 778 | 43 | – | **–** |
| **Liabilities** | | | | | | | |
| Offsetting of current accounts | 19 709 | 187 | **19 522** | – | – | – | **19 522** |
| Derivatives | 13 772 | 8 710 | **5 062** | 2 084 | – | 2 486 | **492** |
| Securities lending and repos | 2 371 | – | **2 371** | 778 | 1 584 | – | **9** |

In the NORD/LB Group the netting of current accounts valued at amortised cost is the netting of obligations to an account holder due on demand and not subject to any commitments with claims on the same account holder due on demand within the meaning of section 10 of the Credit Institution Accounting Ordinance (RechKredV). This applies if it has been agreed for the calculation of interest and commission that the account holder is placed in the same way as when booking through a single account. Offsetting takes place in accordance with IAS 32.42. Receivables and liabilities in different currencies are not offset.

Transactions in derivative financial instruments and securities lending and repurchase transactions are generally carried out on the basis of framework agreements concluded bilaterally with the counterparty. These only provide conditional rights to offset the receivables and liabilities recognised at amortised cost as well as the collateral provided and received at fair value, for example, in the event of a breach of contract or insolvency. As a result, there is no current right to offset in accordance with IAS 32.42.

Selected derivative financial instruments are concluded with central counterparties (clearing houses). For these financial assets reported at fair value, receivables and liabilities recognised at amortised cost as well as collateral provided and received, generally recognised at fair value, are offset accordingly in accordance with IAS 32.42.

### (62) Transfer and Derecognition of Financial Assets

The risks and opportunities from transferred financial assets and the associated liabilities that remain in the NORD/LB Group are shown below. This overview also shows the extent to which the purchasers' rights of recourse relate exclusively to the respective transferred assets.

| 31 Dec.2021 (in € million) | Full recognition of financial assets despite transfer | | The transferee's right of recourse relates only to the respective transferred assets | | |
|---|---|---|---|---|---|
| | Asset value of the assets | Asset value of the appropriate liabilities | Fair value of the assets | Fair value of the appropriate liabilities | Net position |
| Financial assets at fair value through profit or loss | 180 | 90 | 180 | 105 | 75 |
| Debt securities and other fixed interest securities | 177 | 88 | 177 | 103 | 74 |
| Loans and advances | 3 | 2 | 3 | 2 | 1 |
| Financial assets at fair value through other comprehensive income | 947 | 869 | 947 | 895 | 52 |
| Debt securities and other fixed interest securities | 947 | 869 | 947 | 895 | 52 |
| Financial assets at amortised cost | 6 812 | 3 593 | 4 959 | 3 798 | 1 161 |
| Debt securities and other fixed interest securities | 1 171 | 729 | 1 123 | 823 | 300 |
| Loans and advances | 5 641 | 2 864 | 3 836 | 2 975 | 861 |
| **Total** | **7 939** | **4 552** | **6 086** | **4 798** | **1 288** |

| 31 Dec.2020 (in € million) | Full recognition of financial assets despite transfer | | The transferee's right of recourse relates only to the respective transferred assets | | |
|---|---|---|---|---|---|
| | Asset value of the assets | Asset value of the appropriate liabilities | Fair value of the assets | Fair value of the appropriate liabilities | Net position |
| Financial assets at fair value through profit or loss | 565 | 481 | 565 | 478 | 87 |
| Debt securities and other fixed interest securities | 562 | 479 | 562 | 476 | 86 |
| Loans and advances | 3 | 2 | 3 | 2 | 1 |
| Financial assets at fair value through other comprehensive income | 2 074 | 1 886 | 1 767 | 1 561 | 206 |
| Debt securities and other fixed interest securities | 2 074 | 1 886 | 1 767 | 1 561 | 206 |
| Financial assets at amortised cost | 6 924 | 4 416 | 5 440 | 4 805 | 635 |
| Debt securities and other fixed interest securities | 1 224 | 1 071 | 1 157 | 986 | 171 |
| Loans and advances | 5 700 | 3 345 | 4 283 | 3 819 | 464 |
| **Total** | **9 563** | **6 783** | **7 772** | **6 844** | **928** |

The financial assets transferred within the items financial assets mandatorily at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost primarily represent genuine securities repurchase transactions and securities lending transactions. These are also reported in the consolidated balance sheet, as the interest rate, credit rating and other significant risks and opportunities arising from value growth and interest income remain unchanged in the NORD/LB Group. The collateral provided is subject to title transfer, i.e. the entity receiving the collateral can in principle act like an owner and, in particular, make disposals in the form of assignments or pledges. In the case of securities collateral, securities of the same type and quality must be returned or delivered free of charge. Return of the collateral provided in the form of liquid assets is not permitted without the consent of the entity providing the collateral when securities are provided.

### (63) Derivative Financial Instruments

The NORD/LB Group uses derivative financial instruments to hedge assets and liabilities. Trading in derivative financial transactions is also carried out.

The nominal values represent the gross volume of all purchases and sales. This value is a reference value for determining mutually agreed compensation payments, but not receivables or liabilities that should be accounted for.

The composition of the portfolio of derivative financial instruments is as follows:

| (in € million) | Nominal values 31 Dec. 2021 | Nominal values 31 Dec. 2020 | Fair value positive 31 Dec. 2021 | Fair value positive 31 Dec. 2020 | Fair value negative 31 Dec. 2021 | Fair value negative 31 Dec. 2020 |
|---|---|---|---|---|---|---|
| **Interest-rate risk** | | | | | | |
| OTC options | 5 838 | 5 415 | 96 | 113 | 287 | 443 |
| Other OTC derivatives | 262 924 | 264 350 | 3 231 | 4 955 | 2 267 | 4 076 |
| Other exchange-traded derivatives | 98 | 112 | – | – | – | – |
| | **268 860** | **269 877** | **3 327** | **5 068** | **2 554** | **4 519** |
| **Currency risk** | | | | | | |
| OTC options | 286 | 310 | 12 | 23 | 12 | 22 |
| Other OTC derivatives | 20 662 | 23 036 | 119 | 352 | 576 | 499 |
| | **20 948** | **23 346** | **131** | **375** | **588** | **521** |
| **Share price and other price risks** | | | | | | |
| Credit spread option | 34 | 30 | 2 | 2 | 1 | 1 |
| | **34** | **30** | **2** | **2** | **1** | **1** |
| **Credit derivatives risks** | | | | | | |
| OTC options | 3 527 | 3 071 | 164 | 113 | 5 | 31 |
| | **3 527** | **3 071** | **164** | **113** | **5** | **31** |
| **Total** | **293 369** | **296 324** | **3 624** | **5 558** | **3 148** | **5 072** |

### (64) Underlying Transactions in Effective Hedges

For basic information on hedge accounting in the NORD/LB Group, please refer to Note (13) Financial instruments.

Interest rate and interest rate currency swaps are used as hedging instruments in the micro fair value hedge, and interest rate swaps are used as hedging instruments in the portfolio fair value hedge in order to hedge changes in fair value with regard to interest rate risk.

| (in € million) | Nominal values 31 Dec. 2021 | Nominal values 31 Dec. 2020 | Fair value positive 31 Dec. 2021 | Fair value positive 31 Dec. 2020 | Fair value negative 31 Dec. 2021 | Fair value negative 31 Dec. 2020 | Change in fair value 31 Dec. 2021 | Change in fair value 31 Dec. 2020 |
|---|---|---|---|---|---|---|---|---|
| **Micro fair value hedges** | | | | | | | | |
| Interest rate swaps | 20 483 | 24 194 | 466 | 756 | 895 | 1 765 | 163 | – 86 |
| Interest rate currency swaps | 616 | 624 | 7 | 18 | 171 | 165 | – | – |
| | **21 099** | **24 818** | **473** | **774** | **1 066** | **1 930** | **163** | **– 86** |
| **Portfolio fair value hedges** | | | | | | | | |
| Interest rate swaps | 18 841 | 22 890 | – | 83 | 33 | 36 | – 205 | 54 |
| | **18 841** | **22 890** | **–** | **83** | **33** | **36** | **– 205** | **54** |
| **Total** | **39 940** | **47 708** | **473** | **857** | **1 099** | **1 966** | **– 42** | **– 32** |

The micro and portfolio fair value hedges used to hedge interest rate risk relate to the following underlying transactions:

| (in € million) | Carrying amount 31 Dec. 2021 | Carrying amount 31 Dec. 2020 | of which: hedge adjustments 31 Dec. 2021 | of which: hedge adjustments 31 Dec. 2020 | Change in value considered in effectiveness testing 31 Dec. 2021 | Change in value considered in effectiveness testing 31 Dec. 2020 |
|---|---|---|---|---|---|---|
| **Micro fair value hedges** | | | | | | |
| Financial assets at fair value through other comprehensive income | 2 149 | 2 472 | 330 | 439 | – 103 | – |
| Financial assets at amortised cost | 10 296 | 10 836 | 1 106 | 1 595 | – 470 | 183 |
| Financial liabilities at amortised cost | 11 637 | 15 259 | 738 | 1 150 | 402 | – 78 |
| | | | | | | |
| **Portfolio fair value hedges** | | | | | | |
| Financial assets at fair value through other comprehensive income | 1 132 | 1 376 | | | – 3 | 9 |
| Financial assets at amortised cost | 3 150 | 3 305 | | | – 115 | 190 |
| Financial liabilities at amortised cost | 12 394 | 11 444 | | | 290 | – 206 |

The fair value changes or changes in value used to assess the (in)effectiveness are reported in the income statement under profit/loss from hedge accounting (see Note (29) Profit/loss from hedge accounting).

The following table shows the remaining maturities of derivative financial instruments used as hedging instruments in micro fair value hedge accounting.

| Nominal values (in € million) | Up to 3 months 31 Dec. 2021 | Up to 3 months 31 Dec. 2021 | More than 3 months to 1 year 31 Dec. 2021 | More than 3 months to 1 year 31 Dec. 2021 | More than 1 year to 5 years 31 Dec. 2021 | More than 1 year to 5 years 31 Dec. 2021 | More than 5 years 31 Dec. 2021 | More than 5 years 31 Dec. 2021 | Total 31 Dec. 2021 | Total 31 Dec. 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Interest-rate risks | 309 | 435 | 1 863 | 2 391 | 9 630 | 10 109 | 8 681 | 11 259 | 20 483 | 24 194 |
| Currency risks | 81 | 57 | 56 | 23 | 301 | 355 | 178 | 189 | 616 | 624 |
| **Total** | **390** | **492** | **1 919** | **2 414** | **9 931** | **10 464** | **8 859** | **11 448** | **21 099** | **24 818** |

The remaining term is defined as the time remaining from the reporting date to the contractual maturity date.

## (65) Residual Terms of Financial Liabilities

| 31 Dec.2021 (in € million) | Up to 1 month | More than 1 month to 3 months | More than 3 months to 1 year | More than 1 year to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| Trading liabilities | 128 | 196 | 705 | 2 753 | 3 088 | 6 870 |
| Derivatives | 128 | 196 | 705 | 2 748 | 3 073 | 6 850 |
| Delivery obligations from short-sales | – | – | – | 5 | 15 | 20 |
| Designated financial assets at fair value through profit or loss | 20 | 43 | 223 | 1 563 | 5 520 | 7 369 |
| Deposits | 10 | 8 | 79 | 620 | 4 856 | 5 573 |
| Securitised liabilities | 10 | 35 | 144 | 943 | 664 | 1 796 |
| Financial liabilities at amortised costs | 30 192 | 3 271 | 6 804 | 29 425 | 31 604 | 101 296 |
| Deposits | 29 511 | 3 041 | 4 286 | 17 663 | 25 150 | 79 651 |
| Securitised liabilities | 681 | 230 | 2 518 | 11 762 | 6 454 | 21 645 |
| Negative fair values from hedge accounting derivatives | 47 | 57 | 210 | 809 | 1 178 | 2 301 |
| Issued loan commitments | 17 408 | 297 | 564 | 542 | 126 | 18 937 |
| Issued financial guarantees | 3 317 | – | – | 14 | 14 | 3 345 |
| **Total** | **51 112** | **3 864** | **8 506** | **35 106** | **41 530** | **140 118** |

| 31 Dec.2020<br><br>(in € million) | Up to 1 month[1] | More than 1 month to 3 months | More than 3 months to 1 year[1] | More than 1 year to 5 years[1] | More than 5 years | Total |
|---|---|---|---|---|---|---|
| Trading liabilities | 220 | 286 | 1 045 | 4 357 | 4 713 | 10 621 |
| Derivatives | 220 | 286 | 1 045 | 4 351 | 4 672 | 10 574 |
| Delivery obligations from short-sales | – | – | – | 6 | 41 | 47 |
| Designated financial assets at fair value through profit or loss | 29 | 610 | 172 | 1 637 | 5 149 | 7 597 |
| Deposits | 14 | 40 | 91 | 492 | 4 465 | 5 102 |
| Securitised liabilities | 15 | 570 | 81 | 1 145 | 684 | 2 495 |
| Financial liabilities at amortised costs | 31 394 | 5 394 | 8 419 | 29 897 | 34 573 | 109 677 |
| Deposits | 28 792 | 4 393 | 6 279 | 18 319 | 26 413 | 84 196 |
| Securitised liabilities | 2 602 | 1 001 | 2 140 | 11 578 | 8 160 | 25 481 |
| Negative fair values from hedge accounting derivatives | 38 | 51 | 179 | 872 | 1 173 | 2 313 |
| Issued loan commitments | 17 085 | 58 | 541 | 929 | 113 | 18 726 |
| Issued financial guarantees | 9 827 | – | – | 12 | 18 | 9 857 |
| **Total** | **58 593** | **6 399** | **10 356** | **37 704** | **45 739** | **158 791** |

[1] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

The residual term of the undiscounted financial obligations is defined as the time remaining from the reporting date to the contractual maturity date.

