NORD/LB

Creating true value.

Norddeutsche Landesbank Girozentrale

Hanover, Braunschweig, Magdeburg

Annual Report 2022

NORD/LB at a Glance

Income Statement	1 Jan. - 31 Dec. 2022 (in € million)	1 Jan. - 31 Dec. 2021[1)] (in € million)	Change (in %)
Net interest income	896	816	10
Net commission income	166	52	> 100
Profit/loss from fair value measurement	– 104	200	> 100
Risk provisioning	142	18	> 100
Disposal Profit/loss from financial instruments not measured at fair value through profit or loss	– 33	– 21	57
Profit/loss from hedge accounting	20	– 40	> 100
Profit/loss from shares in companies	7	21	– 67
Profit/loss from investments accounted for using the equity method	34	– 4	> 100
Administrative expenses	– 909	– 917	– 1
Other operating profit/loss	– 48	– 14	> 100
Earnings before restructuring, transformation and taxes	**171**	**111**	**54**
Profit/loss from restructuring and transformation	– 67	– 82	– 18
Earnings before taxes	**104**	**29**	**> 100**
Income taxes	– 15	3	> 100
Consolidated profit	**89**	**32**	**> 100**

Key figures	1 Jan. - 31 Dec. 2022 (in %)	1 Jan. - 31 Dec. 2021[1)] (in %)	Change (in %)
Cost-Income-Ratio (CIR)	97.6%	92.9%	5
Return-on-Equity (RoE)	1.5%	0.4%	> 100

Balance sheet figures	31 Dec.2022 (in € million)	31 Dec.2021[1)] (in € million)	Change (in %)
Total assets	109 325	114 631	– 5
Financial liabilities at amortised costs	86 033	84 596	2
Financial assets at amortised costs	93 342	95 284	– 2
Equity	6 248	5 796	8

Regulatory key figures	31 Dec.2022	31 Dec.2021[1)]	Change (in %)
Common equity tier 1 capital (in € million)	5 684	5 788	– 2
Tier 1 capital (in € million)	5 734	5 838	– 2
Tier 2 capital (in € million)	1 340	1 598	– 16
Own funds (in € million)	7 074	7 436	– 5
Total risk exposure amount (in € million)	40 142	37 528	7
Common equity tier 1 capital ratio (in %)	14.16%	15.42%	– 8
Total capital ratio (in %)	17.62%	19.81%	– 11
Leverage Ratio (transitional)	5.13%	5.16%	– 1

[1)] In the case of individual items, the previous year's figures have been restated.

Due to rounding, minor discrepancies may arise in the calculation of totals and percentages in this report.

Jörg Frischholz

Chairman of the Managing Board of NORD/LB, Hanover

Preface by the Chairman of the Managing Board

Dear Sir or Madam,

2022 was dominated by Russia's war of aggression against Ukraine and the resulting energy crisis in Europe. This also led to a massive rise in inflation rates and interest rates. This macroeconomic environment did not make it easy for NORD/LB to restart last year.

Despite the numerous challenges, we have successfully accomplished our goal for the 2022 financial year: We substantially increased our previous year’s result, thanks mainly to a marked increase in earnings in our core business areas. This applies in particular to corporate customers, commercial real estate financing and project financing for renewable energies and social infrastructure. NORD/LB has continued to expand its strong market position, particularly as a financier for green projects. As a "Bank der Energiewende", promoting Germany's energy transition, our financing solutions actively contribute to climate protection, in our home region in northern Germany, of course, but also nationally and internationally with the provision of numerous financing solutions. We are therefore also living up to our social responsibility as a Landesbank.

However, our approach to sustainability goes much further than that: Together with the local savings banks, we are helping our small and medium-sized customers to transform their business models. And in the real estate business, we are mainly focused on financing green buildings.

We will continue to resolutely pursue the strategy we have chosen. Achieving the climate targets is the central task of our time. As a leading german financier for renewable energies, we want to actively contribute to achieving a turnaround in climate policy.

My thanks go out to our customers, our employees, investors and everyone who has contributed in one way or another to a successful 2022 financial year.

Yours sincerely,

Jörg Frischholz

Chairman of the Managing Board of NORD/LB Norddeutsche Landesbank

Managing Board of the NORD/LB

Photo: from left to right

Christoph Schulz
Chairman of the Managing Board of Braunschweigische Landessparkasse (BLSK)
Private and Commercial Customers (NORD/LB), Savings Banks Network Customers, Deutsche Hypo Retail Real Estate as well as Relationship Amsterdam. Private and Commercial Customers of BLSK, Corporate Customers & Private Banking of BLSK as well as BLSK Relationship

Ingrid Spletter-Weiß
Corporate Clients, Treasury, Markets as well as Relationship Sachsen-Anhalt and Relationship Asia with the Singapore branch

Jörg Frischholz
Chairman of the Managing Board
Corporate Development, Legal Departement and Board Staff, Group Organisation/HR (KOP), Internal Audit, Structured Finance, Aviation Finance & Investment Solutions (AFIS) as well as Relationship UK with the London branch and Americas Relationship with the New York branch

Olof Seidel
Business Management & Operations, KreditServices Retail (KSR), Bank Management/Finance, Group IT, Compliance/Group Security, NORD/LB 2024 programme

Christoph Dieng
Credit Risk Management, Special Credit and Portfolio Optimization (SCPO), Risk Controlling (RC), Research, Mecklenburg-Western Pomerania State Promotion Institute, Mecklenburg-Western Pomerania Relationship

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 also "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 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) for the financial year 1 January 2022 to 31 December 2022 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

https://www.nordlb.de/die-nordlb/investor-relations/berichte/2022

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.

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 "Combined separate non-financial report of the NORD/LB Group and NORD/LB for the financial year from 1 January to 31 December 2022" 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 "Combined separate non-financial report of the NORD/LB Group and NORD/LB for the financial year from 1 January to 31 December 2022" 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/2022

The Group – Basic Information

Business Model

Norddeutsche Landesbank Girozentrale (NORD/LB) is a public-law institution with legal capacity based in Hanover, Braunschweig and Magdeburg. The Bank is owned by the Federal State of Lower Saxony (in part through its holding companies Niedersachsen Invest GmbH and Hannoversche Beteiligungesellschaft Niedersachsen mbH), the Federal State of Saxony-Anhalt, the Savings Banks Association of Lower Saxony, 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 € 3,137 million, 57.50 per cent of which is held by Lower Saxony, 6.31 per cent by Saxony-Anhalt, 9.01 per cent by the Savings Banks Association of Lower Saxony, 1.80 per cent by the Holding Association of the Savings Banks of Saxony-Anhalt, 1.25 per cent by the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania, 12.06 per cent by FIDES Gamma GmbH and 12.06 per cent by FIDES Delta GmbH.

NORD/LB is a Landesbank (federal state bank), central savings bank and commercial bank, which is represented beyond its core regions with domestic branches in Bremen, Düsseldorf, Hamburg, Munich, Oldenburg and Schwerin, among others. NORD/LB maintains branches in London, New York and Singapore for its foreign business activities. The operational activities of the Shanghai branch were discontinued as planned in the past financial year. The final closure of the branch is expected to take place formally at the end of March 2023. 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, whereby the real estate office in Amsterdam is classified as a branch by the supervisory authority there.

Within the NORD/LB Group, NORD/LB acts as the parent company, which manages all business activities 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. In addition, the Bank holds participations in non-consolidated companies. With regard to the composition of the Group and the investments held, please refer to the Notes.

As a Landesbank, NORD/LB supports its executing agencies in Lower Saxony and Saxony-Anhalt in conducting its banking activities. 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). In the 2023 financial year, Investitionsbank Sachsen-Anhalt will be separated from NORD/LB as of cut-off date of 1 March 2023 as part of the ongoing transformation process.

NORD/LB acts as a central savings bank in Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania. NORD/LB offers the savings banks the services of the entire Group with its international locations. In addition, the Bank is also cooperating with the savings banks in Schleswig-Holstein and Brandenburg as part of the "extended network".

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 spans the area between regional anchoring, personal customer contact and their activity in the global markets.

NORD/LB's business model and its strategic business segments reflect its functions as a parent company, Landesbank (federal state bank), central savings bank and commercial bank. These are structured as follows:

- Private and Commercial Customers and Savings Bank Network
- Corporate Customers
- Markets
- Special Finance (Energy and Infrastructure Customers as well as Aviation Finance & Investment Solutions (AFIS))
- Real Estate Banking Customers (formerly Deutsche Hypo)

The aforementioned strategic business segments 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 segments can be found in the segment reporting in the Notes to the consolidated financial statements.

Outline of the Control System

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 month, quarter and year, with utilisation of early warning and restructuring thresholds. Internal reporting processes also include an integrated control and restructuring cockpit.

Another important control tool is the annual strategy and planning process, which is based on the strategic requirements of the Managing Board, develops the targets for the Group and the segments in several stages and backs them up with financial and operational measures.

Profitability management is based on a multi-step contribution margin analysis at Group segment and total Group 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:

Definition of the most important financial performance indicators[1)]

Earnings before taxes (consolidated)	As shown in the income statement
Cost-Income-Ratio (CIR)	Administrative expenses / Total earnings Total earnings = Net interest income + Net commission income + Profit/loss from 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-Equity (RoE)	Earnings before taxes (consolidated) / Long-term equity under commercial law Long-term equity under commercial law[2)] = reported equity - OCI - earnings after taxes
Return on risk-adjusted capital (RoRaC)	Earnings before taxes for the segment / committed capital

1) Although the Common Equity Tier 1 ratio (CET 1 ratio) and leverage ratio continue to represent important key performance indicators for the Bank, unlike in the previous year, they are no longer defined as the most significant financial performance indicators.
2) A reconciliation of long-term equity under commercial law to balance sheet equity can be found in Note (21) Segment reporting by business segment in the Notes to the consolidated financial statements (Notes).

In addition to the most important key figures mentioned here, the Bank uses various other performance indicators to manage the balance sheet and income statement, as well as for risk management.

At Group level, for example, the common equity ratio (CET1), the total risk contribution (RWA), the leverage ratio and the absolute parameters required to calculate these key figures as well as different risk indicators are important management metrics. The primary objective is to ensure permanent adherence to the defined internal objectives and all regulatory requirements. 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 risk provisioning is compared with the total risk exposure amount plus the shortfall equivalent.

Economic Report

General Economic and Industry-Specific Environment

Global Economic Environment

The situation in the global economy is gradually easing, primarily thanks to the decreasing supply bottlenecks and the stabilisation of supply chains. One of the factors contributing to this is China's departure from the no-COVID strategy. However, one in two companies in German industry is still reporting disruption to production due to material bottlenecks. The war in Ukraine had recently reduced access to resources, including high commodity and energy prices, thereby fuelling inflation and its negative impact on the economy. With regard to these points, however, there are now signs that the situation, which has in the meantime become very tense, is easing.

According to information from the Federal Statistical Office, gross domestic product (GDP) in Germany still increased by 1.8 per cent in 2022 as a whole, after 2.6 per cent in 2021. The momentum at the end of the year weakened significantly. Real economic output fell by 0.4 per cent in the fourth quarter of 2022 compared with the previous quarter. In view of the long list of relevant stress factors – in particular the COVID-19 pandemic, the war in Ukraine, energy price shock, disrupted value chains and pronounced surge in inflation – it is nevertheless possible to speak of a robustness of the German economy given the events of the past year. Normalisation trends in energy prices are also beginning to have a positive effect on the sentiment of companies in Germany. The ifo business climate index rose to 90.2 at the start of the new year. The expectation component improved in particular. The data on the ZEW's sentiment indicators of the Mannheim Centre for European Economic Research (ZEW) paint a similar picture when looking at the sentiment of institutional investors in Germany.

In the USA, real economic activity increased by an annualised 2.7 per cent in the fourth quarter of 2022. After two quarters of negative growth rates at the start of 2022, the US economy gained significant momentum in the second half of the year. However, from looking at the details of the current gross domestic product figures it is clear that current developments should not be viewed too positively either. Thus, consumption by private households shows significant weaknesses. High inflation and rising interest rates are clearly and increasingly piling on the pressure here. Looking at 2022 as a whole, growth in the United States stood at 2.1 per cent. Given the decline in the recent strong growth, sentiment among companies in the United States deteriorated significantly at the end of 2022. In December 2022, the important US purchasing managers' indices ISM PMI Manufacturing and ISM PMI Services were both below the 50-point mark, which is considered the growth threshold when taking a mechanistic interpretation. However, the situation on the US labour market remains positive. The official (U3) unemployment rate fell to 3.5 per cent in December 2022.

The massively increased inflation rates heaped considerable pressure on central banks in many currency areas during 2022. This resulted in significant interest rate hikes. However, first central banks can now act more cautiously again. This applies in particular to the US Federal Reserve, who significantly increased the Fed funds target rate, the key interest rate in the USA during 2022. Accordingly, the capital market interest rate in the United States also rose significantly. In the meantime, yields on US government bonds with a remaining term of ten years even exceeded the 4.0 per cent mark. But in December 2022, this time series once again fluctuated below this psychologically very important value. Market participants are therefore relying on an easing of the very rigid interest rate policy.

The European Central Bank (ECB) has also raised key interest rates since July 2022, albeit somewhat more slowly and with a delay compared to the US Federal Reserve. In view of the inflation trend, the ECB therefore appears to remain under pressure in the first half of 2023 to take action. Further interest rate hikes are currently expected by the majority of market participants. This monetary policy environment had a noticeable impact on the capital market interest rate in the eurozone in 2022. Consequently, in December 2022 the focus shifted to the yield of 2.50 per cent on German government bonds with a remaining term of ten years. Market participants' expectations regarding monetary policy plans in the USA and Europe gave succour to the euro in the fourth quarter of 2022. Against the US currency, the European single currency is now again very clearly above parity. Hopes for an imminent end to interest rate hikes by the US Federal Reserve are also underpinning global equity markets. In December 2022, the leading German index DAX fluctuated again in the region of 14,000.

Finance Sector

The reduction of balance sheet risks already initiated in many European banking markets before the COVID-19 pandemic continued during the pandemic years. In addition, a renewed build-up of problem loans, supported by extensive fiscal and monetary policy measures, was largely avoided. The decline in problem loan portfolios was also an industry-wide trend in 2022.

In conjunction with temporary dividend restrictions and the economic recovery that began in 2021, it was generally possible to maintain capital ratios at a stable or sometimes slightly improved level, which also continued a long-term trend here. In 2022, capitalisation has now started to go into decline again, as also evidenced by the European Banking Authority (EBA) data. The reasons for this include the resumption of dividend payments, the implementation of share buy-back programmes, a significant increase in lending and an increase in unrealised valuation results in other comprehensive income (OCI) against the backdrop of rising interest rates. Nevertheless, in the face of the economic downturn banks have sufficient capital reserves available and so are in good stead.

As a result of the rise in inflation rates and key interest rates, refinancing costs for banks are increasing, which is having an impact on companies as well as private and public budgets. The effects from the economic environment were already evident at the end of 2022, with weakening credit growth and an increase in risk costs, albeit from an overall low baseline.

Energy supply and renewable energy

2022 was an extremely turbulent year for the energy sector and was shaped primarily by the indirect effects of the war in Ukraine, thanks to the policy of reducing Russian gas supplies to a minimum. The European gas and electricity markets experienced their most historically volatile and expensive year. Prices for natural gas on the TTF reference market reached a new all-time high at the end of August due to supply uncertainty related to closures of the Nord Stream 1 pipeline. The German electricity price was also high, as natural gas served as a price setter. Further uncertainty regarding the security of the power supply led to a significant risk premium.

After the record highs, the price of electricity and gas has recently fallen sharply again. This was mainly due to the fact that German and European gas storage levels are above average due to savings in natural gas consumption (also favoured by the mild weather) and substitutions in imports. As a result, a gas shortage situation in Europe during winter 2022/23 is highly unlikely, according to calculations by the International Energy Agency (IEA). The supply situation in winter 2023/24 poses a greater challenge as Russian gas imports could fall even further and global LNG supply could become scarcer due to higher demand for imports. According to the IEA, a potential gas supply gap of 57 billion cubic metres in the EU could be avoided by accelerating the expansion of renewable energies alongside other measures. Besides the aspect of decarbonisation, expanding renewable energies has therefore also become increasingly important to safeguard energy sovereignty and low energy production costs.

With regulatory improvements and support programmes such as the German "Easter Package", the "REPowerEU" plan by the European Union and the "Inflation Reduction Act" in the USA, legislators are in some cases setting higher expansion targets, creating better investment conditions and attempting to remove regulatory barriers. Against this backdrop, 2022 was already a record year in the expansion of wind energy and photovoltaics with a global expansion of 355 gigawatts (GW).

Real Estate

In 2022 as a whole, the global transaction volume fell significantly compared with the same period in the previous year to USD 1,140 billion. The European transaction volume also fell markedly to USD 324 billion in the same period.

In the German investment market, the transaction volume in 2022 as a whole fell by 41 per cent compared with the previous year to € 65.8 billion. Of this amount, € 52.3 billion was attributable to commercial real estate and € 13.5 billion to residential real estate. Office real estate remained the strongest traded asset class with a transaction volume of € 23.4 billion, ahead of residential real estate with € 13.5 billion and logistics real estate with € 10.6 billion. Investments in the top seven markets decreased by 55 per cent to € 31.0 billion. The market share of foreign investors of the total transaction volume increased from 31 per cent to 44 per cent.

Aircraft

International aviation continued to recover. According to calculations by the International Air Transport Association (IATA), global passenger volume (RPK, revenue passenger kilometres) increased by 64.4 per cent in 2022 compared with the previous year. The increases were 152.7 per cent for international traffic and 10.9 per cent for domestic traffic. International markets benefited from the lifting of travel restrictions. On the other hand, domestic markets worldwide suffered overall from the decline in passenger numbers in China. In terms of traffic trends, the regions of the Middle East and Europe performed particularly strongly at +144.4 per cent and +100.2 per cent respectively.

The number of cargo tonne-kilometres (CTK) sold fell by 8.0 per cent in 2022 compared with the same period in the previous year.

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, as in the previous year. 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 anti-cyclical buffer weighted for all lending of around 0.1 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.

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 per cent of 2.5 per cent) + 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:

	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)	0.08%	0.08%	0.08%
Capital buffer for otherwise system relevance (§ 10g KWG)	0.25%	0.25%	0.25%
Total requirement	**8.74%**	**10.71%**	**13.33%**

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 in the reporting period the minimum MREL ratios for the sum of own funds and total MREL-eligible liabilities on the basis of the total risk exposure amount of 20.35 per cent and on the basis of the leverage ratio exposure (LRE) of 7.11 per cent and minimum ratios for the sum of own funds and legally, structurally and/or contractually subordinated liabilities.

Regulatory amendments

At NORD/LB's request, the SRB approved a framework amount for possible terminations and premature reductions and/or repurchases of MREL-eligible liabilities for the reporting period. In accordance with the SRB's specifications, the unused portion of this framework amount must be deducted from the total of own funds and total MREL-eligible liabilities from the reporting period onwards as part of calculating the various MREL ratios.

In the reporting period, the German Federal Financial Supervisory Authority announced that, with effect from the beginning of February 2023, all banks with transactions in Germany will be required to comply with a countercyclical capital buffer of 0.75 per cent of all risk-weighted assets resulting from transactions in Germany and a sectoral systemic capital buffer for financing secured by residential real estate in Germany of 2 per cent of the corresponding weighted assets, in addition to the currently applicable minimum equity ratios. NORD/LB already took these additional announced requirements into account in its internal management during the reporting period.

Business Performance and significant events in the financial year

Business Performance

NORD/LB's business performance in the past financial year was influenced by a very challenging market environment. The central starting point for this was the war in Ukraine and the huge geopolitical uncertainty in Europe associated with it. This did not result in any direct economic effects for NORD/LB, as it has no direct exposure to Ukraine and only has an exposure of € 5 million to borrowers based in Russia, which is also almost completely hedged. However, the war in Ukraine has had a significant economic impact, including supply bottlenecks, rising energy prices and generally high inflation, as well as a subsequent sharp rise in interest rates. However, these indirect effects from the war in Ukraine have not yet had negative impacts on the ratings of the overall portfolio. The portfolio of defaulted financing also declined compared with the previous year, Nevertheless, the war in Ukraine continues to produce a high level of uncertainty, which NORD/LB addressed in the past financial year by building up a Ukraine management adjustment (MAU) as part of risk provisioning. As at 31 December 2022, this adjustment amounted to € 259 million.

The formation of risk provisions as a result of the uncertainties arising from the war in Ukraine was more than offset in the Bank's income statement by the complete reversal of the COVID-19 management adjustment (MAC-19). At the beginning of the reporting period, the general economic situation and the Bank's business operations were still affected by the COVID-19 pandemic; however, over the course of the year, the pandemic generally eased significantly. As a result, NORD/LB has also significantly relaxed the protective measures in accordance with the applicable legal requirements and thus ensured the transition to a "new normal". The economic effects of the pandemic have also lost their severity and relevance. Therefore, as at the reporting date of 31 December 2022, there was no longer any reason to extend the COVID-19 (MAC-19) management adjustment made at the beginning of the pandemic (gross portfolio as of 31 December 2021: € 362 million). Detailed information on MAU and MAC-19 can be found in Note (2) Management Adjustment of the Notes to the consolidated financial statements.

In addition, the massive rise in inflation rates led to significant increases in key interest rates in the currency areas relevant to NORD/LB and to a sharp rise in the general market interest rate. The effects of this can also be seen in NORD/LB's income statement. On the one hand, the increased interest rate level has a favourable effect on net interest income from financial assets and liabilities measured at amortised cost and on margins in the deposit business. Interest-related effects from personnel reserves also had a positive effect. In contrast, the amortisation amounts from hedge accounting, which increased due to the rise in interest rates, had a negative effect on net interest income. Charges were also booked to the Bank's fair value result as a result of valuation effects. Detailed explanations of NORD/LB's earnings performance can be found in the presentations on the earnings position.

Despite the challenging market environment, NORD/LB was able to significantly expand new business compared with the previous year, particularly in the Corporate Customers, Energy and Infrastructure Customers and Real Estate Customers (Deutsche Hypo) segments. Accordingly, loan portfolios and irrevocable loan commitments from loans, whose value date is still outstanding, increased significantly as at the reporting date compared with the previous year. This was reflected in a positive performance, particularly in net commission income and operating interest result.

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. The transformation process will continue to be closely monitored and supported by various measures for employees through the #zukunftschaffen change project.

NORD/LB already made significant progress in the reporting year, particularly in implementing the planned measures, which is reflected in administrative expenses. The effects on the income statement were above target in 2022, excluding the “New Bank Management” project and temporary valuation effects. In particular, earnings measures in arrears will continue to be closely monitored.

The following key milestones were achieved:

- Following the legal merger of Deutsche Hypo in 2021 and the complete migration of Deutsche Hypo’s data and transactions to NORD/LB’s systems, the full DH integration project was completed at the end of the first half of 2022.
- The transfer of operations from KreditServices Nord GmbH (KSN) to IBM, including employees, was successfully completed on 1 November 2022.
- The transfer agreement to separate Investitionsbank Sachsen-Anhalt from NORD/LB in 2023 was signed in December 2022. The bank is independent as of 1 March 2023.
- 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 again fell significantly in line with current planning. With the decreasing number of employees and a higher proportion of working from home in the future as well as a modern desk sharing approach, NORD/LB has also further specified the changes to its building capacities. The corresponding building and office concept was finalised in 2022. The planned value contributions are to be realised by selling and leasing individual buildings (parts).
- In December 2020, the Owners' Meeting resolved to design the infrastructure for the "new bank management". In implementing the project, the first half of 2022 continued to focus on providing the infrastructure and implementing technical specifications.

  Implementation backlogs have arisen over the course of the project, with significant implications for the speed at which it can be implemented, the project schedule and the costs involved. As a result, the contract between the Bank and the lead service provider was terminated in the fourth quarter of 2022.

  NORD/LB is in close consultation with its owners and the supervisory authority for the new project launch and over the course of the second half of 2022 carried out due diligence, creating the prerequisites for the goals that continue to be set. Regulatory change requirements can thus continue to be ensured in a phase model. Periodic pressures are balanced out by a co-innovation approach and extending the timeframe. In addition to this, the implementation of an adapted resource model is intended to reduce the external consultancy fees. The total costs of the project are taken into account in the mid-term planning. The final agreement with the bank´s owners on the new project launch was drawn up at the end of the year.

  The Bank has also initiated the necessary measures to safeguard operational stability and compliance with the necessary regulatory requirements and taken them into account in the planning.

There were additional expenses for restructuring and reorganisation in the reporting year as a result of the transformation programme. Please refer to the information in the section on the earnings situation.

Over the course of 2023, the focus will increasingly be on the consistent implementation of cost and earnings measures as well as the implementation of ESG (environmental, social and governance) activities at NORD/LB.

ESG (environment, social, governance) and sustainability

NORD/LB's business activities have an impact on the economy and society. The Bank provides financial resources to facilitate economic growth, create jobs and provide services to society. Its products and services therefore have an impact on the environment and society. As a company and public actor, the Bank therefore sees itself as having a duty to assume responsibility for all social, environmental and economic impacts of its business activities and to actively contribute to the achievement of the climate targets, among other things. Accordingly, NORD/LB is supporting its customers in the transition to a climate-neutral economy. Sustainability has long been an important part of the Bank's business model. For example, NORD/LB has been successfully financing renewable energy projects for 30 years and therefore has a strong starting position in key transition sectors such as energy, real estate and agriculture.

In line with the Paris Agreement, the European Union (EU) has set itself the goal of becoming the first climate-neutral continent by 2050. In order to achieve this objective, the EU considers it necessary to direct capital flows towards sustainable investments. The financial industry has therefore been given a key role in the transformation of the economy. With the adoption of various regulatory requirements relating to sustainability, such as the EU Taxonomy Regulation, in addition to the supplementary specific Delegated Act on Taxonomy, the EU is successively introducing quantitative and qualitative reporting on the sustainability of the balance sheet assets of credit institutions. A key indicator will be the green asset ratio (GAR), which represents the share of "taxonomy-compliant (green) balance sheet assets" in the total relevant balance sheet assets of the credit institution. The GAR will be mandatory for credit institutions for the first time on the reporting date of 31 December 2023.

NORD/LB has set up the CARE sustainability project in order to support and advance both the regulatory requirements and its own objectives for the further strategic integration of ESG (environment, social, governance) and sustainability into the Bank. The first regulatory requirements have already been successfully established and further milestones for anchoring ESG are planned and being consistently implemented. NORD/LB reports extensively on developments in ESG and sustainability issues at the Bank as part of the combined separate non-financial report and the sustainability report. The summarised separate non-financial report also presents the key figures, which are now already mandatory, based on the EU Taxonomy Act. Both the combined separate non-financial report and the sustainability report are published on the homepage at https://www.nordlb.de/die-nordlb/investor-relations/berichte/2022.

ESG risks are also increasingly coming into focus. These are climate/environmental, social and 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. NORD/LB has initiated extensive measures to take these risks into account in internal risk management. Please refer to the corresponding section in the extended risk report of this management report.

Guarantees of the State of Lower Saxony

Exposures from the "Maritime Industries" portfolio, which is also hedged via guarantees from the State of Lower Saxony, and which primarily includes non-performing ship financing that is currently being reduced, as well as aircraft customers, were also falling as planned over the course of the financial year as a result of regular repayment periods. The resulting lower guarantee fees led to a significant reduction in commission expenses in the reporting year. In this regard, please refer to the Bank's disclosures on the earnings position in this management report and/or to Note (24) Net commission income in the Notes to the consolidated financial statements.

For detailed information on the developments in the guarantee portfolio, please refer to Note (3) Change in the guarantee portfolio in connection with the guarantee contracts of the State of Lower Saxony in the Notes to the consolidated financial statements.

Servicing, ending and performance of capital instruments

Unlike at Group level with a positive result after taxes in accordance with IFRS, NORD/LB reported a negative result after taxes (loss for the year) at individual institution level in accordance with HGB in the reporting period. 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. Net loss for the year and a net accumulated loss in accordance with HGB impacted the servicing and valuation of certain capital instruments available at NORD/LB.

For existing instruments that are permanently eligible as additional Tier 1 capital (AT1) in accordance with the CRR, the servicing is omitted from the 2022 result. This omission results contractually from insufficient so-called available distributable items (ADI), which are mainly driven by net a loss for the year and the net accumulated loss in accordance with HGB.

The following effects arose for existing silent partner contributions (silent participations):

The carrying amounts of all silent participations were reduced as at 31 December 2021 in accordance with HGB, due to a net accumulated loss already existing at the time. The net loss for the year in the reporting period in accordance with HGB already increased the net accumulated loss, which had already existed as at 31 December 2021, in accordance with HGB. As a consequence, the contractually agreed interest rate for silent participations no longer applies for 2022. In addition, in accordance with HGB silent participations contractually participate in the increased net accumulated loss in accordance with HGB based on their relative share of all liable capital available as at the reporting date. The balance sheet value of the individual silent partner contributions was therefore further reduced as at the reporting date in the amount of the respective share of losses, based on the carrying amounts, which had already been reduced as at 31 December 2021. The write-down amount resulting from these reductions made in the reporting period was recognised in the income statement in accordance with HGB under the item Net loss for the year in the reconciliation to net accumulated loss as "Withdrawal from silent participations".

In addition to these effects, NORD/LB terminated all silent participations that still existed up to that point in 2020 in accordance with the contract. These terminations also included the silent participations of three special purpose vehicles ("Fürstenberg Capital Erste to Dritte GmbH"), which each refinanced the silent participations at NORD/LB through the issue of structure-congruent bonds (capital notes). For these silent participations, the terminations became effective as at the end of the reporting date. Further silent participations terminated in 2020 totalling a nominal amount of € 60 million were already repaid in the reporting period.

In accordance with IFRS, capital instruments recognised as debt are regularly measured on the basis of the effective interest rate of the future contractual cash flows from the date upon which the contractual conditions cease to apply. Consequently, all silent partner contributions carried in the balance sheet as debt have been measured as debt 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.

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 on the definition and level of the regulatory equity ratios see also the Section on "Regulatory requirements" and Note (67) Regulatory data in the Notes to the consolidated financial statements).

All regulatory capital ratios noticeably fell in the reporting period, primarily due to a higher total risk exposure amount (RWA). This increase in the total risk exposure amount resulted in particular from higher RWA from counterparty risks owing to a significant increase in new business in the reporting period.

A reduction in both Common Equity Tier 1 capital and supplementary capital in the reporting period also contributed to the decline in regulatory capital ratios. The Common Equity Tier 1 capital fell mainly due to regulatory negative adjustments (prudential filters) to balance sheet changes in value, which also more than offset an increase in share capital of around € 54 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 2021 to 30 September 2022 for guarantees provided by the State of Lower Saxony since 2019 for set credit portfolios of the Bank. Such a procedure for implementing capital increases at the level of previously paid guarantee fees was already agreed by all owners as part of the extensive capital measures carried out at the end of 2019. Supplementary capital fell primarily due to the fact that relevant capital instruments were omitted from regulatory inclusion due to the passage of time.

NORD/LB exceeded the minimum leverage ratio as at the reporting date (for definition and minimum level of the leverage ratio, see section "Regulatory requirements"). The leverage ratio fell slightly in the reporting period. Although the leverage ratio exposure (LRE) decreased slightly, the decline in core capital, identical to the reduction in Common Equity Tier 1 capital stated above, more than offset this decline in LRE.

NORD/LB also solidly complied with all the minimum MREL ratios specified by the SRB as at the reporting date (for details regarding the SRB and the definition and minimum level of the various MREL ratios, see also the section on "Regulatory requirements"). All MREL ratios fell in the reporting period. Firstly, this was the result of the developments in the total risk exposure amount, Common Equity Tier 1 capital, supplementary capital and leverage exposure stated above. Secondly, it was due to the fact that liabilities eligible for consideration as MREL were omitted from regulatory inclusion due to the passage of time. And thirdly, due to the SRB's requirement, explained in the section "Regulatory requirements", for NORD/LB to deduct from MREL-eligible capital from the reporting period an unused portion of a framework amount pre-approved by the SRB for the reporting period for possible terminations and early reductions and/or repurchases of MREL-eligible liabilities.

External ratings

Fitch ratings

On 19 December 2022, Fitch published a new report on NORD/LB. There were no changes in ratings. The long-term issuer default rating is "A-" or – for "Senior preferred debt" – "A"; the short-term IDR is "F1". Fitch awarded a "bb" as a "Viability Rating". 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.

DBRS Morningstar

On 16 December 2022, the agency confirmed NORD/LB's ratings, including the "long-term issuer rating" of "A (high)", the "senior non-preferred debt rating" of "A" and the "short-term issuer rating" of "R-1 (middle)". The trend for all ratings was "stable". The ratings mentioned and the trend are in line with the ratings of the

Sparkassen-Finanzgruppe. NORD/LB's financial strength rating ("Intrinsic Assessment") remains at "BBB (low)".

Moody's Investors Service

On 16 August 2022, Fitch published a new report on NORD/LB. There were no changes in ratings. Moody's granted NORD/LB an issuer rating of "A3 (stable)" and a short-term "P-2", as well as a rating of "Junior Senior Unsecured" of "Baa2", a financial strength 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, classified as systemically important.

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 2021 or as at 31 December 2021 are shown in brackets.

Earnings position

The NORD/LB Group reported **earnings before taxes** of € 104 million (€ 29 million) for the 2022 reporting year, which was therefore significantly above both the previous year's level and the planned value.

The significantly improved result compared with the previous year was the result of positive developments in almost all profit/loss components. Only the profit/loss from financial assets at fair value and other operating profit/loss posted negative results compared with the previous period.

In contrast to negative effects on the profit/loss from fair value measurement as well as negative amortisation effects from hedge accounting, which are presented in net interest income, the rise in interest rates on the market clearly had an overall positive effect on other comprehensive income (OCI). **Comprehensive income** therefore rose sharply to € 408 million (€ -38 million) (see presentation of NORD/LB's statement of comprehensive income in the consolidated financial statements).

The income statement figures can be summarised as follows:

	1 Jan. - 31 Dec. 2022 (in € million)	1 Jan. - 31 Dec. 2021[3] (in € million)	Change (in %)
Net interest income	896	816	10
Net commission income	166	52	> 100
Profit/loss from fair value measurement	– 104	200	> 100
Risk provisioning	142	18	> 100
Disposal Profit/loss from financial instruments not measured at fair value through profit or loss [1]	– 33	– 21	57
Profit/loss from hedge accounting	20	– 40	> 100
Profit/loss from shares in companies	7	21	– 67
Profit/loss from investments accounted by using the equity method[2]	34	– 4	> 100
Administrative expenses	– 909	– 917	– 1
Other operating profit/loss	– 48	– 14	> 100
Earnings before reorganisation, restructuring and taxes	**171**	**111**	**54**
Profit/loss from restructuring and transformation	– 67	– 82	– 18
Earnings before taxes	**104**	**29**	**> 100**
Income taxes	– 15	3	> 100
Consolidated profit/loss	**89**	**32**	**> 100**

Key figures	1 Jan. - 31 Dec. 2022	1 Jan. - 31 Dec. 2021[3]	Change (in %)
Common equity tier 1 capital (in € million)	97.6%	92.9%	5
Return-on-Equity (RoE)	1.5%	0.4%	> 100

[1] From the sale of financial assets measured at amortised cost, there were gains of € 3 million (€ 3 million) and losses of € -4 million (€ - 11 million).
[2] The share of the profit or loss of companies accounted by using the equity method was € -28 million (€ -11 million).
[3] In the case of individual items, the previous year's figures were adjusted, see Note (4) Restatement of previous year's figures.

At € 896 million, **interest income** was € 80 million above the previous year's level (€ 816 million). The increase in interest income from financial assets measured at amortised cost and obligations in the amount of € 119 million contributed in particular to this performance. This is mainly due to the increased interest rate level in the reporting year. In addition, a change in the estimate of cash flows in the measurement of cash flows of financial liabilities at amortised cost resulted in a reduction in expenses of € 75 million to € -

8 million (€ -83 million). In addition, interest income from discounted provisions and liabilities increased by € 63 million due to interest rates.

On the other hand, there was a decline in interest income from trading derivatives in the amount of € -115 million. This was largely due to the significant rise in interest rates in 2022, which had a negative impact on the valuation of the Group's interest rate swaps. Net interest income was also negatively impacted by residual maturity effects (pull-to-par effects) of the hedging transactions designated in the Portfolio Fair Value Hedge (PFVH) in the amount of € -100 million (€ -94 million). Interest income from the amortisation of the PFVH adjustment items fell by € -136 million to € -34 million (€ 102 million) due to changes in inventories of separate line items (SLI). This was also due to the significant rise in interest rates and the high amortisation of SLI liabilities in the past.

The contribution from interest rate conditions in the lending business was below the previous year. The decline resulted primarily from a slight decline in margins, with the credit volume at the previous year’s level (the strong new business is reflected due to later value dates of committed loans, particularly in the following year). Due to the increased interest rate level on the money and capital markets, margins in the deposit business were improving. Compared with the same period in the previous year, the contribution from interest rate conditions on the liabilities side increased significantly. Declining earnings from base-rate advantages were more than compensated for by interest-induced increased margins and the associated higher earnings from the business with private and commercial current deposits. The earnings from interest rate and liquidity risk management remain positive, with the maturity transformation result falling below the level of the previous year. The negative performance resulted primarily from the repositioning of the strategic interest investment in the Treasury division of NORD/LB AöR. Due to the rise in interest rates, it was decided to temporarily liquidate the investment.

Commission income increased significantly year on year, rising by € 114 million to € 166 million (€ 52 million). As expected, this line item benefited from lower fees of € -47 million (€ -84 million) for the guarantees of the state of Lower Saxony due to the progressive winding down of the underlying guarantee portfolio. Furthermore, the increase in net commission income resulted from an increase in income in connection with the lending business of € 43 million, due, among other things, to the growth of new business. In addition, income from account management fees increased by € 13 million compared with the same period in the previous year.

