Die norddeutsche Art.

Norddeutsche Landesbank Girozentrale

Hanover, Braunschweig, Magdeburg

Annual Report 2020

NORD/LB at a Glance

Income Statement	1 Jan. - 31 Dec. 2020 (in € million)	1 Jan. - 31 Dec. 2019[1] (in € million)	Change (in %)
Net interest income	1 285	1 024	25
Net commission income	– 38	71	> 100
Profit/loss from fair value measurement	202	164	23
Risk provisioning	– 426	29	> 100
Disposal profit/loss from financial instruments not measured at fair value through profit or loss	– 36	– 30	20
Profit/loss from hedge accounting	66	22	> 100
Profit/loss from shares in companies	– 13	17	> 100
Profit/loss from investments accounted for using the equity method	– 11	20	> 100
Administrative expenses	934	970	– 4
Other operating profit/loss	– 21	45	> 100
Earnings before restructuring, transformation and taxes	**74**	**392**	**– 81**
Profit/loss from restructuring and transformation	– 87	– 459	– 81
Earnings before taxes	**– 13**	**– 67**	**– 81**
Income taxes	– 38	36	> 100
Consolidated profit	**25**	**– 103**	**> 100**

Key figures	1 Jan. - 31 Dec. 2020 (in %)	1 Jan. - 31 Dec. 2019 (in %)	Change (in %)
Cost-Income-Ratio (CIR)	64.5%	73.7%	– 12
Return-on-Equity (RoE)	-0.2%	-1.0%	– 80

Balance sheet figures	31 Dec. 2020 (in € million)	31 Dec. 2019[1] (in € million)	Change (in %)
Total assets	126 491	139 594	– 9
Financial liabilities at amortised costs	103 727	115 487	– 10
Financial assets at amortised costs	90 745	104 215	– 13
Equity	5 821	5 804	0

Regulatory key figures	31 Dec. 2020	31 Dec. 2019	Change (in %)
Common equity tier 1 capital (in € million)	5 805	5 758	1
Tier 1 capital (in € million)	5 855	6 074	– 4
Tier 2 capital (in € million)	1 783	2 162	– 18
Own funds (in € million)	7 639	8 236	– 7
Total risk exposure amount (in € million)	39 692	39 841	– 0
Common equity tier 1 capital ratio (in %)	14.63%	14.45%	1
Total capital ratio (in %)	19.24%	20.67%	– 7
Leverage Ratio (transitional)	4.29%	4.11%	4

[1] For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

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

Thomas S. Bürkle

Chairman of the Managing Board of NORD/LB, Hanover

Introduction by the Chairman of the Managing Board

Dear reader,

The year 2020 will forever have a special place in our memories. Over the course of the year, the coronavirus pandemic shaped our everyday lives and how we live together. At NORD/LB, too, as the pandemic worsened in the spring we had to react and adapt our internal processes and procedures quickly to the new circumstances.

The coronavirus pandemic, which, from an economic perspective, has brought with it a severe recession in many economies, naturally impacted on NORD/LB's operating result. In fiscal year 2020, we significantly increased risk provisioning to prepare for the potential fallout from the pandemic. Fortunately, the actual credit defaults had been quite manageable thus far.

We did continue to push ahead with the restructuring of the Bank in the past year, however. The resultant further reduction in administrative expenses is encouraging. It shows that cost discipline at NORD/LB is bearing fruit. Over the coming years, the number of employees will continue to significantly decrease. We will only be able to carry out this significant staff reduction on the basis of voluntary agreements. These developments already show that NORD/LB will be a much smaller bank in the future, but also a more efficient, powerful and therefore more competitive one.

But with all this change, we want to keep one thing in mind: The strong and trust-based cooperation with our customers. Last year especially, it was particularly important for us to communicate more closely with our customers, to offer help and look for joint solutions. Even in difficult circumstances, we stand ready to offer them the entire spectrum of our expertise and a wide range of products.

On behalf of the entire Managing Board team, I would first of all like to thank our customers for an excellent working relationship. I would also like to thank our owners for their trust in NORD/LB. Finally, a very special word of thanks goes out to the Bank's employees, who were once again there for our customers last year and showed great dedication and energy, while at the same time helping to shape the Bank's transformation.

Kind regards,

Thomas S. Bürkle

Chairman of the Managing Board of NORD/LB Norddeutsche Landesbank

Reinhold Hilbers

Finance Minister of Lower Saxony and

Chairman of the Supervisory Board of NORD/LB, Hanover

Introduction by the Chairman of the Supervisory Board

Dear reader,

no other issue has shaped political and economic events in 2020 as much as the coronavirus pandemic. In an unprecedented show of strength, the federal government and the federal states not only had to take numerous measures to combat COVID-19, but also to set up aid programmes for the economy. In order for loans to arrive where aid is needed, politicians need a reliable and stable financial sector.

NORD/LB is an important part of the regional banking landscape. During the coronavirus crisis, it made an important contribution, together with the savings banks, to providing SMEs in northern Germany with urgently needed loans. With its special expertise in financing renewable energies, it is also contributing to achieving the climate objectives of the European Union. NORD/LB has thus long been a bank that relies on sustainability in its business activities. All this shows that it was the right decision to recapitalise the Bank in 2019.

After the restart, the Bank has systematically made further process on its transformation. Despite the unexpected new pressures from the coronavirus pandemic, important interim targets were achieved. The necessary staff reductions were put on a firm contractual footing and a fundamental overhaul of IT, including the bank control systems, was initiated. The decision to fully integrate the real estate financing subsidiary Deutsche Hypo into NORD/LB was also groundbreaking. This further simplifies the Group structures and achieves significant cost advantages.

NORD/LB is using these milestones to create further prerequisites for achieving its ambitious cost and return targets. The Bank is on the right track. I am confident that it will achieve its 2024 targets.

Kind regards,

Reinhold Hilbers

Minister of Finance for Lower Saxony

Chairman of the Supervisory Board of NORD/LB Norddeutsche Landesbank

Managing Board of NORD/LB

Photo: from left to right

Günter Tallner
Corporate Customers, Treasury, Markets plus Sachsen-Anhalt Investment Bank and Sachsen-Anhalt Relationship

Christoph Schulz
Chairman of the Managing Board of the Braunschweigische Landessparkasse (BLSK)
Private and Commercial Customers, Private and Commercial Customers at BLSK, Corporate Customers at BLSK, Savings Bank Network Customers, Commercial Property, BLSK Retail Controlling and BLSK Relationship

Thomas S. Bürkle
Chairman of the Managing Board
Office of the Managing Board/Communication/Investments, Legal, Group Organisation/HR, Auditing, Group Remuneration Officer, Aviation Finance & Investment Solutions, Structured Finance and UK Relationship with London Branch

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

Christoph Dieng
Credit Risk Management, Special Credit and Portfolio Optimization, Risk Controlling, Research/Economy, Mecklenburg-Vorpommern Landesförderinstitut, Mecklenburg-Vorpommern Relationship and American Relationship with New York Office

Combined Management Report

The management report for NORD/LB Norddeutsche Landesbank Girozentrale (hereinafter referred to as: NORD/LB or Bank) has been combined with the management report for the NORD/LB Group to provide greater clarity as per Section 315(5) of the German Commercial Code (HGB) in conjunction with Section 298(2) of the HGB. The annual financial statements and the consolidated financial statements of NORD/LB (including the combined management report) are jointly filed with the operator of the German Federal Gazette and published in the German Federal Gazette. The annual financial statements and the consolidated financial statements for NORD/LB are also available for download on the internet at www.nordlb.de.