## (66) The NORD/LB Group as Assignor and Assignee

The following assets have been transferred as collateral for commitments (carrying amounts):

| | 31 Dec.2021 (in € million) | 31 Dec.2021 (in € million) | Change (in %) |
|---|---|---|---|
| Financial assets at fair value through profit or loss | 180 | 832 | – 78 |
| Financial assets at fair value through other comprehensive income | 979 | 2 781 | – 65 |
| Financial assets at amortised costs | 49 152 | 55 978 | – 12 |
| **Total** | **50 311** | **59 591** | **– 16** |

Collateral was provided for borrowings under genuine repurchase agreements (repo transactions). In addition, collateral was provided for earmarked refinancing funds such as the cover assets in the cover pool of the mortgage institutions of the NORD/LB Group and the loans underlying the securitisation transactions. Collateral was also provided for securities lending transactions as well as for transactions with clearing brokers and on exchanges.

The amount of financial assets provided as collateral for which the collateral taker has the contractual or customary right to sell or repledge the collateral amounts to € 697 million (€ 1,210 million). These are essentially collateral provided in the form of cash and/or securities.

Assets have been transferred as collateral in the amount of the stated values for the following obligations:

| | 31 Dec.2021 (in € million) | 31 Dec.2020 (in € million) | Change (in %) |
|---|---|---|---|
| Trading liabilities | 1 848 | 2 725 | – 32 |
| Designated financial liabilities at fair value through profit or loss | 547 | 1 145 | – 52 |
| Securitsed liabilities | 14 854 | 20 165 | – 26 |
| Hedge accounting derivatives | 830 | 1 639 | – 49 |
| **Total** | **18 079** | **25 674** | **– 30** |
| Contingent liabilities for which the aforementioned assets as collateral were transferred | – 4 | – 42 | |

The fair value of collateral received, in particular in the context of securities repurchase and lending transactions, which may be repledged or resold even if the collateral provider does not default, amounted to € 19 million (€ 689 million). In the 2021 reporting year, no collateral (€ 86 million) was held that may be sold or assigned without the default of the collateral provider.

Collateral that may be repledged or resold without the default of the collateral provider was recognised. The repayment obligation at current fair values amounts to € 19 million (€ 665 million).

Repurchase and borrowing transactions are monitored on a daily basis for collateralisation by means of a valuation of the transactions. If a shortfall occurs that exceeds a contractually defined threshold value, the collateral taker may demand that the collateral provider provide additional security to increase the sum covered. If the collateral provider has provided the collateral and the market situation changes to such an extent that a surplus arises that exceeds a contractually defined threshold value, the collateral provider may demand that the collateral taker releases some of the collateral. The collateral provided is subject to title transfer, i.e. the entity receiving the collateral can in principle act like an owner and, in particular, make disposals in the form of assignments or pledges. In the case of securities collateral, securities of the same type and quality must be returned or delivered free of charge. Return of the collateral provided in the form of liquid assets is not permitted without the consent of the entity providing the collateral when securities are provided.

## Other Notes

**(67) Equity Management**

Equity management for the NORD/LB Group takes place in the NORD/LB Group parent company. The objectives are to ensure adequate capital adequacy in quantitative and qualitative terms, to achieve an appropriate return on equity and to ensure long-term compliance with the regulatory minimum capital requirements at Group level.

In the reporting period, the key equity indicators for equity management were the “sustainable equity under commercial law” derived from the balance sheet equity as a variable for measuring the return on equity as well as the regulatory ratios of common equity Tier 1 capital, core capital and equity in the definition of the prevailing version of EU Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms (capital requirements regulation, CRR).

These regulatory capital ratios are subject to statutory minimum capital requirements and capital buffers as well as additional requirements applicable individually at NORD/LB Group level for compliance with certain capital ratios by the European Central Bank (ECB) in its role as the competent supervisory authority of NORD/LB. For all of these minimum equity ratios, the numerator forms the respective equity ratio; the denominator in each case represents the total risk amount in accordance with Art. 92 (3) CRR. NORD/LB maintained these minimum equity ratios throughout the reporting period. Details on the regulatory minimum equity ratios and changes in the actual equity ratios in the reporting period are explained in the management report in the section on “Significant events in the reporting year” in the economic report. The corresponding actual data is contained in Note (68) Regulatory basic data.

In addition to the regulatory requirements, internal target equity ratios have been set at Group level for some of the aforementioned equity ratios, and these are higher in each case.

The core tasks of equity management in the reporting period were the professional initiation and/or monitoring of measures to strengthen equity and to further optimise the equity structure and the total risk exposure amount. Against the background of the COVID-19 pandemic, the focus of equity management was also on the operational management of the relevant equity ratios and the total risk exposure amount in order to achieve the internal target equity ratios and thus intrinsic to compliance with the regulatory minimum equity ratios.

In addition, the equity management process regularly performs needs-based forecasting of the relevant equity ratios, the total risk exposure amount and the associated equity ratios. Their trends are reported to the management, to the supervisory bodies and institutions of the Bank, to the banking supervisory authorities and, if necessary, to other external parties such as rating agencies. If these analyses reveal a need for management, adjustment measures are taken with regard to the total risk exposure amount and/or - in coordination with the owners - optimisation measures or measures to strengthen equity geared towards individual equity ratios.

Equity management also forms the basis for planning and controlling of the so-called MREL ratios. In accordance with EU Directive 2014/59 establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD), MREL represents the "minimum requirements for own funds and eligible liabilities" that banks in the EU must hold for loss absorption in a resolution case. As with the procedure for the regulatory minimum equity ratios, NORD/LB is required by the competent European Resolution Authority (SRB) to comply with several minimum ratios with regard to MREL, each of which consists of MREL figures in the numerator and the total risk amount in the denominator, on the one hand, and the leverage ratio exposure as the denominator of the leverage ratio, on the other. Details on the specified minimum MREL ratios and changes in the corresponding actual ratios in the reporting period can be found in the chapter "Significant events in the reporting year" in the economic report.

To manage the MREL ratios and therefore to comply with the MREL minimum ratios, equity management takes into account the interaction of own funds and liabilities eligible as MREL in the planning and forecast calculations as well as initiating and/or accompanying technically required measures to adjust the Group's liability structure.

In the near future, the requirements for equity management will primarily be characterised by the flexible response to possible further effects of the ongoing COVID-19 pandemic. In addition, however, the requirements will remain diverse in the longer term due to new supervisory regulations, ongoing changes in the individual minimum capital requirements by the ECB and/or the SRB, as well as special regulatory requirements (e.g. stress testing).

### (68) Regulatory Data

The following consolidated regulatory data for the Group were determined as at the reporting date in accordance with the provisions of Regulation (EU) No. 575/2013 on prudential requirements for banks and investment firms (CRR).

| | 31 Dec.2021 (in € million) | 31 Dec.2020[1)] (in € million) |
|---|---|---|
| **Total risk exposure amount** | **37 609** | **39 791** |
| Capital requirements for credit risk | 2 617 | 2 758 |
| Capital requirements for operational risks | 227 | 258 |
| Capital requirements for market risks | 115 | 118 |
| Capital requirements for settlement risks | – | – |
| Capital requirements for loan amount adjustments | 40 | 39 |
| Capital requirements from imputation of fixed overheads | – | – |
| Other or transitional capital requirements | 10 | 10 |
| **Capital requirements** | **3 009** | **3 183** |

[1)] The previous year's figures were adjusted slightly due to corrections.

The following overview shows the composition of regulatory capital for the Group in accordance with Article 25 et. seq. of the CRR:

| | 31 Dec.2021 (in € million) | 31 Dec.2020[1] (in € million) |
|---|---|---|
| Paid-up capital including premium | 5 662 | 5 551 |
| Retained earnings | 1 249 | 1 260 |
| Accumulated OCI | – 851 | – 840 |
| Eligible components of common Equity Tier 1 capital at subsidiaries | – | – |
| Regulatory adjustments | – 18 | – 45 |
| Common Equity Tier 1 intstruments based on grandfathering | 10 | 20 |
| – Deductible items (from CET 1 capital) | – 221 | – 184 |
| Adjustments due to transition rules | – | – |
| Balancing item to prevent negative Additional Tier 1 capital | – | – |
| **Common Equity Tier 1 capital** | **5 831** | **5 763** |
| Paid-in instruments of additional Tier 1 capital | 50 | 50 |
| **Additional Tier 1 capital** | 50 | 50 |
| **Tier 1 capital** | **5 881** | **5 813** |
| Paid-up instruments of Tier 2 capital | 1 436 | 1 620 |
| Other components of Tier 2 capital | 172 | 174 |
| – Deductible items (from Tier 2 capital) | – 10 | – 10 |
| **Tier 2 capital** | **1 598** | **1 784** |
| **Own funds** | **7 479** | **7 597** |

[1] The previous year’s figures were adjusted slightly due to corrections.

| | 31 Dec.2021 (in %) | 31 Dec.2020[1] (in %) |
|---|---|---|
| Common Equity Tier 1 capital ratio | 15.50% | 14.48% |
| Tier 1 capital ratio | 15.64% | 14.61% |
| Total capital ratio | 19.89% | 19.09% |

[1] The previous year’s figures were adjusted slightly due to corrections.

Due to the presentation in million €, the reproduction of mathematical operations in the tables at hand can lead to minor differences.

## (69) Foreign Currency Volume

As at 31 December 2021 and 31 December 2020, the NORD/LB Group held the following financial assets and liabilities in foreign currencies:

| (in € million) | USD | GBP | JPY | Other | Total 31 Dec. 2021 | Total 31 Dec. 2020 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash reserve | 247 | 155 | – | 21 | 423 | 165 |
| Trading assets | 5 563 | 910 | 256 | 2 028 | 8 757 | 9 379 |
| Financial assets at fair value through profit or loss | 8 | 60 | – | 3 | 71 | 149 |
| Financial assets at fair value through other comprehensive income | 411 | 78 | – | 83 | 572 | 712 |
| Financial assets at amortised costs | 6 453 | 3 764 | 192 | 709 | 11 118 | 12 598 |
| Positive fair values from hedge accounting derivatives | 11 | 1 | – | – | 12 | 40 |
| Balancing items for financial instruments hedged in in the portfolio fair value hedge | 19 | – | – | – | 19 | 42 |
| Shares in companies - not accounted for using the equity method | – | – | – | 3 | 3 | 3 |
| Tangible assets | 1 | – | – | 2 | 3 | 3 |
| Intangible assets | 1 | – | – | – | 1 | 1 |
| Income tax assets | 28 | 1 | – | – | 29 | 19 |
| Other assets | 14 | 14 | – | 59 | 87 | 92 |
| **Total** | **12 756** | **4 983** | **448** | **2 908** | **21 095** | **23 203** |
| **Liabilities** | | | | | | |
| Trading liabilities | 8 345 | 4 012 | 363 | 2 206 | 14 926 | 15 595 |
| Designated financial liabilities at fair value through profit or loss | 16 | – | – | – | 16 | 560 |
| Financial liabilities at amortised costs | 4 613 | 745 | 27 | 522 | 5 907 | 6 275 |
| Negative fair values from hedge accounting derivatives | 489 | 446 | 46 | 87 | 1 068 | 561 |
| Balancing items for financial instruments hedged in in the portfolio fair value hedge | 6 | – | – | – | 6 | 14 |
| Provisions | 10 | – | – | – | 10 | 4 |
| Income tax liabilities | 1 | 1 | – | 2 | 4 | 3 |
| Other liabilities | 28 | 10 | – | 64 | 102 | 50 |
| **Total** | **13 508** | **5 214** | **436** | **2 881** | **22 039** | **23 062** |

Existing exchange rate risks are eliminated by concluding countertrades with matching maturities.