At € -104 million, the **profit/loss from fair value measurement** was negative and below the previous year's level (€ 200 million), which was largely determined by positive one-off effects due to the liquidation of the ship portfolio. Without these one-off effects in the previous year, the fair value result in 2021 would have expired at EUR 5 million. In the year under review, trading income was determined in particular by valuation effects due to volatile capital markets. Nevertheless, sales margins from the customer business with derivatives and foreign exchange products significantly improved to € 94 million after € 63 million in the previous year. In the area of fixed-income securities and receivables, trading income fell predominantly as a result of interest rates by € -530 million from € -217 million to € -747 million. The loss was mainly due to a significant rise in the euro interest rate in the reporting year. Similar effects were observed in trading income from interest rate derivatives, which remained negative at € -381 million (€ -126 million). In addition, the valuation effects, which were positive in the previous year in connection with the guarantees of the State of Lower Saxony via pull-to-par effects, were negative in 2022 and amounted to € -38 million (€ 31 million). The positive foreign exchange result of € 19 million (€ 23 million) was mainly influenced by the USD exchange rate and changes in stock. Negative effects were observed in the result from financial assets at fair value through profit or loss in the amount of € -58 million (€ 178 million), while the result from financial instruments at fair value through profit or loss increased significantly to the amount of

€ 1,050 million (€ 271 million). This effect was attributable to market interest rate-induced measurements due to the changes in interest rates.

The **risk provisioning result** of € 142 million improved significantly by € 124 million compared with the previous year (€ 18 million). Management adjustments were carried out in 2020 as a result of the COVID-19 pandemic and in the current year as a result of the war in Ukraine in order to adequately take account of existing uncertainties. Overall, these were reduced in the current year, resulting in gross income of € 103 million, which was mitigated by € -43 million due to the reduced hedging effect of a securitisation transaction and thus resulted in a net income of € 60 million. In addition, the result is positively impacted by reversals of specific valuation allowances due to recoveries, repayments and redemptions in the Aircraft Financing and Special Credit and Portfolio Optimization segments. Furthermore, the volume and number of assets sold were significantly lower than in previous years, due to the portfolio reduction in the Ships segment in particular. Compared with the planned value, the risk provisioning result performed particularly positively due to the reversal of the COVID-19 management adjustment as well as the reduction in the Aircraft and Ship portfolio and the resulting reversals of specific valuation allowances formed in previous years.

The **disposal profit/loss from financial instruments not measured at fair value through profit or loss** of € -33 million (€ -21 million) was almost exclusively due to expenses from the repurchase of sold receivables and issued liabilities.

The positive **profit/loss from hedge accounting** in the amount of € 20 million (€ -40 million) was mainly due to interest rate-induced valuation effects.

Profit/loss from investments in companies in the amount of € 7 million (€ 21 million) was mainly due to reversals of impairment losses and changes in the value of two investments.

Profit/loss from investments accounted for using the equity method in the amount of € 34 million (€ -4 million) was mainly attributable to reversals of impairment losses and other value contributions from an investment.

Administrative expenses decreased by € 8 million to € -909 million (€ -917 million) compared with the same period of the previous year. The decline in staff expenses was predominantly due to the decrease in expenses for pension schemes and support. While other administrative expenses increased slightly overall, IT and office space costs also fell. The trend towards a reduction in administrative expenses therefore remained intact.

The decline in **other operating income** to € -48 million (€ -14 million) was mainly due to lower one-off effects compared with the previous year (€ 55 million, partly due to the sale of investments, among other things). In the reporting year, these resulted from a profit on the sale of buildings (€ 14 million).

Profit/loss from restructuring and transformation amounted to € -67 million (€ -82 million) and thus improved by € 15 million compared with the same period in the previous year. Due to allocations to restructuring provisions, the restructuring result amounted to € -17 million (€ 9 million). Transformation expenses in the reporting period of € -50 million (€ -91 million) involved activities aimed at securing the future and maintaining the competitiveness of the NORD/LB Group. The recognised items are non-recurring in nature and are not part of the operating business activities of the NORD/LB Group.

At € -976 million, total expenses from administrative expenses, transformation and restructuring was € 22 million below the previous year's value of EUR -998 million in the reporting year.

The **tax expense** of € -15 million (€ 3 million) in the reporting year was mainly due to the current tax expense in Germany and the foreign branches. This was offset by the reversal of deferred tax liabilities and tax refunds for previous years of a foreign subsidiary.

The **cost/income ratio (CIR)** rose slightly from 92.9 to 97.6 per cent, as the modest reduction in administrative expenses and the sharp increase in operating income components in net interest and commission income were more than offset by the loss from fair value measurement.

At 1.5 per cent, **the return on equity (RoE)** was above the previous year's level (0.4 per cent) due to the higher positive earnings before taxes.

Forecast comparison of financial performance indicators

The following table compares last year's forecast for the 2022 financial year with the actual performance in the most significant financial performance indicators.

	Planned development for 2022 (Compared to 2021)	1 Jan. - 31 Dec.2022	1 Jan. - 31 Dec. 2021[1]
Earnings before taxes (in € million)	earnings before taxes significantly higher	104	29
Cost-Income-Ratio (CIR)	to improve significantly	97.6%	92.9%
Return-on-Equity (RoE)	to increase slightly	1.5%	0.4%
Common equity tier 1 capital ratio[2)3)]	to fall slightly	14.16%	15.42%
Leverage Ratio (transitional)[2)3)]	to fall slightly	5.13%	5.16%

1) The previous year's figures were adjusted slightly due to corrections.
2) 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 "Business performance and significant events in the reporting year" in this management report.
3) In the previous year, the key figure was still one of the most significant financial performance indicators defined by the Bank. Accordingly, a forecast comparison is made here for the last time.

Earnings before taxes improved significantly year-on-year, as forecast. Please refer to the information in the section on the earnings situation. As a result of the significant increase in earnings, the RoE also increased as expected compared with the 2021 financial year. The significant improvement expected in the CIR was not achieved despite a slight decline in administrative expenses due to declining income.

Assets and financial position

Balance Sheet

Total assets declined and decreased by € 5.3 billion in the reporting period despite an increase in new business, which was due in particular to valuation effects and one-off effects as at the reporting date.

	31 Dec. 2022 (in € million)	31 Dec. 2021[1] (in € million)	Change (in %)
Trading assets	7 641	6 439	19
Financial assets mandatorily at fair value through profit or loss	722	959	– 25
Financial assets at fair value through other comprehensive income	10 633	13 030	– 18
Financial assets at amortised costs	86 033	84 596	2
Shares in companies	344	345	– 0
Investments accounted for using the equity method	56	75	– 25
Other assets	3 896	9 187	– 58
Total assets	**109 325**	**114 631**	– 5
Trading liabilities	3 289	2 069	59
Financial liabilities designated at fair value through profit or loss	4 481	5 645	– 21
Financial liabilities at amortised costs	93 342	95 284	– 2
Provisions	2 433	3 636	– 33
Other liabilities	– 520	2 149	> 100
Equity	6 300	5 848	8
Total liabilities	**109 325**	**114 631**	**– 5**

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

Assets

At € 86,033 million (€ 84,596 million), **financial assets at amortised costs** was the largest balance sheet item on the assets side by amount. The principal parts of the traditional credit and lending business are reported in this category. The € 1,437 million increase was due to intensive new business, particularly in the area of loans to non-financial companies.

Trading assets rose to € 7,641 million (€ 6,439 million) in particular due to the increase in bonds and receivables held for trading from € 3,290 million to € 4,629 million due to the increase in new business. In addition, trading assets of € 3,012 million (€ 3,149 million) included derivative financial instruments, the decline of which was due in particular to the performance of interest rate swaps. This was due to the sharp rise in interest rates, which, taking into account the offsetting of interest rate swaps in clearing, led to a decline in positive fair values from interest rate swaps due to a surplus of receiver swaps. This was offset by an increase resulting from the change in positive fair values from currency derivatives due to effects related to currencies and the basis spread.

Financial assets mandatorily at fair value through profit or loss primarily comprise debt securities and receivables. The change from € -237 million to € 722 million was mainly due to maturing securities in the amount of € -128 million. In addition, the amount of receivables was reduced due to the fall in public promissory notes and personal loans.

Financial assets at fair value through other comprehensive income in the amount of € 10,633 million (€ 13,030 million) included securities of € 10,192 million (€ 12,158 million) that are used for short and medium-term liquidity management or that are not generally intended to be held. The decrease of € -1,966 million was due to changes in market values of € -1,130 million, which was caused in particular by an increased interest rate level and by the fact that not all maturing securities were replaced. In addition, there was a fall in receivables of €-431 million to € 441 million (€ 872 million) , in particular due to a portfolio reduction in public promissory notes and promissory note loans.

At € 3,896 million (€9,187 million), **other assets** comprise the cash reserve, hedge accounting asset balances, property and equipment, investment property, intangible assets, income tax assets and other types of assets. The reduction in other assets resulted primarily from the decrease in the cash reserve as at the reporting date.

Liabilities

At € 93,342 million (€ 95,284 million), **financial liabilities at amortised costs** was the largest category on the liabilities side. It consisted of deposits in the amount of € 73,919 million (€ 74,411 million) and securitised liabilities in the amount of € 19,423 million (€ 20,873 million). The decline was mainly due to the reduction in securitised liabilities of € -1,450 million, in particular due to significantly lower new issues compared with the total maturities. In addition, short-term deposits also fell by € -492 million.

Trading liabilities of € 3,289 million (€ 2,069 million) mainly included derivative financial instruments with negative fair values of € 3,269 million (€ 2,050 million) . The change in the item was due primarily to the rise in negative fair values from interest rate swaps resulting from the sharply risen interest rate level. In contrast, fair values of currency derivatives were down due to exchange rate fluctuations and changes in 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 of € -1,164 million was due in particular to market and creditworthiness-induced changes in the valuation of own issues.

The total amount of **provisions** fell year on year by € -1,203 million. This was mainly owing to a decrease in provisions for pensions and health aid obligations of € -1,102 million to € 1,883 million (€ 2,985 million) due to the increased actuarial interest rate from 1.5 per cent as at 31 December 2021 to 4.25 per cent as at 31 December 2022. In addition, the restructuring provisions formed as part of the transformation process fell by € -97 million to € 365 million (€ 462 million).

The decline in **Other liabilities** was almost entirely due to the lower adjustment items for portfolio fair value hedges. This balance sheet item shows the required fair value adjustments of the net risk position of the allocated liabilities for the underlying transactions in the portfolio fair value hedge on the liabilities side, which may not be offset against the adjustment item for portfolio fair value hedges for the underlying transactions on the assets side. Due to the sharp rise in interest rates in the reporting year, the valuation of these separate line items led to a positive position on the liabilities side.

Balance sheet equity increased by € 452 million to € 6,300 million (€ 5,848 million). This performance resulted, on the one hand, from a capital increase of € 54 million due to the reinvestment of guarantee commissions by the State of Lower Saxony. On the other, there was a positive overall result in the amount of € 408 million. The change in the OCI portfolio was due in particular to the revaluation of the pension and health aid obligations with an effect on the OCI in the amount of € 1,027 million, as the interest rate used to calculate the pension obligations rose by 2.75 percentage points in 2022 (31 December 2021: 1.5 per cent; 31 December 2022: 4.25 per cent). This was offset by changes in the fair value of financial instruments, which was due in particular to the increased interest rate level. Please also refer in this regard to the statement of changes in equity in the consolidated financial statements.

The total **contingent liabilities and other obligations** increased by € 3,743 million to € 16,155 million (€ 12,517 million) as at the reporting date, in particular due to the increase in loan commitments as a result of increasing new business.

Liquid assets

NORD/LB's liquidity situation proved to be sufficient throughout the reporting period. In 2022, 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 also indicated a satisfactory liquidity situation as at the reporting date.

NORD/LB ensured that it had sufficient liquidity at all times during the reporting year. As at 31 December 2022, the liquidity coverage ratio (LCR) was 138.6 per cent (139.4 per cent).

Detailed descriptions and explanations of liquidity risk management, liquidity procedures and the change in the liquidity risk over the past financial year can be found in the extended risk report. Information on residual maturities of financial liabilities can be found in Note (64) Residual maturities of financial liabilities and on foreign currency volumes in Note (68) Foreign currency volume in the Notes.

Development of the Business Segments

The key financial figures of the segments are presented and explained below. The presentation is based on NORD/LB's segment reporting, which is part of the Notes.

1 Jan. - 31 Dec. 2022	Private and Commercial Customers & Savings Bank Network	Corporate Customers	Markets	Special Finance	Real Estate Banking Customers	Special Credit & Portfolio Optimization	Treasury/ Consolidation/ Others	Reconciliations	NORD/LB Group
Earnings before taxes[1]	-41	147	52	385	146	-14	-456	-114	104
CIR	98.8%	35.7%	69.1%	44.9%	37.7%	-191.1%			97.6%
RoRaC/RoE[2]	-6.2%	10.3%	11.5%	36.2%	15.8%	-9.5%			1.5%

1 Jan. - 31 Dec. 2021	Private and Commercial Customers & Savings Bank Network	Corporate Customers	Markets	Special Finance	Real Estate Banking Customers	Special Credit & Portfolio Optimization	Treasury/ Consolidation/ Others[3]	Reconciliations	NORD/LB Group[3]
Earnings before taxes[1]	-14	142	-14	2	102	330	-312	-207	29
CIR	117.1%	42.6%	103.4%	61.7%	35.1%	14.0%			92.9%
RoRaC/RoE[2]	-2.0%	10.3%	-3.4%	0.2%	12.1%	144.1%			0.4%

[1] In € million.
[2] At business sector level RoRaC (earnings before taxes/committed capital), at Group level RoE (earnings before taxes/long-term equity under commercial law).
[3] The previous year's figures were adjusted; please refer to Note (21) Segment reporting by business segment in the Notes to the consolidated financial statements (Notes).

Private and Commercial Customers and Savings Bank Network business segment

The business segment is made up of the Private and Commercial Customers as well as the Savings Bank Network Customers business divisions. It also includes a participation in the public insurance company Braunschweig.

At € -41 million (€ -14 million), earnings before taxes were below the previous year's level. Despite a significant increase in income of € 59 million to € 290 million (€ 231 million), a moderate increase in administrative expenses and, in particular, a much higher risk provision, primarily due to the proportional increase in the Ukraine management adjustment allocated to the business sector, led to this negative result before taxes. Adjusted by the net burden from the increase in the management adjustment in the amount of € -37 million, the segment´s result was almost balanced and improved compared with the previous year. As a result of the increase in earnings, expenses and income were almost balanced out, resulting in an improved CIR in the segment of 98.8 per cent (117.1 per cent).

The RoRaC fell significantly year on year to -6.2 per cent (-2.0 per cent) due to the reported results within the segment. However, the RoRaC was still above last year's forecast, as far lower earnings were expected here.

Corporate Customers business segment

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

At € 147 million (€ 142 million), earnings before taxes were above the previous year's level. Increased income and slightly lower administrative expenses more than offset higher risk provisions in the Corporate Clients segment. Net interest income was noticeably higher than in 2021 as a result of significantly higher income from the deposit business due to interest rates. In addition, net commission income was significantly higher than in the previous year due to the good level of new business. The weaker risk provisioning result compared to the previous year was largely influenced by the formation of the Ukraine management adjustment.

Compared with the previous year, the CIR fell significantly to 35.7 per cent (42.6 per cent) due to the increase in income and lower administrative expenses.

At 10.3 per cent, the RoRaC remained unchanged compared with the previous year and was thus below the expectation of a slight increase.

Markets business segment

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

At € 52 million (€ -14 million), earnings before taxes were significantly above the previous year's level. This was based in particular on the previous year's result, which was negatively impacted by non-recurring effects, as well as the significant influence of interest rate trends in the financial year 2022. This was reflected primarily in the increase in net interest income, based on interest effects from securities portfolios and liability margins, as well as in positive valuation effects, including value adjustments.

In addition to the positive earnings contributions, lower administrative expenses led to an improved CIR of 69.1 per cent (103.4 per cent).

The RoRaC rose to 11.5 per cent (-3.4 per cent) compared with the previous year due to the earnings performance within the segment presented and was therefore significantly above last year's forecast, which only expected a slight increase.

Special Finance business segment

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

At € 385 million (€ 2 million), earnings before taxes were significantly above the previous year's level. This was based on above-average new business growth with a corresponding increase in net interest income, commission income and trading income from energy and infrastructure customers. In the Aviation Finance sub-segment, a high reversal in risk provisioning (COVID-19 management adjustment), a resurgence of new business in 2022 after two weak COVID-19-related years and lower expenses for the state guarantee led to a significantly improved result compared with the previous year.

Compared with the previous year, the CIR fell significantly to 44.9 per cent (61.7 per cent) due to the good earnings performance with only a slight increase in administrative expenses.

The RoRaC rose significantly year on year to 36.2 per cent (0.2 per cent) due to the earnings performance within the segment presented and was therefore significantly above last year's forecast.

Real Estate Banking Customers business segment

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

At € 146 million (€ 102 million), earnings before taxes were significantly above the previous year's level. The substantial increase in earnings was due to the significant rise in net commission income as a result of the positive performance of new business. In addition, the risk provisioning result also had an increasing effect due to the reversal of risk provisioning formed in previous years as a result that the COVID-19 pandemic did not materialise. The moderate increase in administrative expenses was only partially offset by earnings increases, so that the CIR was slightly above the previous year's level at 37.7 per cent (35.1 per cent).

The RoRaC rose significantly compared with the previous year to 15.8 per cent (12.1 per cent) due to the earnings performance within the segment, which exceeded last year's forecast, which was based on a consistent earnings trend.

Special Credit & Portfolio Optimization

The Special Credit & Portfolio Optimization (SCPO) unit 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 in accordance with NORD/LB's strategic realignment.

At € -14 million (€ 330 million), earnings before taxes were significantly below the previous year's level. This was due in particular to a lower result from the profit/loss from financial assets at fair value due to the valuation of the guarantees from the State of Lower Saxony and significantly lower disposal gains from the NPL portfolio, which were extraordinarily high in the previous year and could not be expected due to the fact that the NPL portfolio has in the meantime significantly reduced. In addition, the risk provisioning result was significantly lower than in the previous year due to lower reversals in the ship portfolio and interest income due to a successful reduction in portfolios.

In particular, the CIR deteriorated significantly compared with the previous year to -191.1 per cent (14.0 per cent) due to the positive non-recurring one-off effects from ship sales in 2021.

As expected, the RoRaC fell significantly to -9.5 per cent (144.1 per cent) compared with the previous year due to the earnings performance within the segment.

Treasury / Group Management / Others

Treasury/Group Management/Other covers all other performance indicators directly related to business activity and includes, among other things, the Treasury division.

At € -456 million (€ -312 million), earnings before taxes were significantly below the previous year's level. In interest income, the transformation result of € 8 million (€ 65 million) fell by € -57 million compared with the previous year. This negative performance resulted primarily from the conscious repositioning of the strategic interest investment in the Treasury division of NORD/LB AöR. At € -195 million (€ -43 million), the profit/loss from financial assets at fair value reflected the volatile market and interest rate environment of the previous year. The decline compared with the previous year was mainly due to negative effects in securities and derivatives, such as pension hedge swaps and structured own issues, and assets mandatorily measured at fair value in the amount of € -68 million (€ -43 million). In addition, earnings before taxes in other operating income was negatively impacted by the annual bank levy of € -59 million and the expenses for the deposit guarantee fund of € -17 million as well as by costs for overall bank projects in the profit/loss from restructuring and transformation of € -67 million. This was offset by the profit/loss from hedge accounting, which was € 60 million above the previous year (€ -40 million). This positive contribution to earnings was based equally on interest-rate-induced valuation effects of the portfolio and micro hedge accounting.

Reconciliation

Reconciliation items from internal accounting to the consolidated overall figures for the income statement are recognised in the reconciliation. It also includes reclassifications of profit and loss items that are shown differently in the internal management system compared with the external reporting.

At € -114 million (€ -207 million), earnings before taxes were significantly above the previous year's level. This was based on a reduction in the negative reconciliation effects in net interest and commission income and in profit/loss from financial assets at fair value compared with the previous year. This was partly offset by the risk provisioning result of € 3 million (€ 15 million), which was due to higher risk provision reversals in connection with the COVID-19 pandemic in 2021.

Overall assessment

NORD/LB can look back on a good business performance in 2022. Despite the significant economic uncertainties in the market environment, primarily as a result of the war in Ukraine, the Bank recorded a significant increase in earnings before taxes to over € 100 million for the financial year. The war in Ukraine does not have any direct economic impact on NORD/LB, as there is no direct exposure to Ukraine and there is only an exposure of € 5 million to borrowers based in Russia, which is also almost completely hedged. Indirect economic impacts have also not had impacts on the rating performance of the overall portfolio; the portfolio of defaulted financing even declined compared with the previous year. For any future negative developments from the war in Ukraine, the Bank also holds additional risk provisions in the form of a Ukrainian management adjustment in the amount of over € 250 million.

Despite the challenging market environment, NORD/LB was able to significantly expand new business compared with the previous year, particularly in the Corporate Customers, Energy and Infrastructure Customers and Real Estate Customers (Deutsche Hypo) segments. Accordingly, loan portfolios and irrevocable loan commitments from loans, whose value date is still outstanding, increased significantly as at the reporting date compared with the previous year.

The positive performance of new business in the 2022 financial year, together with declining fees for the guarantees of the State of Lower Saxony, was reflected in a very good performance in net commission income. In addition, the sharp rise in the general market interest rate level had a net positive impact on net interest income. Together with the very positive performance of the risk provisioning result, it was thus possible to more than offset negative valuation effects from the rise in interest rates and to achieve a very pleasing overall result in the Group.

A major focus of the Bank in the reporting year was the implementation of the measures from the NORD/LB 2024 transformation programme. NORD/LB has already made significant progress in this area, which is also reflected in administrative expenses. In the project to implement the "New Bank Management" infrastructure, the Bank is currently in close consultation with its owners and the Supervisory Authority for a relaunch of the project.

In addition, the issue of sustainability is becoming increasingly important to the Bank. To this end, NORD/LB has set up the CARE sustainability project in order to support and advance both the regulatory requirements and its own objectives for the further strategic integration of ESG (environment, social, governance) and sustainability into the Bank. Sustainability has long been an important part of the Bank's business model. For example, NORD/LB has been successfully financing renewable energy projects for 30 years and also has a strong starting position in key transition sectors such as energy, real estate and agriculture. Accordingly, NORD/LB supports its customers in the transition to a climate-neutral economy and thus actively contributes to achieving the climate targets.

Supplementary report

There were no transactions 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 no 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

In the opinion of NORD/LB, the globally changing inflation environment should lead to fewer central banks having to raise key interest rates. However, the European Central Bank may belong to the group of central banks, which, at least in the first half of 2023, will be under even greater pressure to act. Against this background, there is also no longer any expectation that interest rates will rise sharply in the medium and long-term.

The now higher interest rate level is putting a strain on economic activity in many currency areas. The GDP growth rates in 2023 as a whole are expected to be positive in Germany and the USA, following the baseline scenario, but further economic development is likely to remain subdued in both countries. The high level of uncertainty is likely to remain in any case for the time being. In addition to continuing high geopolitical risks, a resurgence of inflation could also become a potential problem for the global economy.

Finance Sector

The upcoming challenges of the Banking market lie, among other things, in the future direction of inflation and interest rates as a result of current economic and political developments. It remains uncertain how a possible economic slowdown will affect the quality of banks' assets. Nevertheless, the earnings situation for the Banking market is expected to remain largely stable, as the rise in interest rates should have a positive effect on the Banks' net interest margin and comprehensive risk provisioning was created during the COVID-19 pandemic and due to the existing economic and geopolitical uncertainties, which has for the most part been very selectively used or reversed.

As a result, it is expected that the impact on the capital buffers will also be moderate. As a result of the end of the "special interest period" of the TLTRO III programme, a gradual reduction of the previously formed liquidity reserves is to be expected. The current challenges may also have a further strengthening effect on the existing consolidation drivers (primarily cost/earnings pressure as well as high levels of competition) and is therefore likely to further up 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 and the expansion of their core business areas, some of which may also be supported by strategic acquisitions.

Another focus will be on the gradual implementation of ESG standards, which among other things will be accompanied by government and regulatory requirements. This is intended to promote the transformation of the economy whilst focusing more intensively on sustainability.

Renewable energies

The expansion of renewable energies is a key measure to ensure future energy supply and the achievement of climate targets. Regulatory improvements and promotional programmes have helped legislators set higher expansion targets for various countries and regions, create better investment conditions and reduce regulatory barriers. Against this background, it is expected that the expansion of renewable energies will continue to accelerate significantly to the expected 436 GW in 2023, driven by high growth rates at photovoltaic power plants. Photovoltaics is forecast to increase to 326 GW (257 GW) following an expansion of 27 per cent and wind power will increase by 12 per cent to 110 GW (98 GW).

In addition to climate friendliness, there are also increasing price advantages. Compared with new coal or gas-fired power plants, new onshore wind or photovoltaic power plants are the cheapest source of electricity in countries that account for 96 per cent of global electricity generation and therefore have a lowering effect on electricity prices. Due to the increasing electrification of other sectors (sector coupling), such as transport and heat, the IEA estimates that global electricity demand will continue to rise significantly in the coming decades, Which will also support the continued expansion of renewable energies over the coming years (International Energy Agency: World Energy Outlook 2022).

Real Estate

The global transaction volume is estimated to decline by up to eleven per cent in 2023 compared with the previous year and the European transaction volume is expected to fall by between five and ten per cent (CBRE Research: Global Investment Declines Sharply in Q4 2022, 8 February 2023). A transaction volume of up to € 55 billion is expected for the German investment market for 2023 as a whole. In the coming months, market dynamics are likely to remain subdued in view of increased financing costs and different price expectations on the part of buyers and sellers (CBRE: Real estate investment market Germany Q4 2022, press release dated 9 January 2023).

Aircraft

Following the significant market recovery in 2022, IATA expects global passenger traffic (RPK) to increase by 21.1 per cent in 2023 compared with the previous year. Strong growth is expected for the Asia/Pacific region in particular. As a result, passenger traffic in the current year will still be 14.5 per cent lower than in 2019, prior to the start of the COVID-19 pandemic. As a result of the improved market environment and continued high prices, IATA expects global airlines to record a net income profit of USD 4.7 billion. A loss of USD -6.9 billion was recorded in 2022. This would be equivalent to a positive net margin of 0.6 per cent in 2023 (2022: -1.0 per cent). For 2023, IATA is forecasting a fall of 4.1 per cent compared with the previous year for the requested air freight volume (CTC) (IATA, Industry Statistics Fact Sheet, December 2022).

Group Forecast with Opportunities and Risk Report

Key Planning Assumptions

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 2022, planning was updated until 2027, 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, 2023 will be shaped by the investments NORD/LB is making in a sustainable future that can take advantage of opportunities and respond to risks.

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. A comparison with updated macro-economic data took place at the end of the planning process at the beginning of November 2022. Since the pressures of the COVID-19 pandemic have gradually eased, additional stress factors for macroeconomic development have come along, particularly with the war in Ukraine, the energy crisis, high inflation and the sharp rise in interest rates. As a result of the uncertainty surrounding all these issues, the risks for the global economic outlook remain significantly elevated. This includes trends on the interest rate markets. Minimal economic growth was used as a basis in the 2023 planning scenario. The ECB's main refinancing rate was predicted to be just over 3 per cent.

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 2023 takes into account the relevant legal requirements as well as other binding individual requirements of the Banking supervisory authorities and resolution authorities for the provision of regulatory capital or MREL-eligible capital and complies with them.

2022 planning for the NORD/LB Group

NORD/LB expects the following trends for the most significant financial performance indicators for financial year 2023 (right: the actual values of the past financial year):

	Planned amount for 2023	1 Jan. - 31 Dec.2022
Earnings before taxes (in million)	Earnings in the high double-digit million range	104
Cost-Income-Ratio (CIR)	To improve significantly compared to previous year	97.6%
Return-on-Equity (RoE)	Is expected to remain marginally positive	1.5%

NORD/LB expects positive earnings before taxes in the high double-digit million range for the coming financial year 2023, despite the current high global economic and geopolitical uncertainties. Accordingly, the RoE is expected to remain marginally positive.

The Bank expects an increase in earnings for 2023. While net interest income is expected to decline slightly due to, among other things, lower positive interest-rate-induced effects in connection with personnel provision, net commission income is expected to increase significantly due to, among other things, a further decline in guarantee fees and the growth of new business. In addition, in anticipation of the elimination of negative measurement effects, a visibly better result from the profit/loss from financial assets at fair value was planned compared with the previous year. The Bank also expects significant positive deviations compared with the previous year in the profit/loss from shares in companies and the profit/loss from investments accounted for using the equity method as well as from the disposal result from financial instruments not measured at fair value through profit or loss.

NORD/LB is expecting a increase in risk provisioning requirements given the continuing major economic and geopolitical uncertainties. In 2022, the Bank formed the Ukraine management adjustment (MAU) to cover uncertainties as a result of the war in Ukraine. As part of the planning, the Bank is anticipating additional negative effects on the risk provisions required for the coming year 2023. Accordingly, the risk provisioning result is expected to be in the negative range. This is significantly lower than the comparatively high risk provisioning result in the past financial year, which had been influenced by one-off effects from the reversal of the COVID-19 Management Adjustment (MAC-19).

In addition, earnings before taxes in the coming year will be affected, among other things, by a modest increase in administrative expenses due to the high rate of inflation. However, it is expected that the earnings trends shown will still lead to a significant improvement in the CIR for 2023 compared with the previous financial year due to the significant increase in earnings.

Forecast of key segment figures

A decline in earnings performance is expected for the **Private and Commercial Customers & Savings Bank Network** segment. From a planning perspective, this result is primarily due to a decline in the profit/loss from financial assets at fair value in the Savings Bank Network Customers sub-segment, which was positively influenced by measurement effects in 2022. On the other hand, earnings in the Private and Commercial Customers sub-segment are expected to be slightly better than in the previous year. An expected significant decline in net interest income, particularly on the liabilities side, is expected to be fully offset by a better risk provisioning result. Across the entire segment, the key figures CIR and RoRaC will be significantly negative compared with the previous year.

The Bank expects the earnings before taxes for the **Corporate Customers** segment to increase significantly in the 2023 financial year. The reason for this is expectation that the interest and risk provisioning results will be significantly better. The RoRaC is thus also expected to be significantly better for the Corporate Customers segment than it was in the previous year. The CIR will remain at a very low level, but due to rising administrative expenses it will be moderately higher than in the previous year.

Earnings before taxes in the **Markets** segment are also expected to increase compared with the previous year. Accordingly, the RoRaC should also perform extremely positively; the CIR is expected to fall visibly compared with 2022 due to declining administrative expenses.

For the **Special Financing** segment, consisting of the Energy and Infrastructure Customers sub-segment and the Aircraft Customers sub-segment, the Bank expects, in light of a further increase in net commission income, among other things, to once again make a large contribution to Group net income in 2023, which has fallen compared to the previous year. The Bank expects a significant decline in earnings before taxes for the Special Financing segment as a whole compared with 2022 due in particular to the elimination of positive effects from the reversal of risk provisions in the Aircraft Customers sub-segment. The previous year's segment result was also characterised by high positive measurement effects in the fair value result, particularly in the Energy and Infrastructure Customers sub-segment. This is not expected to happen again in 2023. Accordingly, the RoRaC is expected to be in the single-digit percentage range, and the CIR is expected to be significantly higher than in the previous year.

The **Real Estate Banking Customers** segment (formerly Deutsche Hypo) will also continue to make a significant contribution to the positive overall bank result in 2023. Nevertheless, the segment result is expected to decline as a result of higher administrative expenses. As expected, the RoRaC is declining significantly, while the CIR is expected to rise moderately compared with the previous year due to higher administrative expenses in the Real Estate Customers segment.

A further decline in earnings is expected for 2023 for the **Special Credit & Portfolio Optimization (SCPO)** unit, in which the Bank's reduction portfolios are bundled. This is likely due to a significant decline in the risk provisioning result. The 2022 financial year continued to be heavily affected by reversals of risk provisions, which are no longer expected in the future due to the ongoing reduction in the underlying portfolios. The segment's interest result is also expected to decline further due to the reduction in portfolios. This is expected to be only partially offset by positive effects from lower guarantee fees or an improved result from profit/loss from financial assets at fair value. It is therefore likely that the performance of the key figures CIR and RoRaC will be noticeably negative in 2023.

Exogenous opportunities and risks

Economic factors

Uncertain global economic developments against the backdrop of geopolitical tensions and the unpredictability of market disruptions due to political and economic developments may lead in 2023 to deviations from the planning premises of the economic forecast with respect to key interest rates, yield curves, exchange rate forecasts, inflation and the economic situation with corresponding risks or even opportunities for the earnings of NORD/LB. This also includes an unexpected resurgence of the COVID-19 pandemic and the economic impact associated with that. In particular, the war in Ukraine 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 NORD/LB's earnings position.

Competition

Challenges are arising from the emergence of new competitors (fintechs, among others) 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. 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

There are opportunities and risks in implementing NORD/LB's transformation programme. If the earmarked income and cost measures are not implemented as planned, this could lead to pressure on the NORD/LB Group's profitability and KPIs. At the same time, it is possible that measures planned for the future will be implemented prematurely, resulting in unexpected positive effects on the Bank's financial performance indicators.

The earnings performance in the 2023 financial year may also be influenced by the further development of the project to introduce a new target architecture for NORD/LB's new bank management. Depending on how the project progresses, expenses incurred for the project in 2023 may differ from the planning. This gives rise to opportunities and risks for the Bank's earnings performance and related financial key figures for the forecast year.

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 **Private 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 future 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 earnings 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 Norddeutsche Landesbausparkasse Berlin-Hannover (LBS) and brokerage of real estate financing. In particular, opportunities arise in the context of sustainable financial solutions, for example in the investment business. Rising interest rates and high inflation are creating risks, but also opportunities, in the sub-segment. Whilst it is putting a strain on the private real estate sector on the one hand, it will on the other result in lucrative investments in the deposit business for customers in the future.

For the **Savings Bank 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 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. The opportunities and risks for the Bank's earnings performance will depend on how successful these products are.

In the **Corporate Customers** segment, catch-up effects from the COVID-19 pandemic continue to stimulate demand for credit. 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 has so far proven to be crisis-resistant. The product portfolio and the focus on customer-specific structured credit products enable the Bank to tap into further earnings potential 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 current assets and balance sheet structure optimisation.

Besides the continuing competitive and margin pressures, economic developments are clouding the general conditions of the market environment. This may lead to a decline in the willingness to invest or a postponement in financing. There are risks involved in terms of the Bank's earnings position, but this can also bring about opportunities should there be more positive development in the environment.

The **Markets** segment sees digital transformation as an opportunity in the future competitive environment. As part of a digital roadmap, profitability is optimised through the use of technological solutions and the targeted use of personnel and total assets. As part of the digitalisation roadmap, Markets is being systematically developed into a platform manager. The international ABF activities will be developed into a fully digital platform with full integration of all functions (for example, digital identity) with a focus on customer experiences, feedback, customer acquisition and third-party capability. The ABF growth strategy will be implemented in particular in the USA and Europe (with a focus on Germany).

With regard to the transition to sustainable business, both institutional clients should be supported and suitable products developed. These include sustainable refinancing strategies in particular, such as green retail issues (PAI), green bonds and other ESG-linked products.

In the Markets segment, particular risks include the economic framework conditions, increasing competition and possible regulatory requirements. There is also a risk that there will be delays in the planned business initiatives and the Bank's own digitalisation strategy.

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, it is possible to continue the diversification of the portfolio already begun by tapping into related sectors, in particular digital infrastructure and battery storage technology, as well as expanding business activities to regions within the risk strategy. 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** sub-segment, there is an opportunity for a sustainable market recovery for the aviation sector after the pandemic and thus the further stabilisation of earnings by global airlines as well as rising demand for increasing financing.

This expectation also creates potential for the aviation industry to become even more attractive, for both the capital market and new entrants. 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.

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. Unexpected extreme events, such as pandemics and international conflicts, can also significantly influence passenger air traffic and lead to challenging market developments.

New sustainability requirements offer opportunities to develop innovations in drive technologies and new aircraft types (e.g. sustainable aviation fuels, electrified aircraft, etc.). However, research into market-ready development is still in its early stages and the effects are only expected in the medium to long term. Furthermore, the "Sustainable Transportation" growth initiative offers additional business potential for NORD/LB. The focus here is on financing customers whose aim is to contribute to the decarbonisation and transition of the transport sector.

The **Real Estate Banking Customers** segment is also heavily influenced by the economic conditions. The war in Ukraine, persistently high energy prices and persistently high inflation pose challenges for the real estate industry in addition to the shortage of skilled workers and the changed interest rate environment. If these challenges are reflected in lasting economic and capital market pressures beyond current expectations, this could negatively impact real estate markets with vacancies and depreciation in commercial real estate and declining demand for credit. 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 in holdings, which would then reflect negatively on the Bank's profit. On the other hand, there are prospects that the economic framework conditions will be better than expected in the further course of the year and thus prove to be less challenging for the real estate industry.

The earnings performance in the internal reduction unit **Special Credit & Portfolio Optimization (SCPO)** was characterised by further portfolio reductions. The NPL ship portfolio was reduced as far as possible and only has a comparatively low impact on earnings. Nevertheless, successful sales activities can still support the reversal of risk provisions here. Potential negative effects on earnings due to new risk provisioning requirements are largely limited by the state guarantee. Outside the NPL ship financing, the reduction is mainly carried out as part of the regular repayment process. Any market opportunities can be used for premature returns and accelerate the reduction, with a corresponding impact on earnings. However, aggravated economic crisis conditions could lead to increased risk provisioning expenses.