The following information in the combined management report mainly refer to the NORD/LB Group; where significant differences to the Bank exist, separate explanations are given.

The Group – Basic Information

Business Model

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

The share capital amounted to € 2,972 million, 55.15 per cent of which was held by Lower Saxony, 6.66 per cent by Saxony-Anhalt, 9.51 per cent by SVN, 1.90 per cent by the Holding Association of the Savings Banks of Saxony-Anhalt, 1.32 per cent by the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania, 12.73 per cent by FIDES Gamma GmbH and 12.73 per cent by FIDES Delta GmbH.

NORD/LB is a commercial bank, Landesbank (federal state bank) and central bank for the savings banks based in Hanover, Braunschweig and Magdeburg and operates beyond this core region with domestic branches in Bremen, Düsseldorf, Hamburg, Munich, Oldenburg, Schwerin and Stuttgart. The offices in the key international financial and trading centres of New York and Singapore play a significant role in NORD/LB's foreign business activities. Foreign offices are also maintained in London and Shanghai. As legally dependent business units, the branches pursue the same business model as NORD/LB.

The NORD/LB Group is active in the following business segments:

- Private and Commercial Customers and Savings Banks Network Customers
- Corporate Customers
- Markets
- Structured Finance Customers
- Real Estate Banking Customers
- Special Credit & Portfolio Optimisation (SCPO).

As the Landesbank for Lower Saxony and Saxony-Anhalt, NORD/LB is responsible for fulfilling the functions of a central bank for the savings banks (clearing centre). The Bank also handles promotional business on behalf of the federal states through the Investitionsbank Sachsen-Anhalt, Magdeburg (an institution within NORD/LB) and through the Landesförderinstitut Mecklenburg-Vorpommern, Schwerin (a business segment of NORD/LB). NORD/LB acts as a central bank for the savings banks in Mecklenburg-Western Pomerania, Saxony-Anhalt and Lower Saxony. It also offers all services for savings banks in other German federal states such as Schleswig-Holstein.

Within the NORD/LB Group, NORD/LB acts as the parent company, which manages all business activity in line with the strategic targets. The NORD/LB Group comprises, among others, Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover (referred to below as: Deutsche Hypo) and Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxembourg-Findel (referred to below as: NORD/LB Luxembourg).

The Bank also maintains additional investments. Please refer to the Notes.

Control systems

The control systems used for the 2020 financial year are described below. The NORD/LB Group’s integrated control system offers a comprehensive overview of the Group’s profitability, equity, risk, liquidity, and asset quality. The central aim is to optimise the Bank’s profitability while simultaneously ensuring adequate capital and liquidity. The focus is on standardised and integrated management reporting during the year that includes both deviation analyses and extrapolations as at the end of each quarter and year, with utilisation of early warning and restructuring thresholds. Internal reporting processes also include an integrated control and restructuring cockpit.

Another key control tool is the annual strategy and planning process, which includes the following key steps: At the beginning of the strategy and planning process, the Managing Board approves the target values for the Group and the individual segments, which are then used to set the targets for the following year’s planning (incl. medium-term planning). Within the framework of the parallel strategy process, the strategic objectives and the (operative) measures derived from them for achieving the objectives are developed consistently and depending on the planning.

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

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

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

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

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

The superordinated 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 figures are monitored daily.

A detailed description is found in the Risk management section.

Asset quality is assessed on the basis of the assets 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 offset by the total risk exposure amount plus the shortfall equivalent.

Risk Management

The following description of risk management and the extended risk report were both drawn up on the basis of IFRS 7. The more specific requirements of German Accounting Standard DRS 20 were also taken into account.

The risk report includes parts of the NORD/LB Group's qualitative risk reporting as per the Capital Requirements Regulation (CRR) insofar as they are supplementary to requirements under commercial law.

Risk reporting basically covers all companies in the scope of consolidation as per IFRS 10, also including special purpose entities (SPEs) that have to be consolidated. The recognition of the materiality principle affects the scope. The group of material companies is determined in an investment analysis, which is described in the section on investment risk. Material companies are included in risk reports at individual risk type level as per the transparency method. The result is that NORD/LB Group's risk reporting is based on individual risks relating to Group companies of material relevance. These include the parent company NORD/LB and the subsidiaries

- Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover (abbreviated: Deutsche Hypo) and
- NORD/LB Luxembourg S.A. Covered Bond Bank (abbreviated: NORD/LB Luxembourg).

In relation to the Group's total holding of financial instruments at the time of audit, these three companies (referred to below as "Group companies of material relevance") account for a share of over 95 per cent. Viewed from the overall Group perspective, all the other companies only make quantitatively insignificant contributions to the individual risks. The risks posed by these other companies are treated as investment risks, and additional explanations are provided as appropriate through a separate report in connection with investment risk.

The process of determining which Group companies are of material relevance takes account of companies consolidated under IFRS as well as companies in the regulatory basis of consolidation.

Taking into account the Basel principles for effective risk data aggregation and risk reporting (BCBS 239), risks are reported according to the management approach, i.e. internal and external risk reports are essentially based on the same terminology, methods and data.

General Risk Management

Basic information

The business activity of a credit institution is indispensably linked to the conscious assumption of risks. Efficient risk management in terms of risk/return-based equity allocation is therefore a key component of modern bank management and a high priority for the NORD/LB Group. Risk management is primarily designed to control risks. Internal risk reporting provides information to the decision-makers at the NORD/LB Group on the risks that the Group has taken on in order to manage and monitor these risks so that it is able to react in a timely and suitable manner to special situations. External risk reports have an additional area of focus in the Bank's compliance with legal requirements.

From a business management perspective, the NORD/LB Group defines risk as the possibility of direct or indirect financial losses due to unexpected negative differences between the actual and projected results of business activity.

At least once a year and as required, the NORD/LB Group implements a multi-stage process to develop a risk inventory in accordance with legal requirements. The risk inventory covers the types of risk that are relevant for the NORD/LB Group. A further distinction is made between material and non-material risks. "Material" in this context denotes all relevant risk types that could have a significantly negative impact on the

NORD/LB Group's financial position (including capital resources), earnings situation, liquidity position or attainment of strategic goals.

As NORD/LB is positioned as a lending bank, counterparty risks are the most significant category of risk. Market price risk, as an overall category for interest-rate risk, credit-spread risk, currency risk, share-price risk and volatility risk, is also important. Other material types of risk are liquidity risk, operational risk and business and strategic risk. Reputational risk, pension risk and real estate risk are also relevant. All material risk types are controlled by the NORD/LB Group's risk management system.

According to Section 25a of the German Banking Act (KWG) in conjunction with the Minimum Requirements for Risk Management (MaRisk), the functions of a proper business organisation include specification of strategies based on procedures for determining and securing risk-bearing capacity (RBC), which include both the risks and the capital available to cover them.

NORD/LB Luxembourg is subject to corresponding regulations stipulated by the Commission de Surveillance du Secteur Financier (CSSF, the Luxembourg financial supervision authority), which must also be observed.