## (70) Longer-Term Assets and Liabilities

In the case of balance sheet items that include both current and non-current assets or liabilities, the assets and liabilities that are realised or settled after more than twelve months are shown below.

| | 31 Dec.2021 (in € million) | 31 Dec.2020[1)] (in € million) | Change (in %) |
|---|---|---|---|
| **Assets** | | | |
| Trading assets | 3 447 | 4 715 | – 27 |
| Derivatives | 2 918 | 4 383 | – 33 |
| Loans and advances | 529 | 332 | 59 |
| Financial assets at fair value through profit or loss | 755 | 962 | – 22 |
| Equity instruments | 1 | 2 | – 50 |
| Debt securities and other fixed interest securities | 506 | 672 | – 25 |
| Loans and advances | 248 | 288 | – 14 |
| Financial assets at fair value through other comprehensive income | 11 291 | 13 137 | – 14 |
| Debt securities and other fixed interest securities | 10 794 | 12 242 | – 12 |
| Loans and advances | 497 | 895 | – 44 |
| Financial assets at amortised costs | 67 024 | 70 635 | – 5 |
| Debt securities and other fixed interest securities | 3 473 | 3 634 | – 4 |
| Loans and advances | 63 551 | 67 001 | – 5 |
| Positive fair values from hedge accounting derivatives | 420 | 772 | – 46 |
| **Total** | **82 937** | **90 221** | **– 8** |
| **Liabilities** | | | – |
| Trading liabilities | 1 688 | 2 532 | – 33 |
| Derivatives | 1 688 | 2 532 | – 33 |
| Designated financial liabilities at fair value through profit or loss | 5 417 | 5 800 | – 7 |
| Deposits | 3 880 | 4 040 | – 4 |
| Securitised liabilities | 1 537 | 1 760 | – 13 |
| Financial liabilities at amortised costs | 55 474 | 55 211 | 0 |
| Deposits | 37 949 | 36 075 | 5 |
| Securitised liabilities | 17 525 | 19 136 | – 8 |
| Negative fair values from hedge accounting derivatives | 1 022 | 1 871 | – 45 |
| Provisions | 1 | 103 | – 99 |
| **Total** | **63 602** | **65 517** | **– 3** |

1) The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

## (71) Lease Agreements

### NORD/LB as lessee

In the 2021 reporting year, the NORD/LB Group primarily rented real estate, vehicles and hardware.

The leases for real estate relate in particular to the Hannover and Braunschweig locations. The average rental period for the properties is five years. There is a significant lease for a building with a total term of ten years (remaining term eight years) at the Hanover site. The lease can be renewed up to two times. Rental price adjustments are possible.

The average contract duration for the vehicle fleet is three years; hardware is rented for an average of seven years.

The following expenses were incurred for the NORD/LB Group as lessee:

| (in € million) | 1 Jan. - 31 Dec.2021 (in € million) | 1 Jan. - 31 Dec.2020 (in € million) | Change (in %) | Item in profit or loss |
|---|---|---|---|---|
| Interest expense on lease liabilities | – 1 | – 2 | – 50 | Interest expenses from liabilities |
| Expense relating to short-term leases | – 1 | – | – | Administrative expenses |
| Expense relating to leases of low-value assets | – 3 | – 3 | – | Administrative expenses |

Cash outflows for leases in the reporting period amounted to € 36 million (€ 26 million).

There could be future cash outflows that were not taken into account in the measurement of lease liabilities. Such outflows may result from variable lease payments, extension and termination options, residual value guarantees and leases beginning in the future. As at 31 December 2021, there were extension and termination options in the amount of € 1 million (€ 2 million), which were not taken into account when valuing the lease liability.

Changes in rights of use from leasing, including additions, is presented under Note (44) Investment Properties.

The following table shows the carrying amounts and depreciation amounts of rights of use from leasing broken down by category:

| | Carrying amount | | Depreciation | |
|---|---|---|---|---|
| (in € million) | 31 Dec.2021 | 31 Dec.2020 | 1 Jan. - 31 Dec.2021 | 1 Jan. - 31 Dec.2020 |
| Immovables | 51 | 69 | – 10 | – 11 |
| Vehicles | – | 1 | – 1 | – 1 |
| Hardware | 12 | 3 | – 3 | – 4 |

The residual terms of the undiscounted financial liabilities from leases are shown below. These are defined as the time remaining from the reporting date to the contractual maturity date.

| 31 Dec.2021 (in € million) | Up to 1 month | More than 1 month to 3 months | More than 3 months to 1 year | More than 1 year to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| Lease liabilities | 1 | – | – | – | – | 1 |

**NORD/LB as the lessor – Operating lease**

In the 2021 reporting year, the NORD/LB Group primarily rented out real estate.

The properties are mainly commercial, residential and office properties at the Hannover, Bremen, Magdeburg and Braunschweig locations. The leases are individually designed with extension options. The leases for residential properties are unlimited.

Lease income from operating leases is recognised in Other Operating Income.

| | 31 Dec.2021 (in € million) | 31 Dec.2020 (in € million) | Change (in %) |
|---|---|---|---|
| Lease income from Investment Property | 11 | 9 | 22 |
| **Total** | **11** | **9** | **22** |

The following table shows the total undiscounted future lease payments from operating leases to which the Group is entitled:

| | 31 Dec.2021 (in € million) | 31 Dec.2020 (in € million) | Change (in %) |
|---|---|---|---|
| Future lease payments up to 1 year | 6 | 10 | – 40 |
| Future lease payments more than 1 year up to 2 years | 7 | 9 | – 22 |
| Future lease payments more than 2 years up to 3 years | 7 | 9 | – 22 |
| Future lease payments more than 3 years up to 4 years | 7 | 8 | – 13 |
| Future lease payments more than 4 years up to 5 years | 7 | 8 | – 13 |
| Future lease payments more than 5 years | 238 | 210 | 13 |
| **Total undiscounted, future lease payments** | **272** | **254** | **7** |

**NORD/LB as the lessor – Financial lease**

The financial leases primarily concern vehicles and machines. In addition, the Group has purchased water pipes which are leased under a financial lease. The lessees are obliged to pay an annual variable rental price. Lessees can buy back the leased asset during or at the end of the lease period. The term is 30 years and ends in 2035.

Interest income from financial leases is recognised in net interest income. The carrying amount of the net asset in finance leases in the amount of € 21 million (€ 23 million) was largely unchanged on the previous year.

The following table shows the reconciliation of undiscounted, future lease payments to the net asset in the Group's financial lease relationships:

| | 31 Dec.2021 (in € million) | 31 Dec.2020 (in € million) | Change (in %) |
|---|---|---|---|
| Future lease payments up to 1 year | 2 | 3 | – 33 |
| Future lease payments more than 1 year up to 2 years | 2 | 3 | – 33 |
| Future lease payments more than 5 years | 29 | 21 | 38 |
| **Total undiscounted, future lease payments** | **33** | **27** | **22** |
| Less financial income not yet realised | – 12 | – 5 | > 100 |
| Plus discounted, unguaranteed residual values | 1 | 1 | – |
| **Net investment in finance leases** | **22** | **23** | **– 4** |

### (72) Contingent Liabilities and Other Obligations

| | 31 Dec.2021 (in € million) | 31 Dec.2020 (in € million) | Change (in %) |
|---|---|---|---|
| **Contingent liabilities** | | | |
| Liabilities from guarantees and other indemnity agreements | 3 650 | 3 472 | 5 |
| Other contingent liabilities | 76 | 73 | 4 |
| | **3 726** | **3 545** | **5** |
| **Other obligations** | | | |
| Irrevocable credit commitments | 8 791 | 8 977 | – 2 |
| **Total** | **12 517** | **12 522** | **– 0** |

Liabilities from guarantees and guarantee contracts include loan guarantees, trade-related guarantees and contingent liabilities from other guarantees and warranties.

NORD/LB ensures that the companies named below can fulfil their obligations:

- Nieba GmbH, Hannover
- NORD/LB Luxembourg S.A.Covered Bond Bank, Luxembourg-Findel/Luxembourg,
- Skandifinanz AG, Zurich, Switzerland

For reasons of practicability, no information is provided on the amount or timing of asset outflows or on the possibility of compensatory payments.

**Other Financial Obligations**

NORD/LB is obliged to pay a bank levy under the Restructuring Fund Ordinance (RstruktFV). Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 with regard to advance contributions to resolution financing mechanisms entered into force on 1 January 2015. The regulation complements the EU Bank Recovery and Resolution Directive (BRRD; Directive 2014/59/EU). In contrast to previous years, NORD/LB did not make use of the option to make part of the fixed annual contribution as an irrevocable payment obligation in the current financial year. The payment obligations from previous years covered by cash collateral amounted to € 40 million (€ 40 million).

As a member of the bank-related hedging reserve of the Landesbanken, which is part of the S-Finanzgruppe hedging system, and due to the European bank levy, NORD/LB is obliged to pay annual contributions. In addition to the contributions already made, there are additional contribution obligations amounting to an estimated € 109 million (€ 64 million). If a support case arises, the additional funds can be claimed immediately. For the reporting year, an annual contribution of € 9 million (€ 11 million) was due for the institution-related hedging reserve, which is reported in other administrative expenses.

Part of the set annual contribution of the hedging reserve was made as an irrevocable payment obligation. These payment obligations, which now amount to € 37 million (€ 33 million), are covered by cash collateral.

NORD/LB acts as guarantor for the obligations of the Sparkassenverband Niedersachsen (SVN) on account of its membership of the Deutsche Sparkassen- und Giroverband (German Savings Bank and Giro Association), a body under public law, and DekaBank Deutsche Girozentrale. In addition, together with the other shareholders of DekaBank Deutsche Girozentrale, there is a liability for old liabilities established up to 18 July 2005 within the framework of the guarantor function.

Furthermore, NORD/LB, together with the Sparkassenverband Niedersachsen (SVN) and Landesbank Berlin Holding AG, exercises the guarantor function at LBS Norddeutsche Landesbausparkasse Berlin-Hannover.

NORD/LB is no longer obliged to grant shareholder loans to NORD KB Dachfonds II Beteiligungsgesellschaft mbH on account of the full payment (€ 2 million).

NORD/LB, together with other limited partners, holds a stake in CG-Terrassen GmbH & Co. KG (formerly: Immobilien Development und Beteiligungsgesellschaft Niedersachsen mbH IDB & Co. - Objekt Zietenterrassen - KG). A limited partner has released the former general partner IDB Niedersachsen mbH from liability. NORD/LB assumes 50 per cent of the possible obligations from this declaration of liability in the internal relationship. The statutory subsequent liability results in a possible liability risk for any claims arising up to 2019, which will be asserted by 2024 at the latest. An identical exemption from liability was agreed with effect from 2020 for the benefit of the new general partner Casa Gutingi Verwaltungs GmbH.

In accordance with its legal form, NORD/LB has unlimited liability viz-à-viz the creditors of GLB GmbH & Co. OHG. All shareholders are either legal entities under public law (regional banks) or companies under private law, in which the majority of the company shares are held directly or indirectly by public-law entities. After the sale and assignment of the previously held direct holding and the atypical silent participation in DekaBank in 2011, the company no longer operates any active business activities. There are no material risks from the final settlement of withdrawable profit shares from previous years once the tax certificates of DekaBank have been materially validated.

NORD/LB and the other limited partners of Braunschweig Grund Objektgesellschaft Driebenberg mbH & Co. KG have released the general partner from liability.

As part of normal business activities, NORD/LB provided collateral in the form of securities in the nominal amount of € 41 million (€ 10 million).

NORD/LB concluded a securitisation transaction for the purpose of offsetting regulatory equity. This related to the securitisation of a loan portfolio of € 4 billion as at 31 December 2021. The mezzanine tranche in the amount of € 211 million (€ 252 million) is hedged against default risks by means of an external guarantee. NORD/LB bears the losses attributable to the first loss tranche itself. There will be no capitalisable compensation claim against the guarantors if the guarantee cannot yet be claimed through settled losses that exceed the deductible to be borne by NORD/LB. The annual premiums for the provision of guarantees are recognised in commission expenses and are expected to amount to € 21 million for the following year.