Overall statement on the forecast report

The transformation process started by NORD/LB in 2020 to resize and realign the Group will continue. In this context, 2023 will be shaped by the investments NORD/LB is making in a sustainable future that can take advantage of opportunities and respond to risks.

The earnings forecast for the coming financial year 2023 is particularly influenced by the existing economic and geopolitical uncertainties. Despite the management adjustment already made, the Bank expects an increase in risk provisioning expenses compared with the previous year. At the same time, however, higher earnings are also expected. Overall, NORD/LB is expected to achieve positive earnings before taxes in the high mid-double-digit million range.

Earnings risks and opportunities will arise, on the one hand, from the economic and geopolitical uncertainties, especially with regard to the war in Ukraine and the resulting after-effects. 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 and competition-induced earnings uncertainties, there are also company-specific opportunities and risks, especially with regard to the implementation of the Bank's 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 substantiated "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 as: NORD/LB Luxembourg).

With regard to the total portfolio of financial instruments in the Group, the aforementioned two 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 deliberately 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 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.

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 ad hoc basis.

In NORD/LB's risk strategy, the individual risk types of the business segments are defined via a business segment 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 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 profit and loss 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. They have a structured 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 latter 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 (GRC):** The GRC is chaired by NORD/LB's CRO. Management is responsible for the credit risk management Direct Report (Direct Report generally corresponds to the Head of Division). The permanent voting 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 CRO of the subsidiary 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. It also 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. NORD/LB's CRO is responsible for chairing the USRC meetings.

- **Asset liability committee (ALCO):** The ALCO 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 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 risks from pension commitments);
  c) the market positioning in financial markets portfolios (investment 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 Direct Reporting Unit (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).

Furthermore, implications for the strategy and further business development are discussed and highlighted. The ALCO monitors 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 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 existed up until October 2022. This committee developed and adopted standards for key risk controlling methods and reports at NORD/LB level. Members were the respective heads of the specialist departments of NORD/LB AöR and the subsidiary NORD/LB Luxembourg. Since the dissolution of the committee, matters have been coordinated directly between the subsidiary and the Direct Report Risk Controlling.
- **Other advisory bodies:** The Managing Board is supported by 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 across departments on the ongoing integration of sustainability into NORD/LB and the development and coordination of cross-departmental measures.

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 (third line of defence). 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. Internal Audit's remit also extends to significant projects, new product processes, significant changes to the organisational structure and workflows as well as IT systems and the functions and divisions of the NORD/LB Group, both in-house or outsourced. 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 audit focuses on the topics of risk strategy, risk-bearing capacity and ICAAP as well as the management of counterparty, market price, liquidity and operational risks. 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 risks) or quarterly (operational risks and counterparty risks) risk-type-specific reporting by Risk Controlling. The monthly ICAAP status also report on the ICAAP data available at the reporting date.

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 liabilities and dynamisation items, anticipated losses, if necessary).

In addition to assessing aggregated risk, risk strategy requirements are also monitored in the form of limits at risk-type level, including the reserve for other risks (or thresholds for the mid-year monitoring of the business risk based on selected profit & loss 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[1]	Normative perspective	Economic Perspective
Risk potentials	Measurement according to CRR: - Counterparty risk - market price risk - Operational risk - CVA Risk - Settlement Risks Note: the liquidity risk is mapped using the Liquidity Coverage Ratio (LCR).	Counterparty risk: Fair Value view Market price risk: Complete present value measurement including all credit spread risks of tradeable positions Liquidity risk: Liquidity progress review over the entire term Operational risks: Loss distribution approach
Risk-covering capital	Differentiated consideration according to CRR: - CET1 capital - core capital - total capital	CET1 capital plus hidden burdens and dynamic modification items

[1] Risk appetite control engine

The interaction between normative and economic perspectives required in 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. This increase induces two feedback effects that act simultaneously during the optimisation process:

Effects	Feedback effect 1	Feedback effect 2
Characteristic	reduction of the simulated capital ratios	increase 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 credit-risk risk types are deliberately entered into as a subcategory of counterparty risks (borrower, country and sector level) and market 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 law is carried out at NORD/LB by means of a permanently developed stress test landscape consisting of regular (adverse), ad hoc 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 Financial 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. Credit risk also includes the wrong-way risk, which results from a positive correlation between the contracting parties' 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 segments 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 in new lending business 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 segments 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 segments were to exceed a specified threshold (NPL share in the EaD greater than 5.0 per cent of the respective overall business segment EaD), a dedicated NPL strategy would also have to be formulated here. At present, the Bank does not have a dedicated, formulated NPL strategy, as all strategic business segments 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 Savings Banks and Giro Association (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 commitment 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 manages NORD/LB's loan portfolio across the board. 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 a commitment 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 mortgageable value or market value a collateral can be measured 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 developed as part of various projects carried out by the Cooperation of Savings Banks and Federal State Banks. NORD/LB's own development is only used for certain securitisation transactions.

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 approval for the relevant rating systems and approval for the use of credit risk mitigation techniques.

Risk provisioning

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

When initially recognised, all relevant financial assets that do not already show objective indications of impairment must be allocated to Stage 1, regardless of the debtor's creditworthiness. At this stage, expected losses arise 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. At this stage, risk provisioning must be recognised for the present value of the losses (lifetime expected credit loss) expected over the remaining term of the financial instrument.

If there is objective indication of impairment on the reporting date, the financial asset is transferred to Stage 3 and deemed 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 indication of impairment, a stringent allocation to Stage 3 of the impairment model must be made, even if no loss 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 stage 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), expected loss ratio (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), which were developed in the Landesbankenverbund, and, on the other, the procedures managed by S-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 averaged 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 variable employment 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 2022" , under the heading entitled "Sensitivity of risk provisions to future economic conditions".

A fundamental deterioration in credit quality as a result of the pandemic and the war in Ukraine 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 both these crises 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. Although the macroeconomic effects of COVID-19 are not entirely negligible, they are playing a lesser role as an aggravating driver in the current macroeconomic environment. Because the pandemic situation has eased and disruptions are considered unlikely due to new pandemic developments, the COVID-19 (MAC-19) was closed on 31 December 2022.

Due to economic uncertainties arising from the war in Ukraine, NORD/LB decided to create a Ukraine management adjustment (MAU) 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 the MAU is to take into account the effects in the Bank's risk provisioning that are expected in the future but not yet realised at present for sectors that are strongly affected by the consequences of the war in Ukraine and that are not reflected in the Stage 1 and Stage 2 modelling.

The starting point for an IFRS 9 management adjustment is internal credit risk simulations, which examine the deterioration in credit quality and the loss ratio due to market value discounts in industries particularly affected by the crisis. Taking into account three macroeconomic scenarios of different severity (scenario 1, 2 and 3) and derived risk parameters, a quarterly analysis of the resulting effects was carried out. The projection period for the MAU is currently set for 31 December 2023.

A preliminary scenario analysis has shown that the impact of the effects of the war in Ukraine and the associated risks has been greater in some areas and so this has led to a sharper focus on these affected segments in the MAU portfolio. As part of this, focus was put on the Real Estate and Corporate Customers segments. In addition, hedging for municipal utilities was secured. With regard to the Aircraft Financing sub-segment, the calibration level for the 2021 rating module was increased due to the COVID-19-related increase in default rates and all relevant borrowers were then assessed using the adjusted rating module in the course of 2022. As a result of this, as well as the improved performance of the industry, there is no longer any reason to make a post-model adjustment for the sub-segment. In the consolidated financial statements, MAU amounted to around € 258.7 million. Corporate Customers accounted for around € 120.7 million, Real Estate Customers for around € 114.3 million and Municipal Utilities for around € 23.8 million.

As part of the 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 € 252.0 million. Use was made here of the option to determine general loan loss provisions based on the parameter-based risk provisioning calculation under IFRS 9.

In Stage 3, risk provisioning for the non-retail banking 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 loan loss provision 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 a specific loan loss provisions 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 retail banking, 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, concluded that the choice of a 12-month measure in relation to the stage transfer is appropriate. 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 level 2. Otherwise - subject to the evaluation of qualitative criteria - it is assigned to Stage 1 or, in the event 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 has been a payment delay of more than 30 days, a classification of "special mention" or worse has been entered in the credit watchlist, or forbearance or NPE (non-performing exposure) features in the context of the survey for the FINREP report. If at least one of the aforementioned conditions is then 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. Sustaining the improvement is key to the level of the reversal or stage transfer, measured against the formation criteria.

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 Level 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 there be a stage change towards the 12-month ECL. 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. Consequently, 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 (13) Risk provisioning.

Reporting

Risk Controlling is responsible for assessing the risk situation as part of the Financial and Risk Compass. This report also includes the presentation and analysis of 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 (CRM) 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, broadly diversified 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.

The support of the strategic business segments and their strategic initiatives influences the strategic orientation of the portfolio. In addition, the targeted establishment and expansion of selected affiliated companies is intended to secure and improve the market position and thus support the Bank's business model. Investments that neither have a strategic benefit for the Bank's business model nor meet NORD/LB's return expectations should be reduced if possible.

Strategically important equity investments are managed using an integrative approach as part of the business segment 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. NORD/LB's only significant equity investment, NORD/LB Luxembourg, had no equity investments of its own as at 31 December 2022. 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. Based on 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. 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 Financial 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 in bank management/finances, which is to be posted in the income statement in the current calendar year.

Market risk

Market risk refers to potential losses that may result from changes in market parameters. Market 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 equities, the sub-risk types of commodity risk and share price risk are not relevant. These sub-risk types are neither reported in the market risk reports nor included in the risk-bearing capacity.

Strategy

NORD/LB's activities associated with market 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 risks are divided into three blocks:

- The first block "Trading and Investments" contains the market 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 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 measurement 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 measurement 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. These are measurement effects from cross-currency spreads, pension commitments and other interest rate risks (e.g. basic risks, risks from the hedging of structured own issues and currencies not taken into account in hedge accounting).

Structure and organisation

NORD/LB's market 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 and Singapore. Trading transactions are processed and monitored in separate processing areas. Market risk management is supported by NORD/LB's ALCO.

Market 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 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 risks. While the market risks are determined and managed using a present value approach in the economic perspective of risk-bearing capacity, the aim of the earnings-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 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 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 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 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 adequacy 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 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 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 measurement effects (IFRS)" block.

The NORD/LB Managing Board is informed of NORD/LB's market risks on a monthly basis in the monthly market 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 fully 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 issue 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 future 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 current and 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 or items whose internal liquidity commitment deviates from the contractual capital commitment.

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, so that market liquidity risks are also implicitly taken into account. 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 limits for traditional liquidity risk serve 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 validations of the models used 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 subsidiary 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 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 cover.

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 in the observation horizon. 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 and needs-based updates 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 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 Financial 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 as well as daily information about the traditional liquidity risk in the dynamic scenario.

The liquidity spread risk is reported monthly in euros 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 // 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
// Self-assessment
// Risk indicators
// Individual risks
	// Risk matrix
	// Scenario analysis
	// 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. In future, the self-assessment will be replaced by structured interviews in the departments. 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, and 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 (one to three 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 (for example, 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. Individual risks and 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 limits 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 development/ESG 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 their 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;
- 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)
- Issue-specific frameworks and other applicable documents on ESG aspects

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 governance (ESG) risks are climate/environmental, social or 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.

ESG risks continue to be a general focus. Based on this, NORD/LB is initially focusing on 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" are especially important 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. Following the ECB’s publication on “Good practices for climate-related and environmental risk management – Observations from the 2022 thematic review”, the set of ESG risk drivers surveyed was expanded at the end of 2022 and examined with regard to their impact on the relevant risk types. The qualitative materiality assessment of the risk drivers was differentiated over various time horizons according to physical and transitory climate and environmental risks. As a risk driver, ESG risks are implicitly incorporated into the risk models of the material risk types. 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.

In its guidelines, NORD/LB has excluded certain business relationships with companies in the field of pornography and controversial weapons. In addition, business activities in the lending business in the areas of new construction of nuclear and coal-fired power plants, construction of dams and hydropower plants in particularly sensitive areas as well as online gambling are excluded. There are also other sector-specific regulations to take ESG and reputation aspects into account in business activities.

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. Since the second half of 2022, ESG centres of expertise have been set up in various areas of the Bank. They pool central tasks on the topic of ESG and also perform interface functions. The centres of expertise in the various areas are in regular contact with each other.

In the bank-wide project to integrate ESG aspects, guidelines for the fulfilment of short and medium-term regulatory requirements, for example, were defined and a simplified concept for quantification, including dovetailing across all major risk types, was developed. The project's activities planned for 2023 include the expansion of risk management frameworks, the performance of further climate risk analyses on physical and transitory risks, the review of the need for adjustment in the rating procedures and the expansion of risk reporting on climate and environmental risks. In addition, an initial set of ESG key risk indicators is being introduced to analyse the exposure of the risk types to physical and transitory climate and environmental risks.

In 2020 and 2021, NORD/LB carried out the first internal stress tests, e.g. on the physical effects of an agricultural drought and transitory risk in the agricultural segment. Furthermore, a stress test was introduced in the reporting year to monitor and control the effect of climate and environmental risks on the market price risk. This stress test is carried out quarterly and the results are reported to the Managing Board.

In the current reporting year, NORD/LB participated in the ECB climate stress test 2022, which was carried out by a total of 104 institutions, whereby only 41 institutions (including NORD/LB) had to determine the complete stress test projections for the various climate scenarios with a forecast horizon of up to 30 years. Quantitatively, the stress scenarios specified by the ECB for NORD/LB show manageable effects on risk provisioning.

The Bank concluded this exercise with an overall result (global score) that was better than the average score achieved by participating institutions. At the same time, the stress test showed that there is still a need for further development in terms of the availability of granular, climate-relevant data in order to improve the risk indicators in line with the Bank's strategic ESG orientation. The required measures were implemented in the Bank-wide ESG project. In addition, the findings from the ECB climate stress test are used to implement and improve other management-relevant issues, such as the implementation of transitory and physical risk analyses as well as the further development of the ICAAP/ILAAP integration and internal stress test framework.

Risk-Bearing Capacity

The risk strategy and regulatory requirements (CET1, T1 and total capital) were consistently complied with in 2022. The risk-bearing capacity was met as at 31 December 2022.

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 fell compared with the end of the previous year due to a slight decrease in Common Equity Tier 1 capital and non-disclosed charges to be taken into account of € 303 million. Risk potential also declined since the last reporting date and more than offset the effects on risk capital. As at 31 December 2022, internal risk capital in the amount of € 5,381 million was offset by an aggregated risk position of € 2,483 million (based on a confidence level of 99.9 per cent). The utilisation of the risk-bearing capacity was 46 per cent.

Economic risk limits were monitored based on an approved operating limit in the amount of € 4,600 million. As at 31 December 2022, the operating limit was utilised at 54 per cent 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.

As at the reporting date, there was a visible reduction in risk potential, which was mainly due to the reduction in market risk potential compared with the end of 2021. This was due to the increased yield, particularly at the long end of the curve. By introducing a risk add-on during the second half of the year, the effect described above was partially offset and the market price risk increased again. For the calculation of the liquidity spread risk, the methodology was adjusted in the first quarter to take into account free coverage potential for closing any refinancing gaps in the future. As a result, the risk indicators from the 2022 financial year are not fully comparable to the values from 2021. Despite an increase in the liquidity spread risk in the second half of 2022, which resulted primarily from an extended maturity transformation position within the liquidity maturity balance sheet, the reported liquidity spread risk in 2022 is significantly below the risk value determined in 2021 due to the aforementioned adjustment method. Counterparty risk potential increased moderately over the course of the year. Looking at the pillars of the business model, new business activities were evident in 2022. The investment exposure increased significantly due to the individual effects of some investments. In 2022, the annual periodic reparametrisation of the counterparty risk model also led to postponements and, in some cases, increases in unexpected losses in the various segments. With regard to operational risk, there was a reduction in risk potential over the course of the year. In the first half of the year, there was initially a decline in the potential due to the ongoing, regular updates of the scenario landscape and the lower expected values associated with this. At the end of the year, the risk potential increased again due to an expansion of the OpRisk methodology.

The still ongoing transformation of the Bank to a lower-risk and more streamlined business model has had a significant influence on the earnings power and profitability of the Bank. NORD/LB therefore decided in 2020 to count business and strategic risk as another material risk type in addition to the risk types previously defined as material (counterparty, market price, liquidity and operational risk), although the risk value did not exceed the materiality threshold. The risk is included in the risk-bearing capacity calculation as part of the "Reserve for other risks", which is part of the risk strategy. € 920 million was earmarked for the “reserve for other risks” as part of the limitation, of which € 439 million is currently allocated (of which € 158 million is for business and strategic risks). Furthermore, the business and strategic risk is monitored on a quarterly basis using defined profit & loss positions. The threshold values defined for monitoring were consistently complied with in the reporting period.

In the normative perspective (scenario-based consideration), limits have been set on the basis of adverse planning scenarios. These limits were likewise adhered to in the reporting period.

Risk-bearing capacity[1)2)]	31 Dec. 2022	31 Dec. 2021
Normative perspective		
Common equity tier 1 capital (in € million)	5 684	5 788
Regulatory risk potentials (in € million)	3 211	3 002
Common equity tier 1 capital ratio	14.16%	15.42%
Tier 1 capital ratio	14.28%	15.56%
Total capital ratio	17.62%	19.81%
Economic perspective		
Total risk potential (in € million)	**2 483**	**2 821**
Counterparty risk	921	851
Market-price risk	800	1 064
Liquidity risk	62	126
Operational risk	260	284
Reserve for other risks	439	497
Risk capital (in € million)	**5 381**	**5 788**
Risk capital utilisation	**46.1%**	**48.7%**

1) Differences in totals are rounding differences.
2) Previous year’s figures were partially adjusted due to COREP corrections made.

Credit risk in 2021

Analysis of the total exposure

As at 31 December 2022, the NORD/LB Group's total exposure was € 117 billion and was therefore lower than at the end of the previous year (€ 1.8 billion) as planned. This decline in exposure resulted in particular from the financial institutions & insurance companies sectors (down by € 5.6 billion). Exposure increased in the other sectors (€ 3.7 billion increase). 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 risk provision stages.

Rating Structure[1)2)] (in € million)	Loans 31 Dec.2022	Securities[3)] 31 Dec.2022	Derivatives[4)] 31 Dec.2022	Other[5)] 31 Dec.2022	Total exposure 31 Dec.2022	Total exposure 31 Dec. 2021
very good to good	60 601	13 257	2 380	17 950	94 189	97 534
stage 1[6)]	59 494	3 161	–	17 682	80 336	80 276
stage 2	74	43	–	–	117	130
fair value	1 033	10 053	2 380	268	13 735	17 127
good / satisfactory	10 344	482	251	1 785	12 862	10 897
stage 1	9 555	140	–	1 734	11 429	9 528
stage 2	378	118	–	52	548	667
fair value	410	224	251	–	886	702
reasonable / satisfactory	3 763	48	15	701	4 527	4 762
stage 1	3 160	–	–	665	3 825	3 791
stage 2	460	–	–	37	497	691
fair value	143	48	15	–	206	280
increased risk	2 387	29	23	380	2 819	2 626
stage 1	1 482	–	–	186	1 668	1 400
stage 2	885	10	–	188	1 084	1 081
fair value	20	19	23	5	67	145
high risk	908	–	2	62	973	1 141
stage 1	232	–	–	10	242	231
stage 2	646	–	–	53	698	842
fair value	30	–	2	–	33	68
very high risk	728	–	–	90	819	869
stage 1	82	–	–	7	89	218
stage 2	646	–	–	84	729	644
fair value	–	–	–	–	–	8
default (=NPL)	749	–	1	113	862	1 071
stage 3	727	–	–	113	839	1 042
POCI[7)]	1	–	–	–	1	–
fair value	21	–	1	–	22	29
Total	**79 480**	**13 817**	**2 673**	**21 082**	**117 051**	**118 900**
stage 1	74 005	3 301	–	20 283	97 589	95 444
stage 2	3 089	171	–	413	3 673	4 055
stage 3	727	–	–	113	839	1 042
POCI	1	–	–	–	1	–
fair value	1 657	10 345	2 673	274	14 949	18 359

1) The ratings are assigned rating categories on the basis of the Initiative for Germany as a Financial Location (IFD).
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 risk provisioning stages of the impairment model are shown (net after fair-value deduction).
7) POCI = Purchased or originated credit impaired

The items rated in the "very good to good" rating class fell over the reporting period in absolute terms by € 3,345 million. However, the comparatively very high share of the best rating category (very good to good) fell only slightly to 80 per cent (82 per cent). This can be explained by the continued importance of business with financing institutions with good credit ratings as well as with service industries (including public authorities) which is 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 69 per cent (72 per cent).

Industries by impairment stage[1)2)] (in € million)	stage 1[3)] 31 Dec.2022	stage 2 31 Dec.2022	stage 3 31 Dec.2022	POCI[4)] 31 Dec.2022	Fair Value 31 Dec.2022	Total exposure 31 Dec.2022	Total exposure 31 Dec. 2021
Financing institutes / insurance companies	24 066	169	26	–	5 942	30 203	35 801
Service industries / other	42 160	1 936	307	–	6 386	50 789	49 950
Transport / communications	4 527	329	199	–	813	5 867	5 106
Manufacturing industry	4 850	499	92	1	846	6 288	5 814
Energy, water and mining	14 813	444	98	–	710	16 064	15 366
Trade, maintenance and repairs	4 032	112	49	–	214	4 408	3 794
Agriculture, forestry and fishing	2 019	103	49	–	1	2 172	2 081
Construction	1 110	82	15	–	36	1 243	988
Other	12	–	4	–	–	16	–
Total	**97 589**	**3 673**	**839**	**1**	**14 949**	**117 051**	**118 900**

1) Analogous to internal reporting, allocations are made on the basis of economic criteria.
2) Differences in totals are rounding differences.
3) The risk provisioning stages of the impairment model are shown (net after fair-value deduction).
4) POCI = Purchased or originated credit impaired

Industries by products[1)2)] (in € million)	Loans 31 Dec.2022	Securities[3)] 31 Dec.2022	Derivatives[4)] 31 Dec.2022	Other[5)] 31 Dec.2022	Total exposure 31 Dec.2022	Total exposure 31 Dec.2021
Financing institutes / insurance companies	12 792	6 061	860	10 490	30 203	35 801
Service industries / other	41 950	7 002	337	1 500	50 789	49 950
Transport / communications	4 954	134	240	539	5 867	5 106
Manufacturing industry	4 818	297	549	625	6 288	5 814
Energy, water and mining	9 318	274	483	5 990	16 064	15 366
Trade, maintenance and repairs	3 852	32	183	342	4 408	3 794
Agriculture, forestry and fishing	649	–	1	1 522	2 172	2 081
Construction	1 134	16	20	73	1 243	988
Other	15	–	–	1	16	–
Total	**79 480**	**13 817**	**2 673**	**21 082**	**117 051**	**118 900**

1) Analogous to internal reporting, allocations are made on the basis of economic criteria.
2) to 5) See the preceding Rating structure table.

As a result of collateral offsetting, the risk-weighted assets of material Group companies as at 31 December 2022 fell by € 6.9 billion (€ 8.8 billion), which corresponds to a share of 17 per cent (22 per cent) of the total risk exposure amount before risk reduction. This mainly involved financial collateral as well as sureties and guarantees from countries, banks, companies and mortgages to be used for netting.

Collaterals[1)2)] (in € million)	Loans 31 Dec.2022	Securities[3)] 31 Dec.2022	Derivatives[4)] 31 Dec.2022	Other[5)] 31 Dec.2022	Total exposure 31 Dec.2022	Total exposure 31 Dec.2021
Mortgages	10 011	–	–	662	10 673	10 538
Financial collaterals	371	–	–	15	386	367
Sureties and guarantees	3 560	–	12	508	4 081	4 876
Others	13	–	–	1	14	23

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 share of 85 per cent (85 per cent) of the total exposure and remains by far the most important business region for the NORD/LB Group. Germany's share was 70 per cent (72 per cent) of the total exposure.

Regions[1)2)] (in € million)	Loans 31 Dec.2022	Securities[3)] 31 Dec.2022	Derivatives[4)] 31 Dec.2022	Other[5)] 31 Dec.2022	Total exposure 31 Dec.2022	Total exposure 31 Dec.2021
Euro countries	66 817	10 430	1 470	20 867	99 583	101 253
Of which: Germany	55 040	7 004	578	19 780	82 401	85 318
Other Europe	6 243	985	797	198	8 223	8 925
North America	4 325	1 736	34	1	6 097	5 437
Middle and South America	799	–	2	16	818	953
Middle East / Africa	128	–	–	–	128	250
Asia / Australia	1 167	666	369	–	2 202	2 082
Total	**79 480**	**13 817**	**2 673**	**21 082**	**117 051**	**118 900**

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 holdings in the United Kingdom currently amounted to € 4,337 million (€ 5,141 million), which was divided into € 3,376 million (€ 3,878 million) Corporates & Others, € 868 million (€ 1,049 million) Financial Institutions & Insurance Companies and € 93 million (€ 215 million) Sovereign Exposure. In Poland, the NORD/LB Group had an exposure of € 881 million (€ 852 million); divided into € 669 million (€ 582 million) Corporates & Others and € 120 million (€ 155 million) Financial Institutions & Insurance Companies as well as € 92 million (€ 115 million) Sovereign Exposure. In China, NORD/LB held an exposure of € 155 million (€ 143 million), consisting of € 128 million (€ 129 million) Corporates & Others and € 27 million (€ 14 million) Financial Institutions & Insurance Companies.

In Russia, NORD/LB currently holds portfolios of € 5 million (€ 11 million) with respect to Financial Institutions & Insurance Companies, 95 per cent of which are covered by guarantee insurance. There are currently no exposures in Ukraine or Belarus. NORD/LB is thus directly affected by the war in the Ukraine only to a very limited extent. In addition, provisions have been made to take full account of the changed situation and, in particular, 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 2022 amounted to 0.7 per cent (0.9 per cent). Risk provisions fell to € 807 million (€ 1,024 million). The differences to the risk provisioning amounts shown in Note (58) "Risk provisioning and gross carrying amount" mainly resulted from a different scope of consolidation.

Industries **Portfolio loan loss provisions**[1)2)] (in € 000)	Stage 1 and 2 31 Dec.2022	Stage 3 and POCI[3)4)] 31 Dec.2022	Stage 1 and 2 31 Dec.2021	Stage 3[3] 31 Dec.2021
Financing institutes / insurance companies	18 847	13 160	31 004	2 513
Service industries / other	204 379	148 805	479 039	25 129
Transport / communications	45 163	100 748	107 667	103 799
Manufacturing industry	59 418	37 230	61 299	41 933
Energy, water and mining	35 216	14 924	50 629	27 284
Trade, maintenance and repairs	23 437	22 047	23 837	9 841
Agriculture, forestry and fishing	30 301	19 445	13 143	18 809
Construction	9 748	8 222	14 377	2 205
Other	11 495	4 385	6 497	4 820
Total	**438 005**	**368 967**	**787 492**	**236 333**

1) Analogous to 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 NPL requiring loss allowance was € 3,405 million (€ 3,619 million).
4) POCI = Purchased or originated credit impaired.

	Total exposure of overdue, unimpaired receivables					
Industries[1)2)] (in € 000)	Up to 1 month 31 Dec. 2022	1 up to 3 months 31 Dec. 2022	3 up to 6 months 31 Dec. 2022	More than 6 months 31 Dec. 2022	Total 31 Dec. 2022	Total 31 Dec. 2021
Financing institutes / insurance companies	54 211	249	–	160	54 621	53 440
Service industries / other	129 374	2 960	23 460	7 235	163 029	113 700
Transport / communications	18 436	91	–	1 310	19 837	39 902
Manufacturing industry	6 301	67	–	179	6 546	97 124
Energy, water and mining	129 295	1 929	–	1 704	132 928	37 110
Trade, maintenance and repairs	18 324	11 226	8	9 616	39 174	38 998
Agriculture, forestry and fishing	43 227	24	–	1 534	44 785	44 669
Construction	13 686	52	–	228	13 966	11 002
Other	17	–	–	–	17	–
Total	**412 871**	**16 597**	**23 468**	**21 967**	**474 904**	**435 944**

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

Regions **Portfolio impairment**[1)2)] (in € 000)	Stage 1 and 2 31 Dec. 2022	Stage 3 and POCI[3)] 31 Dec. 2022	Stage 1 and 2 31 Dec. 2021	Stage 3 31 Dec. 2021
Euro countries	383 594	239 932	559 219	146 998
Other Europe	28 215	61 879	32 795	59 801
North America	11 832	13 546	80 694	2 497
Middle and South America	11 215	39 734	85 270	–
Middle East / Africa	246	–	4 130	20 442
Asia / Australia	2 903	13 777	25 149	6 430
Not allocated	–	98	235	165
Total	**438 005**	**368 967**	**787 492**	**236 333**

1) Analogous to internal reporting, allocations are made on the basis of economic criteria and taking into account the IFRS accounting regulations.
2) Differences in totals are rounding differences.
3) POCI = Purchased or originated credit impaired.

Regions[1)2)] (in € 000)	Total exposure of overdue, unimpaired receivables up to 1 month 31 Dec. 2022	1 up to 3 months 31 Dec. 2022	3 up to 6 months 31 Dec. 2022	More than 6 months 31 Dec. 2022	Total 31 Dec. 2022	Total 31 Dec. 2021
Euro countries	412 818	16 593	1 699	21 148	452 257	354 350
Other Europe	53	–	–	819	872	81 544
North America	–	4	–	–	4	–
Middle and South America	–	–	21 769	–	21 769	–
Middle East / Africa	–	–	–	–	–	51
Asia / Australia	–	–	1	–	1	–
Total	**412 871**	**16 597**	**23 468**	**21 967**	**474 904**	**435 944**

1) Analogous to internal reporting, impairments are allocated on the basis of economic criteria.
2) Differences in totals are rounding differences.

The exposure to overdue, non-impaired receivables increased by € 39 million. This increase primarily took place in a time frame of up to one month. Overall, 87 per cent (86 per cent) of receivables were overdue by up to a month, the NORD/LB generally assumes that they will be repaid.

In the reporting year, the material Group companies directly wrote off bad debts on loans of € 24 million (€ 64 million). Additions to receivables written off amounted to € 42 million (€ 58 million).

With exposures of € 140 million (€ 88 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 € 233 million (€ 262 million).

In the reporting period, the NORD/LB Group did not obtain assets 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. 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. 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 (in per cent), change rate in real GDP (in per cent), change rate in CPI (in per cent), change rate of the leading equity index (in per cent), short-term interest rates (3 months nominal) (in per cent), long-term interest rates (10 years nominal) (in per cent) and change rate in national currency/USD (in per cent).

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 per cent of exposure coverage is achieved.

As at 31 December 2022, there were the following probabilities of occurrence:

Probability of occurrence	positive 31 Dec. 2022	base 31 Dec. 2022	negative 31 Dec. 2022	positive 31 Dec. 2021	base 31 Dec. 2021	negative 31 Dec. 2021
in per cent	10	50	40	20	60	20

As at the reporting date of 31 December 2022, there was an increase in the probability of occurrence of the negative scenario, based on the positive and baseline scenario. This was due to the currently prevailing risks from the war in Ukraine, which are reflected in the historically high inflation rate, the increased interest rates and the impending recession. The following tables show the assumed forecasts for the countries Germany, the USA, the UK and the eurozone.

Scenarios[1)2)]	positive 2024	base 2024	negative 2024	positive 2023	base 2023	negative 2023
Germany						
Unemployment rate (in %)	4.8	5.3	5.8	5.2	5.6	6.1
GDP (real; Y/Y[1)] in %)	2.3	1.4	1.5	1.2	-1.0	-2.3
CPI[2)] (in % Y/Y)	2.4	3.5	5.0	5.2	8.7	11.0
Leading index shares (DAX, % p.a.)	7.42%	8.21%	14.29%	4.56%	-5.21%	-13.51%
Short-term interest rate (3M Money market rate, in %)	2.2	2.68	3.40	2.5	2.97	3.5
Long-term interest rate (10Y Government, in %)	2.1	2.3	3.5	2.4	2.6	3.1
Exchange rate (EUR/USD)	1.09	1.06	0.94	1.06	1.04	0.95
Rate of change exchange rate (in % Y/Y)	2.83	2	-1.05	2.91	0.97	-6.86
USA						
Unemployment rate (in %)	3.6	3.9	6.0	3.5	3.7	6.4
GDP (real; Y/Y[1)] in %)	2.3	2.0	1.4	2.6	0.6	-0.1
CPI[2)] (in % Y/Y)	2.0	2.5	3.5	2.9	3.4	6.2
Leading index shares (MSCI TR USA, % p.a.)	8.50%	7.00%	22.00%	10.50%	4.10%	-7.00%
Short-term interest rate (3M Money market rate, in %)	3.7	3.8	4.1	3.9	4.30	4.40
Long-term interest rate (10Y Government, in %)	3.3	3.3	4.0	3.6	3.7	4.1
Exchange rate (EUR/USD)	1.09	1.06	0.94	1.06	1.04	0.95
Rate of change exchange rate (in % Y/Y)	2.83	2	-1.1	2.91	0.97	-6.86
Great Britain						
Unemployment rate (in %)	4.0	4.3	5.5	3.9	4.4	7.0
GDP (real; Y/Y[1)] in %)	2.0	1.1	0.8	1.0	0.1	-0.9
CPI[2)] (in % Y/Y)	2.3	3.2	3.0	5.5	6.1	6.8
Leading index shares (FTSE 100, % p.a.)	6.00%	6.50%	6.50%	8.50%	5.50%	-8.50%
Short-term interest rate (3M Money market rate, in %)	3.3	3.5	3.00	3.4	3.5	3
Long-term interest rate (10Y Government, in %)	3.1	3.2	2.9	3.1	3.2	3.00
Exchange rate (GBP/USD)	1.28	1.23	1.06	1.25	1.20	1.08
Rate of change exchange rate (in % Y/Y)	2.83	3	-2.16	2.91	-1.35	-10.04
Euroland						
Unemployment rate (in %)	6.2	6.8	7.5	6.5	7.0	7.8
GDP (real; Y/Y[1)] in %)	2.1	1.5	1.4	1.8	0.2	-1.0
CPI[2)] (in % Y/Y)	2.3	3.2	5.0	5.0	8.2	10.5
Leading index shares (EuroStoxx 50 Perf., % p.a.)	7.53%	8.53%	14.29%	6.67%	-5.74%	-12.22%
Short-term interest rate (3M Money market rate, in %)	2.2	2.68	3.40	2.5	2.97	3.5
Long-term interest rate (10Y Government, in %)	2.1	2.3	3.5	2.4	2.6	3.1

Scenarios[1)2)]	positive	base	negative	positive	base	negative
Exchange rate (EUR/USD)	1.09	1.06	0.94	1.06	1.04	0.95
Rate of change exchange rate (in % Y/Y)	2.83	2	-1.1	2.91	0.97	-6.86
Global						
Oil price - Brent (in USD per barrel)	85	81	81	115	93	79

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

In the annual financial statements, NORD/LB carries out a sensitivity analysis for parameter-based risk provisioning in stages 1 and 2. The basis for this are the scenarios of the analysis carried out in the fourth quarter of 2022 for 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	1.24	1.00	1.12	1.20
Aircraft finance	1.00	1.32	1.32	1.00	1.19	1.32
International real estate	1.20	1.33	1.88	1.00	1.25	1.59
Sparkassen-customer compact rating	1.20	1.20	1.93	1.00	1.10	1.44
Project finance	1.00	1.20	1.20	1.00	1.00	1.28
Sparkassen - real estate business rating	1.00	1.00	1.22	1.00	1.00	1.25
Sparkassen - customer scoring	1.00	1.19	1.24	1.20	1.20	1.46
Sparkassen - standard rating	0.90	1.00	1.00	0.84	1.00	1.00

A factor different from one 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 and the war in Ukraine are largely reversed. In the negative scenario, adjustments are intensified due to the negative outlook, which is reflected above all in the second forecast year. The rating modules banks, international regional authorities, leasing, 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 show loan-loss provisions in the low single-digits to low double-digit million range.

The table below shows the risk provisions assuming that the positive and negative scenarios are each weighted at 100 per cent. 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 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 **Sensivity calculation for loan loss provisions** (in € million)	positive	base	negative
Exposure at Default[1)]	117 051	117 051	117 051
of which			
Corporates	50 226	50 226	50 226
Aircraft finance	207	207	207

International real estate	4 357	4 357	4 357
Sparkassen - customer compact rating	516	516	516
Project finance	14 274	14 274	14 274
Sparkassen - real estate business rating	14 191	14 191	14 191
Sparkassen - customer scoring	2 733	2 733	2 733
Sparkassen - standard rating	6 239	6 239	6 239
Loan loss provisions[2]	– 717	– 750	– 928
of which			
Corporates	– 285	– 299	– 395
Aircraft finance	– 130	– 134	– 136
International real estate	– 44	– 48	– 62
Sparkassen - customer compact rating	– 25	– 25	– 65
Project finance	– 40	– 42	– 47
Sparkassen - real estate business rating	– 67	– 67	– 88
Sparkassen - customer scoring	– 11	– 12	– 13
Sparkassen - standard rating	– 153	– 160	– 160
Share of loan loss provisions impairment stage 2 (per cent)	28%	29%	41%
of which			
Corporates	24%	25%	45%
Aircraft finance	13%	16%	17%
International real estate	39%	39%	36%
Sparkassen - customer compact rating	30%	30%	75%
Project finance	47%	47%	45%
Sparkassen - real estate business rating	27%	27%	35%
Sparkassen - customer scoring	74%	74%	77%
Sparkassen - standard rating	29%	29%	29%

[1] Exposure at default after risk reduction.
[2] The overall risk provisions also included the risk provisions for the other rating modules as well as compensation through Northvest II in the amount of around € 15 million as well as further adjustments, mainly due to differences in the scope of consolidation in the amount of € 52 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 risk provisions in stage 1 and 2 as well as on the stage allocation. The previous table contains the breakdowns of exposure at default after risk reduction, which contain both IFRS 9 stages 1 to 3 and the fair value items. This allows for a reconciliation to the tables in the previous sections. The risk 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 risk provisions, whereby these are excluded from the adjustments and retain their risk provisions from the baseline scenario.