As part of the current risk management structure at the NORD/LB Group, the managing boards of NORD/LB and Deutsche Hypo decided on 30 June 2013 to announce the use of the waiver option by Deutsche Hypo in accordance with Section 2a (1) in the version of the German Banking Act applicable at this time. The prerequisite for this purpose is the control and profit/loss transfer agreement concluded for an indefinite period between Deutsche Hypo and NORD/LB. In December 2020, the Owners' Meeting resolved to fully integrate Deutsche Hypo into NORD/LB. The legal merger between NORD/LB and Deutsche Hypo is scheduled to take place on 1 July 2021.

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

Strategies

Handling risks responsibly is the topmost priority in the NORD/LB Group's business policy. The formulated Group risk strategy provides the strategic framework and sits above the risk strategies of the companies in the NORD/LB Group. This document contains both the risk strategy of the NORD/LB Group as well as the specific details of the individual institutions within the framework of the risk inventory for companies that have been identified as being of material relevance.

The individual institutional strategies for companies of material relevance are integrated in the NORD/LB Group risk strategy. The risk strategies of the companies of material relevance are each defined in accordance with the business model, the business strategy and the risk strategy requirements of the NORD/LB Group, and are reviewed at least once a year or as required.

The NORD/LB Group risk strategy sets the individual risk types in the business segments using a business segment/risk type matrix and associated risk sub-strategies and the rules of allocating risk capital. The risk strategy therefore sets the risk appetite and the approach to material types of risk in order to implement the business model. Based on the risk inventories of the individual institutions, the risk appetite is defined on a superordinate basis at Group level, taking account of risk-bearing capacity.

The requirements according to 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. As a control instrument for the entire bank, it also incorporates the operational process used to control and limit material risks. In combination with the set escalation procedures the risk-bearing capacity model supports ongoing verification of the adequacy of capital in the context of the Bank's risk appetite framework (RAF). In accordance with section 39 of the ECB Guide to the Internal Capital Adequacy Assessment Process (ICAAP), the risk-bearing capacity model is based on the assumption of a going concern. The going concern concept is ensured, for example, by the exclusion of AT1 (additional tier 1 capital) and T2 (tier 2, i.e. supplementary, capital) capital from the economic risk coverage assets. The normative perspective is managed according to the goal of adhering to all internal and external capital requirements over a time period of three years. This goal incorporates economic risk potential by means of a projection of P2R (Pillar 2 Requirement) requirements.

Operative management and limitation of risks classified as material take place on the basis of the quantitative limit system (or threshold values for the monitoring of business risk using selected income statement items). The internal determinations of the risk strategy regarding risk capacity and risk appetite are regularly operationalised and monitored within RBC reporting in the form of traffic light statuses.

Operative risk management is implemented on a decentralised basis at the NORD/LB Group companies with material relevance. For this purpose, companies in the NORD/LB Group of material relevance have established organisational structures and processes and also have a variety of additional instruments available to them to ensure adequate transparency regarding the risk situation, and they structure the required limitations and portfolio diversification so as to permit management and monitoring.

Structure and organisation

The Managing Board of NORD/LB AöR is responsible for risk management within the NORD/LB Group. It approves decisions regarding the Group risk strategy and then reports these to the Supervisory Board of NORD/LB AöR. The Group risk strategy was regularly reviewed and amended during the reporting year and as required.

The responsible Chief Risk Officer (CRO) of NORD/LB is responsible for defining and monitoring the Group risk strategy in consultation with the heads of the Market departments. The corresponding CRO is responsible at individual institute level.

NORD/LB's Risk Controlling division is responsible for implementing and developing the Group-wide ICAAP and Internal Liquidity Adequacy Assessment Process (ILAAP) model, monitoring compliance with the Group risk strategy on a continuous basis and for regularly reviewing the specific features of the individual institutions.

To allow maximum comparability of measurement, reporting, control and monitoring of all material risks, instruments used for these purposes are coordinated with entities of material relevance.

Other bodies are also involved in risk management at the NORD/LB Group.

- **Risk Management Methods Board:** This body develops and approves standards for key risk controlling methods and reports at NORD/LB Group level. The members are the respective heads of the specialist departments of NORD/LB and the subsidiaries Deutsche Hypo and NORD/LB Luxembourg.
- **Group Risk Committee:** The Group Risk Committee (GRC) is chaired by the Chief Risk Officer (CRO) of NORD/LB. The Direct Report for Credit Risk Management (Direct Report generally corresponds to Head of Division) is responsible for business management. The permanent voting members are the CRO and the Chief Operating Officer (COO) of NORD/LB, plus the Direct Reports for Risk Controlling, Credit Risk Management, Special Credit and Portfolio Optimisation (SCPO), the Market Heads of NORD/LB and the CROs of the subsidiaries Deutsche Hypo and NORD/LB Luxembourg. Where required, representatives of the relevant market divisions participate in the GRC as voting members. By invitation of the chair, further guests may be invited to meetings of the GRC to cover specific issues. The Direct Reports for Research/Economy and Compliance/Group Security at NORD/LB take part in the entire GRC meeting as guests. Guests do not have the right to vote.

For support in the management of the credit portfolio, the GRC develops recommendations for action for the Managing Board, among other things, in order to maintain the business model in line with the risk of the portfolio and takes decisions on the operational reduction of concentration risks. Within the general guidelines set by the Managing Board, the GRC also determines individual strategies as necessary for individual groups of related customers, countries and sectors within the strategic limit system. There are also regular reports in the GRC about the activity of the US Risk Committee (USRC), which monitors risk management at the branch in New York. The Chief Risk Officer of NORD/LB chairs the USRC meetings.

- **ALCO:** The ALCO (Asset Liability Committee) is an advisory body for the members of the NORD/LB Group Managing Board. The tasks of the credit ALCO, which existed until 27 March 2020, were integrated into this committee. The committee deals with
  a) the optimisation of the risk/return profile of the credit and financial markets portfolios with regard to credit, market price and liquidity risks;
  b) the discussion, overall management and setting of guiding principles for key performance indicators (e.g. earnings, RWA, total assets, new business, funding and market price risks from pension commitments);
  c) market positioning in the financial markets portfolios (investment book).

The ALCO generally follows the economic perspective as part of its task, strictly taking into account the 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 ALCO meetings. The Managing Director of ALCO acts as the appointed substitute in ALCO. In absentia, the appointed substitutes take part in meetings. The minimum composition of ALCO encompasses the Chief Financial Officer of AöR or the Managing Director of ALCO as well as a representative from Financial Markets (Chief Clients/Product Officer FM, Direct Reporting Unit (DRU) Treasury or DRU Markets), a representative from the credit divisions (Chief Clients/Product Officer, DRU Corporate Clients 1, DRU Corporate Clients 2, DRU Structured Finance, DRU Aviation Finance & Investment Solutions, DRU Savings Banks Network Customers), a representative from the risk areas (Chief Risk Officer, DRU Risk Controlling or DRU Credit Risk Management) and a representative from DRU Bank Management/Finance. At least one representative of the respective entity must be present for decisions with regard to Deutsche Hypo, NORD/LB Luxembourg and Braunschweigische Landessparkasse.

Decisions shall be taken by simple majority vote. Each Managing Board or DRU has one vote. In order to prevent conflicts with regulatory requirements (e.g. MaRisk), the representatives from the risk department are not entitled to vote on proposals for the specific orientation of market positioning in the treasury portfolios.