As a result of the capital-boosting measures, NORD/LB concluded three guarantee contracts with the State of Lower Saxony in 2019 to hedge loss risks and to free up regulatory capital. The guarantee portfolios comprised two reference portfolios from the Special Credit & Portfolio Optimisation (SCPO) segment (hedging of the net carrying amount of an NPL portfolio and the gross carrying amount of another sub-portfolio) and a reference portfolio of aircraft financing from the Special Financing segment. The guarantee contract for the NPL portfolio was terminated by NORD/LB in accordance with the contract with effect from 30 June 2021. The liability of the State of Lower Saxony under the guarantee thus ended on this date. In return for granting the guarantees, NORD/LB pays the state of Lower Saxony a commission for each one. As at 31 December 2021, there was no outstanding guarantee fee (total guarantee fee until termination € 51 million) for the non-performing ship financing portfolio. A fixed guarantee commission is contractually agreed for each of the two remaining guarantees, which must be paid in fixed quarterly instalments. The guarantee for the ship financing sub-portfolio with hedged gross carrying amounts is subject to a guarantee fee of € 236 million (outstanding guarantee fee of € 69 million as at 31 December 2021) or € 60 million (outstanding guarantee fee of € 15 million as at 31 December 2021) for the reference portfolio from the Special Financing segment.

The previous framework agreement for IT infrastructure services with Wincor Nixdorf International GmbH, Paderborn, was terminated in the first half of 2021. NORD/LB concluded a lease with software provider ATOS in 2021. The resulting lease liabilities amounted to € 11 million.

NORD/LB has obligations from long-term rental and leasing contracts for land and buildings up to 2044 in the nominal amount of € 77 million (€ 82 million).

At year-end, there were payment obligations for shares and other interests in the amount of € 5 million (€ 7 million).

# Related Parties

### (73) Number of Employees

The average number of employees in the NORD/LB Group during the reporting period is as follows:

| | Male 1 Jan. - 31 Dec. 2021 | Male 1 Jan. - 31 Dec. 2020 | Female 1 Jan. - 31 Dec. 2021 | Female 1 Jan. - 31 Dec. 2020 | Total 1 Jan. - 31 Dec. 2021 | Total 1 Jan. - 31 Dec. 2020 |
|---|---|---|---|---|---|---|
| NORD/LB [1)] | 1 976 | 2 235 | 2 000 | 2 266 | 3 976 | 4 501 |
| NORD/LB Luxembourg S.A. Covered Bond Bank | 102 | 108 | 32 | 43 | 134 | 151 |
| KreditServices Nord GmbH | 50 | 45 | 157 | 146 | 207 | 191 |
| Other | 62 | 69 | 47 | 51 | 109 | 120 |
| **Group** | **2 190** | **2 457** | **2 236** | **2 506** | **4 426** | **4 963** |

[1)] NORD/LB's figures also include the average number of employees at Deutsche Hypothekenbank, which was merged on 1 July 2021 and was previously reported separately. NORD/LB's previous year's figures were adjusted accordingly.

### (74) Disclosures Concerning Shares in Companies

*Consolidated Subsidiaries*

Out of 18 (21) subsidiaries included in the consolidated financial statements, eight (eight) are structured entities in accordance with IFRS 12.

The NORD/LB Group held non-controlling interests in subsidiaries as at 31 December 2021 and 31 December 2020. As at the aforementioned reporting dates, these were not material in terms of either their share of Group equity or their share of Group net income.

Statutory, contractual or regulatory restrictions, as well as property rights of non-controlling interests, can restrict the NORD/LB Group in its ability to gain access to the Group's assets or to transfer these unhindered between Group companies and settle the Group's liabilities.

The NORD/LB Group has restrictions on collateral provided, restrictions on plan assets in accordance with IAS 19 and on the minimum liquidity reserve. With regard to the restrictions on collateral provided, please refer to Note (66) The NORD/LB Group as assignor and assignee. The information on the collateral provided also includes the cover assets in the cover pool of the mortgage banks in the NORD/LB Group and loans pooled on the basis of securitisation transactions. Restrictions on plan assets can be seen in Note (53) Provisions.

As presented in Note (8) Consolidation fundamentals, structured entities are consolidated when the relationship between the Group and the structured entities shows that they are controlled by the Group.

As at the reporting date, one (one) structured entity was consolidated as the Group is contractually obliged to provide it with financial assistance. This relates to Conduit Hannover Funding Company LLC (Hannover Funding), which acquires receivables from corporate customers and refinances this purchase by issuing commercial papers. The NORD/LB Group grants the Company a liquidity facility in such a way that Hannover Funding can draw on the NORD/LB Group in the event of financing and liquidity bottlenecks. This situation is regulated in the liquidity asset purchase agreement. Due to contractual agreements, the NORD/LB Group has no access to the assets and liabilities of Hannover Funding.

*Associates and joint ventures*

Among the five (six) associates included in the consolidated financial statements and one (one) joint venture, one (zero) associate and zero (zero) joint ventures are of significant importance to the Group due to the proportionate result and the proportionate overall result.

As at the reporting date, NORD/LB held shares in the following associates, which from the Group's perspective is material:

| Name and registered office | Nature of the relationship | Shareholding (in %) | | Voting rights (in %) | |
|---|---|---|---|---|---|
| | | 31 Dec.2021 | 31 Dec.2020 | 31 Dec.2021 | 31 Dec.2020 |
| LBS Norddeutsche Landesbausparkasse Berlin - Hannover, Hannover | Bausparkasse with strategic significa-tion | 44.00 | 44.00 | 44.00 | 44.00 |

The following table presents the financial information from the IFRS financial statements of LBS Norddeutsche Landesbausparkasse Berlin – Hannover, Hannover, (LBS) following updated adjustments through the application of the equity method in accordance with IAS 28.32-.35.

| | LBS | |
|---|---|---|
| (in € million) | 31 Dec.2021 | 31 Dec.2020 |
| Interest income | 157 | 159 |
| Interest expenses | – 68 | – 81 |
| Commission income | 43 | 44 |
| Commission expenses | – 57 | – 57 |
| Trading profit / loss | – 50 | 36 |
| Other income / expenses | 4 | – |
| **Profit / loss from continuing operations** | **29** | **101** |
| Other comprehensive income | – 62 | – 81 |
| **Comprehensive income** | **– 33** | **20** |
| | | |
| Short-term assets | 838 | 831 |
| Long-term assets | 6 868 | 7 283 |
| Short-term liabilities | 3 478 | 3 632 |
| Long-term liabilities | 3 668 | 3 839 |
| **Net assets** | **560** | **643** |
| Of which: NORD/LB Group's share | 246 | 293 |
| Accumulated non-scheduled impairment to the investment book value | 206 | 249 |
| **Carrying amount of NORD/LB Group's share** | **40** | **44** |

Summarised financial information on the associates considered individually insignificant can be found in the following table:

| | 31 Dec.2021 (in € million) | 31 Dec.2020[1] (in € million) |
|---|---|---|
| Carrying amount of the shares of non-significant associated companies | 64 | 77 |
| **NORD/LB Group's share in** | | |
| Profit/loss from continuing operations | – 4 | 11 |
| **Comprehensive income** | **– 4** | **11** |

[1] Adjustment of the previous year's figures, as the LBS has been reported as a significant associate since this reporting year.

Summarised financial information on the joint ventures considered individually insignificant can be found in the following table:

| | 31 Dec.2021 (in € million) | 31 Dec.2020 (in € million) |
|---|---|---|
| Carrying amount of the shares of non-significant joint ventures | 3 | 3 |
| **NORD/LB Group's share in** | | |
| Profit / loss from continuing operations | – 1 | – |
| **Comprehensive income** | **– 1** | **–** |

Restrictions on (credit) contracts or supervision may restrict an associate or jointly controlled entity from paying cash dividends to the Group or repaying loans granted by the Group. There were no such restrictions as at the reporting date.

Contingent liabilities and other obligations to associates amounted to € 61 million (€ 56 million) as at the reporting date.

*Unconsolidated structured companies*

The NORD/LB Group participates in structured entities that are not included as subsidiaries in the consolidated financial statements. Structured entities are entities that are designed in such a way that voting or similar rights are not the dominant factor in determining who controls these entities. This is the case, for example, if voting rights only relate to administrative tasks and the relevant activities are controlled by contractual agreements.

Structured entities existed in the NORD/LB Group in the reporting year in the form of securitisation companies, special purpose lease companies and other loan-financed special purpose and project companies.

The subject matter of this disclosure is structured entities that the Group does not consolidate because it does not control these through voting rights, contractual rights, financing agreements or other means.

*Securitisation vehicles*

Securitisation vehicles invest financial resources in diversified pools of assets. These include fixed-income securities, corporate loans, commercial and private real estate loans and credit card receivables. The securitisation vehicles finance these purchases by issuing various tranches of debt and equity securities, the repayment of which is linked to the performance of the vehicle's assets. The Group may transfer assets synthetically or effectively to securitisation companies and provide them with liquidity in the form of financing.

*Leasing property companies*

The NORD/LB Group acts as the lender for companies that are established exclusively for the purpose of acquiring or developing various commercial real estate, generally by well-known leasing companies. The financing is secured by the financed property. Leasing property companies are typically managed in the legal form of a GmbH & Co. KG. Due to existing contractual agreements, these are often managed by the respective lessee. Leasing property vehicles are also financed in the area of project financing and as part of aircraft commitments.

*Property and project financing*

The Group provides financing for structured entities that generally each hold an asset, such as a property or an aircraft. In many cases, these structured entities have the legal form of a partnership. The equity of these companies is very low compared with the debt financing provided.

*Shares in structured entities*

The Group's interests in non-consolidated structured entities consist of contractual or non-contractual participation in these entities, which expose the Group to variable returns from the performance of the structured entities. Examples of interests in unconsolidated structured entities include debt or equity instruments, liquidity facilities, guarantees and various derivative instruments through which the Group absorbs risks from structured entities.

Shares in non-consolidated structured entities do not include instruments through which the Group transfers risks exclusively to the structured entity. For example, if the Group credit default insurance purchased from non-consolidated structured entities, the purpose of which is to transfer credit risks to an investor, the Group transfers this risk to the structured entity and no longer carries it itself. Such credit default insurance therefore does not represent a share in a structured entity.

*Income from shares in structured entities*

Interest income is generated by financing structured entities. All income arising from the trading of derivatives with structured entities and from changes in the value of the securities held is recognised in the income statement in the item profit/loss from financial assets at fair value.

*Size of structured units*

The size of a structured entity is determined by the nature of its operations. It may therefore be necessary to set different rules for different entities. The NORD/LB Group considers the following key figures to be appropriate indicators for the size of the structured entities:

- Securitisation companies: current total volume of tranches issued
- Fund: Fund assets
- (Leasing) property companies: total assets of the (leasing) property companies
- Other entities: Total assets

*Maximum risk of loss*

The maximum possible risk of loss is the maximum loss that the Group could have to recognise in the income statement and the statement of comprehensive income from its exposure to unconsolidated structured entities. Collateral or hedging relationships and the probability of occurrence of a loss are disregarded in the determination. The maximum possible risk of loss does not therefore has to correspond to the economic risk.

The maximum possible risk of loss is determined by the type of exposure to a structured company. The maximum possible risk of loss from loans and advances, including debt securities, is the carrying amount presented in the balance sheet. The same applies to trading assets as well as ABS, MBS and CDO positions. The maximum possible loss of off-balance-sheet transactions, such as guarantees, liquidity facilities and loan commitments, is their nominal value. For derivatives, the maximum possible risk of loss is also their nominal value.