In the baseline scenario, the risk provisions in stages 1 and 2 include the management adjustment for the war in Ukraine of around € 259 million formed by the Bank at the end of 2022. In the positive and negative scenario, the management adjustment is adjusted to the underlying macroeconomic parameters. Overall, this results in an adjustment of the risk provision to the macro-economic environment, including additional hedging through the management adjustment. The main drivers here were the Corporates rating modules (€ 299 million), the Sparkassen standard rating (€ 160 million) and aircraft financing (€ 134 million). The Corporates rating module (+14 / € -96 million) has the highest sensitivity to risk provisions, which is also the largest module in terms of exposure at default, followed by the Savings banks KundenKompaktRating rating module (€ +0/-41 million).

Overall, risk provisions would be reduced by € 33 million (of which € 9 million from reduced management adjustment) under the positive scenario and increased by € 178 million under the negative scenario (of which € 149 million from increased management adjustment). The proportion of risk provisions in stage 2 fell from 29 per cent to 28 per cent or increased to 41 per cent under the negative scenario.

Outlook and ESG risks

The NORD/LB Group will continue to monitor developments for all relevant asset classes in 2023. 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 considers itself to be well prepared overall. Furthermore, ESG risks continue to be analysed and taken into account in counterparty risks.

ESG scores are used to classify ESG risk in the credit decision on an aggregated basis. At the risk classification level, these ESG scores supplement the proven IRBA rating procedures as an additional element by taking ESG-specific risk factors into account and systematically consolidating them in a combined ESG rating. It is expected that the significance of these risk factors or their transmission channels will increase in relation to the types of risk. In terms of credit risk, this is taken into account in the further development of both the ESG scores and the rating procedures. In 2022, NORD/LB participated in joint projects of the Landesbanks and savings banks to develop such ESG scores for the wholesale and retail business. Following the introduction of an ESG score for the retail business, the ESG project is now working on the gradual expansion to other asset classes.

Furthermore, the definition of sustainability according to NORD/LB's own criteria is formulated in a Sustainable Loan Framework in addition to and in preparation for the EU taxonomy. The Bank already conducts business classified as "sustainable" in some areas, e.g. in line with its Green Bond Framework, and will classify sustainable loans using a multi-stage process along a decision tree that initially focuses on environmental criteria. It is working intensively on the process and technical implementation and will use its Sustainable Loan Framework as a bank-wide basis in the customer business.

To decarbonise its financing portfolio, NORD/LB is also focusing on scientifically recognised transition paths to sector decarbonisation, e.g. the International Energy Agency. This enables the Bank to channel its financing funds specifically into sustainable financing activities and thus make a significant contribution to the decarbonisation goals of the Paris Agreement and the German Climate Protection Act. The initial focus is on the real estate, energy and aviation sectors already identified as high-risk sectors, as these are responsible for the highest CO2 emissions compared to the NORD/LB overall portfolio. NORD/LB plans to define transition paths for these sectors for 2023 based on physical emission intensities.

With regard to the implementation of climate stress analyses, the Bank successfully participated in the ECB's climate stress test in 2022. The identified potential for improvement with regard to ESG data integration, method development and implementation in IT systems form the basis for further development of the necessary prerequisites and instruments in the Bank's ongoing ESG project.

In the area of credit risks, the Bank is working to determine the proportion of high-risk sectors with regard to physical and transitory risks using suitable indicators (key risk indicators). On this basis, suitable management impulses should be derived for monitoring and controlling the portfolio.

Equity investment risk in 2022

To reduce complexity in the Group and lower capital commitment and potential risks from investments, NORD/LB has, based on an ongoing assessment of its equity investment portfolio, divested itself of numerous investments in recent years that were neither strategically significant nor met the return expectations. This strategy was continued during the reporting year. Once again, a number of smaller investments were sold or liquidated. Apart from the increase in the holding in Caplantic GmbH decided in the previous year, there were no major new additions.

The equity investment risk was calculated for the entire reporting period by using the model for counterparty risks, which assesses credit and equity investment risks on a consolidated basis. The integration approach is designed in such way that equity investment and credit risks are simulated interdependently 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 € 256.5 million (€ 240.8 million for unexpected loss and € 15.6 million for expected loss). This was a moderate increase of € 16.0 million compared with the last reporting date. This increase was mainly a result of the rise in unexpected loss (+ € 15.4 million). The reason for this was the € 85.9 million increase in the investment exposure compared with the previous year due to the significant increase in the value of an investment.

The adequacy of the parameters used for the equity investment analysis concept of NORD/LB was reviewed regularly. No anomalies were identified in the result. The materiality thresholds of the equity investment classification concept for 2022, slightly increased compared to the previous year, were determined as at 15 December 2021. New significant equity investments were not identified. The only remaining significant participation, NORD/LB Luxembourg, is being looked through with regard to the existing risks. As at 31 December 2022, there continue to be nine significant equity investments relevant for the risk-bearing capacity of NORD/LB.

Outlook

The main tasks for 2023 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 the support of the strategic business areas and their strategic initiatives. In addition, the targeted establishment and expansion of selected affiliated companies is intended to secure and improve the market position and thus support the Bank's business model.

Market price risk in 2022

In the first half of 2022, there was a significant rise in capital market yields in the eurozone as a result of the war in Ukraine, the sharp rise in inflation, and a steeper yield curve. The second half of the year was characterised by further sharp rises in interest rates and a pronounced flattening of the interest rate curve. US dollar yields behaved very similarly in 2022.

Credit spreads had widened sharply since the outbreak of the war. They have narrowed again since October. As measured in cross-currency basis spreads between US dollar and euro interest rates, the interest rate differential tightened slightly until October and widened again slightly at the end of the year.

In accordance with ICAAP, management of the market 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 NORD/LB Luxembourg for operational management.

As at 31 December 2022, the VaR calculated for NORD/LB in the economic perspective amounts to € 800 million. This corresponds to a decline of € 264 million compared with the end of the prior year (€ 1,064 million). The limit utilisation is 53 per cent as at the reporting date. The decline in risk compared with the end of the previous year is due to the increase in yields of about 230 basis points in the longer maturities (20 years and longer). This has a particular effect on the measurement of long-term pension commitments, whose impact on the results is reflected in the OCI.

In the correlated total risk exposure in the economic perspective, interest-rate risks and credit-spread risks dominated. As part of the model validation, an underestimation of the risk in operational management was determined for the "NORD/LB Interest Book Management" portfolio. To mitigate this, an adjustment to the model is being planned, which is expected to increase the risk potentials in the economic perspective and in operational management. Until the model adjustment is implemented, an add-on is added to the calculated risk values of the "NORD/LB Interest Book Management" portfolio.

All other sub-risks were 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. 2022	30 Sep. 2022	30 Jun. 2022	31 Mar. 2022	31 Dec. 2021
Interest rate risk	353	328	382	474	628
Credit-spread-risk	412	403	519	590	712
Currency risk	50	61	55	42	52
Stock price and fund price risk	–	1	1	–	–
Votality risk	7	11	12	27	16
Other add-ons	214	6	3	3	3
Total risk[2)]	**800**	**543**	**641**	**819**	**1 064**

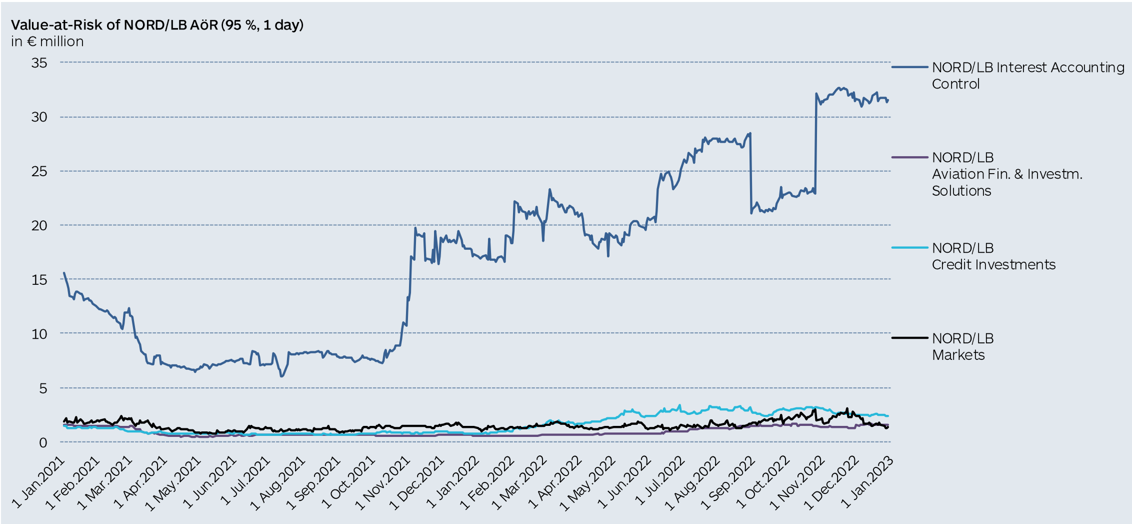
1) Value at Risk (99.9 per cent; 250 days holding period).
2) Due to diversification effects, the overall risk is smaller than the sum of the individual risks.

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 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.

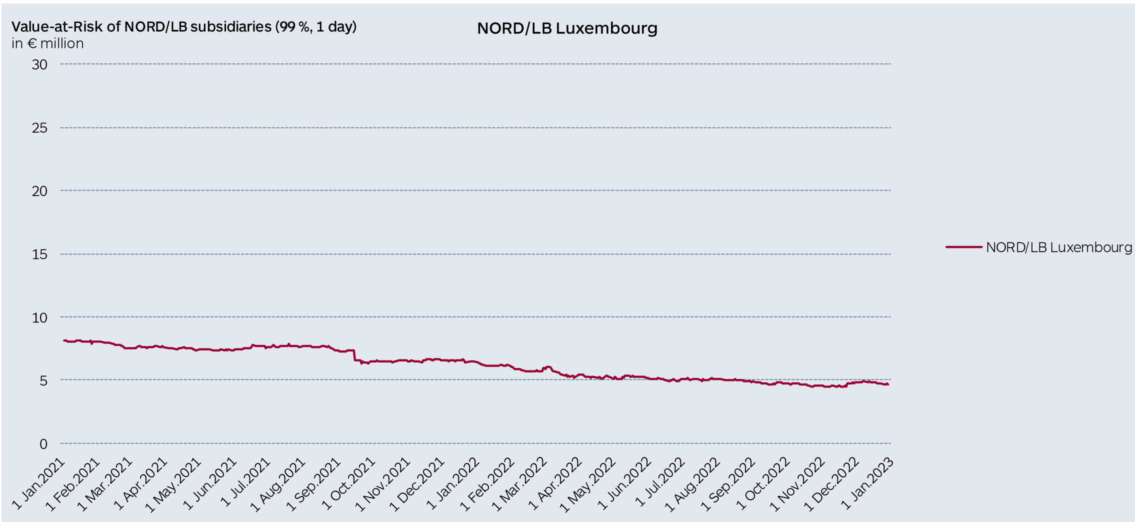
Both of the charts below show the change in the correlated value-at-risk, as calculated each day, in the present value perspective (economic perspective) since 1 January 2021 for the key sub-portfolios of the relevant units of the NORD/LB Group. For NORD/LB AöR, a confidence level of 95 per cent and holding period of one trading day is applied for operational limiting.

Over the course of the first half of 2022, the risks in all sub-portfolios of NORD/LB AöR increased. This was mainly due to increased volatility. This increase in risk cannot be observed in the economic perspective of risk-bearing capacity. The reason for this different trend is that the value-at-risk used for the operational limitation is based on a one-year history and the strong market fluctuations from the first half of 2022 are accordingly taken into account by the value-at-risk model. By contrast, the limitation in the economic perspective of risk-bearing capacity is based on a longer history for value-at-risk, which dates back to the financial crisis. The value-at-risk in the economic perspective is therefore less sensitive to current market changes than the operational value-at-risk.

The decline in risk in the "NORD/LB Interest Book Management" portfolio at the beginning of September 2022 was due to the closure of a strategic interest position. The increase at the end of October was due to the introduction of the VaR add-on.



The Group subsidiary NORD/LB Luxembourg uses a confidence level of 99 per cent and a holding period of one trading day. The representation of the course of the VaR in the following graphic thus refers to the confidence level, at which the subsidiary is being managed. The risk of the NORD/LB Luxembourg subsidiary did not materially change year on year.



According to the risk inventory, the impact of ESG risks on market price risk is rated as relevant, but low. According to the investment guidelines, ESG aspects are taken into account when making investment decisions. For further monitoring and controls, a stress test for climate and environmental risks in the market price risk was introduced in the reporting year. This is carried out quarterly and the results are reported to the Managing Board.

Outlook

In 2023, 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, as well as the focused trade strategy, NORD/LB is well prepared on the whole, even for volatile market phases.

In 2023, NORD/LB will implement the new EBA Guideline on IRRBB and CSRBB and implement the new requirements for the Interest Rate Risk in the Banking Book (IRRBB) and in particular the Credit Spread Risk in the Banking Book (CSRBB).

Implementing the requirements of the Fundamental Review of the Trading Book (FRTB) will be another issue.

Liquidity risk in 2021

There was sufficient liquidity on the money and capital market throughout the reporting period despite the uncertainties arising from the war in Ukraine and the fading of the COVID-19 pandemic. The expiry of the European Central Bank's monetary policy measures did not result in any distortions on the market; however, it did lead to rising refinancing costs in the eurozone in the second half of the year. Since the middle of the year, market interest has focused on shorter maturities for uncovered issues due to the successful and expected interest rate hikes by the central bank.

NORD/LB's liquidity situation proved to be sufficient throughout the reporting period. The risk of market-wide negative developments 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. The potential negative effects of the COVID-19 pandemic that continue to be assumed in the stress scenarios on the earnings situation of economic subjects and the production processes were supplemented by the possible negative impact from rising raw material and energy prices and the search for alternatives to Russian energy supplies. Inflation expectations were also taken into account.

In 2022, 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 an adequate liquidity situation as at the reporting date. The liquidity buffers in accordance with the Minimum Requirements for Risk Management (MaRisk) for one week and one month were maintained at all times. NORD/LB's cumulative liquidity maturity balance sheet showed a liquidity surplus as at the reporting date only in the "up to 5 years" area. In all other maturity ranges liquidity gaps can be observed, which are strongest in the "up to 1 year" maturity range and are reduced again in the longer maturities of up to "up to 4 years". In the long areas of "up to 10 years" and "up to 15 years", the moderate liquidity gaps remained almost unchanged compared with the previous year. The changes reflected the dynamic growth of new lending business, the refinancing of which did not exclusively coincide with the maturity, taking into account profitability aspects. However, the liquidity gaps were within the limits derived from the risk-bearing capacity model. At NORD/LB and NORD/LB AöR level, these limits were complied with in the reporting year, both when taking all currencies into account and when taking the major individual currencies into account.

Methodological adaptations were made in the reporting year. In the stress scenarios, these concerned the effects of the war in Ukraine, the consideration of administrative cost components as liquidity outflows, the more precise modelling of the withdrawal behaviour of customer deposits and a change in the prolongation model of bank deposits. In the present value risk, the valuation of the refinancing gaps was improved by also taking into account the covered transaction.

The refinancing of the NORD/LB Group is mainly made up of liabilities to banks at 26 per cent (25 per cent), to customers at 44 per cent (43 per cent) and securitised liabilities at 19 per cent (20 per cent). In addition to uncovered securities, NORD/LB also uses covered securities, including public-sector Pfandbriefs in euros and US dollars, real estate, and ship and aircraft Pfandbriefs. There was a total of € 21 billion (€ 26 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 account for 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 € 19 billion (€ 23 billion), of which 79 per cent (80 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 2022, the liquidity coverage ratio (LCR) was 138.6 per cent (previous year:139.4 per cent).

Outlook

The outbreak and aftermath of the COVID 19 pandemic will continue to fade into the background in 2023. On the other hand, customers' supply chains and energy prices are burdened by the war in Ukraine. It is therefore necessary to continue to closely monitor the effects that this is having on the overall economy. Increased attention is being paid in particular to possible payment delays in the loan portfolio and the effects on loan commitment drawdowns. Liquidity bottlenecks are still unlikely, but key interest rate hikes by central banks in response to inflation are changing the refinancing options and costs on the market. New business volumes are expected to remain high. The focus therefore is on managing liquidity qualitatively in a difficult profitability environment and taking into account the developments resulting from persistently high inflation and the resulting interest rate uncertainty at an early stage. Furthermore, the balance sheet total targets for the coming years 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. NORD/LB is actively striving to continue its focus on green products and to significantly increase the proportion of green emissions.

Operational risk in 2022

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 2022 amounted to € 196 million (€ 227 million).

In 2022, particular attention was paid to various topical issues relating to operational risks, including the consideration of ESG risks and the management of IT risks. As part of the ESG climate stress test, claims relating to ESG were evaluated and analysed in the context of scenario analyses. The focus was also on the management of IT risks. These include, for example, the IT transformation with the associated operational risks and cyber risks. Against the backdrop of current events in global politics and macro-economic changes (for example, due to the war in Ukraine), the cyber risk for the Bank was analysed and measures to mitigate the risk were taken. However, the topics of ESG and IT risks had no influence on the OpRisk loss events in 2022.

NORD/LB's total loss from operational risks amounted to € 18.1 million (€ 23.5 million) as at the reporting date. The loss events mainly concerned the "External influences" cause category. The drivers for this were mainly the backlog processing at an external service provider and provisions with regard to the GTC change mechanism and underperformance of a service provider in the project environment. Appropriate measures were taken in this regard as part of claims processing in order to reduce the risk of similar claims in the future.

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. The internal model was changed with regard to the handling of individual risks in the fourth quarter of 2022, so that these are now also taken into account with a surcharge directly in value at risk.

Outlook

A revision of the OpRisk instruments will be implemented in 2023. Here there will be an even stronger focus on scenarios, loss events and risk indicators.

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 € 1.8 billion year on year to € 117 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.

Because the pandemic situation has eased and disruptions are considered unlikely due to new pandemic developments, the Management Adjustment COVID-19 (MAC-19) was reversed on 31 December 2022. Due to the economic uncertainties arising from the war in Ukraine, NORD/LB decided to create a Ukraine Management Adjustment (MAU). The aim of the MAU is to take into account the effects in the Bank's risk provisioning that are expected in the future but not yet realised at present for sectors that are strongly affected by the consequences of the war in Ukraine and that are not reflected in the Stage 1 and Stage 2 modelling.

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

NORD/LB's liquidity situation proved to be sufficient 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. For details, see the section “Development of regulatory capital ratios, leverage ratio and MREL ratio” in the management report.

The risk-bearing capacity was met as at 31 December 2022.

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

Report on the Earnings, Assets and Financial Position

Information on the HGB annual financial statements of NORD/LB AÖR is presented below. The previous year's figures for the period from 1 January to 31 December 2021 or as at 31 December 2021 are shown in brackets.

Earnings position

NORD/LB AöR's earnings position in the 2022 reporting year was impacted in particular by the positive performance in net interest income and net commission income, with at the same time noticeable pressures on the valuation result from receivables, securities and investments.

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

	1 Jan. - 31. Dec. 2022 (in € million)	1 Jan. - 31. Dec.2021[1] (in € million)	Change (in %)
Net interest income	960	831	16
Net commission income	206	92	> 100
Earnings from financial transactions in the trading portfolio	176	134	31
Administrative expenses	– 982	– 1 032	– 5
Depreciation and value adjustments on intangible assets and property, plant and equipment	– 46	– 44	5
Other profit / loss	– 84	– 68	24
Operating result before loan loss provisions / valuation	**230**	**– 87**	**> 100**
Valuation result receivables, securities and participations	– 134	110	> 100
Assumption of investment losses	– 6	– 2	> 100
Operating result after loan loss provisions / valuation	**90**	**21**	**> 100**
Extraordinary result	– 72	69	> 100
Tax expense	– 51	– 15	> 100
Annual net income (previous year: annual deficit)	**– 33**	**76**	**> 100**

[1] The previous year's figure for net income was adjusted slightly as a result of rounding.

In the 2022 reporting year, the operating result after risk provisions/valuation increased by € 69 million to € 90 million (€ 21 million). After taking into account the extraordinary result and the tax expenses, there was a **net loss for the year** of € -33 million (net gain for the year of € 76 million).

Interest income increased by € 129 million to € 960 million (€ 831 million) compared with the same period in the previous year. The increase in interest income from the lending and money market transaction and the trading portfolio contributed in particular to this performance. This was due to the increased interest rate level and growing new business in the reporting year. Margins in the deposit business improved compared to the same period in the previous year. Declining earnings from base-rate advantages were more than compensated for by interest-induced increased margins and the associated higher earnings from the business with private and commercial current deposits. The earnings from interest rate and liquidity risk management remain positive, with the maturity transformation result falling below the level of the previous year. The negative performance resulted primarily from the repositioning of the strategic interest investment in the Treasury division of NORD/LB AöR. Due to the rise in interest rates, it was decided to temporarily liquidate the investment, which led to declining earnings.

At € 206 million, **net commission income** was significantly higher than in the previous year (€ 92 million). On the one hand, the change was due to increased commission income, primarily from the lending business, owing to the positive performance in new business. Commission expenses also fell due to lower fees for the guarantees of the State of Lower Saxony (€ -31 million) and lower expenses for a securitisation transaction (€ -6 million).

Income from financial transactions in the trading portfolio increased by € 42 million to € 176 million. The biggest earnings drivers were valuation effects from derivatives related to interest rates. A positive foreign exchange result and valuation gains in connection with counterparty risks also contributed to the positive result.

Administrative expenses amounted to €-982 million (€-1,032 million). Personnel expenses of € -483 million (€ -525 million) fell as a result of the ongoing transformation project. At € -498 million (€ -507 million), other administrative expenses also fell compared with the previous year's figure. The decline resulted in particular from lower IT expenses and lower charges in connection with the restructuring fund. This was offset by increasing consultancy expenses.

Expenses for depreciation and write-downs on intangible assets and property and equipment increased to €-46 million (€-44 million). In particular, amortisation of intangible assets for internally generated software was higher. On the other hand, there are lower depreciation and impairments on property and equipment due to the sale of real estate.

Other operating profit fell in the reporting year by € -16 million to € -84 million (€ -68 million). The change was mainly due to the complete derecognition of subsidies according to the support contract of the State of Lower Saxony as well as increased expenses from the repurchase of debt securities. On the other hand, there were lower interest expenses from pension provisions due to the increased interest rate level.

The **valuation result from loans and advances, securities and participations** amounted to an expense of € -134 million (€ 110 million) in the reporting year. The decline resulted primarily from measurement losses from securities in the liquidity reserve due to the increased interest rate level. On the other hand, there was income from the reversals of specific and general loan loss provisions as well as lower expenses from direct write-downs. There were also positive effects from the write-up of two investments.

The **extraordinary result** in the amount of € -72 million (€ 69 million) primarily included expenses for restructuring and transformation measures. The decline in the reporting year resulted primarily from a one-off profit from the merger with Deutsche Hypo in the previous year of €135 million. Transformation expenses in the context of NORD/LB's restructuring also fell by € 20 million compared with the previous year. These expenses arose primarily from strategic, IT and legal advice.

The **tax expenses** of € -51 million (€ -15 million) resulted from an expense for taxes on income and earnings of € -45 million and an expense for other taxes of € -6 million. Expenses for other taxes were primarily due to value added tax.

Net Assets and Financial Position

Balance sheet values are summarised as follows:

	31 Dec. 2022 (in € million)	31 Dec. 2021 (in € million)	Change (in %)
Assets			
Loans and advances to banks	17 376	17 394	– 0
Loans and advances to customers	66 071	60 635	9
Securities	13 598	14 904	– 9
Trading portfolio	17 801	9 490	88
Participations and shares in companies	596	492	21
Other assets	5 867	12 328	– 52
Total assets	**121 309**	**115 243**	5
Liabilities			
Liabilities to banks	29 467	29 380	0
Liabilities to customers	46 824	46 381	1
Securitised liabilities	17 614	18 160	– 3
Trading portfolio	12 805	6 418	100
Provisions	1 957	1 922	2
Subordinated liabilities	2 046	2 078	– 2
Liable funds	5 648	5 645	0
Other liabilities	4 948	5 259	– 6
Total liabilities	**121 309**	**115 243**	**5**
Balance sheet notes			
Contingent liabilities	10 715	11 335	– 5
Other obligations	12 559	9 034	39
Business volume	**144 583**	**135 612**	**7**

Total assets increased by € 6,066 million to € 121,309 million in the reporting period. This was due in particular to the positive performance of new business and interest-related market value trends in the Bank's trading portfolios.

Loans and advances to banks were at the previous year's level at € 17,376 million (€ 17,394 million). These were mainly municipal loans, which increased significantly to € 14,174 million (€ 11,757 million), compared with the previous year.

Loans and advances to customers remained the largest balance sheet item at € 66,071 million (€ 60,635 million). They are divided into mortgage loans in the amount of € 15,341 million (€ 14,577 million), municipal loans in the amount of € 14,742 million (€ 15,462 million) and other receivables in the amount of € 35,988 million (€ 30,597 million). The € 5,436 million increase in loans and advances to customers was mainly due to additions to wholesale loans within other receivables. Furthermore, asset-side business current holdings also increased to a lesser extent.

The **securities portfolio** contracted to a total of € 13,598 million (€ 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. In addition, the interest rate-induced market trend led to a reduced balance sheet disclosure.

The active **trading portfolio** increased significantly to € 17,801 million (€ 9,490 million). This was caused in particular by the increase in the positive fair values of payer swaps in interest rate derivatives due to the increased interest rate level.

The € 104 million increase in **participations and shares in affiliated companies** was mainly due to the write-down of two participations.

Other assets included the cash reserve, the assets held in trust, the accruals and deferrals and the other types of assets. The decrease of € -6,461 million resulted almost entirely from decline in the cash reserve as at the reporting date.

Liabilities to banks remained almost unchanged at € 29,467 million (€ 29,380 million). The small increase of € 87 million was mainly due to changes in the area of pass-through funds and fixed-time deposits.

Liabilities to customers increased by € 443 million to € 46,824 million (€ 46,381 million) and mainly comprised registered public Pfandbriefs issued in the amount of € 9,417 million (€ 9,781 million) and other liabilities in the amount of € 35,449 million (€ 34,421 million). The increase in other liabilities was due in particular to the increase in fixed-time deposits, which were partially offset by the decline in the repo and call money business as well as the holdings in business current accounts.

The reduction in **securitised liabilities** of € -546 billion to € 17,614 million (€ 18,160 million) reflected a reduction in the portfolio due to the winding down 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 € 2,300 million was below the total maturities of € 2,833 million.

The significant increase in the liabilities **trading portfolio** of € 6,387 million to € 12,805 million (€ 6,418 million) was mainly due to the sharp rise in interest rates and thus an increase in the negative fair values of the receiver swaps in interest rate derivatives.

Provisions with a total volume of € 1,957 million (€ 1,922 million) were divided into provisions for pensions and other obligations in the amount of € 854 million (€ 789 million), tax provisions in the amount of € 95 million (€ 63 million) and other provisions in the amount of € 1,008 million (€ 1,070 million). The increase in the total volume resulted in particular from the increase in pension provisions of € 65 million due to the actuarial interest rate and from the increase in tax provisions of € 32 million. In contrast, other personnel provisions within other provisions fell by € 40 million, in particular in the area of provisions for transitional payments and benefit payments for pensioners. In addition, provisions for uncertain liabilities fell mainly in the area of IT costs.

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 to the reinvestment of guarantee commissions by the State of Lower Saxony. This was offset by repayment and loss assumption from silent participations.

Additional detailed information on the liquidity situation can be found in the IFRS assets and financial position in the economic report or in the section on liquidity risk development in the extended risk report of this management report.

Consolidated Financial Statements

Income Statement

	Notes	1 Jan.-31 Dec. 2022 (in € million)	1 Jan.-31 Dec. 2021[3] (in € million)	Change (in %)
Interest income from assets		3 643	4 075	– 11
of which: interst income calculated using the effective interst method		*1 894*	*1 768*	
Interest expenses from assets		– 30	– 66	– 55
Interest expenses from liabilities		– 2 767	– 3 263	– 15
Interest income from liabilities		50	70	– 29
of which: interst income calculated using the effective interst method		*50*	*70*	*– 29*
Net interest income	**23**	**896**	**816**	**10**
Commission income		268	195	37
Commission expenses		– 102	– 143	– 29
Net commission income	**24**	**166**	**52**	**> 100**
Profit/loss from fair value measurement	25	– 104	200	> 100
Risk provisions	26	142	18	> 100
Disposal profit/loss from financial instruments not measured at fair value through profit or loss [1]	27	– 33	– 21	57
Profit/loss from hedge accounting	28	20	– 40	> 100
Profit/loss from shares in companies	29	7	21	– 67
Profit/loss from investments accounted for using the equity method[2]	30	34	– 4	> 100
Administrative expenses	31	– 909	– 917	– 1
Other operating profit/loss	32	– 48	– 14	> 100
Earnings before restructuring, transformation and taxes		**171**	**111**	**54**
Profit/loss from restructuring and transformation	33	– 67	– 82	– 18
Earnings before taxes		**104**	**29**	**> 100**
Income taxes	34	– 15	3	> 100
Consolidated profit/loss		89	**32**	**> 100**
of which: attributable to the owners of NORD/LB		89	32	

[1] From the sale of financial assets measured at amortised cost, there were gains of 3 Mio € (3 Mio €) and losses of -4 Mio €(-11 Mio €).
[2] The share of the profit or loss of companies accounted for using the equity method was € -28 million (€ -11 million).
[3] In the case of individual items, the previous year's figures were adjusted, see Note (4) 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. 2022 (in € million)	1 Jan.-31 Dec. 2021[1)] (in € million)	Change (in %)
Consolidated profit/loss	**89**	**32**	**> 100**
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	– 109	8	> 100
Changes in financial liabilities designated at fair value through profit or loss due to changes in own credit risk	187	– 66	> 100
Revaluation of the net liability from defined benefit pension plans	1 027	208	> 100
Deferred taxes	– 121	– 62	95
	984	**88**	**> 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 profits/losses	– 1 216	– 274	> 100
Reclassification due to profit/loss realisation	367	80	> 100
Investments accounted for using the equity method - Share of other comprehensive income	36	– 42	> 100
Translation differences of foreign business units			
Unrealised profit / losses	–	4	– 100
Deferred taxes	148	74	100
	– 665	**– 158**	**> 100**
Other comprehensive income	**319**	**– 70**	**> 100**
Comprehensive income for the period under review	**408**	**– 38**	**> 100**
of which: attributable to the owners of NORD/LB	408	– 38	

[1)] In the case of individual items, the previous year's figures were adjusted, see Note4 Restatement of previous year's figures.

Balance Sheet

Assets	Notes	31 Dec.2022 (in € million)	31 Dec.2021[1] (in € million)	Change (in %)
Cash reserve	35	2 464	6 930	– 64
Trading assets	36	7 641	6 439	19
of which: Loans and advances to customers		*1 260*	*663*	90
Financial assets mandatorily at fair value through profit or loss	36	722	959	– 25
of which: Loans and advances to banks		*43*	*56*	– 23
of which: Loans and advances to customers		*210*	*245*	– 14
Financial assets at fair value through other comprehensive income	37	10 633	13 030	– 18
of which: Loans and advances to banks		*174*	*378*	– 54
of which: Loans and advances to customers		*267*	*494*	– 46
Financial assets at amortised cost	38	86 033	84 596	2
of which: Loans and advances to banks		*12 890*	*13 595*	– 5
of which: Loans and advances to customers		*69 968*	*67 408*	4
Positive fair values from hedge accounting derivatives	39	198	474	– 58
Balancing item for financial instruments hedged in the portfolio fair value hedge	40	– 227	284	>100
Shares in companies	41	344	345	–
Investments accounted for using the equity method		56	75	– 25
Property and equipment	42	280	287	– 2
Investment property	43	143	126	13
Intangible assets	44	89	118	– 25
Assets held for sale	45	0	–	–
Current income tax assets	46	21	22	– 5
Deferred income taxes	46	439	453	– 3
Other assets	47	489	493	– 1
Total assets		**109 325**	**114 631**	**– 5**

[1] In the case of individual items, the previous year's figures were adjusted, see Note (4) Restatement of previous year's figures.

Liabilities	Notes	31 Dec.2022 (in € million)	31 Dec.2021[1] (in € million)	Change (in %)
Trading liabilities	48	3 289	2 069	59
Financial liabilities designated at fair value through profit or loss	48	4 481	5 645	– 21
of which: Liabilities to banks		*261*	*267*	– 2
of which: Liabilities to customers		*2 667*	*3 666*	– 27
of which: Securitised liabilities		*1 553*	*1 712*	– 9
Financial liabilities at amortised cost	49	93 342	95 284	– 2
of which: Liabilities to banks		*28 403*	*28 438*	–
of which: Liabilities to customers		*45 308*	*45 691*	– 1
of which: Securitised liabilities		*19 423*	*20 873*	– 7
of which: Subordinated liabilities		*2 263*	*2 295*	– 1
Negative fair values from hedge accounting derivatives	50	438	1 099	– 60
Balancing item for financial instruments hedged in the portfolio fair value hedge	51	– 1 298	531	> 100
Provisions	52	2 433	3 636	– 33
Current income tax liabilities	53	59	37	59
Deferred income taxes	53	10	49	– 80
Other liabilities	54	271	433	– 37
Equity	55			
Issued capital		3 137	3 083	2
Capital reserve		2 579	2 589	–
Retained earnings		1 060	986	8
Accumulated other comprehensive income (OCI)		– 519	– 853	– 39
Currency translation reserve		– 9	– 9	–
Equity capital attributable to the owners of NORD/LB		**6 248**	**5 796**	**8**
Additional equity		50	50	–
Equity capital attributable to non-controlling interests		2	2	–
		6 300	**5 848**	**8**
Total liabilities		**109 325**	**114 631**	**– 5**

[1] In the case of individual items, the previous year's figures were adjusted, see Note (4) Restatement of previous year's figures.

Statement of Changes in Equity

The individual components of equity as well as the development of these components in 2021 and 2022 can be seen in the following Statement of Changes in Equity:

(in € million)	Issued capital	Capital reserve	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 2022	**3 083**	**2 589**	**986**	**– 853**	**– 9**	**5 796**	**50**	**2**	**5 848**
Consolidated profit/loss	–	–	89	–	–	**89**	–	–	**89**
Changes in financial assets at fair value through other comprehensive income	–	–	–	– 849	–	**– 849**	–	–	**– 849**
Investments accounted for using the equity method - Share of other comprehensive income	–	–	–	– 73	–	**– 73**	–	–	**– 73**
Changes in financial liabilities designated at fair value through profit or loss due to changes in own credit risk	–	–	–	187	–	**187**	–	–	**187**
Revaluation of the net liability from defined benefit pension plans	–	–	–	1 027	–	**1 027**	–	–	**1 027**
Deferred taxes	–	–	–	27	–	**27**	–	–	**27**
Other comprehensive income	–	–	–	319	–	**319**	–	–	**319**
Comprehensive income for the period under review	**–**	**–**	**89**	**319**	**–**	**408**	**–**	**–**	**408**
Capital increases / decreases	54	– 10	–	–	–	**44**	–	–	**44**
Other changes in capital	–	–	– 15	15	–	**–**	–	–	**–**
Equity as at 31 Dec 2022	**3 137**	**2 579**	**1 060**	**– 519**	**– 9**	**6 248**	**50**	**2**	**6 300**

(in € million)	Issued capital	Capital reserve	Retained earnings[1]	Accumulated OCI[1]	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	–	–	32	–	–	**32**	–	–	**32**
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	–	–	–	– 34	–	**– 34**	–	–	**– 34**
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	–	–	–	12	–	**12**	–	–	**12**
Other comprehensive income	–	–	–	– 74	4	**– 70**	–	–	**– 70**
Comprehensive income for the period under review	**–**	**–**	**32**	**– 74**	**4**	**– 38**	**–**	**–**	**– 38**
Capital increases / decreases	111	–	–	–	–	**111**	–	–	**111**
Other changes in capital	–	–	– 24	24	–	**–**	–	–	**–**
Equity as at 31 Dec 2021	**3 083**	**2 589**	**986**	**– 853**	**– 9**	**5 796**	**50**	**2**	**5 848**

[1] In the case of individual items, the previous year's figures were adjusted, see Note (4) Restatement of previous year's figures.

For further information, please refer to the explanations in Note 55 Equity.

Cash Flow Statement

	1 Jan. - 31. Dec. 2022 (in € million)	1 Jan. - 31. Dec. 2021[1] (in € million)	Change (in %)
Consolidated profit/loss for the period	**89**	**32**	**> 100**
Non-cash items included in consolidated profit/loss and reconciliation to cash flow from operating activities			
Depreciation, impairment and write-ups	– 134	331	> 100
Increase / decrease in provisions	27	79	– 66
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	– 1	– 5	– 80
Risk provisioning	– 142	– 18	> 100
Restructuring result	4	82	– 95
Other adjustments net	– 796	– 929	– 14
Sub-total	**– 953**	**– 428**	**> 100**
Changes in assets and liabilities from operating activities:			
Financial assets at amortised costs	– 2 594	6 118	> 100
Trading assets/liabilities and hedge derivatives	– 1 921	1 113	> 100
Financial assets mandatorily at fair value through profit or loss	177	439	– 60
Financial assets at fair value through other comprehensive income	861	1 519	– 43
Other assets from operating activities	– 26	109	> 100
Financial liabilities at amortised costs	– 1 089	– 8 248	– 87
Financial liabilities designated at fair value through profit or loss	63	– 724	> 100
Other liabilities from operating activities	21	46	– 54
Interest ans dividens received	3 096	3 578	– 13
Interest paid	– 1 913	– 2 601	– 26
Income taxes paid	– 14	4	> 100
Cash flow from operating activities	**– 4 292**	**925**	**> 100**

[1] In the case of individual items, the previous year's figures were adjusted, see Note (4) Restatement of previous year's figures.