The Chief Economist and the Head of Corporate Communications (Investor Relations) are entitled to participate in ALCO meetings as guests. As required, guests may be invited to attend the meetings while individual agenda items are discussed. Every member of the NORD/LB Group Managing Board is entitled to participate in ALCO meetings as a guest.

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

ALCO also assumes selected tasks of bank management. Among other things, recommendations for the target interest rate sensitivity under IFRS for hedge accounting and target levels for selected balance sheet structural figures, e.g. MREL are set out.

It also discusses and highlights the implications for the strategy and future business performance. In doing so, ALCO decides on the RWA early warning thresholds and, if necessary, on a RWA (re)allocation between the group institutions or individual DRUs as well as on the allocation of total asset budgets. As long as there is scope within the limits for market price or liquidity risks in one or more Group companies, ALCO can carry out a flexible redistribution of the operational limits between the institutions. The unit surrendering its limit is to be included in the discussion. The maximum limits resulting from the risk strategies of the individual institutions as well as the maximum limit at Group level must be taken into account as ancillary conditions. Should a recommendation be made on a credit portfolio transaction, this will be submitted to the Managing Board for approval within the framework of line responsibility and, if necessary, to the GRC for information.

- **Other Advising Committees:** The Managing Board is supported by other committees that advise in specific areas. These include, for example, the Risk Round Table (handles issues related to operational risks, governance and compliance).

One of the aims of risk management at the NORD/LB Group is to satisfy the requirements of the Single Supervisory Mechanism (SSM) and the relevant EBA and ECB guidelines, as well as MaRisk. The risk management process is subject to constant review and refinement. Any adjustments can include organisational measures, adjustments to procedures for quantifying risk and the continuous updating of relevant parameters.

Risk-oriented and process-independent audits of the effectiveness and adequacy of risk management are carried out by the internal audit units of the individual entities within the NORD/LB Group. As an instrument of the Managing Board, Internal Audit is an independent element of the internal monitoring system. Its primary objectives are to increase and protect the value of the Bank and the Group by adopting a particularly foresighted, risk-oriented and objective approach to auditing, thereby identifying important risks for the Bank and the Group, proactively triggering, monitoring and supporting change processes, and effectively mitigating risks. The Internal Audit units of the individual institutions have their objectives, tasks, functions and instruments set down in separate audit policies. Group Internal Audit's activities complement those of the subsidiaries' Internal Audit units. The focus is on assessing the areas of Group risk strategy, Group risk-bearing capacity and ICAAP, Group management of counterparty, market, liquidity and operational risk, Group reporting and the proper functioning of the internal audit units at material investments. Group Audit objectives, tasks, functions and instruments are defined in the Group Audit policy.

The handling of new products, new markets, new sales channels, new services and variations thereof is regulated by New Product Processes in the individual institutions of the NORD/LB Group of material relevance, taking account of overall conditions in each case. Consultation between institutions takes place as required.

The primary aim of these new product processes is to analyse and assess all potential risks for the NORD/LB Group before entering into business. This entails the integration of all required audit areas, documentation of new business activities and their management in the overall operational process, decisions on commencing business and associated restrictions as applicable.

Detailed additional information on the structure and organisation of risk management is given in the following subsections on structure and organisation for each risk type, starting with the structural and process organisation of Risk Management at NORD/LB. Following this, the main differences in the subsidiaries are presented separately.

Reporting

In the quarterly risk situation report, Risk Controlling provides the Managing Board of NORD/LB with comprehensive information about the risk situation. The report is also made available to the Risk Committee of the Supervisory Board. The information is also incorporated into the joint quarterly reports published by Risk Controlling and Financial Controlling (the Finance and Risk Compass). A more regular, compressed report regarding the risk situation is issued to the Managing Board as part of the "Monthly KPI Cockpit for NORD/LB".

Risk-bearing capacity model *(RACE)*

The risk-bearing capacity model is implemented in the RACE (Risk Appetite Control Engine) tool. As a core element of risk strategy monitoring, RACE is used for the regular quantitative comparison

- of period-end capital ratios with the required capital ratios (the normative perspective) and
- the risk potential from material risks (with the exception of business risks: monitoring based on selected income statement items) with the capital available to cover the risk (economic perspective).

As part of the comparison, and in addition to the aggregate risk analysis, risk-strategy guidelines are also monitored in the form of limits at the level of the respective material risk types (or threshold values for monitoring the business risk based on selected income statement items). The aim is the assessment and securing of capital adequacy from various perspectives.

In line with principle 3 in the ECB ICAAP Guide, the normative and the economic perspective are implemented in RACE as follows:

Implementation in RACE	**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

Following the implementation of recapitalisation, the approach for determining internal capital within the economic perspective was adapted in view of the ECB Guide in January 2020. The internal capital available in the economic perspective for risk coverage is based on common equity tier 1 (CET1). In addition, deduction items are factored in from an economic point of view, taking into account the regulatory minimum requirements (silent charges and dynamisation items, anticipated losses if applicable). A total of 80 per cent is defined as available limit capital; the remaining 20 per cent serves as reserves for covering other risks. In turn, approx. 80 per cent of this limit capital (currently € 3,500 million) is provided as a limit and represents the risk appetite in the narrower sense. This limitation below the maximum possible limits corresponds to the Bank's move towards a lower risk profile.

The interaction between the normative and economic perspective required in the ECB's ICAAP Guide is implemented into operations by means of projecting the P2R requirements (beyond the planning horizon for medium-term planning) into the normative perspective. As a result, the normative capital requirement is increased by an additional internal buffer.

Based on this objective, both regulatory and economic risk potential flow into the risk-bearing capacity model at their period-end values using a consistent 99.9 per cent confidence level and a one-year risk horizon. RACE calculates the maximum potential risk for each type of risk, subject to the internal and external constraints. First, economic and normative risk potentials are compared over the planning horizon (risk-by-risk assessment). At the same time, compliance with the minimum regulatory capital requirements is taken into account, and compliance with internal risk strategy requirements is ensured. During the optimisation process, the economic risk potential is simulatively steadily increased. This increase induces two feedback effects, that act simultaneously in RACE in the course of 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 risk-bearing capacity model's methodological structure is binding across the Group. Deviations by individual institutions (e.g. when parametrising risk factors) are only possible if no Group objectives are endangered and the risk management requirements for the individual institutions are satisfied. Risk-bearing capacity at Group level is a superordinate priority and must always be guaranteed.

Risk concentrations are also factored in when determining risk-bearing capacity. The NORD/LB Group's understanding of risk concentrations is that they represent clusters of risk positions that react in the same way when specific developments or a specific event occur(s). In line with the strategy, concentrations were deliberately entered into within the credit risk and sub-category of address risks (borrower, state and industry level) and market risk (credit spread risks and interest change risks) of the banking book. The NORD/LB Group uses various limit models and stress tests to identify and monitor risk concentrations. Stress test considerations are normally carried out across risk types and therefore contain assumptions on diversification and concentration within individual (intra-risk specific) and between (inter-risk specific) the material risk types under consideration. In the form of a serious economic downturn, the recession scenario forms a fixed element within the NORD/LB Group's stress test programme and is reported quarterly as part of risk reporting.