The following table shows, by type of unconsolidated structured entity, the carrying amounts of the Group's shares recognised in the Group's balance sheet and the maximum possible loss that could result from these shares. It also provides an indication of the size of the unconsolidated structured entities. The values do not reflect the Group's economic risk from these investments, as they do not take into account collateral or hedging relationships.

| 31 Dec.2021 (in € million) | Securitisation companies (lender) | Securitisation companies (investor) | Investment companies | Leasing companies | Property and project finance | **Total** |
|---|---|---|---|---|---|---|
| Size of the non-consolidated structured company | 220 | 3 361 | – | 9 760 | 21 | **13 362** |
| | | | | | | |
| Trading assets | – | – | – | 2 | – | **2** |
| Financial assets at fair value through profit or loss | – | 107 | – | – | 5 | **112** |
| Financial assets at amortised costs | 19 | 4 | – | 524 | 6 | **553** |
| **Assets reported in the balance sheet of the Nord/LB Group** | **19** | **111** | **–** | **526** | **11** | **667** |
| | | | | | | |
| Financial liabilities at amortised costs | – | – | – | 5 | – | **5** |
| **Liabilities reported in the balance sheet of the Nord/LB Group** | **–** | **–** | **–** | **5** | **–** | **5** |
| | | | | | | |
| Off-balance-sheet positions | 203 | 1 | – | 64 | – | **268** |
| Maximum risk of loss | 491 | 113 | – | 675 | 11 | **1 290** |
| Losses incurred during the reporting period | 9 | – | – | 12 | – | **21** |

| 31 Dec.2020 (in € million) | Securitisation companies (lender) | Securitisation companies (investor) | Investment companies | Leasing companies[1)] | Property and project finance | **Total** |
|---|---|---|---|---|---|---|
| Size of the non-consolidated structured company | 599 | 4 524 | 72 | 10 083 | 21 | **15 299** |
| | | | | | | |
| Trading assets | – | – | – | 4 | – | **4** |
| Financial assets at fair value through profit or loss | – | 117 | 22 | – | 6 | **145** |
| Financial assets at amortised costs | – | 6 | – | 780 | 6 | **792** |
| **Assets reported in the balance sheet of the Nord/LB Group** | **–** | **123** | **22** | **784** | **12** | **941** |
| | | | | | | |
| Financial liabilities at amortised costs | – | – | – | 9 | – | **9** |
| **Liabilities reported in the balance sheet of the Nord/LB Group** | **–** | **–** | **–** | **9** | **–** | **9** |
| | | | | | | |
| Off-balance-sheet positions | 268 | – | – | 53 | – | **321** |
| Maximum risk of loss | 268 | 123 | 22 | 881 | 12 | **1 306** |
| Losses incurred during the reporting period | – | – | 2 | 25 | – | **27** |

[1)] The previous year's figure for the size of the non-consolidated structured entities (property lease companies) was adjusted in accordance with IAS 8.42 due to incorrect processing, see Note (5) Restatement of previous year's figures. This led to a change in the disclosure from € 8,064 million to € 10,083 million.

During the reporting year, the NORD/LB Group did not provide any non-consolidated structured entities with any contractual support. In the previous reporting year, two unconsolidated structured entities were granted deferrals of € 2 million, which were repaid in full in the reporting year. No new repayment deferrals were agreed with non-consolidated structured entities in the reporting year.

The NORD/LB Group is regarded as a sponsor of a structured entity if market participants associate it with the structured company in a justified manner. Sponsorship exists in the NORD/LB Group if

- the NORD/LB Group was involved in the founding of the structured entity and contributed to its objectives and design;
- the name of the structured entity contains elements that establish a connection to the NORD/LB Group;
- the assets and liabilities of the structured entity are managed on the basis of a strategy developed by the Group; or
- the NORD/LB Group issued or acquired the assets before they were contributed to the structured entity (i.e. the NORD/LB Group is the originator of the structured entity).

The Group sponsors various securitisation companies in which it was involved or is the originator.

Default risks from loan receivables in the amount of € 3 million (€ 8 million) were transferred to these in the 2021 financial year by means of a financial guarantee or within the scope of syndicate agreements (see Note Other financial liabilities).

Income from the aforementioned sponsored non-consolidated structured entities in which the NORD/LB Group does not hold a share as at the reporting date was not available in the reporting period (€ 1 million).

**(75) Related Parties**

Related parties are all consolidated and non-consolidated subsidiaries, associates and joint ventures as well as the subsidiaries of joint ventures and associates. Other related parties of the NORD/LB Group are the owners of NORD/LB, their subsidiaries and joint ventures as well as companies controlled by related parties or under joint management.

Natural persons considered to be related in accordance with IAS 24 are the members of the Managing Board, the Supervisory Board and the committees of NORD/LB as parent companies and their close family members.

Transactions with related parties are concluded on normal market terms and conditions.

The scope of relations (excluding transactions to be eliminated in the consolidation) with related companies and persons in 2020 and 2021 is shown in the following tables:

| 31 Dec.2021<br>(in € million) | Companies with significant influence | Subsi-daries | Joint Ventures | Associated companies | Persons in key positions | Other related parties |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Trading assets** | **213** | **–** | **–** | **80** | **–** | **11** |
| Derivates | 107 | – | – | 80 | – | 1 |
| Debt securities and other fixed interest securities | 20 | – | – | – | – | – |
| Loans and advances | 86 | – | – | – | – | 10 |
| **Financial assets mandatorily at fair value through profit or loss** | **–** | **8** | **–** | **–** | **–** | **–** |
| Equity instruments | – | 8 | – | – | – | – |
| **Financial assets at fair value through other comprehensive income** | **877** | **–** | **–** | **–** | **–** | **–** |
| Debt securities and other fixed interest securities | 847 | – | – | – | – | – |
| Loans and advances | 30 | – | – | – | – | – |
| **Financial assets at amortised costs** | **1 596** | **–** | **–** | **376** | **2** | **44** |
| Loans and advances | 1 596 | – | – | 376 | 2 | 44 |
| **Other assets** | **91** | **3** | **–** | **–** | **–** | **–** |
| **Total** | **2 777** | **11** | **–** | **456** | **2** | **55** |

| 31 Dec.2021<br>(in € million) | Companies with significant influence | Subsidaries | Joint Ventures | Associated companies | Persons in key positions | Other related parties |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| **Trading liabilities** | **66** | **–** | **–** | **16** | **–** | **–** |
| Derivates | 66 | – | – | 16 | – | – |
| **Financial liabilities designated at fair value through profit or loss** | **32** | **–** | **–** | **–** | **–** | **49** |
| Deposits | 32 | – | – | – | – | 49 |
| **Financial liabilities at amortised costs** | **278** | **49** | **5** | **248** | **3** | **231** |
| Deposits | 278 | 20 | 5 | 248 | 3 | 231 |
| Other financial liabilities | – | 29 | – | – | – | – |
| **Hedge accounting derivates** | 7 | – | – | – | – | – |
| **Other liabilities** | **–** | **1** | **–** | **–** | **–** | **–** |
| **Total** | **383** | **50** | **5** | **264** | **3** | **280** |
| | | | | | | |
| Guarantees and sureties received | 50 | – | – | – | – | – |
| | | | | | | |
| Guarantees and sureties granted | – | – | – | 2 | – | 2 |

| 1 Jan. - 31 Dec.2021 (in € million) | Companies with significant influence | Subsidaries | Joint Ventures | Associated companies | Persons in key positions | Other related parties |
|---|---|---|---|---|---|---|
| Interest income | 56 | – | – | 11 | – | 1 |
| Interest expense | – 28 | – 13 | – | – 9 | – | – 3 |
| Commission income | 7 | – | – | – | – | – |
| Commission expenses | – 79 | – | – | – | – | – |
| Other income/expense | 44 | 1 | – | 32 | – 6 | 4 |
| **Total** | **–** | **– 12** | **–** | **34** | **– 6** | **2** |

| 31 Dec.2020 (in € million) | Companies with significant influence | Subsi-daries | Joint Ventures | Associated companies | Persons in key positions | Other related parties |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Trading assets** | **426** | **–** | **–** | **75** | **–** | **7** |
| Derivates | 96 | – | – | 75 | – | 7 |
| Debt securities and other fixed interest securities | 23 | – | – | – | – | – |
| Loans and advances | 307 | – | – | – | – | – |
| **Financial assets mandatorily at fair value through profit or loss** | **–** | **20** | **–** | **–** | **–** | **–** |
| Equity instruments | – | 20 | – | – | – | – |
| **Financial assets at fair value through other comprehensive income** | **987** | **–** | **–** | **–** | **–** | **–** |
| Debt securities and other fixed interest securities | 956 | – | – | – | – | – |
| Loans and advances | 31 | – | – | – | – | – |
| **Financial assets at amortised costs** | **1 777** | **–** | **–** | **406** | **2** | **297** |
| Loans and advances | 1 777 | – | – | 406 | 2 | 297 |
| **Other assets** | **91** | **5** | **–** | **–** | **–** | **–** |
| **Total** | **3 281** | **25** | **–** | **481** | **2** | **304** |

| 31 Dec.2020<br>(in € million) | Companies with significant influence | Subsidaries | Joint Ventures | Associated companies | Persons in key positions | Other related parties[1] |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| **Trading liabilities** | **156** | **–** | **–** | **37** | **–** | **–** |
| Derivates | 156 | – | – | 37 | – | – |
| **Financial liabilities designated at fair value through profit or loss** | **39** | **–** | **–** | **–** | **–** | **77** |
| Deposits | 39 | – | – | – | – | 77 |
| **Financial liabilities at amortised costs** | **250** | **39** | **2** | **267** | **2** | **310** |
| Deposits | 250 | 23 | 2 | 267 | 2 | 310 |
| Other financial liabilities | – | 16 | – | – | – | – |
| **Hedge accounting derivates** | – | – | – | – | – | – |
| **Other liabilities** | **–** | **1** | **–** | **–** | **–** | **–** |
| **Total** | **445** | **40** | **2** | **304** | **2** | **387** |
| Guarantees and sureties received | 60 | – | – | – | – | – |
| Guarantees and sureties granted | – | – | – | 1 | – | 6 |

[1] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

| 1 Jan. - 31 Dec.2020<br>(in € million) | Companies with signi-fi-cant influence | Subsidaries | Joint Ventures | Associated companies | Persons in key positions | Other related parties[1] |
|---|---|---|---|---|---|---|
| Interest income | 70 | 36 | – | 10 | – | 2 |
| Interest expense | – 25 | – | – | – 10 | – | – 5 |
| Commission income | 9 | – | – | – | – | – |
| Commission expenses | – 152 | – | – | – | – | – |
| Other income/expense | 92 | – 5 | – | – 25 | – 5 | – |
| **Total** | **– 6** | **31** | **–** | **– 25** | **– 5** | **– 3** |

[1] The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

With regard to the recapitalisation of NORD/LB and assumption of guarantees by the State of Lower Saxony, please refer to Note (3) Explanation of the balance sheet effects of the guarantee contracts from the support contract and (4) Changes in the guarantee portfolio as at 31 December 2021.

The following table shows the maximum balances for transactions between the NORD/LB Group and related parties in the reporting period and in the previous year.

| | 2021 (in € million) | 2020[1)] (in € million) |
|---|---|---|
| **Assets** | | |
| Trading assets | 304 | 508 |
| Financial assets at amortised costs | 2 245 | 2 482 |
| Other assets | 1 006 | 1 181 |
| **Total** | **3 555** | **4 171** |
| | | |
| **Liabilities** | | |
| Trading liabilities | 121 | 205 |
| Financial liabilities at amortised costs | 858 | 872 |
| Other liabilities | 89 | 117 |
| **Total** | **1 068** | **1 194** |
| | | |
| Guarantees and sureties received | 60 | 60 |
| Guarantees and sureties granted | 4 | 7 |

1) The prior-year figures were restated for individual items; for more information, see Note (5) Restatement of previous year's figures.

The remuneration of persons in key positions is made up as follows:

| | 2021 (in € million) | 2020 (in € million) |
|---|---|---|
| Employment-related payments due in the short term | 5 | 5 |
| Post-employment payments | 1 | 1 |
| **Total remuneration** | **6** | **6** |

The total remuneration and loans of the executive bodies in accordance with commercial law are presented in Note (76) Expenses for executive bodies and loans to executive bodies.

**(76) Remuneration of and Loans to Govering Bodies**

| | 1 Jan. - 31 Dec. 2021 (in € million) | 1 Jan. - 31 Dec. 2020 (in € million) |
|---|---|---|
| **Total emoluments paid to active members of governing bodies** | | |
| Managing Board | 4 | 3 |
| **Total emoluments paid to former members of governing bodies and their dependants** | | |
| Managing Board | 7 | 6 |

The total remuneration of active members of the Supervisory Board amounted to € 350,000 (€ 351,000).

Commitments of € 586,000 (€ 0) were made in 2021 for remuneration to members of the Managing Board, which will depend on contingent future circumstances.

The advances and loans granted to the members of the Managing Board and Supervisory Board amounted to € 365,000 (€ 380,000) and € 130,000 (€ 170,000). Of the advances and loans granted to members of the

Managing Board and Supervisory Board, € 20,000 (€ 255,000) and € 41,000 (€ 7,000) were repaid in the reporting year.