	1 Jan. - 31. Dec. 2022 (in € million)	1 Jan. - 31. Dec. 2021[1)] (in € million)	Change (in %)
Cash flow from investment activities:			
Cash receipts from the disposal of			
shares in companies	2	9	– 78
property and equipment	30	3	> 100
Payments for acquisition of			
property and equipment	– 69	– 44	57
Cash receipts from the disposal of consolidated companies and other business units	–	107	– 100
Payments for acquisition of consolidated companies and other business units	– 4	–	–
Cash flow from investment activities	**– 41**	**75**	**> 100**
Cash flow from financing activities:			
Cash receipts from equity capital contributions	54	110	– 51
Increase in funds from other capital	10	–	–
Decrease in funds from other capital	– 98	– 90	9
Interest expenses on subordinated capital	– 93	– 102	– 9
Interest and Repayment from leases	– 16	– 36	– 56
Cash flow from financing activities	**– 143**	**– 118**	**21**
Cash and cash equivalents as at 1 January	**6 930**	**6 031**	**15**
Cash flow from operating activities	– 4 292	925	> 100
Cash flow from investment activities	– 41	75	> 100
Cash flow from financing activities	– 143	– 118	21
Total cash flow	**– 4 476**	**882**	**> 100**
Effects of changes in exchange rates	10	17	– 41
Cash and cash equivalents as at 31 December	**2 464**	**6 930**	**– 64**

1) In the case of individual items, the previous year's figures were adjusted, see Note (4) Restatement of previous year's figures.

With respect to the cash and cash equivalents as at 31 December, please see Note (35) 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.

Notes to the Consolidated Financial Statements

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 2022 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. The standards applied were those published at the end of the financial year and adopted by the European Union. The national provisions of the German Commercial Code (HGB) under §°315e°HGB were also observed.

The consolidated financial statements as at 31 December 2022 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 (21) Segment reporting by business segment and Note (22) Information 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 (58) 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 (64) Residual maturities 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 significant accounting policies are presented in the following Notes (7) to (20) 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 (12) Financial instruments in conjunction with Note (56) Fair value hierarchy), measurement of provisions for pensions in respect of determining the underlying parameters (Note (18) Provisions for pensions and similar obligations and (19) Other provisions in conjunction with Note (52) Provisions), measurement of risk provisioning with respect to future cash flows (Note (2) Management Adjustment and Note (13) Risk provisions in conjunction with Note (58) Risk provisions and gross carrying amount), determination of deferred tax assets in respect of the impairment of unused tax losses (Note (20) Income taxes in conjunction with Note (34) Income taxes, Note (46) Income tax assets and Note (53) Income tax liabilities), measurement of provisions (Note (18) and (19) in conjunction with Note (52)), measurement of leasing obligations with respect to the lessee´s incremental borrowing rate of interest and the anticipated useful life (Note (15)). Where more extensive estimates were required, the assumptions made are presented. Please refer to the relevant information on sensitivity in Note (56) 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 with 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 (12) in conjunction with Note (36) Financial assets at fair value through profit or loss and Note (48) Financial liabilities at fair value through profit or loss), the application of the reclassification rules of IFRS 9 (Note (12)), accruals and deferrals of finance leases and operating leases (Note(15) Lease transactions in conjunction with Note (70) Leases), the recognition of provisions (Note (18) Provisions for pensions and similar obligations and (19) Other provisions in conjunction with Note (52) Provisions), the existence of assets held for sale (Note (17) assets held for sale in conjunction with Note (45) 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 (8) Basis of consolidation in conjunction with Note (74) Disclosures of interests in other entities).

Furthermore, environmental, social and governance criteria (ESG factors) 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. With a view to future development, methods are already being developed to support any quantitative estimates as well as discretionary decisions and estimates: To further take into account the ESG risk of its borrowers, the NORD/LB Group is currently introducing a customer-specific ESG score as part of the credit decision process.

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 21 March 2023 and approved for forwarding to the Supervisory Board.

(2) Management Adjustment

Management adjustment COVID-19 (MAC-19)

The COVID-19 management adjustment (MAC-19) formed for the first time in financial year 2020 is closed as at the reporting date of 31 December 2022. The reversal was made due to the fact that the pandemic situation continues to ease and disruption is now considered unlikely due to new pandemic developments. Of the total of € 362 million MAC-19 as at 31 December 2021, the Aircraft Financing sub-segment accounted for € 175 million, the Real Estate Banking Customers segment € 96 million and the Corporate Customers segment € 91 million. With regard to the Aircraft Financing sub-segment, the calibration level for the 2021 rating module was increased due to the COVID-19-related increase in default rates and all relevant borrowers were then assessed using the adjusted rating module in the course of 2022. As a result of this, as well as the improved performance of the industry, there is no longer any reason to make a post model adjustment for the sub-segment. The post-model adjustments in the Corporate Customers segment as well as in the Real

Estate Banking Customers segment are still considered necessary, but are more likely to be due to the negative effects of the Ukraine war.

Management Adjustment Ukraine (MAU)

For the potential consequences of the war in Ukraine, a Management Adjustment Ukraine (MAU) was made for the first time as at 30 June 2022. The indirect effects of the war in Ukraine, in particular the expected second and third-round effects such as the energy crisis, supply bottlenecks and significantly higher commodity prices, have not yet been seen in the current borrower ratings of Corporate Customers and Real Estate Banking Customers. Further drivers are the sharp rise in inflation in the eurozone and the USA as well as the tripled interest rate level. The direct effects of the war are negligible, as there is no direct exposure to Ukraine and to borrowers based in Russia, the exposure is only € 5 million (two trading transactions with Gazprombank), which are almost completely covered by the credit insurer Allianz Trade and Oesterreichische Kontrollbank AG (OeKB). After collateralisation, a residual risk of € 0.3 million remains.

In total, as at 31 December 2022, a MAU of € 259 million (31 December 2021: € 0 million) was recognized for the NORD/LB Group. The forecast effects were allocated to the Corporate Customers segment in the amount of € 121 million, primarily for the agricultural and automotive industries with € 18 million each, € 17 million for metal and plant engineering and € 15 million for consumer goods. The Real Estate Customers Banking segment also accounted for € 114 million. In addition, the municipal utilities sector was newly added across the segments and accounted for with a management adjustment of € 24 million, which is almost exclusively attributable to the non-renewable energy industry.

From the current perspective, we expect the time horizon for the MAU continues to be 31 December 2023. Within this time horizon, the level of the MAU is subject to a high degree of uncertainty and is therefore monitored on a quarterly basis.

The starting point for the MAU is internal credit risk simulations, which examine the deterioration in credit quality and the loss ratio due to market value discounts in industries particularly severely affected by the war in Ukraine. The relevant portfolio is subjected to a stress scenario in which the ratings valid on the reporting date perform negatively based on economic forecasts. A distinction is made between three scenarios of different severity levels: scenario 1 (mild scenario), 2 (moderate scenario) and 3 (severe scenario). Within these scenarios, the effects of continuously restricted gas supplies at the current level are processed. The economic forecasts are made available in the standard format of the stress test analyser of the rating service providers, subsequently transformed into PD and LGD shifts and validated based on experts. The management adjustment was determined as at 31 December 2022 using the shift factors resulting in scenario 3 on the PD and LGD risk parameters. In addition to the global Brent oil price in USD, the economic forecasts include country-specific variables for the unemployment rate, real gross domestic product, the consumer price index and real share price index, the 3-month interest rate, the yield on 10-year government bonds and the exchange rate with the USD.

Germany	Scenario 1		Scenario 2		Scenario 3	
	2022	2023	2022	2023	2022	2023
Unemployment rate (in %)	5,4	5,7	5,6	6,8	5,9	7,7
GDP (real; Y/Y[1] in %)	0,8	-0,6	0,1	-2,5	-0,4	-5,6
CPI[2] (in % Y/Y)	8,5	2,7	8,7	3,5	8,5	3,0
Leading index shares (% p.a. real)	-33,2	-6,5	-37,9	-15,0	-44,7	-17,5
Short-term interest rate (3M Money market rate, in %)	0,2	1,3	0,3	1,4	0,3	0,7
Long-term interest rate (10Y Government, in %)	1,1	1,4	1,2	1,2	1,1	0,6
Rate of change exchange rate (in % Y/Y)	-9,3	-2,8	-10,2	-3,8	-9,3	-5,6

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

Great Britain and Northern Ireland	Scenario 1		Scenario 2		Scenario 3	
	2022	2023	2022	2023	2022	2023
Unemployment rate (in %)	5,0	7,0	5,5	8,0	5,8	9,0
GDP (real; Y/Y1 in %)	2,8	-0,7	2,5	-1,2	2,4	-2,2
CPI[2] (in % Y/Y)	6,9	2,6	6,7	2,4	6,6	2,2
Leading index shares (% p.a. real)	-12,0	-5,0	-13,5	-11,0	-13,5	-17,5
Short-term interest rate (3M Money market rate, in %)	1,5	1,0	1,4	1,0	1,4	1,0
Long-term interest rate (10Y Government, in %)	1,9	1,2	1,8	1,1	1,8	1,0
Rate of change exchange rate (in % Y/Y)	-9,3	-4,8	-9,1	-7,2	-10,4	-8,1

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

USA	Scenario 1		Scenario 2		Scenario 3	
	2022	2023	2022	2023	2022	2023
Unemployment rate (in %)	4,0	7,0	4,2	8,5	4,3	9,5
GDP (real; Y/Y1 in %)	2,1	-0,5	2,1	-1,3	2,1	-2,7
CPI[2] (in % Y/Y)	6,8	2,4	7,5	2,2	7,3	2,0
Leading index shares (% p.a. real)	-28,0	-5,0	-29,5	-9,0	-34,5	-17,5
Short-term interest rate (3M Money market rate, in %)	1,9	2,3	1,9	2,0	1,8	1,7
Long-term interest rate (10Y Government, in %)	3,0	2,5	2,9	2,2	2,8	2,0
Rate of change exchange rate (in % Y/Y)	-9,3	-2,8	-10,2	-3,8	-9,3	-5,6

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

Euroland	Scenario 1		Scenario 2		Scenario 3	
	2022	2023	2022	2023	2022	2023
Unemployment rate (in %)	7,3	7,8	7,6	9,2	7,8	10,3
GDP (real; Y/Y1 in %)	1,8	-1,0	1,6	-2,0	0,7	-5,3
CPI2 (in % Y/Y)	8,0	2,5	8,4	3,1	8,1	2,6
Leading index shares (% p.a. real)	-30,6	-5,4	-35,4	-12,7	-39,9	-14,2
Short-term interest rate (3M Money market rate, in %)	0,2	1,3	0,3	1,4	0,3	0,7
Long-term interest rate (10Y Government, in %)	1,1	1,4	1,2	1,2	1,1	0,6
Rate of change exchange rate (in % Y/Y)	-9,3	-2,8	-10,2	-3,8	-9,3	-5,6

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

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

Price of Oil	Scenario 1		Scenario 2		Scenario 3	
	2022	2023	2022	2023	2022	2023
Oil price - Brent (in USD per barrel	100	80	95	75	92	70
Exchange rate (EUR/USD)	1,07	1,04	1,06	1,02	1,07	1,01

The simulated results for increased risk provisioning based on the increase in the probability of default or, if applicable, the transfer to impairment levels 2 or 3 form the basis for the management adjustments as the difference to the risk provisioning balance of impairment levels 1 and 2 as at 31 December 2022. The focus of the management adjustments is on the non-defaulted transactions of the relevant segment portfolios. The corresponding amount is reduced if a transaction expires or migrates to impairment Level 3.

(3) Change in the Guarantee Portfolios in Connection with the Guarantee Contracts of the State of Lower Saxony

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 risk provisioning 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.

A portfolio in the segment Special Credit & Portfolio Optimization was hedged as at 31 December 2022 at a gross carrying amount of € 283 million (€ 576 million) (of which € 14 million (€ 25 million) was measured at fair value) plus € 26 million (€ 68 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 € 0 million (€ 4 million), € 6 million (€ 12 million) and € 1 million (€ 0 million) respectively.

The fair value of the derivative of € 11 million (€ 51 million) was largely influenced by the winding down of portfolio assets as at the reporting date.

(in € million)	Special Credit & Portfolio Optimization - Hedging Gross carrying amount				
	Opening balance 1 Jan. 2022	Changes in stock	Loss allowance and Fair value measurement	Currency translation	Closing balance 31 Dec. 2022
Assets					
Trading assets - Loans and advances to customers	14	– 1	–	–	13
Trading assets - Positive fair values from derivatives	8	– 1	– 7	–	–
Financial assets mandatorily at fair value through profit or loss - Loans and advances to customers	3	– 2	–	–	1
Financial assets at amortised cost - Gross carrying amount of Loans and advances to customers	551	– 288	–	6	269
Loss allowance - Stage 1	– 4	3	1	–	–
Loss allowance - Stage 2	– 12	5	1	–	– 6
Loss allowance - Stage 3	–	–	– 1	–	– 1
Total	**560**	**– 284**	**– 6**	**6**	**276**
Liabilities					
Trading liabilities - Negative fair values from derivatives	3	– 2	2	–	3
Total	**3**	**– 2**	**2**	**–**	**3**
Contingent liabilities					
Credit commitments	53	– 35	–	–	18
Other Off-balance-sheet liabilities	15	– 7	–	–	8
Total	**68**	**– 42**	**–**	**–**	**26**
Net value of the hedged portfolio	**625**	**– 324**	**– 8**	**6**	**299**
Guarantee contract (Hedging derivative)	**51**	**–**	**– 40**	**–**	**11**

The Aircraft Financing sub-portfolio from the Special Financing segment was hedged as at 31 December 2022 at a gross carrying amount of € 411 million (€ 707 million) (of which € 22 million (€ 37 million) was measured at fair value). The hedged gross carrying amount of the receivables measured at amortised cost included in the loans sub-portfolio was offset against a risk provision in Stages 1, 2 and 3 in the amount of € 0 million (€ 30 million), € 9 million (€ 11 million) and € 8 million (€ 10 million) respectively.

As part of the planned winding down of the reference portfolio, the fair value of the derivative of € 66 million (€ 57 million) was primarily determined by the continued long remaining terms of the customer loans and the resulting high insurance value with very low outstanding premium payments.

(in € million)	Aircraft customers - Hedging Gross carrying amount Opening balance 1 Jan. 2022	Changes in stock	Loss allowance and Fair Value Measurement	Currency translation	Closing balance 31 Dec. 2022
Assets					
Trading assets - Loans and advances to customers	23	– 1	–	–	22
Trading assets - Positive fair values from derivatives	14	– 1	– 13	–	–
Financial assets at amortised cost - Gross carrying amount of Loans and advances to customers	670	– 287	–	6	389
Loss allowance - Stage 1	– 30	25	4	1	–
Loss allowance - Stage 2	– 11	– 24	27	– 1	– 9
Loss allowance - Stage 3	– 10	–	3	– 1	– 8
Total	**656**	**– 288**	**21**	**5**	**394**
Liabilities					
Trading liabilities - Negative fair values from derivatives	–	–	13	– 1	12
Total	**–**	**–**	**13**	**– 1**	**12**
Net value of the hedged portfolio	**656**	**– 288**	**8**	**6**	**382**
Guarantee contract (Hedging derivative)	**57**	**–**	**9**	**–**	**66**

(4) Restatement of Previous Year’s Figures

In these consolidated financial statements, the previous year's figures were restated on the basis of IAS 8.42 as follows:

LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hannover (LBS) is included in the consolidated financial statements as an associate and reported in the 2021 consolidated balance sheet as investments accounted for using the equity method. At subsequent measurement in accordance with IAS 28, the equity-carrying amount is increased or decreased by the share of profit or loss attributable to the Group and of other comprehensive income (OCI). As at the reporting date 31 December 2021, an increase in the OCI was recognised in the at-equity valuation of the LBS instead of a reduction. The correction to be made in accordance with IAS 8 involves reducing the OCI and adjusting the equity carrying amount of the LBS in the corresponding amount via the statement of comprehensive income without affecting profit or loss.

Adjustment of the balance sheet values as at 31 December 2021:

31 Dec.2021 (in € million)	Before adjustment	Adjustment LBS	After adjustment
Assets			
Investments accounted for using the equity method	107	– 32	75
Further assets	114 556	–	114 556
Total assets	**114 663**	**– 32**	**114 631**
Liabilities			
Further liabilities	108 783	–	108 783
Equity			
Issued capital	3 083	–	3 083
Capital reserve	2 589	–	2 589
Retained earnings	973	13	986
Accumulated other comrehensive income (OCI)	– 808	– 45	– 853
Currency translation reserve	– 9	–	– 9
Other equity	–	–	–
Equity capital attributable to the owners of NORD/LB	**5 828**	**– 32**	**5 796**
Additional equity	50	–	50
Equity capital attributable to non-controlling interests	2	–	2
	5 880	**– 32**	**5 848**
Total liabilities and equity	**114 663**	**– 32**	**114 631**

Adjustment of consolidated profit/loss and comprehensive income for the period from 1 January to 31 December 2021:

1 Jan. - 31 Dec.2021 (in € million)	Before adjustment	Adjustment LBS	After adjustment
Profit/loss from investments accounted for using the equity method	– 17	13	– 4
Further profit/loss	115	–	115
Earnings before restructuring, transformation and taxes	**98**	**13**	**111**
Profit/loss from restructuring and transformation	– 82	–	– 82
Earnings before taxes	**16**	**13**	**29**
Income taxes	3	–	3
Consolidated profit/loss	**19**	**13**	**32**
of which: attributable to the owners of NORD/LB	19	13	32
Other comprehensive income which is not recycled in the income statement in subsequent periods			
	77	**11**	**88**
Other comprehensive income which is recycled in the income statement in subsequent periods			
	– 102	**– 56**	**– 158**
Other comprehensive income	**– 25**	**– 45**	**– 70**
Comprehensive income for the period under review	**– 6**	**– 32**	**– 38**
of which: attributable to the owners of NORD/LB	– 6	– 32	– 38

The respective adjustments were also taken into account in the following notes: (21) Segment reporting by business area (22) Information by geographical segment, (30) Profit/loss from investments accounted for using the equity method, (34) Income taxes, (55) Equity.

In Note (69) Loner term assets and liabilities, adjustments were made in accordance with IAS 8.42 due to unrecognised adjustment items for financial instruments hedged in the portfolio fair value hedge.

In Note (74) Disclosures of interests in other entities, the previous year's figures are corrected in accordance with IAS 8.42 when specifying the maximum loss risk of the unconsolidated structured entities (securitisation companies (lenders) and leasing property companies).

(5) IFRS to be applied

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 2022 reporting year.

In the reporting period, account was taken of the following amendments to standards applicable to the NORD/LB Group for the first time as at 1 January 2022:

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 did not affect the NORD/LB 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 have not had any 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. This specification had no impact on NORD/LB's consolidated financial statements.

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. The changes and clarifications had no 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 present value of the cash flows before and after a contract modification. The IASB stated 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.

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 2022, 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, reporting and disclosures 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. 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.

Due to the limited scope of application with regard to the NORD/LB Group's current business activities, no significant effects of IFRS 17 on the NORD/LB consolidated financial statements are expected.

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 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 terms of lessees, since the deferred tax assets and liabilities recognised without the prohibition on recognition would only be offset if the overall term were 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 the introduction of IFRS 16, so that the changes will not have any impact on the consolidated financial statements.

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

Amendments to IFRS 16 – Lease Liabilities in a Sale and Leaseback Transaction

In September 2022, the IASB published amendments to IFRS 16. The amendments substantiate the subsequent measurement of lease liabilities arising from sale-and-leaseback transactions with the aim of ensuring that a seller-lessee does not receive any profits or losses from the retained right of use in the disposed asset. There is a mandatory initial application for financial years beginning on or after 1 January 2024. This currently has no effect on NORD/LB's consolidated financial statements, as there are no cases of application.

Amendments to IAS 1 – Classification of liabilities by maturity

In January 2020 and July 2020, the IASB issued amendments to IAS 1 regarding criteria for classifying debt and other financial liabilities as current or non-current. Further amendments to IAS 1 regarding debts with covenants were published in October 2022. Only covenants that a company must fulfil on or before the reporting date affect the classification of a liability by maturity. In addition, the mandatory first-time application of all changes was postponed to financial years starting on or after the 1 January 2024. No significant effect on the NORD/LB consolidated financial statements is expected as a result of these amendments.

The standards and amendments to be implemented for the NORD/LB consolidated financial statements after 31 December 2022 are intended to be applied for the first time at the respective initial application date.

(6) Implementation of the Interest Rate Benchmark Reform as at 31 December 2022

The NORD/LB Group completed its project to implement the global reform of benchmark interest rates ("IBOR reform") as at 31 December 2022. The remaining work was handed over to the customer service units of the respective market areas responsible. The main focus is on the conversion of transactions based on USD LIBOR. Significant USD LIBOR rates will not be discontinued until 30 June 2023. The conversion of transactions based on the LIBOR benchmark interest rates for EUR, CHF and JPY was complete as at the reporting date, while the conversion of contracts based on GBP LIBOR and certain USD LIBOR maturities was almost complete.

As in previous years, the challenges in implementing the IBOR reform were essentially operational in the 2022 reporting year.

Financial risk is predominantly limited to interest rate risk, which may occur if underlying transactions and their hedges with variable interest rates or benchmark interst rates are converted at different times or into different benchmark interest rates in the future. At portfolio level, this had no significant effects in the NORD/LB Group.

Product-related implementation

Derivatives business

Centrally cleared derivatives: In the reporting year, only the conversion of the USD LIBOR-based derivatives to the USD SOFR was outstanding and so there was a focus to drive this forward. As at 31 December 2022, the transformation of individual transactions with a total nominal value of € 7,603 million had not yet taken place but was expected to take place in the first quarter of 2023.

Bilateral derivatives: Apart from the USD LIBOR-based contracts, the conversion of the variable benchmark interest rates was almost complete as at 31 December 2022. As at the reporting date, there were only two derivatives denominated in synthetic GBP LIBOR left, the conversion of which will take place at the beginning of 2023. The conversion of the transactions was value-neutral at the first interest rate fixing date and was generally carried out by means of a change to the respective compounded overnight rate of the same currency plus the ISDA IBOR fallback spread. The interest rate derivatives economically linked to loan agreements will be transferred to the new benchmark interest rate in parallel with the adjustment of the loan agreements. As part of the ongoing transformation of the USD LIBOR business, as at 31 December 2022, there was a nominal volume of € 6,151 million for conversion during the 2023 financial year.

Hedge accounting

For USD portfolio hedges, the USD LIBOR is expected to be gradually replaced by 30 June 2023. 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.

As at 31 December 2022, centrally cleared hedge derivatives or bilateral hedge derivatives used as part of the portfolio hedge had already been converted to the USD SOFR.

On the other hand, as at 31 December 2022 there were micro-hedge positions with the benchmark interest rate USD LIBOR and a nominal volume of € 795 million. The complete transformation of these transactions is planned for the 2023 financial year.

Securities, loans and account products

In the area of issued variable-interest rate securities, the NORD/LB Group is only marginally affected by the reform. There is only one floating-rate USD security maturing after 31 December 2022. As a result of the publication of the relevant USD LIBOR benchmark interest rates, which will 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 security also falls on 30 June 2023. New issues with a variable benchmark rate are currently only issued in EUR based on the EURIBOR.

For securities purchased based on GBP LIBOR, the interest rate on eight of the twelve existing transactions was adjusted in the reporting year. The four transactions due for conversion in 2023 comprise a nominal volume of € 17 million. The two USD LIBOR-based transactions in the portfolio with a nominal volume of less than € 1 million will be converted in 2023.

With the exception of the USD LIBOR-based transaction, the individual contractual conversion in the lending business and account products was almost completely concluded in the reporting year. This conversion generally included the replacement of the previous benchmark interest rates in the respective contracts with an alternative benchmark interest rate or, in individual cases, the addition of fallback agreements. As at the reporting date 31 December 2022, nine loan transactions based on GBP LIBOR with a gross carrying amount of € 91 million had not yet been converted.

For loans based on USD LIBOR, the conversion as at 31 December 2022 had taken place for around five per cent of the transactions while the contract conversion was in progress for another 44 per cent. The complete conversion to USD SOFR is planned for 30 June 2023. This relates to individual transactions with a total gross carrying amount of € 1,822 million. In addition, 15 foreign currency accounts related to the USD LIBOR still needed to converted.

(7) Consolidation Principles

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 credit-financed project companies 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. With regard to the question of whether it controls the respective company, 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 the NORD/LB Group 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) NORD/LB Group's termination rights. The 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 until the date of disposal.

A joint venture is a joint agreement whereby the parties possessing rights to the net assets covered by the agreement have joint control of 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 there ceases to be 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.

(8) Basis of Consolidation

These consolidated financial statements include not only NORD/LB as parent, but also 21 (18) 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, 0 (1) joint ventures and 5 (5) associates were recognised. An associate is held for sale and measured at the lower of carrying amount and fair value less costs to sell in accordance with IFRS 5.15. The additional associates are accounted for using the equity method.

Compared with 31 December 2021, the following changes were made to the basis of consolidation:

Through the acquisition of the shares held by the co-shareholders (55 per cent), the NORD/LB Group gained control of caplantic GmbH, Hannover, in the first quarter of 2022. As a result, caplantic GmbH, formerly assessed as a joint venture using the equity method, is to be included in the consolidated financial statements as a fully consolidated subsidiary. The transitional consolidation to be carried out took effect on 1 January 2022. Cash was paid in the transaction at the agreed purchase prices. The main assets are loans and advances to banks, which are reported under NORD/LB Group assets measured at amortised cost.

As part of the NORD/LB 2024 programme, real estate was transferred within the Group to two newly founded companies in the fourth quarter of 2022 by means of a contribution in kind. The two property companies based in Bremen

- BGG Bruchtorwall GmbH & Co. KG and
- BGG Hansa-Haus GmbH & Co. KG

will be included in the consolidated financial statements for the first time as fully consolidated subsidiaries as at 31 December 2022.

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.

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

(9) 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 European Central Bank (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; exchange differences on non-monetary items are recognised 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 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 resultant exchange differences are recognised as a separate item under OCI. Exchange differences accrued until disposal are included in the disposal profit/loss.

(10) Interest and Dividends

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 stage 1 and 2 assets, on the basis of the asset’s carrying amount (unwinding, see Note (13) Risk provisioning).

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

(11) 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 the NORD/LB Group, even if the services are sometimes invoiced to the customers only after the fact.

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. Usually, 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 this is 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. The amount of the capitalised contract costs is calculated on the basis of the amounts paid to third parties. Capitalised contract costs are amortised on a straight-line basis over the period of performance due to the uniformity of performance.

(12) 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 an 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 control, 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.

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 Managing 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 part of the review of or throughout the 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 the frequency, volume and timing of sales in previous periods, the reasons for these sales and expected future sales activities at the level of the corresponding assessment unit. This review process is conducted under the assumption that sales executed 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 benchmark 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 term extension at the same rate of interest 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. 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 loss allowance regulations the carrying amount in the balance sheet is reduced by expected credit losses (see Notes (13) Risk provisioning, (26) Profit/loss from risk provisioning and (58) 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 Schuldschein note loans.

Subsequent measurement in this category is carried out at fair value. The profit/loss 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 loss allowance regulations as financial assets at amortised cost, (see Notes (13) Risk provisioning, (26) Profit/loss from risk provisioning and (58) Risk provisioning and gross carrying amount). Allocations to and reversals of risk provisioning are also recognised 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).

The NORD/LB Group has not made use of the option to irrevocably allocate equity instruments to this measurement category at the time of addition.

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 fair value measurement 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 of loans are also allocated to this category because of the Group's intention to sell.

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; 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 and commission income.

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

i) Trading liabilities (financial liabilities held for trading)
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 fair value measurement.

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 as measured at fair value through profit or loss can be designated in this subcategory. The NORD/LB Group uses the fair value option to significantly 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). 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 (48) Financial liabilities at fair value through profit or loss.

d) Reclassifications

Reclassifications of financial assets may be made only 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 significant for the work processes and transparent for external parties. Additionally, a change to the business model must be specified by the Managing Board. At the time of reclassification, the financial assets are 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).

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 recognising a new financial asset. 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 resulting from the present value consideration of the 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.

The NORD/LB Group measures secured OTC derivatives primarily in accordance with the current market standard of overnight index swap discounting (OIS discounting). This means that secured derivatives are discounted using the OIS yield curve, rather than the tenor-specific interest rate. Unsecured derivatives are discounted using the tenor-specific interest rate to establish their fair value. The measurement of unsecured derivative positions also takes account of a funding valuation adjustment (FVA), which represents the market-implied funding costs.

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 as a reference are used. 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.

Level 2 is also allocated 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 of which 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 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 at 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 possible.

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 on 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 are 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 as to financial instruments whose fair value is reported in the balance sheet fair value apply to financial instruments for which a fair value is determined solely for disclosure purposes. 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 components as relevant. 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 (56) 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 recognised 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 (56) 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 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 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 accumulated loss. All silent deposits still in the portfolio had been terminated by NORD/LB with effect from the end of 31 December 2022. The silent participations are measured at the present value of the expected repayment amounts.

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 treated 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

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.

As regards 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 (39) or Note (50) Positive/Negative fair values from hedge accounting derivatives). Measurement changes are recognised in the income statement (Note (28) 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 the liability sides.

A hedging relationship ends when the underlying or hedging transaction expires, is disposed of 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 (63).

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 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 in the seller's accounting 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 furnished 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 (61) 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 (72) 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) Development of the guarantee portfolio in connection with the guarantee contracts of the State of Lower Saxony).

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.

(13) Risk Provisions

In accordance with the provisions of IFRS 9, a risk provision is formed for expected losses and the risk provision already formed is used up for incurred losses or direct write-downs are made. 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 financial assets must be allocated to Stage 1 if objective indications of impairment are not already evident. 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, risk provisioning 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, risk provisioning is 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 risk provisioning. This does not take the contractually agreed interest rate into account as interest income, rather the present value effect determined by accruing the net carrying amount (unwinding).

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 (purchased or originated credit impaired assets; POCI assets) are not subject to the "three stage model". In these cases, risk provisioning is 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. Risk provisioning is 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 change in 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 policy are complied with.

Risk provisioning is 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 risk provisioning determined reduces 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 risk provisioning is reported under accumulated other comprehensive income (OCI).

The expected loss model, broken down by Stage 1, 2 or 3, is used to determine the risk provisioning for off-balance-sheet obligations in the form of loan commitments and financial guarantees and 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 risk provisioning and the income from reversals of risk provisioning are shown in the income statement under Risk provisioning. 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.

(14) Property, 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 up to 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 provided that they result in a significant improvement of the asset and increase its future economic benefit.

Subsequent measurement of the assets takes account straight-line depreciation 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. 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)	1-85
Buildings (Investment Properties)	7-50
Operating and office equipment	1-25
Other property and equipment	1-75

The capitalised-earnings-value method is applied together with market data to determine the fair value of investment properties. There was no assessment by independent experts in the reporting year.

(15) Leasing Transaction

Leasing transactions are recognised and measured in accordance with the provisions 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. Below, 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. Subsequently, 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 right of use assets 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 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. 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 - 50 years.

(16) 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 provided that they result in a significant improvement of the asset and increase its future economic benefit.

For intangible assets with a finite useful life, straight-line depreciation is recognised according to their useful economic life. Impairments are applied to intangible assets with a finite 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 finite useful life are depreciated over a period of 1 to 11 years.

The NORD/LB Group does not have any intangible assets with indefinite useful lives.

(17) 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. In addition, 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.

(18) 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) are discounted 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) 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. 2022	31 Dec. 2021
Domestic		
Actuarial interest rate	4.25	1.50
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	4.66	1.88
Salary development (weighted)	2.76	2.73
Pension development	3.22	3.22
Mortality, invalidity, etc.	USA RP-2014, GBS3PMA Light/S3PFA light base tables with CMI 2014 projections basis, LUX DAV 2004 R	USA RP-2014, GBS3PMA Light/S3PFA light base tables with CMI 2014 projections basis, LUX DAV 2004 R

(19) Other Provisions

Other provisions are recorded for uncertain liabilities to third parties and onerous contracts if a present legal or constructive obligation results from an event in the past, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured according to the best estimate of the amount that an entity would rationally pay to settle the present obligation (or to transfer the obligation to an independent third party) at the end of the reporting period. The estimates are subject to judgement of the management, supplemented by experience of similar transactions and, in some cases, reports from independent experts. 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 settle an obligation are taken into account if there are objective indications that they could occur. Provisions are discounted provided that the effect is significant.

(20) 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 declarations may not be realised (uncertain tax items) current income tax liabilities have been recognised. 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 recognised 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 recovered or a liability is settled. Entity-specific tax rates (and tax rules) are applied for this purpose, as valid or adopted at 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 accounting 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 disclosed separately, 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 disclosed in the income taxes item in the group's income statement.

Segment Reporting

Segment reporting provides information on the Group's operational business segments. 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 8 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 Article 92 (3) of Regulation (EU) No. 575/2013 as of the reporting date. There were no renamings or mergers of existing business segments compared to the previous year. In the reporting year, a total of € 0.9 billion of the "Housing Industry" portfolio was transferred from the overall bank management function Special Credit & Portfolio Optimization (SCPO) to the Real Estate Banking Customers business segment.

Segment Reporting by Business Segment

The segments are defined as customer or product groups which reflect the organisational structures and thus 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 key criterion for forming segments is the greatest possible homogeneity of the customers aggregated there with respect to financing and investment needs as well as product ranges in demand. Dependencies on individual customers are not discernible. The product ranges offered in the segments are described in the following notes. The income generated from them is presented in the following overview. The product range offered comprises traditional credit business and syndicate business, savings and checking 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.

Net 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 with customers 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.

Within the Group, every interest-bearing customer transaction is fed to the balancing provision held by the Treasury as the central cash management unit. There are no direct business relationships between market divisions within the Group. Hence, 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 are allocated to the segments according to actual costs incurred.

Overall bank profit and loss, such as 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 Group's operational business segments, but rather to the "Treasury/Consolidation/Others" segment.

In addition to the profit and loss account figures, the attributable total risk exposure amount, segment assets and liabilities, capital employed 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 reporting. The total risk exposure amounts pursuant to CRR 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.

Capital employed in the segments is calculated on the basis of average annual values. The amount of the reconciliation between the capital employed recognised in the segments and the long-term equity under commercial law at company level is included in the reconciliation segment. A reconciliation of long-term equity under commercial law to reported equity is presented separately at the end of the segment reporting.

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 segment is made up of the Private and Commercial Customers and Savings Bank Network Customers business divisions. In addition, it includes a holding in the insurance company "Öffentliche Versicherung Braunschweig".

Private and Commercial Customers

The Private and Commercial Customers business area includes the business divisions of private banking and commercial customers, corporate retail customers, private customers advised in branches and service customers in the business division 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 in the business area 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 insurance company "Öffentliche Versicherung Braunschweig". New solutions based on modern technologies will be implemented as well as platform offers and innovative product/value-added service extensions, including outside of traditional banking (near and non-banking offers). Particular focus is placed on the acquisition of new customers in the new generation customers area.

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.

The business area focuses on climate-friendly and sustainable business. This increasingly includes the provision of suitable financial services for companies and private individuals as well as the growing focus on appropriate orientation in business operations.

Savings Bank Network Customers

The Savings Bank Network Customers business area 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, business activities are carried out in cooperation/coordination with the savings banks, managed corporate customers and municipal customers.

From NORD/LB's point of view, savings banks play three roles: They are a customer, shareholder and market access to a broad customer base. NORD/LB 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. NORD/LB 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 activity of 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 segment comprises the NORD/LB Group's medium-sized and high-end corporate customer business (excluding corporate customer business in the Private and Commercial Customers and Savings Banks Network Customers strategic business segment) in Germany and the neighbouring states, with a focus on the three core regions: North, Central and South. Customers from selected focus industries are also supported. 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 with increasing consideration given to sustainability aspects. Business activities in this area concentrate primarily on the interest segment. Furthermore, capital-market-related products, such as corporate Schuldschein 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 Luxembourg 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 banking 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 Financing segment consists of the Energy and Infrastructure Customers and Aircraft Customers business areas.

Energy and Infrastructure Customers

The central locations of the Energy and Infrastructure business area are Hanover, Oldenburg, London, New York and Singapore. The focus of the segment is on structuring and arranging bespoke, individual financing solutions, mainly for project-related transactions. In the Energy sub-sector, financing relates mostly to new construction and capacity expansions of wind and photovoltaic plants as well as storage technologies. The sub-segment Infrastructure focuses on the sectors of digital infrastructure (e.g. broadband networks), public buildings, economic infrastructure and rail-based transportation. At the heart of this is the development of customer relationships with sustainable earning structures and acceptable risks.

Aircraft Customers

The Aircraft Customers area encompasses primarily asset-based aircraft financing and is based mainly at the Hanover location with additional sales staff in Singapore, London and New York. NORD/LB has over 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 and the provision of corporate loans, other cross-selling products such as derivatives are offered in this business segment.