In addition to the "Report on the Risk Situation" and the "Finance and Risk Compass", the Managing Board is informed quarterly about the risks associated with the Pfandbrief business. The report produced meets the requirements of Section 27 of the Covered Bond Act (Pfandbriefgesetz).

Counterparty risk

Credit risk and investment risk are combined into counterparty risk in a consolidated view. Both types of risk are simulated in a joint counterparty risk model.

Credit risk

Credit risk is broken down into traditional credit risk and counterparty risk in trading. Traditional credit risk denotes the risk of a loss when borrowers default or when their credit rating deteriorates. Counterparty risk in trading denotes the risk of loss when borrowers or contract partners in trading transactions default or when their credit rating deteriorates. This is broken down into default risk in trading, replacement risk, settlement risk and issuer risk:

- Default risk in trading defines the risk of a loss when a debtor defaults or when their credit rating deteriorates. It corresponds to the traditional credit risk and relates to money market transactions.
- Replacement risk denotes the risk of the contract partner defaulting in a pending transaction with a positive market value so that the transaction has to be replaced with a loss.
- Settlement risk is broken down into advance performance risk and clearing risk. Advance performance risk defines the risk during a transaction when no (advance) consideration is received from the contracting partner after the other party has provided their service, or if services are offset, then the equalisation payment is not made. Clearing risk defines the risk of transactions not being able to be cleared by either party upon or after the expiry of the contractually agreed performance date.
- Issuer risk denotes the risk of a loss when an issuer or reference debtor (credit derivatives) defaults or when their credit rating deteriorates.

In addition to the original credit risk, cross-border transactions involve a country risk (transfer risk). This is the risk of a loss occurring as a result of overriding government barriers despite the ability and willingness of the counterparty to satisfy the payment claims. Please refer to the economic report for the presentation of counterparty risks. Furthermore, credit risk also incorporates wrong-way risk, which results from a positive correlation between the likelihood of the counterparty defaulting and the risk arising from the financial instrument in question.

Strategy

The lending business and the management of credit risks represent a core competence for the NORD/LB Group that is to be constantly refined and expanded. Different customer groups and products are diversified on account of the NORD/LB Group's strategic purpose as a universal bank. The content of the credit risk sub-strategy is structured so that the relevant business segments are developed in line with existing funding principles, the requirements for market profile and by taking market events and the current credit portfolio structure into account. For the responsible market division, the funding principles represent binding guidelines for new business on credit and capital markets (including rating scores of target counterparties). In terms of business initiatives, the funding principles are designed to help actual pre-selection and do not pre-empt the final individual case decision. New lending business focuses on concluding agreements with customers or projects that have good credit ratings. The NORD/LB Group also concentrates on business with counterparties of good standing in the capital market business.

The NORD/LB Group conducts business with customers or counterparties below the aforementioned credit rating criteria after careful consideration of the opportunity and risk profiles in connection with these mitigating factors.

Management of the NORD/LB Group's credit portfolio is geared to risk and reward. The aim is to generate competitive profitability while ensuring efficiency and flexibility through active management of credit risk positions.

At regional level, the NORD/LB Group focuses mainly on business in Germany. For foreign lending, the focus is on developed countries in Europe, North America and Asia. The Bank's foreign activities must also bear some relation to its existing business segments, and should be promoted to the extent that they improve (regional) portfolio diversification in the Bank's current business segments or increase market penetration in existing foreign locations. Opportunistic individual transactions that do not fulfil the above criteria are permissible in exceptional cases; however, in principle, no business should be initiated abroad that is detached from the existing core business and from existing customer relationships without a regional link.

The sustainably developed business model provides the Bank with every opportunity to offer innovative products and thus respond to customers' needs and make the most of market opportunities in a risk-aware manner. Further goals are to serve customers' needs as best as possible, to improve NORD/LB's risk-adjusted profitability on an ongoing basis, to detach earnings growth from RWA growth as much as possible, and to safeguard the Bank’s refinancing and liquidity.

As part of the implementation of the ECB guidelines for distressed loans, which went into effect when it was published in March 2017, the NORD/LB Group developed a non-performing loans (NPL) strategy. For its NPL strategy, all of the Bank’s strategic business segments were analysed with regard to their specific NPL ratio. A dedicated portfolio reduction strategy is being developed for any strategic business segment with a considerably high NPL ratio (above 5.0 per cent). This also applies only to the ship portfolio or to the portfolio responsible for SCPO. In consultation with the ECB, NORD/LB may, however, refrain from a renewed development of the dismantling strategy for ship financing, since the handling of the NPL ship segment is sufficiently regulated by the establishment of its own dismantling unit and an independent controlling unit, and by extensive reporting activities and, above all, by risk shielding through state guarantees.

Structure and organisation

A risk-related organisational structure and the functions, tasks and competencies of the divisions involved in risk processes are clearly and unambiguously defined at employee level. In accordance with MaRisk, processes in the lending business are characterised by a clear organisational and structural separation of the market and back-office divisions, up to and including management level.

NORD/LB market divisions conduct operational financing business for customers, properties and projects at national and international level subject to specified limits. They are primarily responsible for the core tasks of acquisitions and sales. The market divisions are responsible for the first vote and for structuring conditions, and they bear the responsibility for profit/loss. In the case of non-risk-relevant exposures with a lower volume and in case of municipal loans, the market divisions in some cases bear sole risk responsibility (unilateral competence) and are also responsible for analysis and risk monitoring.

Analysis tasks (which include defining ratings) and observation of risks are bundled within the Credit Risk Management (CRM) Back Office Division. The Credit Risk Management division is also responsible for the second vote taken on decisions on individual credits. Exposures with a concentration of risks are also subject to a vote relating to the size of the credit exposure. On the basis of a multi-stage reporting system, the division also prepares sector portfolio reports on selected sub-segments at regular intervals.

The valuation of real estate and collateral related to structured financing transactions, including the definition of the collateral value, takes place in a separate market-independent valuation management process.

In the case of risk-relevant exposures, credit decisions, including contract documentation and the management of existing credit, is always implemented by the BMO division (Business Management & Operations) in collaboration with the market division and SCPO. For structured finance, the respective market division and SCPO are exclusively responsible for these tasks.

The Credit Portfolio Management group, which is part of CRM, is responsible for central management of risk concentrations in the NORD/LB Group’s credit portfolio. Concentrations are examined with regard to the size of a group of related customers in accordance with Art. 4 (39) of the CRR, as well as by country and industry.

The Special Credit Management (SCM) division handled non-performing exposures or exposures requiring restructuring at NORD/LB with the exception of ship financing, financial institutions, asset backed securities (ABS) and corporate bonds up to 30 November 2020.

The separate Strategic Portfolio Optimisation (SPO) unit processed non-performing exposures or those requiring restructuring and intensively monitored distressed ship loans up to that time. Credit Risk Management handles processing for financial institutions including central governments and foreign regional authorities, ABS and corporate bonds.

Loans with a rating of 11 on the rating master scale of the German Association of Savings Banks and Girobanks (Deutscher Sparkassen- und Giroverband (DSGV)) (allocation to the “high risk” category or worse as defined by the Initiative for Germany as a Financial Centre, (Initiative Finanzstandort Deutschland (IFD)), must be reported to the reorganisation officer. Other defined risk indicators (e.g. suspicion of behaviour detrimental for creditors, initiation of restructuring processes) may also require reporting in this way. The SCM or SPO (SCPO since December 2020) decides whether the exposure will be transferred to restructuring or if it will remain with intensive support.