There were pension obligations to former members of the Managing Board and their surviving dependants in the amount of € 137 million (€ 129 million).

**(77) Group Auditor’s Fees**

| (in € million) | 1 Jan. - 31 Dec. 2021 (in € million) | 1 Jan. - 31 Dec. 2020 (in € million) |
|---|---|---|
| **Group auditor’s fees for** | | |
| The statutory audit | 10 | 11 |
| Other audit-related services | –[1] | 1 |
| Other services | –[1] | 1 |

[1] Other confirmation services and other services totalling less than € 0.5 million were provided in each case.

In addition to the audit of the consolidated financial statements and the annual financial statements of Norddeutsche Landesbank – Girozentrale – as well as various audits of the annual financial statements of the subsidiaries, including statutory assignment extensions and audit priorities agreed with the Supervisory Board, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft provided the following significant permitted services in the 2021 financial year:

- Voluntary annual audits and a review of interim financial statements
- Project-accompanying review of the New Bank Management project and other IT projects
- Confirmation services based on legal or contractual obligations. This includes confirmation services for savings bank organisations and the bank levy
- Confirmation services in connection with the audit of other reports (e.g. non-financial report, disclosure report)
- Other services as part of the restructuring support
- Other services relating to training

**(78) Equity Holdings**

The list of shareholdings covers all companies included in the consolidated financial statements, the non-consolidated subsidiaries, joint ventures and associates as well as other shareholdings of at least 20 per cent. The information on the companies was taken from the most recently approved annual financial statements.

| Company name and registered office | Shares (%) indirect | Shares (%) direct |
|---|---|---|
| **a) Companies included in the consolidated financial statements** | | |
| **aa) Subsidiaries included in the consolidated financial statements** | | |
| BGG Katharina GmbH & Co. KG, Bremen | – | 100.00 |
| BGG Rathausmarkt GmbH & Co. KG, Bremen | – | 100.00 |
| BLB Immobilien GmbH, Bremen [3)] | – | 100.00 |
| KreditServices Nord GmbH, Braunschweig [3)] | – | 100.00 |
| Nieba GmbH, Hannover [3)] | – | 100.00 |
| NORD/FM Norddeutsche Facility Management GmbH, Hannover [3)] | – | 100.00 |
| NORD/LB Leasing GmbH, Oldenburg [3)] | – | 100.00 |
| NORD/LB Luxembourg S.A. Covered Bond Bank, Luxemburg-Findel / Luxemburg | – | 100.00 |
| NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen | 100.00 | – |
| NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen | 91.00 | 9.00 |

| Company name and registered office | Shares (%) indirect | Shares (%) direct |
|---|---|---|
| **ab) Special Purpose Entities included in the consolidated financial statements** | | |
| DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Pullach im Isartal | – | – |
| Fürstenberg Capital Erste GmbH, Fürstenberg | – | – |
| Fürstenberg Capital II. GmbH, Fürstenberg | – | – |
| Hannover Funding Company LLC, Dover / USA | – | – |
| NORD/LB Objekt Magdeburg GmbH & Co. KG, Pullach im Isartal | – | – |
| Unterstützungskasse der NORD/LB Girozentrale Hannover e.V., Hannover | – | – |
| **ac) Investment funds included in the consolidated financial statements** | | |
| NORDLB, SICAV-RAIF S.C.Sp. Aviation 1, Luxemburg | – | 100.00 |
| NORD/LB SICAV-RAIF S.C.Sp.-Infrastructure & Renewables GBP 2, Luxemburg | – | 100.00 |

| Company name and registered office | Shares (%) indirect | Shares (%) direct |
|---|---|---|
| **ad) Companies / investment funds accounted for in the consolidated financial statements using the equity method** | | |
| **Joint Ventures** | | |
| caplantic GmbH, Hannover | – | 45.00 |
| **Associated companies** | – | – |
| Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede | – | 32.26 |
| GSG Oldenburg Bau- und Wohngesellschaft mit beschränkter Haftung, Oldenburg | – | 22.22 |
| LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hannover | – | 44.00 |
| Öffentliche Lebensversicherung Braunschweig, Braunschweig [2)] | – | 75.00 |
| Öffentliche Sachversicherung Braunschweig, Braunschweig [2)] | – | 75.00 |

| Company name and registered office | Share of capital held (in %) | Equity[1] 1) (in Tsd €) | Profit/Loss (in Tsd €) |
|---|---|---|---|
| **b) Companies not included in the consolidated financial statements with an equity capital of greater or equal +/-€ 1 million** | | | |
| BGG Oldenburg GmbH & Co. KG, Bremen [5] | 100.00 | 11 353 | 836 |
| finpair GmbH, Hannover | 100.00 | 1 431 | 269 |
| NBN Grundstücks- und Verwaltungs-GmbH, Hannover [5] | 100.00 | 1 983 | – 40 |
| NBN Norddeutsche Beteiligungsgesellschaft für Immobilien in Niedersachsen mbH, Hannover [5] | 90.00 | 2 678 | – 4 |
| NORDLB SICAV-RAIF S.C.Sp., Luxemburg [6] | 99.01 | k.A. | k.A. |
| SGK Servicegesellschaft Kreditmanagement mbH, Hannover [5] | 100.00 | 2 181 | 812 |
| Skandifinanz AG, Zürich / Schweiz [5] | 100.00 | 2 542 | – 493 |
| **c) Capital share of greater or equal 20 % in companies with an equity capital of greater or equal +/– € 1 million** | | | |
| **Joint Ventures/ associated companies / other** | | | |
| Brocken Verwaltungs- und Vermietungs-GmbH & Co. KG, Wernigerode [5] | 50.00 | 2 300 | 373 |
| Bürgschaftsbank Mecklenburg-Vorpommern GmbH, Schwerin [5] | 20.89 | 17 161 | 262 |
| Bürgschaftsbank Sachsen-Anhalt GmbH, Magdeburg [5] | 20.44 | 16 577 | 141 |
| CG-Terrassen GmbH & Co. KG, Göttingen [5] | 50.00 | 4 389 | – 148 |
| FinTech Fonds GmbH & Co. KG, Köln [5] | 39.60 | 5 816 | – 148 |
| Fire Support (SSFR) Holdings Limited, Maidenhead Berkshire, Großbritannien [5] | 15.00 | – 10 224 | 810 |
| Gewobau Gesellschaft für Wohnungsbau, Vechta, mbH, Vechta [5] | 20.46 | 14 193 | 457 |
| LINOVO Productions GmbH & Co. KG i.L., Pöcking [5] | 45.17 | – 47 219 | 1 047 |
| LUNI Productions GmbH & Co. KG, Pöcking [5] | 24.29 | – 115 687 | – 348 |
| Marktcarré Grundbesitz-GmbH, Oldenburg [5] | 25.00 | 3 263 | – 653 |
| Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH, Schwerin [5] | 26.00 | 17 962 | 1 344 |
| Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mit beschränkter Haftung, Hannover [5] | 39.82 | 15 097 | 366 |
| NBV Beteiligungs-GmbH, Hannover [5] | 42.66 | 12 121 | 439 |
| Wohnungsbaugesellschaft Wesermarsch mit beschränkter Haftung, Brake [5] | 21.72 | 20 645 | 462 |

| Company name and registered office | Share of capital held (in %) |
|---|---|
| **d) Subsidiaries not included in the consolidated financial statements with an equity capital of greater or equal +/– € 1 million** | |
| BLBI Beteiligungs-GmbH, Bremen | 100.00 |
| Braunschweig Grund Objektgesellschaft Driebenberg mbH & Co. KG, Braunschweig | 66.67 |
| Bremische Grundstücks-GmbH & Co. Wohnanlagen Groß-Bonn, Bremen | 100.00 |
| City Center Magdeburg Hasselbach-Passage Grundstücksgesellschaft mbH, Hannover | 100.00 |
| FL FINANZ-LEASING GmbH, Wiesbaden | 58.00 |
| LBT Holding Corporation Inc., Wilmington / USA | 100.00 |
| NORD/Advisors Norddeutsche Financial & Strategic Advisors GmbH, Hannover | 100.00 |
| NORD/LB Informationstechnologie GmbH, Hannover [3] | 100.00 |
| NORD/LB Project Holding Ltd., London / Großbritannien | 100.00 |
| PLM Grundstücksverwaltung Gesellschaft mit beschränkter Haftung, Hannover | 100.00 |
| Ricklinger Kreisel Beteiligungs GmbH, Hannover | 100.00 |
| Themis 1 Inc., Wilmington / USA | 100.00 |
| Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Hannover [4] | 100.00 |
| **e) Capital share of greater or equal 20 % in companies with an equity capital below +/– € 1 million** | |
| Braunschweig Grundstücksentwicklungsgesellschaft mbH, Braunschweig | 50.00 |
| Brocken Verwaltungs- und Vermietungs-GmbH, Wernigerode | 50.00 |
| FCC (East Ayrshire) Holdings Limited, Edinburgh / Großbritannien | 30.00 |
| FinTech Fonds Management GmbH, Köln | 40.00 |
| GbR VÖB Immobilienanalyse, Bonn | 20.00 |
| Interessengemeinschaft Katharinenklosterhof GbR, Bremen | 31.00 |
| NORD KB Beteiligungsgesellschaft mit beschränkter Haftung, Hannover | 28.66 |
| PPP Services (North Ayrshire) Holdings Limited, Edinburgh / Großbritannien | 20.00 |
| WLO Wirtschaftsförderungsgesellschaft für den Landkreis Oldenburg mbH, Wildeshausen | 23.84 |

Notes:
[1] Equity capital in accordance with sections 266 and 272 of the German Commercial Code less outstanding deposits.
[2] This company is classified as an associate due to its structure under company law.
[3] There is a profit transfer agreement with the company.
[4] Consolidation is not required according to IFRS 10.4 (b).
[5] The data is available as at 31 December 2020.
[6] The data is available as at 31 December 2018.

### (79) Events after Reporting Date

There were no significant events that occurred after the end of the financial year and were not recognised in the income statement or balance sheet.

Hannover / Braunschweig / Magdeburg, 22. March 2022

Norddeutsche Landesbank Girozentrale

The Managing Board

| | | |
|---|---|---|
| Frischholz | Dieng | Schulz |

| | |
|---|---|
| Seidel | Spletter-Weiß |

# Statement and Audit

# Audit Opinion of the independent Group Auditor

To the Norddeutsche Landesbank – Girozentrale-, Hannover, Braunschweig and Magdeburg

***Note on the Audit of the Consolidated Financial Statements and the Combined Management Report***

*Audit Opinions*

We have audited the consolidated financial statements of Norddeutsche Landesbank – Girozentrale -, Hannover, Braunschweig, Magdeburg, and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2021, and statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the financial year from 1 January to 31 December 2021, and notes to the consolidated financial statements including a summary of significant accounting policies. In addition, we have audited the group management report of Norddeutsche Landesbank – Girozentrale -, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

*Basis for the Audit Opinions*

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

*Key Audit Matters in the Audit of the Consolidated Financial Statements*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Determination of Stage 3 provisions for expected credit losses on loans and advances in the commercial lending business

❷ Determination of Stage 1 and Stage 2 provisions for expected credit losses on loans and advances in the lending business

❸ Subsequent valuation of the guarantee agreements agreed with the State of Lower Saxony

❹ Valuation of the silent participations

Our presentation of these key audit matters has been structured as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ Determination of Stage 3 provisions for expected credit losses on loans and advances in the commercial lending business

① In the consolidated financial statements of the Company, loans and advances to customers in the amount of € 67.4 billion (58,8 % of the total assets) are reported under the balance sheet item “Financial assets at amortized cost”. As of the balance sheet date, risk provisioning on loans and advances in the loan portfolio amounted to a total of € 877 million and was attributable to loans with an impaired credit rating (so-called Stage 3 provisions for losses on loans and advances) with a total of € 382 million that was largely determined by the commercial customer lending business. The measurement of the risk provision for loans and advances to commercial customers is determined in particular by the structure and quality of the loan portfolios, macroeconomic factors, and the estimates of the legal representatives with regard to future cash flows, among other things in light of the expected impact of the ongoing Corona pandemic on the commercial customer lending business. The amount of the Stage 3 risk provisions for loans and advances to commercial customers corresponds to the difference between the outstanding loan amount and the present value of the expected cash flows from the loan commitment. Existing collateral is taken into account. Stage 3 risk provisions for loans and advances to commercial customers are measured on the basis of probability-weighted scenarios, which also take into account the impact of macroeconomic factors on cash flows. The determination of the number and content of scenarios, the estimation of the probability of occurrence and the derivation of expected cash flows in the respective scenario imply considerable judgement on the part of the legal representatives. In addition, the amount of the risk provisions in the commercial customer lending business is highly significant for the net assets and the financial performance of the Company. Against this background, this matter was of particular importance in our audit.