The Aviation Finance & Investment Solutions (AFIS) division has bundled the Aircraft Customers business segment on the one hand and credit placement activities using the networks with banks and institutional investors for alternative investments (individual and portfolio transactions) across all NORD/LB asset classes on the other. Furthermore, as part of the "Sustainable Transportation" growth initiative customers in the international transport value chain will be supported in the transition with regard to achieving sustainability goals. NORD/LB finances the increasing decarbonisation of the transport sector and actively supports their customers on their transition path.

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 long-term growth. The key markets are Germany, France, the United Kingdom, Belgium, Luxembourg, the Netherlands, Poland, Spain and Austria. In addition, the focus is placed on the resumption and establishment of US business and an expansion of business activities to include the financing of credit restructurings, for example, as well as a stronger cooperation with NORD/FM Norddeutsche Facility Management GmbH and BLBI Beteiligungs-GmbH.

Dealing with sustainability and climate risks is a key component of commercial real estate financing. The Bank grants green loans and issues green bonds to expand the green value chain and to increase the green share in the financing portfolio.

Overall Bank Management Function: Special Credit & Portfolio Optimization

The overall bank management function Special Credit & Portfolio Optimization (SCPO) was created in 2020 from the previous Special Credit Management (SKM) division and the internal reduction unit Strategic Portfolio Optimization (SPO) unit and focuses on the reduction of non-strategic portfolios for the previous SPO division in accordance with NORD/LB's strategic realignment and corresponding EUC business plan. These include ship financing and the other portfolios being wound down "Housing industry" and "Supra-regional municipal financing" as well as the sub-portfolios "Corporate customers" and "Agricultural Customers", which are also being wound down. The division does not represent a strategic business segment, but serves as an area with an overall bank management function for the winding down of non-strategic customer relationships and asset classes.

The ship portfolio essentially consists of the "Maritime Industries" portfolio (primarily non-performing ship financing) and continues to be subject to risk shielding through the guarantee of the state of Lower Saxony. The NPL exposure (Non-performing loans Exposure) has been reduced as far as possible. The "Maritime Industries" 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/Consolidation/Others

This overall bank management function 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 segment (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.

The segment also includes the Treasury division. Treasury makes a significant contribution to NORD/LB's sustainable business development by managing liquidity, funding, interest rate, interest rate option and currency risks in the operating banking book. In addition, Treasury provides all market areas with the instruments for effective interest calculation and conditions and advises them at an early stage on complex transactions in the new business process so that viable refinancing solutions can be achieved for customers and the Bank. In addition, Treasury has direct market access to the international money and repo markets. Treasury also uses direct access to the credit markets to invest RWAs and manage credit risks.

As part of the integration of Deutsche Hypothekenbank into NORD/LB AöR, Treasury has also taken over and continued the focus of Deutsche Hypothekenbank's previous issue activities. 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 and asset classes. Thus, Treasury is a significant component in presenting a green value chain in full, starting with green assets (green buildings) to the issue of green bonds. In addition, the expansion of ESG-compliant issue activities is being further developed. As a first step, the green value chain will be extended to include the renewable energies business segment. This puts the focus on the issue of EU taxonomy-compliant products. Other business segment will follow. This gives NORD/LB a status as a broad-based issuer of ESG bonds. On this basis, it will continuously expand the existing investor base for sustainable emissions.

Reconciliation

The reconciliation items from internal accounting to the consolidated income statement are shown here. It also includes reclassifications of profit and loss items that are shown differently in the internal management reporting than in 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.

(21) Segment Reporting by Business Segment

1 Jan. - 31 Dec. 2022 (in € million)	Private and Commercial Customers & 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	200	282	115	210	169	49	– 95	– 34	896
Net commission income	80	49	36	74	22	– 40	– 18	– 37	166
Profit/loss from financial instruments at fair value	17	16	17	80	4	– 33	– 195	– 11	– 104
Risk provisions	– 45	– 75	–	179	23	54	2	3	142
Disposal profit/loss from financial instruments not measured at fair value through profit or loss	–	–	–	–	–	–	– 33	–	– 33
Profit/loss from hedge accounting	–	–	–	–	–	–	20	–	20
Profit/loss from shares in companies	–	–	–	–	–	–	7	–	7
Profit/loss from investments accounted for using the equity method	2	–	–	–	–	–	32	–	34
Administrative expenses	– 287	– 123	– 116	– 168	– 74	– 45	– 88	– 8	– 909
Other operating profit/loss	– 8	– 2	–	9	2	1	– 22	– 28	– 48
Earnings before restructuring and transformation	**– 41**	**147**	**52**	**385**	**146**	**– 14**	**– 390**	**– 114**	**171**
Profit/loss from restructuring and transformation	–	–	–	–	–	–	– 67	–	– 67
Earnings before taxes	**– 41**	**147**	**52**	**385**	**146**	**– 14**	**– 456**	**– 114**	**104**
Income taxes	–	–	–	–	–	–	–	– 15	– 15
Consolidated profit/loss	**– 41**	**147**	**52**	**385**	**146**	**– 14**	**– 456**	**– 130**	**89**
Segment assets	23 305	18 956	9 691	17 054	15 148	4 056	20 316	799	109 325
of which: investments accounted for using the equity method	40	–	–	–	–	–	16	–	56
Segment liabilities	13 548	5 158	30 976	4 430	486	1 845	50 707	2 174	109 325
Total risk exposure amount	4 776	10 926	3 140	8 479	6 742	658	2 811	2 611	40 142
Capital employed[1]	667	1 433	455	1 063	921	145	862	1 195	6 739
CIR	98.8%	35.7%	69.1%	44.9%	37.7%	-191.1%			97.6%
RoRaC/RoE[2]	-6.2%	10.3%	11.5%	36.2%	15.8%	-9.5%			1.5%

1 Jan. - 31 Dec. 2021[3] (in € million)	Private and Commercial Customers & 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 not measured at fair value through profit or loss	–	–	–	–	–	–	– 18	– 3	– 21
Profit/loss from hedge accounting	–	–	–	–	–	–	– 40	–	– 40
Profit/loss from shares in companies	–	–	–	–	–	–	21	–	21
Profit/loss from investments accounted for using the equity method	2	–	–	–	–	–	– 6	–	– 4
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**	**– 230**	**– 207**	**111**
Profit/loss from restructuring and transformation	–	–	–	–	–	–	– 82	–	– 82
Earnings before taxes	**– 14**	**142**	**– 14**	**2**	**102**	**330**	**– 312**	**– 207**	**29**
Income taxes	–	–	–	–	–	–	–	3	3
Consolidated profit/loss	**– 14**	**142**	**– 14**	**2**	**102**	**330**	**– 312**	**– 204**	**32**
Segment assets	22 767	15 877	8 151	16 693	12 429	6 793	27 476	4 444	114 631
of which: investments accounted for using the equity method	40	–	–	–	–	–	35	–	75
Segment liabilities	12 875	5 344	29 771	2 780	255	1 883	57 344	4 379	114 631
Total risk exposure amount	4 451	9 243	3 019	6 791	6 125	1 370	3 221	3 309	37 528
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%			92.9%
RoRaC/RoE[2]	-2.0%	10.3%	-3.4%	0.2%	12.1%	144.1%			0.4%

[1] Reconciliation of long-term equity under commercial law to reported equity:

(in € million)	31 Dec. 2022	31 Dec. 2021
Long-term equity under commercial law	6 739	6 678
Accumulated OCI	– 528	– 862
Consolidated profit/loss	89	32
Reported equity	**6 300**	**5 848**

[2] RoRaC at the business level:
(earnings before taxes) / committed Tier 1 capital
RoE at the company level:
(earnigs before taxes) / long-term equity under commercial law (see table above).

[3] The prior-year figures were restated for individual items; for more information, see Note (4) Restatement of previous years's figures.

Due to the presentation there may be slight differences in the reproduction of mathematical operations in the tables presented.

(22) Segment Reporting by geographical Segment

1 Jan. - 31. Dec.2022 (in € million)	Federal Republic of Germany	Europe excluding Germany	America	Asia	Consolida-tion	NORD/LB Group
Earnings [1]	1 081	– 184	79	29	– 74	931
Earnings before taxes (EBT)	325	– 241	65	11	– 56	104
Segment assets	106 962	9 483	2 979	1 671	– 11 771	109 325
Segment liabilities	106 962	9 483	2 979	1 671	– 11 771	109 325
Total risk exposure amount	34 886	5 119	2 618	751	– 3 232	40 142
Capital employed	5 780	559	311	89	–	6 739
CIR	77.5%	-33.1%	53.5%	70.8%		97.6%
RoRaC/RoE[2]	5.6%	-43.1%	20.8%	12.7%		1.5%

1 Jan. - 31. Dec.2021[3] (in € million)	Federal Republic of Germany	Europe excluding Germany	America	Asia	Consolida-tion	NORD/LB Group
Earnings[1]	1 080	15	60	26	– 195	987
Earnings before taxes (EBT)	237	– 3	– 22	12	– 195	29
Segment assets	110 075	10 796	2 499	1 267	– 10 006	114 631
Segment liabilities	110 075	10 796	2 499	1 267	– 10 006	114 631
Total risk exposure amount	33 061	5 353	2 014	511	– 3 410	37 528
Capital employed	5 781	596	228	72	–	6 678
CIR	73.7%	341.5%	73.9%	89.1%		92.9%
RoRaC/RoE[2]	4.1%	-0.4%	-9.6%	16.8%		0.4%

[1] Earnings are defined as the sum of net interest and 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 Tier 1 capital
RoE at company level:
Earnings before taxes / long-term equity under commercial law (= reported equity - OCI - earnings after taxes)
[3] In the case of individual items, the previous year's figures were adjusted, see Note (4) Restatement of previous year's figures

Due to the presentation there may be slight differences in the reproduction of mathematical operations in the tables presented.

Note to the Income Statement

(23) Net Interest Income

The interest income and interest expenses items include interest paid and received, accrued interest and pro rata temporis reversals of premiums and discounts on financial instruments. Due to the classification of that silent participations as debt in accordance with under IAS 32 under certain circumstances, the corresponding expenses and income are likewise recognised in net interest income.

	1 Jan. - 31. Dec. 2022 (in € million)	1 Jan. - 31. Dec. 2021 (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	1 436	1 857	– 23
Interest income from trading and hedge accounting derivatives	1 315	1 789	– 26
Interest income from debt securities and other fixed interest securities	12	8	50
Interest income from loans and advances	109	60	82
Interest income from financial instruments mandatorily at fair value through profit or loss	14	20	– 30
Interest income from debt securities and other fixed interest securities	6	6	–
Interest income from loans and advances	8	14	– 43
	1 450	**1 877**	**– 23**
Interest income from financial assets at fair value through other comprehensive income			
Interest income from debt securities and other fixed interest securities	138	137	1
Interest income from loans and advances	10	16	– 38
	148	**153**	**– 3**
Interest income from financial assets at amortised cost			
Interest income from debt securities and other fixed interest securities	93	91	2
Interest income from loans and advances	1 647	1 510	9
Interest income from impaired debt securities and other fixed interest securities as well as loans and advances	7	14	– 50
	1 747	**1 615**	**8**
Dividend income	**14**	**14**	–
Other interest income and similar income			
Interest income from hedge accounting amortisations	192	333	– 42
Other interest income and similar income	92	83	11
	284	**416**	**– 32**
	3 643	**4 075**	**– 11**

	1 Jan. - 31. Dec. 2022 (in € million)	1 Jan. - 31. Dec. 2021 (in € million)	Change (in %)
Interest expenses from assets	**– 30**	**– 66**	**– 55**
Interest expenses from liabilities			
Interest expenses from financial labilities at fair value through profit or loss			
Interest expenses from trading liabilities	– 1 352	– 1 725	– 22
Interest expenses from trading and hedge accounting derivatives	– 1 352	– 1 725	– 22
Interest expenses from financial labilities designated at fair value through profit or loss	– 96	– 97	– 1
Interest expenses from deposits	– 79	– 80	– 1
Interest expenses from securitised liabilities	– 17	– 17	–
	– 1 448	**– 1 822**	**– 21**
Interest expenses from financial liabilities at amortised cost			
Interest expenses from deposits	– 801	– 785	2
Interest expenses from securitised liabilities	– 196	– 205	– 4
	– 997	**– 990**	**1**
Other interest expenses and similar expenses			
Interest expenses from hedge accounting amortisations	– 325	– 324	–
Other interest expenses and similar expenses	3	– 127	> 100
	– 322	**– 451**	– 29
	– 2 767	**– 3 263**	**– 15**
Interest income from liabilities	**50**	**70**	**– 29**
Total	**896**	**816**	**10**

The interest expenses from assets and the interest income from liabilities mainly relate to the Group's lending and money market transactions.

Other interest expenses and similar expenses include interest expenses and income from the measurement of non-current liabilities and provisions. The sharp rise in valuation interest rates in the reporting year led to high discounting effects, particularly in the case of long-term provisions. Consequently, income exceeds expenses.

(24) Net Commission Income

	1 Jan. - 31. Dec. 2022 (in € million)	1 Jan. - 31. Dec. 2021 (in € million)	Change (in %)
Commission income			
Lending and guarantee business	95	83	14
Account management and payment transactions	43	29	48
Trust activities	1	1	–
Securities and custody business	36	39	– 8
Brokerage business	84	36	> 100
Other commission income	9	7	29
	268	**195**	**37**
Commission expenses			
Lending and guarantee business	– 83	– 126	– 34
Account management and payment transactions	– 2	– 2	–
Securities and custody business	– 8	– 9	– 11
Brokerage business	– 5	– 4	25
Other commission expenses	– 4	– 2	100
	– 102	**– 143**	**– 29**
Total	**166**	**52**	**> 100**

Commission expenses predominantly 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, these amounted to € 37 million (€ 60 million) for the Special Credit & Portfolio Optimization segment and € 11 million (€ 16 million) for the reference portfolio from the Aircraft Customers segment.

Net commission income included income from financial instruments not measured at fair value through profit or loss in the amount of 174 Mio € (€ 152 million) as well as costs from financial instruments not measured at fair value through profit or loss in the amount of 93 Mio € (€ 137 million).

(25) Profit/loss from Fair Value Measurement

	1 Jan. - 31 Dec. 2022 (in € million)	1 Jan. - 31 Dec. 2021 (in € million)	Change (in %)
Trading result			
Profit/loss from derivatives			
Interest-rate risks	– 381	– 126	> 100
Currency risks	78	32	> 100
Share-price and other price risks	– 3	1	> 100
Credit derivatives	– 57	42	> 100
	– 363	**– 51**	**> 100**
Profit/loss from debt-securities and other fixed-interest securities	– 250	– 60	> 100
Profit/loss from receivables held for trading	– 498	– 156	> 100
Profit/loss from short sales	1	– 1	> 100
Other trading result	– 5	– 4	25
	– 1 115	**– 272**	**> 100**
Profit/loss from financial assets at fair value through profit or loss			
Profit/loss from equity instruments	– 3	1	> 100
Profit/loss from debt-securities and other fixed-interest securities	– 44	– 5	> 100
Profit/loss from receivables	– 11	182	> 100
	– 58	**178**	**> 100**
Profit/loss from designated financial instruments at fair value through profit or loss			
Profit/loss from deposits	899	231	> 100
Profit/loss from securitised liabilties	151	40	> 100
	1 050	**271**	**> 100**
Foreign exchange result	**19**	**23**	**– 17**
Total	**– 104**	**200**	**> 100**

(26) Risk Provisions

	1 Jan. - 31 Dec. 2022 (in € million)	1 Jan. - 31 Dec. 2021 (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	2	–
	2	**2**	**–**
Expenses from allocations to risk provisions for			
Debt securities and other fixed-interest securities	– 1	– 3	– 67
	– 1	**– 3**	**– 67**
	1	**– 1**	**> 100**
Risk provisions of financial assets at amortised cost			
Income from the reversal of risk provisions for			
Debt securities and other fixed interest securities	1	8	– 88
Loans and advances	533	528	1
	534	**536**	**–**
Expenses from allocations to risk provisions for			
Loans and advances	– 405	– 522	– 22
	– 405	**– 522**	**– 22**
	129	**14**	**> 100**
Provisions in lending business			
Income from the reversal	29	39	– 26
Expenses from allocation	– 35	– 30	17
	– 6	**9**	**> 100**
Recoveries of receivables written off	**42**	**58**	**– 28**
Direct write-offs	**– 25**	**– 64**	**– 61**
Modification results	**1**	**2**	**– 50**
Total	**142**	**18**	**> 100**

The modification results of € 1 million (€ 2 million) were due to the modification of financial assets measured at amortised cost and at fair value through other comprehensive income and for which the risk provisions were determined based on lifetime expected credit loss. The corresponding gross carrying amount amounted to € 235 million (€ 187 million) before the modification.

(27) Disposal Profit/Loss from Financial Instruments not measured at Fair Value through Profit or Loss

	1 Jan.-31 Dec. 2022 (in € million)	1 Jan.-31 Dec. 2021 (in € million)	Change (in %)
Disposal profit/loss from financial assets at fair value through other comprehensive income			
Disposal profit/loss from			
Debt securities and other fixed interest securities	– 8	– 1	> 100
	– 8	– 1	> 100
Disposal profit/loss from financial assets at amortised cost			
Disposal profit/loss from			
Debt securities and other fixed interest securities	–	1	– 100
Loans and advances	– 1	– 8	– 88
	– 1	– 7	– 86
Disposal profit/loss from financial liabilities at amortised cost			
Disposal profit/loss from			
Deposits	– 30	– 13	> 100
Securitised liabilities	6	1	> 100
	– 24	– 12	100
Other disposal profit/loss	**–**	**– 1**	**– 100**
Total	**– 33**	**– 21**	**57**

Income of € 3 million (€ 3 million) and expenses of €-4 million (€-10 million) included in the disposal profit/loss from financial assets measured at amortised cost resulted primarily from the repurchase of issued liabilities within deposits.

(28) Profit/loss from Hedge Accounting

The profit/loss from hedge accounting includes netted changes in fair value of hedged items relating to the hedged risk and netted changes in fair value of hedging instruments in effective fair value hedges.

	1 Jan. - 31 Dec. 2022 (in € million)	1 Jan. - 31 Dec. 2021 (in € million)	Change (in %)
Profit/loss from micro fair value hedges			
From hedged items	– 579	– 172	> 100
From derivatives designated as hedging instruments	589	164	> 100
	10	**– 8**	**> 100**
Profit/loss from portfolio fair value hedges			
From hedged items	1 261	173	> 100
From derivatives designated as hedging instruments	– 1 251	– 205	> 100
	10	**– 32**	**> 100**
Total	**20**	**– 40**	**> 100**

(29) 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. 2022 (in € million)	1 Jan. - 31 Dec. 2021 (in € million)	Change (in %)
Profit/loss from shares in joint ventures	1	3	– 67
Profit/loss from shares in associated companies	9	– 1	> 100
Profit/loss from other shares in companies	– 3	19	> 100
Total	**7**	**21**	**– 67**

(30) Profit/loss from Investments accounted for using the Equity Method

The profit/loss from investments accounted for using the equity method is shown below. It includes contributions to earnings from joint ventures and associated companies that are measured using the equity method.

	1 Jan.-31 Dec. 2022 (in € million)	1 Jan.-31 Dec. 2021[1)] (in € million)	Change (in %)
Shares in joint ventures	–	1	– 100
Shares in associated companies	34	– 5	> 100
Total	**34**	**– 4**	**> 100**

1) In the case of individual items, the previous year's figures were adjusted, see Note (4) Restatement of previous year's figures.

The result from investments in associates was primarily due to the LBS belonging to the Treasury/Consolidation/Other segment. In the past, write-downs on the recoverable amount were carried out for this company due to the persistently low interest rate level. The recoverable amount increased significantly to € 112 million. This was due to a change in how future interest rates are assessed and the measures put in place to improve the profitability of the business model, meaning higher earnings expectations can be derived in the long term and thus the reasons for the write-downs no longer apply. Within the at-equity valuation, this led to a reversal recognised in profit or loss in the amount of € 72 million. The recoverable amount is the value in use, which was discounted allowing for a growth discount of 1.0 per cent with a capitalisation interest rate of 7.22 per cent (5.98 per cent).

(31) Administrative Expenses

	1 Jan.-31 Dec. 2022 (in € million)	1 Jan.-31 Dec. 2022 (in € million)	Change (in %)
Staff expenses			
Wages and salaries	– 354	– 353	–
Social insurance contributions	– 52	– 52	–
Expenditure on pension schemes and other benefits	– 43	– 55	– 22
Other staff expenses	– 4	– 7	– 43
	– 453	**– 467**	**– 3**
Other administrative expenses			
Costs for IT and communications	– 229	– 238	– 4
Building occupancy costs	– 24	– 28	– 14
Expenses for marketing, communications and entertainment	– 14	– 12	17
Personnel-related material expenses	– 12	– 9	33
Costs for legal, auditing, appraisal and consulting services	– 63	– 53	19
Levies and contributions	– 15	– 16	– 6
Expenses for operating and office equipment	– 4	– 4	–
Expenses for leasing	– 1	– 4	– 75
Other administrative expenses	– 30	– 17	76
	– 392	**– 381**	**3**
Amortisation and depreciation			
Property and equipment	– 33	– 30	10
Investment property	– 3	– 3	–
Intangible assets	– 28	– 36	– 22
	– 64	**– 69**	**– 7**
Total	**– 909**	**– 917**	**– 1**

Personnel expenses included expenses for defined contribution plans in the amount of € 6 million (€ 5 million).

(32) Other operating profit/loss

	1 Jan.-31 Dec. 2022 (in € million)	1 Jan.-31 Dec. 2021 (in € million)	Change (in %)
Other operating income			
Income from the reversal of provisions	16	7	> 100
Rental income from investment property	11	10	10
Income from the disposal of non-financial assets	14	1	> 100
Reimbursements	7	9	– 22
Other operating income	39	83	– 53
	87	**110**	**– 21**
Other operating expenses			
Expenses from bank levy and deposit protection fund	– 77	– 89	– 13
Expenses from additions of impairment losses on non-financial assets	– 12	– 1	> 100
Expenses from Investment property	– 4	– 6	– 33
Expenses from the disposal of non-financial assets	– 1	– 1	–
Other taxes	– 20	– 16	25
Other operating expenses	– 21	– 11	91
	– 135	**– 124**	**9**
Total	**– 48**	**– 14**	**> 100**

(33) Profit/Loss from Restructuring and Transformation

The result from restructuring and transformation totalling € -67 million (€ -82 million) resulted from expenses and income as part of the NORD/LB 2024 transformation programme. NORD/LB 2024's measures led to a fundamental restructuring of the Group. The associated expenses and income 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 were mainly expenses for consultancy services incurred over the course of the Group's transformation for strategy, implementation, IT and legal consultancy.

(34) Income taxes

	1 Jan.-31 Dec. 2022 (in € million)	1 Jan.-31 Dec. 2021 (in € million)	Change (in %)
Current taxes on income and earnings			
Tax expenses / income for the current year	– 44	– 23	91
Tax expenses / income for previous years	6	17	– 65
	– 38	**– 6**	**> 100**
Deferred taxes			
Deferred taxes due to the accrual / reversal of temporary differences and tax losses / tax credits not previously considered	20	13	54
Deferred taxes due to changes in tax legislation / tax rates	2	–	–
Deferred taxes due to temporary differences in previous periods not previously considered	1	– 4	> 100
	23	**9**	**> 100**
Total	**– 15**	**3**	**> 100**

The current tax expense for the current financial year was reduced by € 37 million (€ 0 million) due to the use of tax losses not taken into account in previous years.

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. 2022 (in € million)	1 Jan.-31 Dec. 2021[1)] (in € million)
IFRS earnings before taxes	**104**	**29**
Anticipated income tax result	– 33	– 9
Effects of reconciliation:		
Effects of differing tax rates	– 11	6
Taxes from previous years reported in the reporting period	7	13
Effects of changes in tax rates	2	–
Non-creditable income taxes	– 1	–
Non-deductible operational expenditure	– 29	– 59
Effects of tax-free earnings	18	12
Effect of permanent accounting-related effects	– 4	– 4
Effects of write-ups / write-downs / recognition adjustments	37	45
Other effects	– 1	– 1
Reported income tax result	**– 15**	**3**

[1)] In the case of individual items, the previous year's figures were adjusted, see Note (4) Restatement of previous year's figures.

The expected income tax expense in the tax reconciliation is calculated from the corporate tax rate of 15.0 per cent applicable in Germany in 2022 plus a solidarity surcharge of 5.5 per cent and the average commercial tax rate of approx. 16.2 per cent. This resulted in a domestic income tax rate of 32.0 per cent (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 Statement of Comprehensive Income

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. 2022 Amount before taxes	Income tax effect	Amount after taxes	1 Jan. - 31 Dec. 2021 Amount before taxes	Income tax effect	Amount after taxes [1]
Investments accounted for using the equity method - Share of other comprehensive income	– 73	25	– 48	– 34	11	– 23
Changes in financial liabilities designated at fair value through profit or loss due to changes in own credit risk	187	– 64	123	– 67	13	– 54
Revaluation of the net liability from defined benefit pension plans	1 027	– 102	925	208	– 72	136
Changes in financial assets at fair value through other comprehensive income	– 849	168	– 681	– 194	61	– 133
Translation differences of foreign business units	–	–	–	4	–	4
Other comprehensive income	**292**	**27**	**319**	**– 83**	**13**	**– 70**

[1] In the case of individual items, the previous year's figures were adjusted, see Note (4) Restatement of previous year's figures.

Notes to the Balance Sheet

(35) Cash Reserve

	31 Dec. 2022 (in € million)	31 Dec. 2021 (in € million)	Change (in %)
Cash on hand	93	142	– 35
Cash balances at Central Banks	2 371	6 788	– 65
Total	**2 464**	**6 930**	**– 64**

(36) Financial assets at Fair Value through Profit or Loss

	31 Dec. 2022 (in € million)	31 Dec. 2021 (in € million)	Change (in %)
Trading assets			
Positive fair values from derivatives			
Interest-rate risks	2 399	2 860	– 16
Currency risks	511	123	> 100
Share and other price risks	1	2	– 50
Credit derivatives	101	164	– 38
	3 012	**3 149**	**– 4**
Debt-securities and other fixed-interest securities	882	782	13
Loans and advances to customers	1 260	663	90
Registered securities	2 487	1 845	35
	7 641	**6 439**	**19**
Financial assets mandatorily at fair value through profit or loss			
Equity instruments	16	20	– 20
Debt-securities and other fixed-interest securities	453	638	– 29
Loans and advances to banks	43	56	– 23
Loans and advances to customers	210	245	– 14
	722	**959**	**– 25**
Total	**8 363**	**7 398**	**13**

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 a portfolio of the Special Credit & Portfolio Optimisation (SCPO) segment and on an aircraft customer portfolio of the Special Financing segment. These guarantees must be accounted for as credit derivatives according to IFRS and have a carrying amount of € 77 million (€ 108 million) as at the reporting date.

The category of financial assets mandatorily measured at fair value through profit or loss includes financial assets that must be measured at fair value through profit or loss due to SPPI-criterion 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.

(37) Financial Assets at Fair Value through Other Comprehensive Income

	31 Dec. 2022 (in € million)	31 Dec. 2021 (in € million)	Change (in %)
Debt-securities and other fixed-interest securities	10 192	12 158	– 16
Loans and advances to banks	174	378	– 54
Loans and advances to customers	267	494	– 46
Total	**10 633**	**13 030**	**– 18**

The changes in the risk provisions recognised in other comprehensive income (OCI) related to this item is presented under Note (58) Risk provisions and gross carrying amount.

(38) Financial Assets at Amortised Cost

	31 Dec. 2022 (in € million)	31 Dec. 2021 (in € million)	Change (in %)
Debt-securities and other fixed-interest securities	3 175	3 593	– 12
Loans and advances to banks	12 890	13 595	– 5
Loans and advances to customers	69 968	67 408	4
Total	**86 033**	**84 596**	**2**

Loans and advances to customers included an amount of € 0 million (€ 75 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 (58) Risk provisions and gross carrying amount.

(39) 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. 2022 (in € million)	31 Dec. 2021 (in € million)	Change (in %)
Micro fair value hedge derivative	192	474	– 59
Portfolio fair value hedge derivative	6	–	–
Total	**198**	**474**	**– 58**

(40) 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.

(41) 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. 2022 (in € million)	31 Dec. 2021 (in € million)	Change (in %)
Subsidaries	18	25	– 28
Joint Ventures	11	10	10
Associated companies	43	34	26
Other shares in companies	272	276	– 1
Total	**344**	**345**	**–**

(42) Property and Equipment

	31 Dec. 2022 (in € million)	31 Dec. 2021 (in € million)	Change (in %)
Land and buildings	168	189	– 11
Operating and office equipment	30	31	– 3
Other property and equipment	4	4	–
Property, plant and equipment under construction	4	3	33
Advance payments for property and equipment	–	1	– 100
Right-of-use assets from leasing	78	63	24
Total	**280**	**287**	**– 2**

The changes in property and equipment is presented in Note (43) Investment properties.

(43) Investment Properties

Investment properties had a total carrying amount of € 143 million (€ 126 million). The corresponding fair value of investment properties was € 215 million (€ 185 million) and falls into Level 2 in accordance with the fair value hierarchy under IFRS 13.

The profit/loss from investment property is as follows:

	1 Jan. - 31 Dec. 2022 (in € million)	1 Jan. - 31 Dec. 2021 (in € million)
Rental income	11	11
Direct operating expenses	4	6

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 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**
Cost as at 1 January 2022	**506**	**222**	**4**	**97**	**829**	**186**
Additions	–	7	1	33	**41**	20
Disposals	22	7	1	7	**37**	6
Transfers	–	–	–	–	**–**	5
Change from currency translation	–	1	–	–	**1**	–
Total 31 December 2022	**484**	**223**	**4**	**123**	**834**	**205**
Accumulated depreciation as at 1 January 2022	**317**	**191**	**–**	**34**	**542**	**60**
Scheduled depreciation	6	9	–	18	**33**	3
Impairments (non-scheduled)	–	–	–	–	**–**	2
Transfers	–	–	–	–	**–**	1
Disposals	7	7	–	7	**21**	4
Total 31 December 2022	**316**	**193**	**–**	**45**	**554**	**62**
Closing balance as at 31 December 2022	**168**	**30**	**4**	**78**	**280**	**143**

(44) Intangible Assets

	31 Dec. 2022 (in € million)	31 Dec. 2021 (in € million)	Change (in %)
Software			
Purchased	38	49	– 22
Internally generated	21	34	– 38
	59	**83**	**– 29**
Prepayments and intangible assets under development and preparation	28	31	– 10
Leased software	2	4	– 50
Total	**89**	**118**	**– 25**

Intangible assets under development refer primarily to internally generated and acquired software. Fully depreciated software will continue to be used.

Impairment losses on intangible assets in the amount of € 9 million (€ 0 million) resulted largely from the settlement agreement with an IT provider.

The main intangible assets of the NORD/LB Group are listed below:

	Carrying amount (in € million)		Remaining depreciation period (in years)	
	31 Dec.2022[1]	31 Dec.2021[1]	31 Dec.2022	31 Dec.2021
IT applications	15	22	5	6
Internally developed software	47	63	2	3

[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 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**
Cost as at 1 January 2022	**207**	**326**	**31**	**9**	**573**
Additions	–	–	7	–	**7**
Disposals	2	–	–	4	**6**
Transfers	1	–	– 1	–	**–**
Total at 31 December 2022	**206**	**326**	**37**	**5**	**574**
Accumulated depreciation as at 1 January 2022	**158**	**292**	**–**	**5**	**455**
Scheduled depreciation	12	13	–	2	**27**
Depreciation (non-scheduled depreciation)	–	–	9	–	**9**
Disposals	2	–	–	4	**6**
Total at 31 December 2022	**168**	**305**	**9**	**3**	**485**
Closing balance as at 31 December 2022	**38**	**21**	**28**	**2**	**89**

(45) Assets Held for Sale

As at 31 December 2022, the investment in an associate from the Treasury/Consolidation/Other segment was reported under Assets held for sale. Due to the expected merger for inclusion in another company, the disposal of the associate is planned for the third quarter of 2023. No measurement effect has arisen in connection with the classification as an asset held for sale.

(46) Income Tax Assets

	31 Dec.2022 (in € million)	31 Dec.2021 (in € million)	Change (in %)
Current income tax assets	21	22	– 5
Deferred tax assets	439	453	– 3
Total	**460**	**475**	**– 3**

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 € 120 million (€ 121 million) as at 31 December 2022.

Deferred income tax assets were created in connection with the following balance sheet items and unused tax losses:

	31 Dec.2022 (in € million]	31 Dec.2021 (in € million]	Change (in %)
Assets			
Trading assets	795	–	–
Financial assets at fair value through profit or loss	27	21	29
Financial assets at fair value through other comprehensive income	29	3	> 100
Financial assets at amortised costs	366	62	> 100
Positive fair values from hedge accounting derivatives	65	–	–
Shares in companies	12	12	–
Property and equipment	36	38	– 5
Other assets	91	103	– 12
Liabilities			
Trading liabilities	1	21	– 95
Designated financial liabilities at fair value through profit or loss	–	61	– 100
Financial liabilities at amortised costs	432	572	– 24
Negative fair values from hedge accounting derivatives	94	382	– 75
Provisions	531	656	– 19
Other liabilities	33	12	> 100
Tax loss carried forward	1	8	– 88
Total	**2 513**	**1 951**	**29**
Net	2 074	1 498	38
Total	**439**	**453**	**– 3**

In addition to deferred taxes recognised in the income statement, netted deferred income tax assets included € 120 million (€ 0 million) from financial assets at fair value through profit or loss, € 0 million (€ 51 million) from financial liabilities at fair value through profit or loss and € 0 million (€ 70 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 € 2,806 million (€ 2,592 million) and from commercial tax in the amount of € 2,827 million (€ 2,596 million) as at 31 December 2022 due to a limited planning horizon and the resulting insufficient probability of use.

Tax loss carryforwards from corporation tax in the amount of € 8 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 2022 that exceed the deferred tax liabilities by € 15 million (€ 428 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 € 963 million (€ 1,442 million) that can be carried forward indefinitely.

(47) Other Assets

	31 Dec.2022 (in € million)	31 Dec.2021 (in € million)	Change (in %)
Refund claims to provident fund NORD/LB	338	244	39
Loans and advances on interim accounts	– 7	92	> 100
Deferred item	15	23	– 35
Contract assets	9	40	– 78
Other assets	134	94	43
Total	**489**	**493**	**– 1**

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)	2022	2021	2022	2021
1 Jan.	**–**	**1**	**40**	**8**
Satisfaction of performance obligations	1	2	– 31	36
Consideration received	– 1	– 2	–	– 1
Changes from the basis of consolidation	–	– 1	–	– 3
31 Dec.	**–**	**–**	**9**	**40**

(48) Financial Liabilities at Fair Value through Profit or Loss

	31 Dec.2022 (in € million)	31 Dec.2021 (in € million)	Change (in %)
Trading liabilities			
Negative fair values from derivatives			
Interest-rate risks	2 931	1 627	80
Currency risks	318	417	– 24
Share-price and other price risks	4	1	> 100
Credit derivatives	16	5	> 100
	3 269	**2 050**	**59**
Delivery obligations from short-sales	20	19	5
	3 289	**2 069**	**59**
Financial liabilities designated at fair value through profit or loss			
Deposits			
Liabilities to banks	261	267	– 2
Liabilities to customers	2 667	3 666	– 27
	2 928	**3 933**	**– 26**
Securitised liabilities			
Securitised liabilities	1 553	1 712	– 9
	1 553	1 712	– 9
	4 481	**5 645**	**– 21**
Total	**7 770**	**7 714**	**1**

The change in fair value attributable to changes in own credit risk of financial liabilities designated at fair value through profit or loss was reported in other comprehensive income (OCI). This amounted to 190 Mio € (-66 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 2022, the carrying amount of liabilities designated at fair value through profit or loss was € 920 million lower (€ 341 million higher) than the corresponding redemption amount. The difference was mainly due to a lower interest on liabilities compared with the current market interest rate as well as to the compounding effects of zero bond issues arising from the discounted disbursement typical of zero bonds and their repayment at nominal value.

(49) Financial Liabilities at Amortised Cost

	31 Dec. 2022 (in € million)	31 Dec. 2021 (in € million)	Change (in %)
Deposits			
Deposits from banks	4 278	4 096	4
Saving deposits from customers	996	1 044	– 5
Other liabililities	68 437	68 989	– 1
Subordinated liabilities	208	282	– 26
	73 919	**74 411**	**– 1**
Securitised Liabilities			
Mortgage bonds	8 781	9 797	– 10
Municipal debentures	2 389	2 525	– 5
Other securitised Liabilities	6 198	6 538	– 5
Subordinated securitised liabilities	2 055	2 013	2
	19 423	**20 873**	**– 7**
Total	**93 342**	**95 284**	**– 2**

(50) 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.2022 (in € million)	31 Dec.2021 (in € million)	Change (in %)
Micro fair value hedge derivatives	431	1 066	– 60
Portfolio fair value hedge derivatives	7	33	– 79
Total	**438**	**1 099**	**– 60**

(51) 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.