From a rating of 16 (allocation to IFD risk category Default (non-performing loans)), SCM or SPO (since December 2020: SCPO) is obliged to assume responsibility. Exceptions to the reporting requirement and the obligation to assume responsibility are made, for example, for low-risk business.

Credit decision authorisations are classified in accordance with the total liability and rating of the borrower. Credit decisions are essentially taken by an authorised person in a Market division and an authorised person in a Back-Office division (bilateral authorisation). The second vote is taken in units independent of the Market divisions, in accordance with specified criteria. This approach therefore meets the regulatory requirement for the functional separation of credit approval votes. For restructuring and settlement commitments and commitments that are the responsibility of SPCO, the first and second votes (unilateral competency) were provided by these back-office divisions.

The Managing Board is responsible for overall control of NORD/LB’s credit portfolio. To this end, the Board consults with, among others the Group Risk Committee (GRC), which supports the Managing Board in its responsibility for risk management, thereby linking individual credit decisions to portfolio management and ensuring a holistic view of the NORD/LB Group’s risk types, taking into account the overall portfolio. The Managing Board retains responsibility for decisions on individual loans.

Above a certain volume (as defined in the current table of authorisations), decisions are taken by the Managing Board or the Risk Committee of the NORD/LB Supervisory Board. The Risk Committee participates in granting loans in accordance with an authorisation regulation passed by the Supervisory Board. Acquiring investments also requires the approval of the Supervisory Board, as do loans to executives.

Risk Controlling is responsible for the methods used to measure credit risks and for credit-risk control instruments. Risk Controlling is also responsible for independent monitoring of credit and investment risks at overall portfolio level, the related reporting system and for the methodology of procedures related to the economic estimation of counterparty risk. The Bank Control/Finances division is responsible for the regulatory reporting system.

Risk management at NORD/LB Luxembourg is based on the concepts used at NORD/LB. The credit decision is taken by an authorised member of the Bank staff after the Back Office vote by NORD/LB Luxembourg’s Credit Risk Management. Independent monitoring of the portfolio is undertaken by Risk Controlling at NORD/LB Luxembourg. Loans requiring management attention or restructuring are monitored by the SCM division (since December 2020: SCPO) of NORD/LB and by the CRM division of NORD/LB Luxembourg.

Risk management at Deutsche Hypo conforms to uniform Group standards and is constantly being refined. The second vote for credit transactions is arranged by the Credit Risk Management (CRM) Back-Office division. Exposures requiring restructuring are looked after by Structured Credit Management in Deutsche Hypo. Monitoring of Deutsche Hypo’s risks at portfolio level is undertaken by local Risk Controlling.

Collateral

To assess credit risks, in addition to the credit rating of borrowers or counterparties reflected in the rating, the customary bank collateral available and other risk mitigation methods are of critical importance. The NORD/LB Group therefore accepts domestic and foreign collateral in the form of property (loan collateral) and rights in order to reduce credit risk. When accepting collateral, the cost-benefit relationship of the collateralisation is taken into account.

The value of the collateral to be recognised is measured when the loan is granted and on an ongoing basis thereafter, at least once a year. The going-concern scenario is used. When an exposure moves into liquidation, valuation uses a gone-concern scenario. The credit guidelines and lending policies of the NORD/LB Group define the fundamental types of securities and loan collateral that can be used, and the maximum credit that may be lent against them (lending limit). Sureties, credit collateral similar to sureties, assignments of receivables and other rights, chattel mortgages, real estate, receivables and other rights as well as the collateral assignment of chattel are accepted as credit collateral. Other collateral can be contracted with the borrower, but this does not reduce the unsecured part of the exposure.

Standard contracts are mainly used. In the event of a contractual arrangement that differs from the standard contracts, external legal opinions will be obtained or contract preparation will be awarded to authorised law firms. At the same time, the relevant jurisdictions are monitored on a permanent basis. International law firms are employed to help with this area in foreign jurisdictions.

Control and monitoring

To assess counterparty risk in the NORD/LB Group, a rating and/or creditworthiness category is determined for each borrower as part of an initial or annual credit rating process and as required. The rating modules employed were mainly developed in various cooperation projects conducted by the savings banks and Landesbanks. Individual modules are developed internally by NORD/LB.

To manage risks at individual transaction level, a specific limit is stipulated for each borrower within the scope of operational limiting; this constitutes an upper lending limit. The main parameters applied to calculate this limit are the borrower's creditworthiness, expressed as a rating, and the disposable funds available to the borrower for servicing the loan.

Risk concentrations and correlations at portfolio level are mapped when the credit risk potential is estimated in the consolidated counterparty risk model.

Risk concentrations are also restricted by country and industry limits at portfolio level as well as by the Large Exposure Management limit model for groups of related customers. The limits are based on the risk-bearing capacity of the NORD/LB Group.

Securitisations

Securitisation is a further instrument available to the NORD/ LB Group for managing credit risks. The aims of securitisation activities are to optimise the risk/return profile of the credit protfolio and to reduce the regulatory capital requiremets.

To diversify the credit portfolio, credit risks in the Bank's own books can be transferred to other market players (with the NORD/LB Group as originator) or additional credit risks may be taken on (with the NORD/LB Group as investor or sponsor). As a sponsor, the NORD/LB Group makes liquidity facilities available to improve the credit quality of "Conduit Hannover Funding Company, LLC", which is its own asset-backed commercial paper conduit programme, or it supports the programme by buying asset-backed commercial paper.

The NORD/LB Group also engages in securitisation activities as an arranger of structured transactions for customers.

Securitisation transactions are all subject to an approval and monitoring process to enable identification and management of potential risks before and after a contract is concluded. The NORD/LB Group employs risk classification procedures approved by the regulatory authorities in accordance with VO 2017/2401, as well as other approaches to assess the creditworthiness of securitisation transactions. In its role as investor and sponsor, the NORD/LB Group follows a conservative exposure strategy.

The NORD/LB Group's exposure strategy with regard to securitisations is restricted to new business with selected customers and receivables financing with internal funding offered through the conduit of Hannover Funding LLC.

Assessment

Credit risk is estimated by means of the risk indicators of expected loss and unexpected loss. Expected loss is determined based on probability of default, taking loss rates into account. The unexpected loss for credit risk is quantified Group-wide using a consolidated counterparty risk model based on the confidence levels set for the RBC model and a time frame of one year. The model used by the NORD/LB Group includes correlations and concentrations in the risk assessment, and is subject to annual, independent review and validation.

The counterparty risk model calculates the unexpected loss at overall portfolio level. The model used is based on the CreditRisk+ model. Using correlated sector variables, systematic industry effects are mapped in the loss distribution. The estimated probability of default (PD) is based on internal rating methods. Loss given default (LGD) is determined on a transaction-specific basis.

The counterparty risk model uses a simulation method that also takes account of specific mutual interdependencies of borrowers, based for example on Group structures. In addition to default losses, losses that might be caused by rating migrations are also considered.

Risk quantification methods and procedures are coordinated among the Risk Controlling units of the Group companies of material relevance in order to guarantee uniformity within the NORD/LB Group. Ongoing risk management is handled on a decentralised basis in the Group companies.