② As part of our audit, we first assessed the design of the relevant internal control system of the Company. In doing so, we considered the business organization, the IT systems and the relevant valuation models. In addition, we assessed the valuation of commercial customer loans and advances, including the appropriateness of estimated values, on the basis of samples of credit exposures. In doing so, we evaluated, among other things, the Company's available documentation regarding the economic circumstances and the recoverability of the related collateral. In the case of collaterals for which the Company has provided us with valuation reports, we obtained an understanding of the underlying data, the valuation parameters applied and the assumptions made, critically evaluated these and assessed whether they were within a reasonable range. In addition, we evaluated the calculation models used by the Company and the underlying assumptions and parameters in order to assess the Stage 3 allowance for credit losses. In particular, we also evaluated the assessment of the legal representatives regarding the impact of the Corona pandemic on the economic situation of the borrowers and the recoverability of the corresponding collateral, and understood how this was taken into account in the measurement of the loans and advances from customers. On the basis of the audit procedures we performed, we were able to come to the conclusion that overall the assumptions made by the legal representatives when testing the recoverability of the commercial loan portfolio were reasonable and that the controls implemented by the Company were appropriate and effective.

③ The Company's disclosures on the risk provisions for loans and advances to customers are included in Note (14) “Risk Provisioning” and Note (59) “Risk Provisions and Gross Carrying Amount” to the consolidated financial statements.

❷ Determination of Stage 1 and Stage 2 provisions for expected credit losses on loans and advances in the lending business

① Portfolio loan loss allowances totaling € 513 million have been recognized for foreseeable counterparty risks in the customer lending business that have not yet been specifically identified for individual borrowers in Stages 1 and 2 of the IFRS 9 risk provisioning model. For this purpose, portfolio loan loss allowances are recognized in the amount of the expected loss for a period of twelve months for loans that are not individually impaired, unless the credit default risk has increased significantly since initial recognition. In this case, a portfolio loan loss allowance is recognized for loans that are not individually impaired for the expected losses of the loans concerned over the remaining term. In order to account for the existing uncertainties as a result of the Corona pandemic and the expectations of the legal representatives in this context not yet covered by the models, the Company has recognized a so-called management adjustment in the amount of € 362 million in the risk provisioning for loans and advances for certain sub-segments. The portfolio loan loss allowances for loans and advances in the customer lending business are highly significant for the net assets and the financial performance of the Company in terms of their amount and are also subject to considerable judgement on the part of the legal representatives. In addition, the valuation parameters applied, which are also subject to significant uncertainties due to the effects of the Corona pandemic, have a significant influence on the amount of any portfolio loan loss allowances that may be required. Against this background, this matter was of particular importance in the context of our audit.

② As part of our audit, we first assessed the design of the relevant internal control system of the Company with regard to the recognition of portfolio loan loss allowances. In particular, we considered the processes for recording business data, risk classification of borrowers, determination of portfolio loan loss allowances and validation of the valuation models. Furthermore, in order to assess the portfolio loan loss allowances made, we traced and evaluated, among other things, the valuation models used by the Company, the underlying input data, macroeconomic assumptions and parameters, and the results of the validation procedures, also with the involvement of our specialists in the field of financial mathematics. We questioned the necessity of the management adjustment and traced its calculation in terms of its amount. On the basis of our audit procedures, we were able to come to the conclusion that overall the assumptions made by the legal representatives in determining the portfolio-based allowances and the management adjustment were reasonable, and that the controls implemented by the Company were appropriate and effective.

③ The Company's disclosures regarding the Stage 1 and Stage 2 allowance for credit losses in the customer lending business are included in Note (2) “Impact of the COVID 19 pandemic”, Note (14) “Risk Provisioning” and Note (59) “Risk Provisions and Gross Carrying Amount” of the Notes to Consolidated Financial Statements.

❸ Subsequent valuation of the guarantees agreed with the State of Lower Saxony

① With effect from 23 December 2019, the Company has entered into three guarantee contracts with the State of Lower Saxony under which the State assumes loss risks from two loan portfolios with ship financing and one loan portfolio with aircraft financing. As of 30 June 2021, the Company exercised the contractual option to terminate one of the two guarantee contracts relating to ship financing. The guarantee contracts are credit derivatives for which the Company acts as secured party and which are measured at fair value through profit or loss. The fair values of the two remaining guarantee contracts as of 31 December 2021 amount to € 108 Mio and are reported under the balance sheet item “Trading assets”. The changes in fair values compared to the prior year are recognized as profit or loss in the result from fair value measurement. In return for granting the guarantees, the Company pays a commission to the State of Lower Saxony in each case. The commission expense in 2021 amounted to € 84 million. The fair value of the guarantee contracts is determined as the present value of the guarantee commissions to be paid in the future and the expected future loss compensation payments by the State of Lower Saxony, which are estimated mainly on the basis of expected losses from underlying loans. The selection of the valuation model and its parameterization are in some cases subject to considerable estimation uncertainties and judgement on the part of the legal representatives. Against this background, this matter was of particular importance in the context of our audit.

② As part of our audit, we conducted interviews, inspected the guarantee contracts, the accounting and valuation concept and other relevant documents, and assessed the design of the internal control system with regard to the valuation of the guarantee contracts. Our audit also included an assessment of the valuation model and the underlying assumptions and parameters. In addition, we verified the individual calculation steps on a sample basis with the involvement of our internal valuation specialists. Based on our audit procedures, we concluded that the valuation model used and the assumptions made by the legal representatives are appropriate.

③ The Company's disclosures on the guarantee contracts are included in Note (3) “Explanation of the Accounting-Related Impact of the Guarantee Contracts from the Support Contract” and Note (4) “Development of the Guaranteed Portfolio as at 31 December 2021” of the notes to the consolidated financial statements.

❹ Valuation of the silent participations

① Under the balance sheet item “Financial liabilities at amortized cost”, the Company reports subordinated liabilities in the form of silent participations, among other things, which carry a profit-related interest rate and participate in NORD/LB's net loss for the year or accumulated loss under commercial law. The silent participations have all been terminated by the company as of 31 December 2021 and 31 December 2022. The silent participations are measured at amortized cost. While the repayment amount for the silent participations terminated as of 31 December 2021 will be fixed when the annual financial statements for the year ending 31 December 2021 are adopted in accordance with German commercial law, the repayment amount for the silent participations terminated as of 31 December 2022 is still uncertain. The amortized cost is calculated using the original effective interest rate as the present value of the estimated future contractual cash flows. The difference to the previous carrying amount is recognized in net interest income. The estimated amount to be repaid is based on the lower of the carrying amount under commercial law or the nominal amount of the silent participations. The carrying amount under commercial law is largely determined by the profit or loss participations of the silent partners. The measurement of the silent participations as of the balance sheet date is based in particular on the planning for NORD/LB's earnings under commercial law for the 2022 fiscal year. The subsequent measurement of all silent participations results in an interest expense of € 83 million for the financial year 2021. The estimate of future contractual cash flows is highly discretionary and was therefore of particular importance for our audit.

② In order to verify the valuation of the silent participations, we assessed the process established by the Company for the valuation of the silent participations by interviewing the responsible persons. Among other things, we inspected the contracts and notices of termination relating to the silent participations and obtained an insight into the contractual provisions on profit or loss sharing and the calculation methodology to be applied. On the basis of the current annual budget for fiscal year 2022 submitted by the Company, we assessed the reestimation of the interest and repayment flows submitted by the Company and traced the calculation of the amortized cost of the silent participations as of the reporting date. On the basis of our audit procedures, we were able to conclude that the assumptions and valuation parameters applied were derived from the relevant information in a comprehensible manner.

③ The Company's disclosures on silent participations are included in note (13) "Financial Instruments", Section h) "Subordinated liabilities" and note (24) "Net Interest Income" of the notes to the consolidated financial statements.

*Other Information*

The executive directors are responsible for the other information.

The other information comprises:

- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB
- the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

*Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report*

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opin¬ions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

***OTHER LEGAL AND REGULATORY REQUIREMENTS***

***Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB***

*Assurance Opinion*

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file nordlb-KA+LB-2021-12-31-de.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

*Basis for the Assurance Opinion*

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

*Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents*

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

*Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents*

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

***Further Information pursuant to Article 10 of the EU Audit Regulation***

We were elected as group auditor by the Supervisory Board on 21 April 2021. We were engaged by the Chairperson of the Supervisory Board on 29 June 2021. We have been the group auditor of the Norddeutsche Landesbank - Girozentrale -, Hannover, Braunschweig, Magdeburg, without interruption since the financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

***REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT***

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

***GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT***

The German Public Auditor responsible for the engagement is Gero Martens.

Hannover, 28. March 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Gero Martens | ppa. Mirko Braun |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| (German Public Auditor) | (German Public Auditor) |

## Responsibility Statement by the Legal Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the financial position and financial performance and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hannover / Braunschweig / Magdeburg, 22. March 2022
Norddeutsche Landesbank Girozentrale

The Managing Board

Frischolz Dieng Schulz

Seidel Spletter Weiß

# Further Information

## Country-by-Country-Reporting in accordance with §26a of the German Banking Act as at 31 December 2021

The requirement for country-by-country reporting contained in Article 89 of EU Directive 2013/36/EU (Capital Requirements Directive, CRD IV) has been transposed into German law by the German Banking Act (KWG). This report presents on an unconsolidated basis the revenues incurred, the number of employees, the profit or loss before tax, the taxes on profit or loss and the public aid received per EU member state and from third countries, for companies included in the IFRS consolidated financial statements by way of full consolidation. Revenue includes earnings before taxes included in the consolidated financial statements in accordance with IFRS, before taking into account consolidation effects, before risk provisions and administrative expenses, and without taking into account other operating expenses. The number of employees is determined by the average number of employees during the reporting period. The profit or loss before income taxes and the taxes on profit or loss are disclosed before taking into account consolidation effects. Taxes on profit or loss result from current and deferred tax expenses and income. The NORD/LB Group has not received any public aid as part of the EU aid procedure.

| | Number of employees | Turnover (in € million) | Profit/loss before tax (in € million) | Taxes on profits and losses (in € million) | Received public aids |
|---|---|---|---|---|---|
| Germany | 4 085 | 1 309 | 246 | -13 | – |
| China | 17 | 3 | -1 | – | – |
| Great Britain | 64 | 77 | 55 | -3 | – |
| Luxembourg | 134 | – 47 | -59 | 14 | – |
| Singapore | 62 | 24 | 14 | -2 | – |
| USA | 64 | 62 | -22 | 6 | – |

| | Type of activity | Country | Location |
|---|---|---|---|
| BGG Katharina GmbH & Co. KG | Other company | Germany | Bremen |
| BGG Rathausmarkt GmbH & Co. KG | Other company | Germany | Bremen |
| BLB Immobilien GmbH | Other company | Germany | Bremen |
| DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG | Other company | Germany | Pullach i. Isartal |
| Fürstenberg Capital Erste GmbH | Other company | Germany | Fürstenberg |
| Fürstenberg Capital II. GmbH | Other company | Germany | Fürstenberg |
| Hannover Funding Company LLC | Finance company | USA | Dover (Delaware) |
| KreditServices Nord GmbH | Provider of ancillary service | Germany | Braunschweig |
| Nieba GmbH | Finance company | Germany | Hanover |
| Norddeutsche Landesbank Girozentrale | Bank | Germany | Hanover |
| Norddeutsche Landesbank Girozentrale Niederlassung London | Bank | United Kingdom | London |
| Norddeutsche Landesbank Girozentrale Niederlassung New York | Bank | USA | New York |
| Norddeutsche Landesbank Girozentrale Niederlassung Shanghai | Bank | China | Shanghai |
| Norddeutsche Landesbank Girozentrale Niederlassung Singapur | Bank | Singapore | Singapore |
| Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank | Bank | Luxembourg | Luxemburg-Findel |
| NORD/FM Norddeutsche Facility Management GmbH | Provider of ancillary service | Germany | Hanover |
| NORD/LB Leasing GmbH | Financial services institution | Germany | Oldenburg |
| NORD/LB Objekt Magdeburg GmbH & Co. KG | Provider of ancillary service | Germany | Pullach i. Isartal |
| NORD/LB, SICAV-RAIF S.C.Sp. - Aviation 1 | Other company | Luxembourg | Luxembourg |
| NORD/LB, SICAV-RAIF S.C.Sp. - Infrastructure & Renewables GBP 2 | Other company | Luxembourg | Luxembourg |
| NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG | Other company | Germany | Bremen |
| NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG | Other company | Germany | Bremen |

The average return on investment is 0.02 per cent. This resulted from the profit after tax and the total assets of the IFRS consolidated financial statements as at 31 December 2021.