(52) Provisions

The Provisions are broken down as follows:

	31 Dec.2022 (in € million)	31 Dec.2021 (in € million)	Change (in %)
Provisions for pensions and other obligations	**1 883**	**2 985**	**– 37**
Other provisions			
Provisions for personnel	52	55	– 5
Provisions in lending business	62	55	13
Provisions for litigation and recourse risks	23	26	– 12
Provisions for restructuring measures	365	462	– 21
Other provisions	48	53	– 9
	550	**651**	**– 16**
Total	**2 433**	**3 636**	**– 33**

Pensions and other obligations

The net liability from defined benefit pension obligations is derived as follows:

	31 Dec. 2022 (in € million)	31 Dec. 2021 (in € million)	Change (in %)
Present value of defined benefit obligations	1 927	3 035	– 37
Less fair value of plan assets	44	50	– 12
Total	**1 883**	**2 985**	**– 37**

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 Hanover 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 Hanover provident fund as the sponsoring undertaking of the pension commitments. As a company subject to mandatory consolidation, the Hanover 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 Hanover 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 of 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 Hanover provident fund, the management bodies have defined the framework conditions for investing funds in a set of investment guidelines. At the Hanover 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 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:

(in € million)	Defined benefit obligation 2022	2021	Fair value of plan assets 2022	2021	Negative balance (net indebtness) 2022	2021	Change (in %)
Opening balance	**3 035**	**3 253**	**50**	**48**	**2 985**	**3 205**	**– 7**
Current service cost	32	44	–	–	32	44	– 27
Interest income (interest expense)	45	39	1	1	44	38	16
Change from Consolidation	– 3	–	–	–	– 3	–	–
Changes from currency translation	–	3	– 1	6	1	– 3	> 100
Benefits paid	– 79	– 79	– 5	– 2	– 74	– 77	– 4
Employer contributions	–	–	2	1	– 2	– 1	100
Reversals	2	–	–	–	2	–	–
	3 032	**3 260**	**47**	**54**	**2 985**	**3 206**	**– 7**
Revaluation							
Adjustments made on the basis of experience	17	– 31	–	–	17	– 31	> 100
Profit / losses from the change in financial assumptions	– 1 122	– 194	–	–	– 1 122	– 194	> 100
Income from plan assets (Without interest income)	–	–	– 3	– 4	3	4	– 25
Closing balance	**1 927**	**3 035**	**44**	**50**	**1 883**	**2 985**	**– 37**

In addition to the pension commitments, the present value of the defined benefit liability included commitments to benefit payments in the amount of € 210 million (€ 359 million).

The defined benefit liability was broken down as at the reporting date into amounts from defined benefit plans in the amount of € 1,927 million (€ 3,035 million), which are not funded from a fund.

The fair value of plan assets is comprised as follows:

	31 Dec.2022 (in € million)	31 Dec.2021 (in € million)	Change (in %)
Equity instruments			
Active market	4	20	– 80
Debt instruments			
Active market	19	18	6
Other financial assets			
Active market	20	8	> 100
Inactive market	1	4	– 75
	21	**12**	**75**
Total	**44**	**50**	**– 12**

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 € 1 million (€ 4 million).

The following table shows the maturities of the expected undiscounted defined benefit liabilities:

(in Mio €)	Pensions-auszahlungen 31.12.2022	Pensions-auszahlungen 31.12.2021
Weniger als 1 Jahr	80	76
Zwischen 1 und 2 Jahren	83	79
Zwischen 2 und 3 Jahren	87	82
Zwischen 3 und 4 Jahren	91	86
Zwischen 4 und 5 Jahren	94	90
Gesamt	**435**	**413**

The duration of the defined benefit pension liability is 17 (21) years and is reviewed each year by an actuarial appraiser.

The calculation of pension obligations is influenced by actuarial assumptions. This includes, in particular, the factors listed in the table below. For each of these factors, a sensitivity analysis was carried out to make the effects of estimation uncertainties more transparent. The following columns show the theoretical change in pension obligations that would result if the respective factor were to increase (rise) or decrease (fall). It is assumed that there are no correlations and that the other factors remain unchanged.

	Increase / Decrease 31 Dec.2022	Effect of the Increase in € million 31 Dec.2022	Effect of the Decrease in € million 31 Dec.2022	Increase / Decrease 31 Dec.2021	Effect of the Increase in € million 31 Dec.2021	Effect of the Decrease in € million 31 Dec.2021
Actuarial interest rate	+/- 0,50 %	147	130	+/- 0,50 %	312	270
Wages	+/- 0,25 %	10	10	+/- 0,25 %	21	21
Pensions	+/- 0,25 %	40	39	+/- 0,25 %	75	72
Cost increase rate for allowance payments	+/- 1,00 %	36	29	+/- 1,00 %	82	62
Mortality	+/- 1 Jahr	74	75	+/- 1 Jahr	150	148

Due to materiality aspects, only a domestic sensitivity analysis was performed.

The Other provisions changed as follows during 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.	**55**	**55**	**26**	**462**	**53**	**651**
Utilisation	5	–	1	37	11	**54**
Resolutions	1	29	2	1	15	**48**
Additions	2	35	–	15	21	**73**
Reversals	1	–	–	–	–	**1**
Effects on changes of currency translation and other changes	–	1	–	– 74	–	**– 73**
31 Dec.	**52**	**62**	**23**	**365**	**48**	**550**

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 relate to early retirement-related measures in connection with the leveraging of synergies and the resizing of the NORD/LB Group. 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 three to nine years.

A large part of the provisions for obligations arising from human resources have a long-term character. This included provisions of € 3 million (€ 4 million) 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 € 4 million (€ 5 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.

(53) Income Tax Liabilities

	31 Dec.2022 (in € million)	31 Dec.2021 (in € million)	Change (in %)
Current income tax liabilities	59	37	59
Deferred income taxes	10	49	– 80
Total	**69**	**86**	**– 20**

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 € 46 million (€ 48 million) as at 31 December 2022.

Deferred tax liabilities relate to the following balance sheet items:

	31 Dec.2022 (in € million)	31 Dec.2021 (in € million)	Change (in %)
Assets			
Trading assets	5	30	– 83
Financial assets at fair value through profit or loss	–	4	– 100
Financial assets at fair value through other comprehensive income	1	213	– 100
Financial assets at amortised costs	12	44	– 73
Positive fair values from hedge accounting derivatives	60	243	– 75
Shares in companies	2	3	– 33
Property and equipment	125	122	2
Investment property	–	–	–
Intangible assets	16	22	– 27
Other assets	192	293	– 34
Liabilities			
Trading liabilities	327	–	–
Designated financial liabilities at fair value through profit or loss	193	3	> 100
Financial liabilities at amortised costs	676	531	27
Negative fair values from hedge accounting derivatives	416	–	–
Provisions	38	14	> 100
Other laibilities	21	25	– 16
Total	**2 084**	**1 547**	**35**
Net	2 074	1 498	38
Total	**10**	**49**	**– 80**

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 € 0 million (€ 48 million) from financial assets at fair value through other comprehensive income, € 14 million (€ 0 million) from financial liabilities reported at fair value through profit or loss and € 32 million (€ 0 million) from provisions, which were recognised through other comprehensive income (OCI). For taxable differences from shares in subsidiaries in the amount of € 7 million (€ 22 million), no deferred tax liabilities were recognised in accordance with IAS 12.39.

(54) Other Liabilities

	31 Dec.2022 (in € million)	31 Dec.2021 (in € million)	Change (in %)
Liabilities from interim accounts	12	137	– 91
Liabilities from short-term employee remuneration	36	26	38
Liabilities resulting from unsettled invoices	26	29	– 10
Liabilities from payable taxes and social insurance contributions	13	36	– 64
Defferred item	4	8	– 50
Liabilities from leasing	85	67	27
Other liabilities	95	130	– 27
Total	**271**	**433**	**– 37**

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 2023.

With regard to liabilities from leasing transactions, please refer to Notes (15) Leasing transactions and (70) Leasing relationships.

(55) Equity

Composition of equity:

	31 Dec.2022 (in € million)	31 Dec.2021[1] (in € million)	Change (in %)
Issued capital	3 137	3 083	2
Capital reserve	2 579	2 589	–
Retained earnings	1 060	986	8
Accumulated OCI	– 519	– 853	– 39
Currency translation reserve	– 9	– 9	–
Equity attributable to the owners of NORD/LB	**6 248**	**5 796**	**8**
Additional equity	50	50	–
Non-controlling interests	2	2	–
Total	**6 300**	**5 848**	**8**

[1] In the case of individual items, the previous year's figures were adjusted, see Note (4) Restatement of previous year's figures.

As the owners of NORD/LB, Niedersachsen Invest GmbH (NIG) held stakes of 40.67 per cent (41.38 per cent), Hannoversche Beteiligungsgesellschaft Niedersachsen mbH (HanBG) 15.12 per cent (15.38 per cent), Land Sachsen-Anhalt 6.31 per cent (6.42 per cent), FIDES Gamma GmbH and FIDES Delta GmbH each hold 12.06 per cent (12.27 per cent), Sparkassenverband Niedersachsen (SVN) 9.01 per cent (9.16 per cent), Sparkassenbeteiligungsverband Sachsen-Anhalt (SBV) 1.80 per cent (1.83 per cent), Sparkassenzweckszweckverband Mecklenburgenburgenburg-Vorpommern (SZV) 1.25 per cent (1.27 per cent) and the State of Lower Saxony 1.71 per cent (0 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 the State of Lower Saxony to NORD/LB, so that the subscribed capital increased by € 54 million to € 3,137 million with effect from 31 December 2022. 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 € 0 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. In addition, the item includes cumulative 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 2021.

Similarly, no dividend distribution is planned for 2022.

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, plant and equipment and the acquisition of subsidiaries.

Cash flow from financing activities comprises cash flows from changes in equity and hybrid capital (subordinated capital), dividend payments to the owners of the parent company NORD/LB and interest payments on the subordinated capital. Interest payments on subordinated capital amounted to € -93 million (€ -102 million) in the reporting year.

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)	2022	2021[1]	2022	2021	2022	2021
01 January	**5 848**	**5 775**	**2 295**	**2 258**	**63**	**73**
Consolidated profit/loss	89	32	–	–	–	–
Repayment	– 10	–	– 98	– 90	– 14	– 24
Interests	–	–	–	–	– 1	– 7
Other cash changes	54	110	10	–	– 1	– 5
No cash changes						
Changes due to acquisition or loss of control of subsidiaries or other business operations	– 4	107	–	–	–	–
Exchange rate-related changes	–	–	49	61	–	–
Other changes	323	– 176	7	66	31	26
31 December	**6 300**	**5 848**	**2 263**	**2 295**	**78**	**63**

[1] For individual items, the previous year`s figures have been adjusted, see Note (2) Restatement of previous year`s figures.

In transactions that led to the acquisition or loss of control of subsidiaries and other business units in the reporting period, remuneration of € -4 million (€ 0 million) was paid in the reporting period or € 0 million (€

107 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. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Financial assets at amortised cost	8	–	–	–
Investments accounted for using the equity method	–	–	3	–
Property and equipment	1	–	–	–
Assets held for sale	–	–	–	67
Total assets	**9**	**–**	**3**	**67**

Liabilities	Acquisition of control		Loss of control	
(in € million)	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Deferred income taxes	1	–	–	–
Equity	8	–	–	–
Total liabilities	**9**	**–**	**–**	**–**

Other Disclosures

Notes to Financial Instruments

(56) 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.2022					
(in € million)	Level 1	Level 2	Level 3	Total fair values	Carrying amount	Difference
Assets						
Cash reserve	2 464	–	–	2 464	2 464	–
Trading assets	1	5 921	1 719	7 641	7 641	–
Positive fair values from derivatives	–	2 892	120	3 012	3 012	–
Interest-rate risks	–	2 355	44	2 399	2 399	–
Currency risks	–	511	–	511	511	–
Share-price and other price risks	–	1	–	1	1	–
Credit derivatives	–	25	76	101	101	–
Debt securities and other fixed interest securities	–	882	–	882	882	–
Loans and advances	1	2 147	1 599	3 747	3 747	–
Financial assets mandatorily at fair value through profit or loss	306	163	253	722	722	–
Equity instruments	15	1	–	16	16	–
Debt securities and other fixed interest securities	291	162	–	453	453	–
Loans and advances	–	–	253	253	253	–
Financial assets at fair value through other comprehensive income	1 047	9 108	478	10 633	10 633	–
Debt securities and other fixed interest securities	1 047	9 108	37	10 192	10 192	–
Loans and advances	–	–	441	441	441	–
Financial assets at amortised cost	196	3 029	76 923	80 148	86 033	– 5 885
Debt securities and other fixed interest securities	22	3 029	–	3 051	3 175	– 124
Loans and advances	174	–	76 923	77 097	82 858	– 5 761
Positive fair values from hedge accounting derivatives	–	196	2	198	198	–
Positive fair values from allocated micro fair value hedge derivatives	–	190	2	192	192	–
Interest-rate risks	–	167	2	169	169	–
Currency risks	–	23	–	23	23	–
Positive fair values from allocated portfolio fair value hedge derivatives	–	6	–	6	6	–
Interest-rate risks	–	6	–	6	6	–
Balancing items for financial instruments hedged in in the portfolio fair value hedge	–	–	–	–[1]	– 227	227
Shares in companies	13	–	331	344	344	–
Other assets (only financial instruments) not recognised at fair value	–	–	17	17	17	–
Total	**4 027**	**18 417**	**79 723**	**102 167**	**107 825**	**– 5 658**

[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)	Level 1	Level 2	Level 3	Total fair values	Carrying amount	Difference
	31 Dec.2021					
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 comprehensive 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.

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.2022					
(in € million)	Level 1	Level 2	Level 3	Total fair values	Carrying amount	Difference
Liabilities						
Trading liabilities	–	3 270	19	3 289	3 289	–
Negative fair values from derivatives	–	3 250	19	3 269	3 269	–
Interest-rate risks	–	2 918	13	2 931	2 931	–
Currency risks	–	318	–	318	318	–
Share-price and other price risks	–	4	–	4	4	–
Credit derivatives	–	10	6	16	16	–
Delivery obligations from short-sales	–	20	–	20	20	–
Financial liabilities designated at fair value through profit or loss	496	1 717	2 202	4 415	4 481	– 66
Deposits	–	1 271	1 609	2 880	2 928	– 48
Securitised liabilities	496	446	593	1 535	1 553	– 18
Financial liabilities at amortised cost	1 425	28 430	58 784	88 639	93 342	– 4 703
Deposits	125	14 754	55 394	70 273	73 919	– 3 646
Securitised liabilities	1 300	13 676	3 390	18 366	19 423	– 1 057
Negative fair values from hedge accounting derivatives	–	436	2	438	438	–
Negative fair values from allocated micro fair value hedge derivatives	–	429	2	431	431	–
Interest-rate risks	–	325	2	327	327	–
Currency risks	–	104	–	104	104	–
Negative fair values from allocated portfolio fair value hedge derivatives	–	7	–	7	7	–
Interest-rate risks	–	7	–	7	7	–
Balancing items for financial instruments hedged in in the portfolio fair value hedge	–	–	–	–[1)]	– 1 298	1 298
Other liabilities (only financial instruments) measured at fair value	1	–	–	1	1	–
Total	**1 922**	**33 853**	**61 007**	**96 782**	**100 253**	**– 3 471**

[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)	Level 1	Level 2[2)]	Level 3[2)]	Summe Fair Values	Buchwert	Differenz
	31 Dec.2021					
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	2 198	2 883	5 586	5 645	– 59
Deposits	–	1 736	2 153	3 889	3 933	– 44
Securitised liabilities	505	462	730	1 697	1 712	– 15
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**	**40 552**	**63 758**	**106 201**	**104 629**	**1 572**

[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)] With regard to the previous year's figures, adjustments were made in accordance with IAS 8.42 due to the overstatement of fair values. In the item Financial liabilities designated at fair value through profit or loss, the deposits in Level 2 were restated by € -17 million and in Level 3 by € -27 million and the securitised liabilities in Level 2 by € -7 million and in Level 3 by € -8 million.

The transfers within the fair value hierarchy are summarised as follows:

2022 (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	–	–	–	145
Loans and advances	–	–	–	145
Financial assets at fair value through other comprehensive income	253	40	7	–
Equity instruments	–	–	–	–
Debt securities and other fixed interest securities	253	40	7	–
Loans and advances	–	–	–	–
Positive fair values from hedge accounting derivatives	–	–	1	–
Positive fair values from allocated micro fair value hedge derivatives	–	–	1	–
Interest-rate risks	–	–	1	–
Trading liabilities	–	–	7	–
Negative fair values from derivatives	–	–	7	–
Interest-rate risks	–	–	7	–
Designated financial liabilities at fair value through profit or loss	–	–	–	26
Deposits	–	–	–	24
Securitised liabilities	–	–	–	2
Negative fair values from hedge accounting derivatives	–	–	1	–
Negative fair values from allocated micro fair value hedge derivatives	–	–	1	–
Interest-rate risks	–	–	1	–

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 comprehensive 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

Most level transfers as at the reporting date compared with 31 December 2021 took place between Level 1 and Level 2. These transfers were 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)	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
1 Jan.	**9**	**2**	**–**	**1**	**108**	**95**	**2**	**63**	**2 188**	**2 124**
Effect in the income statement [1]	– 9	– 1	–	– 1	– 32	13	–	–	– 220	– 140
Addition through purchase or issue	44	8	–	–	–	–	–	31	1 767	1 971
Disposal from sale	–	–	–	–	–	–	2	92	1 989	1 770
Repayment/exercise	–	–	–	–	–	–	–	–	6	9
Addition from level 1 and 2	–	–	–	–	–	–	–	–	–	22
Disposal to level 1 and 2	–	–	–	–	–	–	–	–	145	30
Change from currency translation	–	–	–	–	–	–	–	–	4	20
31 Dec.	**44**	**9**	**–**	**–**	**76**	**108**	**–**	**2**	**1 599**	**2 188**
For information: Effect on income statement for financial instruments still held [1]	– 1	– 1	–	– 1	– 31	13	–	–	– 90	– 65

[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.

	Financial assets at fair value through profit or loss Loans and advances	
(in € million)	2022	2021
1 Jan.	**298**	**251**
Effect in the income statement [1]	– 12	240
Addition through purchase or issue	81	98
Repayment/exercise	114	291
31 Dec.	**253**	**298**
For information: Effect on income statement for financial instruments still held [1]	3	124

[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 other comprehensive income: Debt securities and other fixed interest securities 2022	2021	Loans and advances 2022	2021
1 Jan.	**31**	**163**	**872**	**1 058**
Effect in the income statement [1]	–	–	– 75	– 12
Effect in other comprehensive income (OCI)	– 1	1	–	– 29
Disposal from sale	–	23	–	–
Repayment/exercise	–	103	356	145
Addition from level 1 and 2	7	–	–	–
Disposal to level 1 and 2	–	9	–	–
Change from currency translation	–	2	–	–
31 Dec.	**37**	**31**	**441**	**872**
For information: Effect on income statement for financial instruments still held 1)	–	–	– 65	– 9

[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 provision, 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: Positive fair values from allocated micro fair value hedge derivatives 2022	2021
1 Jan.	**6**	**–**
Effect in the income statement [1]	**– 5**	**–**
Addition through purchase or issue	**–**	**6**
Addition from level 1 and 2	**1**	**–**
31 Dec.	**2**	**6**
For information: Effect on income statement for financial instruments still held [1]	– 5	–

[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 2022	2021
1 Jan.	324	312
Effect in the income statement [1]	6	21
Addition through purchase or issue	1	–
Disposal from sale	–	9
31 Dec.	**331**	**324**
For information: Effect on income statement for financial instruments still held [1]	6	21

[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 provision, 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.

(in € million)	Trading liabilities Negative fair values from derivatives interest-rate risks 2022	2021	Negative fair values from derivatives credit derivatives 2022	2021
1 Jan.	**29**	**123**	**–**	**29**
Effect on the income statement [1]	– 24	– 116	–	– 29
Addition through purchase or issue	1	22	6	–
Addition from level 1 and 2	7	–	–	–
31 Dec.	**13**	**29**	**6**	**–**
For information: Effect on income statement for financial instruments still held [1]	5	–	–	– 7

[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)	Designated financial liabilities at fair value through profit or loss Deposits 2022	2021[2]	Securitised liabilities 2022	2021[2]
1 Jan.	**2 153**	**2 144**	**730**	**725**
Effect in the income statement [1]	– 453	– 93	– 58	– 16
Effect in other comprehensive income (OCI)	– 137	28	– 1	16
Addition through purchase or issue	144	154	59	69
Repayment/exercise	74	82	135	63
Addition from level 1 and 2	–	13	–	–
Disposal to level 1 and 2	24	11	2	1
31 Dec.	**1 609**	**2 153**	**593**	**730**
For information: Effect on income statement for financial instruments still held [1]	– 453	– 93	– 57	– 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 and profit/loss from financial assets at fair value.
[2] With regard to the previous year's figures, adjustments were made in accordance with IAS 8.42 due to the overstatement of fair values. In the financial liabilities designated at fair value through profit or loss item, deposits in the opening balance sheet were adjusted by € -22 million and, in effect, in the income statement by € -5 million and in the securitised liabilities item in the opening balance sheet by € -3 million and in addition by € -5 million.

(in € million)	Negative fair values from hedge accounting derivatives Negative fair values from allocated micro fair value hedge derivatives 2022	2021
1 Jan.	**–**	**–**
Effect in the income statement [1]	1	–
Addition from level 1 and 2	1	–
31 Dec.	**2**	**–**
For information: Effect on income statement for financial instruments still held [1]	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 hedge accounting.

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.2022 (in € million)	Significant non-observable input data in the fair value measurement	Spread of the used input data	Weighted average
Interest-bearing bond (liabilities)	593	Discount rate	2,1 - 4,1%	3,6%
Participations	331	Discount rate	9,1 - 10,8%	9,2%
Loans (assets)	1 935	Rating	Rating Class (27er DSGV-Skala) 1-17	Averaged Rating 8
	22	Cashflow	-	-
	372	Discount rate	-0,3-2,4%	0,5%
Loans (liabilities)	1 597	Discount rate	2,8 - 4,8%	4,0%
	11	Hstorical volatilities	17%	17%
	67	Rating	Rating Class (27er DSGV-Skala) 1-27	Averaged Rating 12
	8	Rating	Rating Class (27er DSGV-Skala) 1-27	Averaged Rating 15
	44	Underlying	57-107	79
	1	Historical volatilities	17%	17%
Derivatives (liabilities)	19	Rating	Rating Class (27er DSGV-Skala) 7-14	Averaged Rating 11
	–	Underlying	-	-

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. 2022 (in € million)	Potential changes in fair value 31 Dec.2021 (in € million)
Interest-bearing bond (liabilities)	Discount rate	+/- 10 basis points	+/- 3	-/+3
Participations	Discount rate	+/- 50 basis points	-16; 17	-17;7
Loans (assets)	Rating	+/- 1 rating grade	-3; 2	-/+ 1
	Discount rate	+/- 10 per cent	-/+ 2	-/+ 10
	Cashflow	+/- 1 per cent	+/- 0,2	+/- 0,2
Loans (liabilities)	Discount rate	+/- 10 per cent	-/+ 27	-/+21
Derivatives (assets)	Rating	+/- 1 rating grade	31; -29	22; -19
	Underlying	+/- 1 per cent	+/- 0,4	+/- 0,1
	Correlation	+/- 5 per cent	-/+ 0,1	-/+ 0,3
Derivatives (liabilities)	Rating	+/- 1 rating grade	-1; 0,7	-0,5; 0,4

There are no relevant correlations between significant Level 3 input for the fair value measurement of Level 3 financial instruments. As a result, there was no impact on the fair value.

(57) Day-One Profits or Losses

Day-one profits or losses arising in the NORD/LB Group and their changes are presented below.

(in € million)	Financial liabilities designated at fair value through profit or loss 2022	2021
1 Jan.	**59**	**46**
New transactions day-one profits	13	16
Effect on the income statement	– 5	– 3
31 Dec.	**67**	**59**

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 activity 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.

(58) 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. 2022	in Stage 1	in Stage 2	in 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	Closing balance 31 Dec. 2022
Financial assets at fair value through other comprehensive income														
Stage 1														
Debt securities	1	2	–	–	–	–	2	–	–	–	–	–	–	1
	1	2	–	–	–	–	2	–	–	–	–	–	–	1
Stage 2														
Debt securities	5	– 2	–	–	1	–	–	–	1	–	–	–	–	3
	5	– 2	–	–	1	–	–	–	1	–	–	–	–	3
	6	**–**	**–**	**–**	**1**	**–**	**2**	**–**	**1**	**–**	**–**	**–**	**–**	**4**
Financial assets at amortised cost														
Stage 1														
Debt securities	1	–	–	–	–	–	–	–	–	–	–	–	–	1
Loans and advances	213	67	– 68	– 1	140	38	154	–	28	–	–	3	–	210
	214	67	– 68	– 1	140	38	154	–	28	–	–	3	–	211
Stage 2														
Debt securities	2	–	–	–	–	–	–	–	–	–	–	–	–	2
Loans and advances	282	– 67	68	– 8	133	15	179	–	68	–	–	27	–	203
	284	– 67	68	– 8	133	15	179	–	68	–	–	27	–	205
Stage 3														
Loans and advances	382	–	–	9	125	45	47	50	148	–	– 7	– 16	–	293
	382	–	–	9	125	45	47	50	148	–	– 7	– 16	–	293
	880	**–**	**–**	**–**	**398**	**98**	**380**	**50**	**244**	**–**	**– 7**	**14**	**–**	**709**
Total	**886**	**–**	**–**	**–**	**399**	**98**	**382**	**50**	**245**	**–**	**– 7**	**14**	**–**	**713**

(in € million)		Transfer			Addition loss allowances		Reversal/utilisation loss allowances			Other changes				
	Opening balance 1 Jan. 2022	in Stage 1	in Stage 2	in 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	Closing balance 31 Dec. 2022
Off-balance sheet liabilities														
Stage 1														
Loan commitments	5	–	–	–	1	6	4	–	3	–	–	–	–	5
Financial guarantees	1	–	–	–	–	1	1	–	–	–	–	–	–	1
Other off-balance-sheet liabilities	2	1	–	–	1	2	2	–	3	–	–	2	–	3
	8	1	–	–	2	9	7	–	6	–	–	2	–	9
Stage 2														
Loan commitments	3	– 1	–	–	11	1	1	–	7	–	–	– 1	–	5
Financial guarantees	3	–	–	–	2	1	1	–	2	–	–	–	–	3
Other off-balance-sheet liabilities	4	–	–	–	1	5	5	–	1	–	–	1	–	5
	10	– 1	–	–	14	7	7	–	10	–	–	–	–	13
Stage 3														
Loan commitments	4	–	–	–	1	4	5	–	2	–	–	–	–	2
Financial guarantees	4	–	–	–	11	–	–	–	2	–	–	–	–	13
Other off-balance-sheet liabilities	12	–	–	–	4	3	6	–	4	–	–	– 4	–	5
	20	–	–	–	16	7	11	–	8	–	–	– 4	–	20
Total	**38**	**–**	**–**	**–**	**32**	**23**	**25**	**–**	**24**	**–**	**–**	**– 2**	**–**	**42**

The decline in the loss allowances in the reporting period was primarily due to reversals recognised in profit or loss in the ship and aircraft financing portfolio.

From the total risk provisions as at 31 December 2022, a total of € 259 million was attributable to the management adjustment in connection with the war in Ukraine (MAU); the COVID-19 management adjustment (MAC-19) of € 362 million was completely reversed at the end of the year (see also Note (2) Management Adjustment). The portfolio changes are included in credit rating-related reversals and additions.

The total amount of undiscounted expected credit losses for impaired assets (POCI) added in the reporting year amounted to € 0 million (€ 0 million).

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. 2021	in Stage 1	in Stage 2	in 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	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)		Transfer			Addition loss allowances		Reversal/utilisation loss allowances			Other changes				
	Opening balance 1 Jan. 2021	in Stage 1	in Stage 2	in 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	Closing balance 31 Dec. 2021
Off-balance sheet liabilities														
Stage 1														
Loan commitments	7	1	–	–	–	4	4	–	3	–	–	–	–	5
Financial guarantees	2	1	–	–	–	1	3	–	–	–	–	–	–	1
Other 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
Other 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
Other 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 change in the gross carrying amounts during the reporting period for the 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. 2022	in Stage 1	in Stage 2	in 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. 2022
Financial assets at fair value through other comprehensive income												
Stage 1												
Debt securities	11 386	122	– 27	–	1 117	2 013	–	–	25	–	–	10 610
Loans and advances	842	–	–	–	6	375	–	–	–	–	–	473
	12 228	122	– 27	–	1 123	2 388	–	–	25	–	–	11 083
Stage 2												
Debt securities	206	– 122	27	–	2	17	–	–	–	–	–	96
	206	– 122	27	–	2	17	–	–	–	–	–	96
	12 434	–	–	–	1 125	2 405	–	–	25	–	–	11 179
Financial assets at amortised cost												
Stage 1												
Debt securities	3 394	31	– 41	–	732	1 161	–	–	51	–	–	3 006
Loans and advances	77 513	1 019	– 1 029	– 72	20 351	18 223	16	–	– 123	–	46	79 466
Cash reserve	6 930	–	–	–	2 682	7 178	–	–	– 14	–	44	2 464
	87 837	1 050	– 1 070	– 72	23 765	26 562	16	–	– 86	–	90	84 936
Stage 2												
Debt securities	201	– 31	41	–	7	57	–	–	10	–	–	171
Loans and advances	3 293	– 1 019	1 030	– 47	785	812	–	–	55	–	–	3 285
Cash reserve	–	–	–	–	–	–	–	–	–	–	–	–
	3 494	– 1 050	1 071	– 47	792	869	–	–	65	–	–	3 456
Stage 3												
Loans and advances	1 076	–	– 1	119	117	443	69	–	15	–	–	814
	1 076	–	– 1	119	117	443	69	–	15	–	–	814
POCI												
Loans and advances	–	–	–	–	1	–	–	–	–	–	–	1
	–	–	–	–	1	–	–	–	–	–	–	1
	92 407	–	–	–	24 675	27 874	85	–	– 6	–	90	89 207
Total	104 841	–	–	–	25 800	30 279	85	–	19	–	90	100 386

In the reporting year, financial assets with a gross total carrying amount of € 235 million (€ 187 million) were modified at the end of the year for which the contractual adjustment did not lead to derecognition and risk provisions were created based on lifetime expected credit loss. Financial assets with a gross carrying amount of € 160 million (€ 174 million), which were modified at stages 2 or 3 for which the contractual adjustment did not lead to derecognition, changed to stage 1 loss allowances in the reporting period.

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)		Transfer						Other changes				
	Opening balance 1 Jan. 2021	in Stage 1	in Stage 2	in 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

(59) Net Gains or Losses by Measurement Category

	1 Jan. - 31 Dec. 2022 (in € million)	1 Jan. - 31 Dec. 2021 (in € million)	Change (in %)
Trading profit/loss	– 1 115	– 272	> 100
Financial assets mandatorily at fair value through profit or loss	– 58	178	> 100
Designated financial instruments at fair value through profit or loss - Net result in the income statement	1 050	271	> 100
Designated financial instruments at fair value through profit or loss - Net result OCI	187	– 66	> 100
Financial assets at fair value through other comprehensive income - Net result in the income statement	– 7	– 2	> 100
Financial assets at fair value through other comprehensive income - Net result OCI	– 849	– 194	> 100
Financial assets at amortised cost	146	2	> 100
Financial liabilities at amortised cost	– 24	– 12	100
Total	**– 670**	**– 95**	**> 100**

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 in fair value measurement, risk provisions and the disposal result. Net result 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.

(60) 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.2022	Gross amount	Amount of the	**Net amount**	Master netting arrangements and other without balance sheet netting			**Net amount**
	before netting	balance sheet netting	**after netting**	Financial instru-ments	Collaterals		
(in € million)					Securi-ties collateral	Cash collateral	
Assets							
Offsetting of current accounts	3 047	342	**2 705**	–	–	–	**2 705**
Derivatives	16 473	13 268	**3 205**	1 215	–	1 350	**640**
Securities lending and repos	24	–	**24**	14	10	–	**–**
Liabilities							
Offsetting of current accounts	20 586	342	**20 244**	–	–	–	**20 244**
Derivatives	16 975	13 268	**3 707**	1 215	–	792	**1 700**
Securities lending and repos	791	–	**791**	14	772	2	**3**

31 Dec.2021 (in € million)	Gross amount before netting	Amount of the balance sheet netting	**Net amount after netting**	Master netting arrangements and other without balance sheet netting: Financial instruments	Collaterals: Securities collateral	Collaterals: Cash collateral	**Net amount**
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**

In the NORD/LB Group the netting of current accounts measured 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 see conditional rights to offset the receivables and liabilities recognised at amortised cost as well as the collateral provided and received mostly 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 instruments reported at fair value, receivables and liabilities recognised at amortised cost as well as collateral provided and received, mostly recognised at fair value, are offset in accordance with IAS 32.42.

(61) 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.2022 (in € million)	Full recognition of financial assets despite transfer		The transferee's right of recourse relates only to the respective transferred assets		
	Carrying amount of the assets	Carrying amount of the appropriate liabilities	Fair value of the assets	Fair value of the appropriate liabilities	Net position
Financial assets mandatorily at fair value through profit or loss	150	110	150	118	32
Debt securities and other fixed interest securities	150	110	150	118	32
Financial assets at fair value through other comprehensive income	1 097	1 036	1 097	1 054	43
Debt securities and other fixed interest securities	1 097	1 036	1 097	1 054	43
Financial assets at amortised cost	6 212	2 810	3 280	2 577	703
Debt securities and other fixed interest securities	1 190	771	1 112	768	344
Loans and advances	5 022	2 039	2 168	1 809	359
Total	**7 459**	**3 956**	**4 527**	**3 749**	**778**

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		
	Carrying amount of the assets	Carrying amount of the appropriate liabilities	Fair value of the assets	Fair value of the appropriate liabilities	Net position
Financial assets mandatorily 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**

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 still 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. In the case of securities collateral, the collateral provided may not be returned in the form of cash without the consent of the collateral provider.

(62) Derivative Financial Instruments

The NORD/LB Group uses derivative financial instruments to hedge assets and liabilities. In addition 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. 2022	31 Dec. 2021	Fair value positive 31 Dec. 2022	31 Dec. 2021	Fair value negative 31 Dec. 2022	31 Dec. 2021
Interest-rate risk						
OTC options	6 868	5 838	191	96	443	287
Other OTC derivatives	287 313	262 924	2 382	3 231	2 821	2 267
Other exchange-traded derivatives	59	98	–	–	–	–
	294 240	**268 860**	**2 573**	**3 327**	**3 264**	**2 554**
Currency risk						
OTC options	731	286	50	12	47	12
Other OTC derivatives	19 580	20 662	485	119	375	576
	20 311	**20 948**	**535**	**131**	**422**	**588**
Share price and other price risks						
Other OTC derivatives	33	34	1	2	4	1
	33	**34**	**1**	**2**	**4**	**1**
Credit derivatives risks						
Credit default swaps	3 231	3 527	101	164	16	5
	3 231	**3 527**	**101**	**164**	**16**	**5**
Total	**317 815**	**293 369**	**3 210**	**3 624**	**3 706**	**3 148**

(63) Hedging Instruments and Hedged Items in Effective Hedging Relationships

For basic information on hedge accounting in the NORD/LB Group, please refer to Note (12) 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. 2022	31 Dec. 2021	Fair value positive 31 Dec. 2022	31 Dec. 2021	Fair value negative 31 Dec. 2022	31 Dec. 2021	Change in fair value 31 Dec. 2022	31 Dec. 2021
Micro fair value hedges								
Interest rate swaps	18 740	20 483	168	466	327	895	588	163
Interest rate currency swaps	459	616	23	7	104	171	1	–
	19 199	**21 099**	**191**	**473**	**431**	**1 066**	**589**	**163**
Portfolio fair value hedges								
Interest rate swaps	19 192	18 841	6	–	7	33	– 1 251	– 205
	19 192	**18 841**	**6**	**–**	**7**	**33**	**– 1 251**	**– 205**
Total	**38 391**	**39 940**	**197**	**473**	**438**	**1 099**	**– 662**	**– 42**

The micro and portfolio fair value hedges used to hedge interest rate risk relate to the following underlying transactions:

	Carrying amount		of which: hedge adjustments		Change in value considered in effectiveness testing	
(in € million)	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Micro fair value hedges						
Financial assets at fair value through other comprehensive income	1 724	2 149	56	330	– 274	– 103
Financial assets at amortised cost	8 284	10 296	– 365	1 106	– 1 473	– 470
Financial liabilities at amortised cost	9 493	11 637	– 472	738	1 167	402
Portfolio fair value hedges						
Financial assets at fair value through other comprehensive income	1 062	1 132			– 53	– 3
Financial assets at amortised cost	3 112	3 150			– 535	– 115
Financial liabilities at amortised cost	9 888	12 394			1 849	290

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 (28) 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	Up to 3 months		More than 3 months to 1 year		More than 1 year to 5 years		More than 5 years		Total	
(in € million)	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Interest-rate risks	1 094	309	1 035	1 863	9 688	9 630	6 923	8 681	18 740	20 483
Currency risks	–	81	20	56	267	301	172	178	459	616
Total	**1 094**	**390**	**1 055**	**1 919**	**9 955**	**9 931**	**7 095**	**8 859**	**19 199**	**21 099**

The remaining term is defined as the time remaining from the reporting date to the contractual maturity date.

(64) Residual Maturities of Financial Liabilities

31 Dec.2022 (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	103	203	1 792	7 284	7 658	17 040
Derivatives	103	203	1 791	7 263	7 657	17 017
Delivery obligations from short-sales	–	–	1	21	1	23
Financial liabilities designated at fair value through profit or loss	17	65	698	1 068	5 497	7 345
Deposits	13	7	87	647	4 750	5 504
Securitised liabilities	4	58	611	421	747	1 841
Financial liabilities at amortised costs	28 650	4 422	9 256	29 193	28 603	100 124
Deposits	28 276	3 058	7 276	16 187	24 494	79 291
Securitised liabilities	374	1 364	1 980	13 006	4 109	20 833
Negative fair values from hedge accounting derivatives	36	48	286	1 225	743	2 338
Other liabilities (only financial intsruments)	1	–	–	–	–	1
Issued loan commitments	19 455	227	797	790	99	21 368
Issued financial guarantees	3 630	–	–	13	11	3 654
Total	**51 892**	**4 965**	**12 829**	**39 573**	**42 611**	**151 870**

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
Financial liabilities designated 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**

The residual term of the undiscounted financial obligations is defined as the time remaining from the reporting date to the contractual maturity date.