NORD/LB generally applies the Internal Ratings-Based Approach (IRBA) to calculate the regulatory capital requirement for credit risks. An exception is made for a few portfolios where the standardised approach for credit risk (CRSA) is applied. NORD/LB has the relevant authorisation for the rating systems, for the Internal Assessment Approach (IAA) for securitisations and for the use of credit risk mitigation techniques.

NORD/LB Luxembourg and Deutsche Hypo (taking account of the waiver regulation) also have authorisations for the relevant rating systems and approval for the use of credit risk mitigation techniques.

Risk provisioning

Under the IFRS 9 impairment model, those debt instruments, loan commitments and financial guarantees (provided they are not recognised in the balance sheet at fair value through profit and loss) are subdivided into three stages, depending on the change in their credit quality since initial recognition:

When initially recognised, all relevant financial assets for which objective indications of impairment are not already evident must be allocated to stage 1, regardless of the credit rating of the debtor. The expected losses in this stage equal the present value of the payment defaults expected from potential default events over the next twelve months.

If at a subsequent reporting date the Bank determines that the default risk has increased significantly since initial recognition, even though objective indications of impairment do not exist, the Bank must transfer the underlying financial assets from stage 1 to stage 2. In this stage, risk provisioning must be recognised for the present value of the lifetime expected credit loss.

If there is objective evidence of impairment on the reporting date, the financial asset is transferred to stage 3 and is considered credit-impaired. In this stage, risk provisioning is also measured as the present value of the losses expected over the remaining term to maturity. At NORD/LB, risk provisioning is calculated using an instrument-by-instrument approach. If there is objective evidence of impairment, a strict allocation to Stage 3 of the impairment model must be made, even if no default is expected due to the provision of collateral or other effects. Representation in Stage 2 of credit-impaired assets is excluded. Accordingly, the amount of risk provisions is irrelevant for the level allocation and the definition of "credit impaired".

NORD/LB generally determines risk provisioning in stages 1 and 2 for all relevant financial instruments as the expected credit loss calculated using a parameter-based approach. The parameters input are exposure at default (EaD), probability of default (PD), loss given default (LGD) and a discount rate. As an IRBA institution, NORD/LB mainly uses rating procedures developed in cooperation with other banks. These are, firstly, the rating modules from the Rating Service Unit (RSU), developed by a consortium of Landesbanks, and secondly the procedures supervised by Savings Bank Rating and Risk Systems (SR), a cooperation with the Savings Banks Finance Group. The PD used as the basis for calculating the expected credit loss (ECL) is the internal rating in the credit data set produced by the corresponding rating procedure. For the expected loss ratio in the NORD/LB LGD models data is provided by RSU (non-retail) and SR (retail), from which the required loss ratio can be derived. The basis for the EaD are the expected cash flows in the credit data set (comprising expected interest and redemption payments). Expected loss is calculated monthly for each financial instrument. For each credit data set, the expected credit loss over twelve months (12m ECL) and lifetime expected credit loss (LECL) are calculated.

The parameters for calculating the ECL are regularly assessed with regard to their adequate allowance of macro-economic, future-oriented information and updated as required. This is based on the cyclically neutral PD profiles and changes in the value of real estate collateral supplied by RSU and SR. The collateral values or collateral value trends of aircraft and ships are recognised within the relevant rating models and in the LGD. Multiple probability-weighted macro-economic scenarios from NORD/LB Research are used by Risk Controlling to do a quarterly check that the profiles held suitably reflect these forecasts. The scenarios, which represent a baseline, downside and upside scenario in each case, contain forecasts at country level for NORD/LB's most relevant markets and cover the following macro-economic variables: unemployment rate, GDP (gross domestic product), CPI (consumer price index), the benchmark index for shares, short-term interest rates, long-term interest rates and the exchange rate for the national currency to the US dollar. The over-arching variable of the oil price is also taken into account. In a documented meeting, NORD/LB Research determines the scenarios to be examined (expert assessment) and their probability of occurrence are also defined. The check for suitable inclusion of the scenarios in the PD profiles and the changes in the value of real estate collateral is carried out using models developed with RSU and SR. If these are understated, the profiles are adjusted for the period under consideration. Thereafter, a direct return to the cyclically neutral PD profile is planned, which is based on the historically observed rating migrations. Additional information can be found in the "Extended risk report", "Credit risk - development in 2020" section, under "Sensitivity of risk provisioning to future economic conditions".

A fundamental deterioration in credit quality as a result of the pandemic means that banks must regularly increase risk provisions for transactions that have deteriorated significantly in their credit quality or been defaulted on. Consequently, the effects of the COVID-19 pandemic can lead to increased volatility in banks' risk provisions. In application of IFRS 9, risk provisions must be made for expected credit losses. Among other things, the impairment of credit collateral must be examined. Credit risk models and forecasts for estimating these expected credit losses must be adapted to current developments. Due to the COVID-19-related economic uncertainties, NORD/LB has had to make a management adjustment (MAC-19) with the consequence of an increase in model-based risk provisions for loans and advances in impairment levels 1 and 2, in accordance with IFRS 9. The aim of MAC-19 is to take into account the expected, but not yet realised effects of COVID-19 on the Bank's risk provisions for industries severely affected by the pandemic that were not shown in level and 2 modelling.

It was initially derived from the U scenario of the COVID-19 stress case, which, in turn, is based on the economic forecasts of NORD/LB Research and then converted by experts in the relevant areas of the Bank into rating and loss ratio shifts. The results were then limited, for the management adjustment, to sectors that are particularly severely affected by the pandemic. Building on this, NORD/LB carried out a further comprehensive scenario analysis during the COVID-19 pandemic, which forms the basis for MAC-19 in respect of the consolidated financial statements. Based on three macroeconomic scenarios of different degrees of severity (Scenarios 1, 2 and 3) and the resulting risk parameters, an analysis of the resulting effects in the individual risk types was carried out. The projection period includes the years 2020 to 2022. For the credit risk, effects on the ratings (in the form of rating changes) on industry levels were created on the basis of the forecasts by the relevant experts at NORD/LB Group. The loss ratios were stressed based on market value deterioration in asset financing. In addition, dedicated guidlines were drawn up at client level for the Special Finance and Corporate Clients segments.

Scenario analysis showed that some areas have been more affected, which led to an updating of the MAC-19 portfolio based on the information gained during the pandemic. The focus was expanded as a result and is on the structured finance, real estate and corporate customers and markets segments. In the consolidated financial statements, MAC-19 amounted to around € 386 million. Broken down by segment, the structured finance segment accounts for around € 163 million, corporate customers for around € 122 million, real estate customers for around € 88 million and markets for around € 13 million.

Upon early initial application of IDW RS BFA 7, the use of the management adjustment also affected the risk provisions in accordance with HGB in the annual financial statements of NORD/LB AöR in the amount of € 296.1 million. This makes use of the possibility to determine general loan loss provisions based on the parameter-based IFRS 9 risk provisions calculation. Reversals of general loan loss provisions had a substantial positive effect on profits. The change in the valuation method produced a gain of € 204.9 million as at 31 December 2020 compared with the previously applied valuation method. NORD/LB opted for early application as this will improve the presentation of the true and fair view of its net assets, financial position and results of operations. This is due to factors including the required inclusion of up-to-date information and expectations regarding debtors' risk situation.