## Comments to Corporate Governance Report

The German Corporate Governance Code contains essential regulations for management and supervision German listed companies. It contains nationally and internationally recognised standards of good and responsible corporate governance, in particular with regard to the management and organisation of a company, control mechanisms and cooperation between the Managing Board and the Supervisory Board. The aim of the Code is to promote investor, customer, employee and public confidence in the conduct and supervision of a company.

Due to its legal validity for listed limited liability companies, the Code is not legally binding for NORD/LB as a credit institution in the legal form of an institution under public law. However, NORD/LB, which operates nationally and internationally, is committed to positioning itself as a reliable and trustworthy partner in the market. Transparent corporate governance is an essential aspect of this aspiration for us. For this reason, the Bank decided to make a voluntary commitment based on the principles, recommendations and suggestions.

The detailed corporate governance report is available online at:

www.nordlb.de/rechtliches/rechtliche-hinweise/corporate-governance/

## Forward-looking Statements

This report contains forward-looking statements. They can be recognised in terms such as “expect”, “intend”, “plan”, “endeavour” and “estimate” and are based on our current plans and estimations. These statements include uncertainties since there are numerous factors which influence our business and are beyond our control. These include, in particular, the performance of financial markets and changes in interest rates and market prices. Actual results and developments may therefore differ considerably from the assumptions made in the report. NORD/LB accepts no responsibility for the forward-looking statements and nor does it intend to update or correct them if developments materialise that are different than those expected.

# Facts and Figures

(As at 31 December 2021)

**Establishment**

Merger into Norddeutsche Landesbank Girozentrale on 1 July 1970

**Predecessor Institutions**

Niedersächsische Landesbank – Girozentrale – (established in 1917)
Herzogliches Leyhaus (established in 1765) (from which Braunschweigische Staatsbank emerged in 1919)
Hannoversche Landeskreditanstalt (established in 1840)
Niedersächsische Wohnungskreditanstalt Stadtschaft (established in 1918)

**Legal Foundations**

State Treaty of 6 December 2019 between the state of Lower Saxony, the state of Saxony-Anhalt and the state of Mecklenburg-Western Pomerania concerning Norddeutsche Landesbank Girozentrale, which entered into force on 10 December 2019.

Statutes of Norddeutsche Landesbank Girozentrale in accordance with the resolution of the Owners' Meeting of 03 December 2021. These Statutes entered into force on 31 December 2021.

**Legal Form**

Public-law institution with legal capacity

**Owners**

State of Lower Saxony
Niedersachsen Invest GmbH
Hannoversche Beteiligungsgestellschaft mbH
Niedersächsischer Sparkassen- und Giroverband
State of Saxony-Anhalt
Sparkassenbeteiligungsverband Saxony-Anhalt
Sparkassenbeteiligungszweckverband Mecklenburg-Western Pomerania
FIDES Gamma GmbH
FIDES Delta GmbH

**Governing Bodies**

Managing Board
Supervisory Board
Owners' Meeting

**Supervision**

State of Lower Saxony through the Lower Saxony Minister of Finance, in consultation with the Saxony-Anhalt Ministry of Finance

**Managing Board**

Thomas S. Bürkle (Chairman) (until 31. December 2021)
Jörg Frischholz (since 16. November 2021) (Chairman) (since 1. January 2022)
Christoph Dieng
Christoph Schulz
Olof Seidel
Ingrid Spletter-Weiß (since 1. December 2021)
Günter Tallner (until 31. December 2021)

**General Representatives**

Carsten Hünken

**Registered Office of the Bank**

Hanover (Head Office)
Friedrichswall 10
30159 Hannover

Brunswick
Friedrich-Wilhelm-Platz
38100 Braunschweig

Magdeburg
Breiter Weg 7
39104 Magdeburg

**Development Banks**

Investitionsbank Sachsen-Anhalt
Domplatz 12
39104 Magdeburg

Landesförderinstitut Mecklenburg-Vorpommern
Werkstraße 213
19061 Schwerin

**Branches in Germany**

Hanover Branch
Georgsplatz 1
30159 Hannover

Bremen Branch
Domshof 26
28195 Bremen

Duesseldorf Branch
Königsallee 63-65
40215 Düsseldorf

Hamburg Branch
Brodschrangen 4
20457 Hamburg

Munich Branch
Maximiliansplatz 14
80333 München

Oldenburg Branch
Markt 12
26122 Oldenburg

Schwerin Branch
Graf-Schack-Allee 10A
19053 Schwerin

**Branches Worldwide (in alphabetical Order)**

NORD/LB London
One Wood Street
London EC2V 7WT
Great Britain

NORD/LB New York
505, Fifth Avenue
7$^{th}$ Floor
New York, NY 10017
USA

NORD/LB Singapore
CapitaGreen
138 Market Street
# 36-03
Singapore 048946

**Branches of Braunschweigische Landessparkasse**

www.blsk.de

**Supervisory Board of Norddeutsche Landesbank**

(The current status of the members of the Supervisory Board is provided on the homepage of the NORD/LB: www.nordlb.com/nordlb/investor-relations/committees-and-executive-bodies/ )

*Chairman*
Reinhold Hilbers
Minister
Ministry of Finance Lower Saxony

*1st Deputy Chairman*
Herbert Hans Grüntker
FIDES Delta GmbH

*2nd Deputy Chairman*
Thomas Mang
President
Sparkassenverband, Lower Saxony

*Members*
Bernd Brummermann
CEO
OstseeSparkasse Rostock

Edda Döpke
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Frank Doods
Secretary of State
Lower Saxony Ministry for Environment, Energy and Climate Protection

Jutta Echterhoff-Beeke
Managing Partner
Echterhoff Holding GmbH

Dr. Jürgen Fox
CEO
Saalesparkasse

Nana Geisler
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Cornelia Günther
Trade Union Secretary
ver.di Bezirk Hannover

Hermann Kasten

Prof Dr Susanne Knorre
Management Consultant

Ulrich Markurth

Frank Oppermann
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Jörg Reinbrecht

Michael Richter
Minister
Ministry of Finance Lower Saxony-Anhalt

Jörg Walde
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Matthias Wargers
FIDES Gamma GmbH

**Owners' Meeting**

*Chairman*
Reinhold Hilbers

Minister
Ministry of Finance Lower Saxony

*1st Deputy Chairman*
Helmuth Schleweis
President
Deutscher Sparkassen- und Giroverband

*2nd Deputy Chairman*
Thomas Mang
President
Sparkassenverband, Lower Saxony

*State of Lower Saxony*
Ulrich Böckmann
Ministerial Councilor
Ministry of Finance Lower Saxony

Dr. Anne Deter
Ministerial Director
Ministry of Finance Lower Saxony

Doris Nordmann
State Secretary
Ministry of Finance Lower Saxony

*State of Saxony-Anhalt*

Sebastian Beier
Government Director
Ministry of Finance Saxony-Anhalt

Michael Richter
Minister
Ministry of Finance Saxony-Anhalt

*Saxony-Anhalt Savings Banks Holding Association*

Dr. Jürgen Fox
CEO
Saalesparkasse

Michael Ziche
District Administrator
Altmarkkreis Salzwedel

*Special Purpose Holding Association of the Mecklenburg-Western Pomerania Savings Banks*

Dr.-Ing. Alexander Badrow
Mayor of the Hanseatic City of Stralsund

Bernd Brummermann
CEO
OstseeSparkasse Rostock

*Lower Saxony Savings Banks and Giro Association*
Ludwig Momann
CEO
Sparkasse Emsland

*FIDES Gamma GmbH*

Ralf Fleischer
CEO
Stadtsparkasse München

Matthias Wargers
FIDES Gamma GmbH

*FIDES Delta GmbH*

Herbert Hans Grüntker
FIDES Delta GmbH

# Report of Supervisory Board

During the reporting year, the Bank's Managing Board regularly informed the Supervisory Board and the committees it appointed about the business development and the situation of NORD/LB AöR and the Group. The Supervisory Board and its committees have passed resolutions on the business transactions submitted to them and other matters that require a decision by the committees in accordance with their by-laws and the additionally adopted regulations.

The Supervisory Board also dealt in detail with NORD/LB AöR's business and risk strategy. Policy issues were discussed in detail at several meetings. The Supervisory Board also dealt with the effects of the Covid-19 pandemic on NORD/LB AöR and the resulting measures. The Supervisory Board, with the approval of the Owners' Meeting, also appointed the new members of NORD/LB's Managing Board.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements of NORD/LB AöR and the consolidated financial statements of NORD/LB for the 2021 reporting year and issued an unqualified audit opinion in each case. In addition, the auditor took part in the Annual Financial Statements Meeting of the Supervisory Board on 27 April 2022 and reported on the results of the audit of the annual financial statements.

At its meeting on 27 April 2022, the Supervisory Board proposed to the Owners' Meeting that NORD/LB AöR approve the annual financial statements and the consolidated financial statements of NORD/LB for the 2021 reporting year. Furthermore, the Supervisory Board proposed that the Owners' Meeting resolve that there were no objections with regard to the combined management report.

Furthermore, the Supervisory Board recommended that the Owners' Meeting discharge the Managing Board.

The following members of the Supervisory Board resigned:

as at 31 December 2020 Mr Frank Berg

Newly appointed to the Supervisory Board:

as at 1 January 2021 Mr Bernd Brummermann

The Supervisory Board would like to thank the Bank's Managing Board for the trusting cooperation and to express its appreciation to the Bank and all its employees for the work carried out in 2021.

Hannover, Braunschweig, Magdeburg

in April 2022

Reinhold Hilbers

Finance Minister

State of Lower Saxony

## Report of the Owners' Meeting

In the year under review, the Owners' Meeting performed the duties assigned to it by the State Treaty and by the Articles of Association.

In addition, the Owners' Meeting dealt with the interim goals of the NORD/LB 2024 transformation at its meetings in 2021 and discussed measures in connection with the ongoing Covid-19 pandemic. The Owners' Meeting also gave its approval for the appointment of the new members of the Board of Management by the Supervisory Board.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements of NORD/LB AöR and the consolidated financial statements of NORD/LB for the 2021 reporting year and issued an unqualified audit opinion. In addition, the auditor took part in the annual financial statement meeting of the Owners' Meeting on 27 April 2022 and reported on the results of the audit of the annual financial statements.

At its meeting on 27 April 2022, the Owners' Meeting adopted NORD/LB AöR's annual financial statements for the 2021 reporting year and approved NORD/LB's consolidated financial statements following a proposal from the Supervisory Board. Furthermore, the Owners' Meeting resolved that there were no objections to the combined management report.

The Owners' Meeting granted discharge to the Managing Board and the Supervisory Board.

The following members of the Owners' Meeting resigned:

| | |
|---|---|
| as at 31 December 2020 | Mr Frank Berg |
| as at 31 December 2021 | Mr Ralf Fleischer |

Newly appointed to the Owners' Meeting:

| | |
|---|---|
| as at 1 January 2021 | Mr Bernd Brummermann |

The Owners' Meeting would like to thank the Supervisory Board, the Managing Board and the Bank's employees for their work in 2021.

Hannover, Braunschweig, Magdeburg

in April 2022

Reinhold Hilbers

State of Lower Saxony

Our annual and interim reports are available for download at https://www.nordlb.com/reports.

For questions about the reports, please contact our Investor Relations department.
Tel.: +49 511 361 - 53 82
Email: ir@nordlb.de

**NORD/LB**
Norddeutsche Landesbank Girozentrale
Friedrichswall 10
30159 Hannover
Tel.: +49 511 361 – 0
Fax: +49 511 361 – 25 02
Email: info@nordlb.de

**Branches (including Braunschweigische Landessparkasse)**

| | | |
|---|---|---|
| Bad Harzburg | Braunschweig | Bremen |
| Düsseldorf | Hamburg | Helmstedt |
| Holzminden | Magdeburg | Munich |
| Oldenburg | Salzgitter | Schwerin |
| Seesen | Wolfenbüttel | |

In total, there are over 100 branches and self-service centres in the business territory covered by Braunschweigische Landessparkasse.
Details can be found at https://www.blsk.de

**Foreign branches**
London, New York, Singapore