(65) The NORD/LB Group as Assignor and Assignee

The following assets have been transferred as collateral for commitments (carrying amounts):

	31 Dec.2022 (in € million)	31 Dec.2021 (in € million)	Change (in %)
Financial assets at fair value through profit or loss	150	180	– 17
Financial assets at fair value through other comprehensive income	1 104	979	13
Financial assets at amortised costs	45 424	49 152	– 8
Total	**46 678**	**50 311**	**– 7**

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 stock markets.

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 amounted to € 790 million (€ 697 million). Collateral is mainly provided in the form of cash and/or security papers.

For the following obligations assets have been transferred as collateral in the amount shown below:

	31 Dec.2022 (in € million)	31 Dec.2021 (in € million)	Change (in %)
Trading liabilities	1 763	1 848	– 5
Financial liabilities designated at fair value through profit or loss	496	547	– 9
Securitsed liabilities	13 263	14 854	– 11
Hedge accounting derivatives	334	830	– 60
Total	**15 856**	**18 079**	**– 12**
Contingent liabilities for which the mentioned assets as collateral were transferred	– 6	– 4	50

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 € 24 million (€ 19 million). In the reporting year, as well as in the previous year, no collateral 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 realised. The repayment obligation at current fair values amounts to € 20 million (€ 19 million).

With regard to collateralisation, repurchase and borrowing transactions are monitored on a daily basis through a valuation of the transactions. If a shortfall occurs that exceeds a contractually defined threshold value, the collateral taker may demand the collateral provider to provide additional security to increase the coverage amount. If the guarantor 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 a release of collateral from the collateral taker. The collateral provided is subject to title transfer, i.e. the entity receiving the collateral can act like the 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. When securities are provides, the return of the collateral in liquid assets is not permitted without consent from the collateral provider.

Other Notes

(66) 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 as defined in 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 section on "Significant events in the reporting year" in the economic report. The corresponding actual data is contained in Note (67) 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 a noticeable increase in new business activities in the reporting year, 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 regularly performs demand-oriented 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 owners 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 of individual equity ratios and/or measures to strengthen the total equity.

Equity management also forms the basis for planning and controlling of the 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 consisting of MREL figures in the numerator and either the total risk amount or the leverage ratio exposure, the so-called leverage ratio, in the denominator. 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.

Equity management requirements will remain diverse in the future due to the required response to new regulatory requirements and ongoing changes in the ECB's and/or SRB's individual minimum capital requirements, as well as the implementation of or support for special regulatory requirements (such as the EU-wide stress test for banks announced by the Banking supervisory authority for the first half of 2023).

(67) 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.2022 (in € million)	31 Dec.2021[1)] (in € million)
Total risk exposure amount	**40 142**	**37 528**
Capital requirements for credit risk	2 846	2 610
Capital requirements for operational risks	196	227
Capital requirements for market risks	125	115
Capital requirements for loan amount adjustments	43	40
Other or transitional capital requirements	–	10
Capital requirements	**3 211**	**3 002**

[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.2022 (in € million)	31 Dec.2021[1)] (in € million)
Paid-up capital including premium	5 716	5 662
Retained earnings	1 224	1 251
Accumulated OCI	– 851	– 895
Regulatory adjustments	– 193	– 18
Common Equity Tier 1 intstruments based on grandfathering	–	10
– Deductible items (from CET 1 capital)	– 213	– 221
Common Equity Tier 1 capital	**5 684**	**5 788**
Paid-in instruments of additional Tier 1 capital	50	50
Additional Tier 1 capital	**50**	**50**
Tier 1 capital	**5 734**	**5 838**
Paid-up instruments of Tier 2 capital	1 161	1 436
Other components of Tier 2 capital	189	172
– Deductible items (from Tier 2 capital)	– 10	– 10
Tier 2 capital	**1 340**	**1 598**
Own funds	**7 074**	**7 436**

[1)] The previous year's figures were adjusted slightly due to corrections.

	31 Dec.2022 (in %)	31 Dec.2021[1)] (in %)
Common Equity Tier 1 capital ratio	14.16%	15.42%
Tier 1 capital ratio	14.28%	15.56%
Total capital ratio	17.62%	19.81%

[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.

(68) Foreign Currency Volume

As at 31 December 2022 and 31 December 2021, the NORD/LB Group held the following financial assets and liabilities in foreign currencies:

(in € million)	USD	GBP	JPY	Other	Total 31 Dec. 2022	Total 31 Dec. 2021
Assets						
Cash reserve	342	27	–	–	369	423
Trading assets	4 709	1 145	188	1 797	7 839	8 757
Financial assets at fair value through profit or loss	6	44	–	1	51	71
Financial assets at fair value through other comprehensive income	393	61	–	71	525	572
Financial assets at amortised costs	6 622	3 512	225	831	11 190	11 118
Positive fair values from hedge accounting derivatives	–	5	–	–	5	12
Balancing items for financial instruments hedged in portfolio fair value hedges	– 34	–	–	–	– 34	19
Shares in companies - not accounted for using the equity method	–	–	–	3	3	3
Tangible assets	2	–	–	1	3	3
Intangible assets	–	–	–	–	–	1
Income tax assets	14	– 1	–	–	13	29
Other assets	9	4	–	1	14	87
Total	**12 063**	**4 797**	**413**	**2 705**	**19 978**	**21 095**
Liabilities						
Trading liabilities	7 559	4 384	312	2 153	14 408	14 926
Financial liabilities designated at fair value through profit or loss	14	–	–	–	14	16
Financial liabilities at amortised costs	4 052	300	52	312	4 716	5 907
Negative fair values from hedge accounting derivatives	286	239	37	67	629	1 068
Balancing items for financial instruments hedged in portfolio fair value hedges	– 16	–	–	–	– 16	6
Provisions	18	1	–	–	19	10
Income tax liabilities	4	– 1	–	–	3	4
Other liabilities	39	16	1	6	62	102
Total	**11 956**	**4 939**	**402**	**2 538**	**19 835**	**22 039**

Existing exchange rate risks are eliminated by concluding countertrades with matching maturities.

(69) 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.2022 (in € million)	31 Dec.2021[1)] (in € million)	Change (in %)
Assets			
Trading assets	4 123	3 447	20
Derivatives	2 948	2 918	1
Loans and advances	1 175	529	> 100
Financial assets at fair value through profit or loss	559	755	– 26
Equity instruments	–	1	– 100
Debt securities and other fixed interest securities	392	506	– 23
Loans and advances	167	248	– 33
Financial assets at fair value through other comprehensive income	8 818	11 291	– 22
Debt securities and other fixed interest securities	8 432	10 794	– 22
Loans and advances	386	497	– 22
Financial assets at amortised costs	68 146	67 024	2
Debt securities and other fixed interest securities	3 021	3 473	– 13
Loans and advances	65 125	63 551	2
Positive fair values from hedge accounting derivatives	181	420	– 57
Balancing items for financial instruments hedged in portfolio fair value hedges	– 221	283	> 100
Total	**81 606**	**83 220**	**– 2**
Liabilities			
Trading liabilities	3 208	1 688	90
Derivatives	3 208	1 688	90
Financial liabilities designated at fair value through profit or loss	3 757	5 417	– 31
Deposits	2 865	3 880	– 26
Securitised liabilities	892	1 537	– 42
Financial liabilities at amortised costs	51 963	55 474	– 6
Deposits	36 124	37 949	– 5
Securitised liabilities	15 839	17 525	– 10
Negative fair values from hedge accounting derivatives	408	1 022	– 60
Balancing items for financial instruments hedged in portfolio fair value hedges	– 1 289	514	> 100
Provisions	1	1	–
Total	**58 048**	**64 116**	**– 9**

1) With regard to the previous year's figures, adjustments were made in accordance with IAS 8.42 due to unrecognised adjustment items for financial instruments hedged in portfolio fair value hedges. This item was adjusted by € 283 million on the assets side and by € 514 million on the liabilities side.

(70) Leasing Relationships

NORD/LB as lessee

In the reporting year, the NORD/LB Group primarily rented real estate 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 term of ten years (remaining term seven years) at the Hannover site.

The 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.2022	1 Jan. - 31 Dec.2021	Change	Item in profit or loss
Interest expense on lease liabilities	– 1	– 1	–	Interest expenses from liabilities
Expense relating to short-term leases	–	– 1	– 100	Administrative expenses
Expense relating to leases of low-value assets	– 1	– 3	– 67	Administrative expenses

Cash outflows for leases in the reporting period amounted to € 16 million (€ 36 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 2022, there were extension and termination options in the amount of € 0 million (€ 1 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 (43) 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.2022	31 Dec.2021	1 Jan. - 31 Dec.2022
Real estate	69	51	– 15
Vehicles	–	–	–
Hardware	9	12	– 3

There are no residual terms of financial obligations from leases (time remaining from the reporting date to the contractual maturity date).

NORD/LB as lessor – Operating lease

In the 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. These lease contracts are individually designed with extension options. Leases contracts for residential properties are unlimited.

Lease income from operating leases is recognised in Other Operating Income.

	31 Dec.2022 (in € million)	31 Dec.2021 (in € million)	Change (in %)
Lease income from Investment Property	11	11	–

The following table shows the total undiscounted future lease payments from operating leases to which the Group is entitled:

	31 Dec.2022 (in € million)	31 Dec.2021 (in € million)	Change (in %)
Future lease payments up to 1 year	7	6	17
Future lease payments more than 1 year up to 2 years	10	7	43
Future lease payments more than 2 years up to 3 years	9	7	29
Future lease payments more than 3 years up to 4 years	8	7	14
Future lease payments more than 4 years up to 5 years	7	7	–
Future lease payments more than 5 years	235	238	– 1
Total undiscounted, future lease payments	**276**	**272**	**1**

NORD/LB as lessor – Financial lease

Contracts for financial leases mainly relate to 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. The 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 finance lease agreements in the amount of € 1 million (€ 0 million) was recognised in net interest income. The carrying amount of the net asset in finance leases in the amount of € 25 million (€ 22 million) remaind largely unchanged compared to previous year.

The following table shows the reconciliation of undiscounted, future lease payments to the net asset in the Group's financial lease contracts:

	31 Dec.2022 (in € million)	31 Dec.2021 (in € million)	Change (in %)
Future lease payments up to 1 year	2	2	–
Future lease payments more than 1 year up to 2 years	3	2	50
Future lease payments more than 2 years up to 3 years	1	–	–
Future lease payments more than 3 years up to 4 years	1	–	–
Future lease payments more than 5 years	21	29	– 28
Total undiscounted, future lease payments	**28**	**33**	**– 15**
Less financial income not yet realised	– 4	– 12	– 67
Plus discounted, unguaranteed residual values	1	1	–
Net investment in finance leases	**25**	**22**	**14**

(71) Contingent Liabilities and Other Obligations

	31 Dec.2022 (in € million)	31 Dec.2021 (in € million)	Change (in %)
Contingent liabilities			
Liabilities from guarantees and other indemnity agreements	4 072	3 650	12
Other contingent liabilities	93	76	22
	4 165	**3 726**	**12**
Other obligations			
Irrevocable credit commitments	11 990	8 791	36
Total	**16 155**	**12 517**	**29**

Liabilities from guarantees and indemnity agreements include loan guarantees, trade-related guarantees and contingent liabilities from other guarantees and indemnity agreements.

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.

(72) Other Financial Obligations

NORD/LB is obliged to make contributions to the restructuring fund for banks (bank levy). In the past, the Bank has made use of the option to make part of the fixed annual contribution as an irrevocable payment obligation. These payment obligations covered by cash collateral totalled € 49 million (€ 39 million) as at the reporting date.

As a member of the Bank-related hedging reserve of the Landesbanken, which is part of the S-Finanzgruppe hedging system, NORD/LB is commited to pay annual contributions. In the past, the Bank provided part of the fixed annual contributions as an irrevocable payment obligation. These payment obligations totalled € 44 million (€ 37 million) as at the reporting date and were covered by cash collateral. In addition to the contributions already made, there are additional contribution obligations in the estimated amount of € 49 million (€ 109 million). If a support case arises, the additional funds can be claimed immediately.

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 obligation for old liabilities incurred 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, acts as the guarantor for LBS Norddeutsche Landesbausparkasse Berlin-Hannover.

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 is no longer engaged in 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.

At year-end, there were payment obligations for shares and other interests in the amount of € 5 million (€ 5 million).

As part of normal business activities, NORD/LB provided collateral in the form of securities in the nominal value of € 36 million (€ 41 million).

NORD/LB concluded a securitisation transaction for the purpose of offsetting regulatory equity. This related to the securitisation of a loan portfolio with a volume of € 3.3 billion as at 31 December 2022. The mezzanine tranche in the amount of € 211 million (€ 211 million) is hedged against default risks by 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. According to current planning, the expected fees to be incurred in the future amount to € 21 million.

Based on the measures agreed in the basic agreement to strengthen capital, NORD/LB concluded guarantee contracts with the State of Lower Saxony in 2019 to hedge loss risks and free up regulatory capital. A fixed guarantee commission is contractually agreed for each of the two remaining guarantees, to be paid in fixed quarterly instalments. The outstanding guarantee fee as at 31. December 2022 for the ship financing subportfolio amounts to € 30 million. For the reference portfolio from the Special Financing segment it amounts to € 4 million.

NORD/LB has concluded service agreements. All contracts concluded by the Bank in this form are within the scope of normal business practice. The resulting other financial obligations are not relevant either individually or collectively for the assessment of the Bank's financial position.

Companies and Persons with Group Connections

(73) Number of Employees

The average number of employees in the NORD/LB Group during the reporting period is distributed as follows:

	Male 1 Jan. - 31 Dec. 2022	Male 1 Jan. - 31 Dec. 2021	Female 1 Jan. - 31 Dec. 2022	Female 1 Jan. - 31 Dec. 2021	Total 1 Jan. - 31 Dec. 2022	Total 1 Jan. - 31 Dec. 2021
NORD/LB	1 898	1 976	1 947	2 000	3 845	3 976
NORD/LB Luxembourg S.A. Covered Bond Bank	98	102	32	32	130	134
KreditServices Nord GmbH	43	50	117	157	160	207
Other	52	62	41	47	93	109
Group	**2 091**	**2 190**	**2 137**	**2 236**	**4 228**	**4 426**

(74) Disclosures of Interests in Other Entities

Consolidated Subsidiaries

Of the 21 (18) 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 as at 31 December 2022 and 31 December 2021. 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 protective 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, as well as 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 (65) The NORD/LB Group as collateral provider and collateral taker. 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 (52) Provisions.

As presented in Note (7) Consolidation principles, 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 (five) associates included in the consolidated financial statements and zero (one) joint ventures, one (one) associate and zero (zero) joint ventures are of significant importance to the Group due to the proportionate result and the proportionate overall result. As the entity is classified as for sale under IFRS 5, the disclosure of the combined financial information has been waived due to an exemption.

Summarised financial information on the associates considered individually insignificant can be found in the following table:

	31 Dec.2022 (in € million)	31 Dec.2021 (in € million)
Carrying amount of the shares of non-significant associated companies	56	64
NORD/LB Group's share in		
Profit/loss from continuing operations	5	– 4
Comprehensive income	**5**	**– 4**

Summarised financial information on the joint ventures considered individually insignificant can be found in the following table:

	31 Dec.2022 (in € million)	31 Dec.2021 (in € million)
Carrying amount of the shares of non-significant joint ventures	–	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 from paying cash dividends to the Group or repaying loans granted by the Group. There were no such restrictions as at the reporting date.

The NORD/LB Group's share of the losses of an associate exceeds the carrying amount of this company. Thus for the first time in this reporting year, the NORD/LB Group no longer recognises any further share of losses. The unstated portion of the associate's loss amounted to € 15 million (€ 0 million).

Contingent liabilities and other obligations to associates amounted to € 64 million (€ 61 million) as at the reporting date.

Non-consolidated 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.

Securitization companies

Securitization companies 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 securitization vehicles finance these purchases by issuing various tranches of debt and equity securities, which are repaid depending on the performance of the vehicles' assets. The Group may transfer assets either synthetically or in fact to the securitization vehicles and provide cash in the form of financing.

Leasing Property Companies

The NORD/LB Group acts as a lender to companies that are established usually by well-known leasing companies solely for acquiring or developing diverse commercial properties. The financing is secured by the financed building. Leasing property companies are typically managed in the legal form of a GmbH & Co. KG. Due to existing contractual agreements, they are often managed by the respective leasing company. Financing of leasing companies also takes place in the area of project financing and in the context 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 companies. 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
- (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 would 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 have 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.2022 (in € million)	Securitisation companies (lender)	Securitisation companies (investor)	Leasing companies	Property and project finance	**Total**
Size of the non-consolidated structured company	20	2 832	10 078	20	**12 950**
Trading assets	–	–	27	–	**27**
Financial assets at fair value through profit or loss	–	90	–	5	**95**
Financial assets at amortised costs	11	4	472	5	**492**
Assets reported in the balance sheet of the Nord/LB Group	**11**	**94**	**499**	**10**	**614**
Trading liabilities	–	–	1	–	**1**
Financial liabilities at amortised costs	–	–	3	–	**3**
Liabilities reported in the balance sheet of the Nord/LB Group	**–**	**–**	**4**	**–**	**4**
Off-balance-sheet positions	–	1	9	–	**10**
Maximum risk of loss	11	96	538	10	**655**
Losses incurred during the reporting period	–	3	–	–	**3**

31 Dec.2021 (in € million)	Securiti-sation compa-nies (lender)[1]	Securiti-sation compa-nies (investor)	Leasing compa-nies[1]	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	223	113	622	11	**969**
Losses incurred during the reporting period	9	–	12	–	**21**

[1] The previous year's figure for the maximum loss risk of the non-consolidated companies (securitisation companies (lenders) property lease companies) was adjusted in accordance with IAS 8.42 due to incorrect processing, see Note (4) Restatement of previous year's figures. This led to a change in disclosure from € 491 million to € 223 million (securitisation companies (lenders)) and from € 675 million to € 622 million (property leasing companies).

During the reporting year, the NORD/LB Group did not provide any non-consolidated structured entities with any contractual support.

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. NORD/LB is the originator of the structured entity).

NORD/LB sponsors various securitisation companies in which it was involved or is the originator.

Default risks from loan receivables in the amount of € 13 million (€ 3 million) were transferred to these in the 2022 financial year by means of a financial guarantee or within the scope of syndicate agreements (see Note (72) Other financial obligations).

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 (Previous year: € 0 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 2022 and 2021 is shown in the following tables:

31 Dec.2022 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Trading assets	**353**	**–**	**–**	**111**	**–**	**1**
Derivatives	226	–	–	111	–	1
Debt securities and other fixed interest securities	29	–	–	–	–	–
Loans and advances	98	–	–	–	–	–
Financial assets mandatorily at fair value through profit or loss	**–**	**1**	**–**	**–**	**–**	**–**
Equity instruments	–	1	–	–	–	–
Financial assets at fair value through other comprehensive income	**825**	**–**	**–**	**–**	**–**	**–**
Debt securities and other fixed interest securities	800	–	–	–	–	–
Loans and advances	25	–	–	–	–	–
Financial assets measured at amortised cost	**1 243**	**6**	**–**	**278**	**2**	**50**
Loans and advances	1 243	6	–	278	2	50
Hedge accounting derivatives	**5**	**–**	**–**	**–**	**–**	**–**
Other assets	**91**	**–**	**–**	**–**	**–**	**–**
Total	**2 517**	**7**	**–**	**389**	**2**	**51**

31 Dec.2022 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Trading liabilities	**3**	**–**	**–**	**6**	**–**	**–**
Derivatives	3	–	–	6	–	–
Financial liabilities designated at fair value through profit or loss	**30**	**–**	**–**	**–**	**–**	**33**
Deposits	30	–	–	–	–	33
Financial liabilities at amortised costs	**459**	**48**	**–**	**312**	**1**	**262**
Deposits	459	21	–	312	1	262
Other financial liabilities	–	27	–	–	–	–
Hedge accounting derivatives	–	–	–	–	–	–
Other liabilities	**–**	**–**	**–**	**–**	**–**	**–**
Total	**492**	**48**	**–**	**318**	**1**	**295**
Guarantees and securities received	50	–	–	–	–	–
Guarantees and securities granted	–	–	–	1	–	19

1 Jan. - 31 Dec.2022 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest income	43	–	–	10	–	1
Interest expense	– 18	–	–	– 6	–	– 4
Commission income	4	2	–	–	–	–
Commission expenses	– 47	–	–	–	–	–
Other income/expense	33	–	–	36	– 7	12
Total	**15**	**2**	**–**	**40**	**– 7**	**9**

31 Dec.2021 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Trading assets	**213**	**–**	**–**	**80**	**–**	**11**
Derivatives	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 measured at amortised cost	**1 596**	**–**	**–**	**376**	**2**	**44**
Loans and advances	1 596	–	–	376	2	44
Hedge accounting derivatives	–	–	–	–	–	–
Other assets	**91**	**3**	**–**	**–**	**–**	**–**
Total	**2 777**	**11**	**–**	**456**	**2**	**55**

31 Dec.2021 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Trading liabilities	**66**	**–**	**–**	**16**	**–**	**–**
Derivatives	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 derivatives	7	–	–	–	–	–
Other liabilities	**–**	**1**	**–**	**–**	**–**	**–**
Total	**383**	**50**	**5**	**264**	**3**	**280**
Guarantees and securities received	50	–	–	–	–	–
Guarantees and securities granted	–	–	–	2	–	2

1 Jan. - 31 Dec.2021 (in € million)	Companies with significant influence	Subsidiaries	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**

With regard to the recapitalisation of NORD/LB and assumption of guarantees by the State of Lower Saxony, please refer to Note (3) Change in the guarantee portfolio in connection with the guarantee contracts of the State of Lower Saxony.

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.

	2022 (in € million)	2021 (in € million)
Assets		
Trading assets	465	304
Financial assets at amortised costs	1 822	2 245
Other assets	972	1 006
Total	**3 259**	**3 555**
Liabilities		
Trading liabilities	9	121
Financial liabilities at amortised costs	1 082	858
Other liabilities	75	89
Total	**1 166**	**1 068**
Guarantees and sureties received	50	60
Guarantees and sureties granted	34	4

The remuneration of persons in key positions is made up as follows:

	2022 (in € million)	2021 (in € million)
Employment-related payments due in the short term	6	5
Post-employment payments	–	1
Other long-term benefits	1	–
Total remuneration	**7**	**6**

The total remuneration and loans of the executive bodies in accordance with commercial law are presented in Note (76) Remuneration of and loans to govering bodies.

(76) Remuneration of and Loans to Govering Bodies

	1 Jan. - 31 Dec. 2022 (in € million)	1 Jan. - 31 Dec. 2021 (in € million)
Total emoluments paid to active members of governing bodies		
Managing Board	4	4
Total emoluments paid to former members of governing bodies and their dependants		
Managing Board	5	7

The total remuneration of active members of the Supervisory Board amounted to € 466,000 (€ 350,000).

In the reporting year, remuneration of € 446,000 (€ 0,000) was granted, which depends on contingent future circumstances and whose commitment was made in 2021 and 2022. Commitments of € 165,000 (€ 586,000) were made in 2022 for remuneration to members of the Managing Board, which will depend on contingent future circumstances.

No advances or loans were granted to the members of the Managing Board in the reporting year (previous year € 365 thousand). The advances and loans granted to the members of the Supervisory Board amounted to € 102 thousand (€ 130 thousand). Of the advances and loans granted to members of the Managing Board and Supervisory Board, € 365,000 (€ 20,000) and € 37,000 (€ 41,000) 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 € 100 million (€ 137 million).

(77) Group Auditor's Fees

(in € million)	1 Jan. - 31 Dec. 2022 (in € million)	1 Jan. - 31 Dec. 2021 (in € million)
Group auditor's fees for		
The statutory audit	9	10
Other audit-related services	0[1)]	0[1)]
Other services	0[1)]	0[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 2022 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 Bruchtorwall GmbH & Co. KG, Bremen	–	100.00
BGG Hansa-Haus GmbH & Co. KG, Bremen	–	100.00
BGG Katharina GmbH & Co. KG , Bremen	–	100.00
BGG Rathausmarkt GmbH & Co. KG, Bremen	–	100.00
BLB Immobilien GmbH, Bremen [3)]	–	100.00
caplantic GmbH, Hannover	–	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 Norddeutsche Landesbank Girozentrale Hannover/Braunschweig 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		
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			
finpair GmbH, Hannover	100.00	1 431	269
NBN Grundstücks- und Verwaltungs-GmbH, Hannover	100.00	1 629	– 354
NBN Norddeutsche Beteiligungsgesellschaft für Immobilien in Niedersachsen mbH, Hannover	90.00	2 674	– 4
NORDLB SICAV-RAIF S.C.Sp., Luxemburg [4]	99.01	n/a	n/a
SGK Servicegesellschaft Kreditmanagement mbH, Hannover	100.00	2 994	813
Skandifinanz AG, Zürich / Schweiz	100.00	2 576	– 50
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	50.00	2 300	284
Bürgschaftsbank Mecklenburg-Vorpommern GmbH, Schwerin	21.09	17 352	267
Bürgschaftsbank Sachsen-Anhalt GmbH, Magdeburg	20.44	17 000	423
CG-Terrassen GmbH & Co. KG, Göttingen	50.00	4 242	– 147
FinTech Fonds GmbH & Co. KG, Köln	39.60	8 758	2 501
Fire Support (SSFR) Holdings Limited, Maidenhead Berkshire, Großbritannien [5]	15.00	– 8 591	681
Gewobau Gesellschaft für Wohnungsbau, Vechta, mbH, Vechta	20.46	14 406	283
LUNI Productions GmbH & Co. KG, Pöcking	24.29	– 115 610	– 412
Marktcarré Grundbesitz-GmbH, Oldenburg	25.00	2 726	263
Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH, Schwerin	26.00	19 341	1 379
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mit beschränkter Haftung, Hannover	39.82	16 427	1 330
NBV Beteiligungs-GmbH, Hannover	42.66	11 996	735
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	
BGG Geo10 GmbH & Co. KG, Bremen	100.00
BGG Geo8 GmbH & Co. KG, Bremen	100.00
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
caplantic GP S.a.r.l., Luxemburg	100.00
Caplantic Private Equity GmbH, Köln	100.00
Caplantic Service GmbH, Hannover	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

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
Linovo Productions GmbH & Co. KG i.L., Pöcking	45.17
NORD KB Beteiligungsgesellschaft mit beschränkter Haftung, Hannover	28.66
PPP Services (North Ayrshire) Holdings Limited, Edinburgh / Großbritannien	20.00

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] The data was available as at 31 December 2018.
[5] The data was available as at 31 December 2020.
Unless otherwise noted, the data was available as at 31 December 2021.

(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.

Hanover / Braunschweig / Magdeburg, 21 March 2023

Norddeutsche Landesbank Girozentrale

The Managing Board

Frischholz Dieng Schulz

Seidel Spletter-Weiß

Statement and Audit

Audit Opinion of the independent Group Auditor

To Norddeutsche Landesbank – Girozentrale -, Hanover, Braunschweig and Magdeburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Norddeutsche Landesbank - Girozentrale -, Hannover, Magdeburg, Braunschweig, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, 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 2022.

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 [Handelsgesetzbuch: 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 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, 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 2022. 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

Our presentation of these key audit matters has been structured in each case 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 € 70.0 billion (64,0 % 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 € 748 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 € 313 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 current macroeconomic conditions 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 financial situation 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 current macroeconomic conditions on the financial 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 (13) “Risk Provisioning” and note (58) “Risk Provisions and Gross Carrying Amount” of the notes 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 € 435 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 war in the Ukraine 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 € 259 million in the risk provisioning for loans and advances for certain sub-segments. The management adjustment existing in the previous year to cover risks from the Corona pandemic was completely dissolved in the reporting year due to the further easing of the pandemic situation. 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 war in the Ukraine, 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) “Management Adjustment”, note (13) “Risk Provisioning” and note (58) “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 As at 31 December 2022, there are two guarantee agreements between the Company and the State of Lower Saxony under which the State assumes loss risks from a loan portfolio with ship financing and aircraft financing respectively. 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 guarantee contracts as of 31 December 2022 amount to € 77 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 2022 amounted to € 48 million. The fair value of the gua rantee 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) “Change in the Guarantee Portfolio in Connection with the Guarantee Contracts of the State of Lower Saxony” and Note (24) “Net Commission 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 to comply with §§ 289b to 289e HGB and with §§ 315b to 315c 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 opinions.
- 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, actions taken to eliminate threats or safeguards applied.

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-2022-12-31-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 2022 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 (06.2022)) 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 27 April 2022. We were engaged by the supervisory board on 2 August 2022. We have been the group auditor of the Norddeutsche Landesbank - Girozentrale -, Hannover, Magdeburg, Braunschweig, 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 filed in the company register – 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.

Hanover, 24 March 2023
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Gero Martens Wirtschaftsprüfer German Public Auditor)	ppa. Mirko Braun Wirtschaftsprüfer (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, 21 March 2023
Norddeutsche Landesbank Girozentrale

The Managing Board

Frischholz Dieng Schulz

Seidel Spletter-Weiß

Further Information

Country-by-Country-Reporting in accordance with §26a of the German Banking Act as at 31 December 2022

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	3 882	1 271	368	– 25	–
China	6	-1	– 4	–	–
Great Britain	79	91	58	-13	–
Luxembourg	130	-249	-298	46	–
Singapore	62	31	15	-2	–
USA	69	80	65	-21	–

	Type of activity	Country	Location
BGG Bruchtorwall GmbH & Co. KG	Other company	Germany	Bremen
BGG Hansa-Haus GmbH & Co. KG	Other company	Germany	Bremen
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
caplantic GmbH	Financial services institution	Germany	Hanover
DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Provider of ancillary service	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
Unterstützungskasse Norddeutsche Landesbank Girozentrale Hannover/Braunschweig	Other company	Germany	Hanover

The average return on investment is 0.08 per cent. This resulted from the profit after tax and the total assets of the IFRS consolidated financial statements as at 31 December 2022.

Comments to Corporate Governance Report

The German Corporate Governance Code is a set of key legal regulations for managing and monitoring German listed companies and contains internationally and nationally recognised standards of good and responsible corporate governance in the form of recommendations and suggestions. The Code aims to make the dual German corporate governance system transparent and comprehensible. It aims to promote the confidence of investors, customers, the workforce and the public in the management and monitoring of German listed companies.

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. These can be recognised in terms such as "expect", "intend", "plan", "endeavour" and "estimate" and are based on our current plans and estimations. The 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 2022)

Established

Merger to form Norddeutsche Landesbank Girozentrale on 1 July 1970

Predecessor institutions

Niedersächsische Landesbank – Girozentrale – (established in 1917)
Herzogliches Leyhaus (founded in 1765) (from which Braunschweigische Staatsbank emerged in 1919)

Hannoversche Landeskreditanstalt (founded in 1840)
Niedersächsische Wohnungskreditanstalt Stadtschaft (founded in 1918)

Legal basis

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 entered into force on 10 December 2019.

Articles of association of Norddeutsche Landesbank Girozentrale in accordance with the resolution of the Owners' Meeting of 19 December 2022. These Articles of Association entered into force on 31 December 2022.

Legal form

Public-law institution with legal capacity

Ownership

State of Lower Saxony
Niedersachsen Invest GmbH
Hannoversche Beteiligungsgesellschaft GmbH
Niedersächsischer Sparkassen- und Giroverband
State of Saxony-Anhalt
Sparkassenbeteiligungsverband Sachsen-Anhalt
Sparkassenbeteiligungszweckverband Mecklenburg-Vorpommern
FIDES Gamma GmbH
FIDES Delta GmbH

Bodies

Managing Board
Supervisory Board
Owners' Meeting

Supervision

State of Lower Saxony by the Minister of Finance of Lower Saxony in consultation with the Ministry of Finance of the State of Saxony-Anhalt

Managing Board

Jörg Frischholz (Chairman)
(Chief Executive Officer)

Christoph Dieng
(Chief Risk Officer)

Christoph Schulz
(Chief Clients/Products Officer)

Olof Seidel
(Chief Financial Officer/Chief Operating Officer)

Ingrid Spletter-Weiß
(Chief Clients/Products Officer)

General Representative

Carsten Hünken

Bank Headquarters

Hannover (head office)
Friedrichswall 10
30159 Hanover

Braunschweig
Friedrich-Wilhelm-Platz
38100 Braunschweig

Magdeburg
Breiter Weg 7
39104 Magdeburg

Promotional banks

Investitionsbank Sachsen-Anhalt
Domplatz 12
39104 Magdeburg

Landesförderinstitut Mecklenburg-Vorpommern
Werkstrasse 213
19061 Schwerin

Branches

Hannover branch
Georgsplatz 1
30159 Hanover

Bremen branch
Domshof 26
28195 Bremen

Düsseldorf branch
Königsallee 63–65
40215 Düsseldorf

Hamburg branch
Brodschrangen 4
20457 Hamburg

Munich Branch
Maximiliansplatz 14
80333 Munich

Oldenburg branch
Markt 12
26122 Oldenburg

Schwerin branch
Graf-Schack-Allee 10A
19053 Schwerin

Subsidiaries abroad (alphabetical)

NORD/LB London
One Wood Street
EC2V 7WT London
United Kingdom

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 can be found on the NORD/LB homepage: www.nordlb.de/die-nordlb/investor-relations/gremien-und-organe/)

Chairman

Gerald Heere
Minister
Ministry of Finance of Lower Saxony

1st Deputy Chairman

Herbert Hans Grüntker
FIDES Delta GmbH

2nd Deputy Chairman

Thomas Mang
President
Sparkassenverband Niedersachsen

Members

Bernd Brummermann
CEO
OstseeSparkasse Rostock

Edda Döpke
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Frank Doods
Secretary of State
Lower Saxony Ministry for the Environment, Transport, construction and digitalisation

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 Saxony-Anhalt

Jörg Walde
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Matthias Wargers
FIDES Gamma GmbH

Owners' Meeting

Chairman

Gerald Heere
Minister
Ministry of Finance of Lower Saxony

1st Deputy Chairman

Helmuth Schleweis
President
Deutscher Sparkassen- und Giroverband

2nd Deputy Chairman

Thomas Mang
President
Sparkassenverband Niedersachsen

State of Lower Saxony

Ulrich Böckmann
Ministerial Council
Ministry of Finance of Lower Saxony

Dr Anne Deter
Ministerial Director
Ministry of Finance of Lower Saxony

Birgit Diers
Ministerial Councillor
Ministry of Finance of Lower Saxony

Marion Schlecht
Government Councillor
Ministry of Finance of Lower Saxony

State of Saxony-Anhalt

Sebastian Beier
Government Director
Ministry of Finance Saxony-Anhalt

Michael Richter
Minister
Ministry of Finance Saxony-Anhalt

Sparkassenbeteiligungsverband Sachsen-Anhalt

Markus Bauer
District Chief Executive
Salzland district

Dr. Jürgen Fox
CEO
Saalesparkasse

Sparkassenbeteiligungszweckverband Mecklenburg-Vorpommern

Dr.-Ing. Alexander Badrow
Lord Mayor
Hanseatic City of Stralsund

Bernd Brummermann
CEO
OstseeSparkasse Rostock

Sparkassenverband Niedersachsen

Ludwig Momann
CEO
Sparkasse Emsland

FIDES Gamma GmbH

Götz Bormann
CEO
FördeSparkasse

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. For example, policy issues for the coming years were discussed in detail at several meetings and, in particular, advice was given on the implementation of the new bank management. The Supervisory Board also dealt with the effects of the war in Ukraine on NORD/LB AöR and the resulting measures.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements of NORD/LB AöR and the consolidated financial statements of NORD/LB for the 2022 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 26 April 2023 and reported on the results of the audit of the annual financial statements.

At its meeting on 26 April 2023, 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 2022 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:

on 8 November 2022 Mr Reinhold Hilbers

New to the Supervisory Board by virtue of office:

on 8 November 2022 Mr Gerald Heere

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 2022.

Hanover, Braunschweig, Magdeburg

in April 2023

Gerald Heere

Finance Minister

State of Lower Saxony

Report of the Owners‘ Meeting

In the reporting year, the Owners' Meeting performed the duties assigned to it by the State Treaty and by the Articles of Association.

Furthermore, in its meetings in 2022, the Owners’ Meeting dealt with the NORD/LB 2024 transformation process, discussed the NORD/LB Group’s planning for 2023 – 2027 and the implementation of new bank management system.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements of NORD/LB AöR and the consolidated financial statements of NORD/LB for the 2022 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 26 April 2023 and reported on the results of the audit of the annual financial statements.

At its meeting on 26 April 2023, the Owners’ Meeting adopted NORD/LB AöR’s annual financial statements for the 2022 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 resigned from the Owners’ Meeting:

on 31 August 2022	Mr Michael Ziche
on 8 November 2022	Mr Reinhold Hilbers
on 15 November 2022	Ms Doris Nordmann

Newly appointed to the Owners' Meeting:

on 14 March 2022	Mr Götz Bormann
on 1 September 2022	Mr Markus Bauer
on 15 November 2022	Mr Gerald Heere
on 12 December 2022	Ms Marion Schecht
on 12 December 2022	Ms Birgit Diers

The Owners' Meeting would like to thank the Supervisory Board, the Managing Board and the Bank's employees for their work in 2022.

Hanover, Braunschweig, Magdeburg

in April 2023

Gerald Heere

Finance Minister

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.
Phone: +49 511 361 – 53 82
Email: ir@nordlb.de

NORD/LB
Norddeutsche Landesbank Girozentrale
Friedrichswall 10
30159 Hanover
Telephone: +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	Vorsfelde	Wolfenbüttel

In total, there are over 80 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 and Singapore