At stage 3, risk provisioning for the non-volume business is calculated as the expected loss over the remaining term of the financial instrument. This involves an expert-based determination based on loss scenarios and their probability of occurrence. The specific valuation allowance is quantified based on the difference between carrying amount and recoverable amount as the present value of all expected cash flows. This estimate is made for at least three scenarios and then aggregated to a specific valuation allowance using the estimated probability of default of the scenarios. The expected cash flows may result from principal and/or interest payments plus payments from the liquidation of collateral less liquidation costs. Estimation of the level of loan loss provisions to be formed is frequently based on information that is partially provisional (e.g. restructuring concepts of the borrowers) or subject to fluctuation (e.g. collateral values). This increases the uncertainty of estimates in respect of key parameters for loan loss provisions. Assumptions made undergo regular review and are adapted to changes in circumstances as necessary.

For the volume business, i.e. for transactions with a commitment up to € 1.5 million, the risk provisioning in stage 3 is calculated using a parameter-based method based on the statistical variables PD, LGD and EaD. The probability of default, i.e. the credit risk parameter PD, is always set to 100 per cent in these cases.

Stage-Transfer

For drawing a distinction between stage 1 and stage 2, the relevant criterion is a significant deterioration in credit quality. This is assessed at each measurement date using quantitative and qualitative criteria as described in more detail below.

The quantitative criterion for significant deterioration is measured by comparing the initially anticipated probability of default with the probability of default on the measurement date. This comparator, which is shown below, is one-year PD. In line with standards including IFRS 9 B5.5.13 and IFRS 9 B5.5.14, NORD/LB uses a 12-month horizon as an approximation for the change in credit risk over the expected life. An analysis by the Bank looking among other things at the relationship between changes on one-month PD and changes in lifetime PD concluded that using a 12-month metric for transferring from one stage to another was appropriate. It is worth mentioning that lifetime PD does not contain any factors not already included in the 12-month PD.

Assessment of a significant deterioration in credit quality involves among other things comparing a forward one-year PD derived from the PD profile upon initial recognition on the measurement date with the actual one-year PD on that date. When comparing the current PD with the initial PD the PD profiles provided by RSU and SR are used.

To determine a significant deterioration in credit quality the following criteria must all be met:

- Criterion 1: The customer's current one-year PD is at least 30 basis points higher than their initial (forward) one-year PD (absolute change in PD).
- Criterion 2: The customer's current rating is at least 2 notches above the rating based on their initial (forward) one-year PD (relative change in PD).
- Criterion 3: The customer's current rating is worse (higher) than it was on initial recognition.

If the above criteria are met and no default takes place (see below), allocation to stage 2 takes place based on the qualitative criterion. Otherwise, subject to the consideration of the qualitative criteria, allocation is to stage 1 or, in the event of default, stage 3.

Furthermore, a significant deterioration in credit quality exists if at least one of the qualitative criteria is met. This includes whether payment is more than 30 days in arrears, whether an exposure has been classified on the credit watchlist as sub-standard or worse, or whether it counts as a forbearance or non-performing exposure (NPE) for FINREP reporting. If at least one of the conditions listed are met, transfer to stage 2 is necessary.

In the event of a default, an impairment and allocation to stage 3 are required. For financings, the deferral of interest and/or principal payments, concessions – in particular the granting of restructuring loans to support the borrower's liquidity – and the risk of insolvency are normally significant indications of impairment. The definition of default used by NORD/LB to calculate risk provisioning is based on the requirements of Article 178 of Regulation (EU) 575/2013 (CRR) and the regulatory requirements based thereon. This states that an obligor is regarded as having defaulted if, firstly, NORD/LB considers that it is unlikely to pay its credit obligations to NORD/LB in full without the Bank having to have recourse to realising security or, secondly, if a material credit obligation by the obligor to NORD/LB is more than 90 days past due. The legal definition of default was chosen to ensure that the internal rating procedure based on it would be recognised by the regulator. This is used consistently within NORD/LB to ensure credit risks are measured and managed consistently. The method for transfer between stages implemented at NORD/LB is symmetrical. If a default as defined in Article 178 CRR does not take place on a reporting date, the transaction is transferred back to stage 2, or if none of the above criteria for a significant deterioration in credit quality apply, to stage 1.

It can also happen that the position of NORD/LB improves during the restructuring or liquidation of an exposure (e.g. the restructuring goes well or additional collateral is provided). This may result in partial, or in the best case total, reversal of the risk provisions and a transfer from stage 3 to stage 1 or 2. The sustainability of the improvement is what counts for the size of the reversal or a transfer between stages.

Insofar a receivable is assessed as irrecoverable, there is a requirement to derecognise it. The write-off must take place within the reporting period in which the receivable is classified as irrecoverable. Receivables that have been terminated and interest reduced to zero are, for example, classed as irrecoverable if, even though payments are still being made, they are so small and unlikely to increase significantly so that recovery cannot be expected within a reasonable period (e.g. ten years). Where a borrower has been granted a waiver or a settlement confirmed by a court has been accepted the receivable must also be derecognised. Further criteria depend on the credit portfolio.

If there is a contractual amendment to a financial asset that is not classed as a substantial modification within the meaning of IFRS 9, it must be assumed that an increased default risk continues to apply for financial instruments under impairment stage 2. As such, it cannot automatically be concluded that the risk of default has reduced due to the modification. Instead, a check must be made as to whether a significant deterioration in credit quality still applies.

This is done by comparing the default risk for the modified value of the asset on the reporting date with the original default risk of the unchanged asset at the time of initial recognition. All available historic and forward-looking information must be used for the analysis. In particular, compliance with the obligation to pay after modification must be assessed. It must therefore be confirmed that the borrower has rendered all due payments fully and punctually for a sufficiently long period before a reduction in default risk can be assumed. Only then can step change be made in the direction of the 12-month ECL. A single payment is not sufficient. As a result, a modified asset in stage 3 cannot be transferred straight to stage 1 after modification. It therefore can only be transferred to stage 2 or kept in stage 3.

The variables used as inputs for the expected credit loss are determined taking account of the economic environment at present and as expected in the future. In particular when determining the probability of default (rating), the credit analysts assess the client's economic position. This is supported by the rating procedure, depending on the respective methodological approach. The rating information is reviewed annually and as required to ensure it is up to date.

Further details can be found in the notes to the consolidated financial statements in Note (14) Risk provisioning.

Reporting

The Risk Controlling division is responsible for assessing the risk situation as part of the Report on the Risk Situation and the Finance and Risk Compass. These reports also include the presentation and analysis of all other material control features and parameters required for managing the NORD/LB Group's credit portfolio. They are submitted to the Managing Board every quarter, with additional details for individual subsegments provided in the industry portfolio reports from Credit Risk Management.

The NORD/LB Managing Board receives additional regular and ad-hoc reports on the credit portfolios of the NORD/LB Group and of NORD/LB from the CRM Division, e.g. on risk concentrations with groups of related customers, country and industry concentrations and exposures requiring management attention (credit watchlist).

The Risk Controlling division at NORD/LB Luxembourg prepares a monthly overall risk report.

Deutsche Hypo also prepares a quarterly risk report that informs the Managing Board and the Supervisory Board in detail about the Bank's risk situation.

Investment risk

Investment risk is also a component of counterparty risk. It denotes the risk of incurring losses when making equity available to third parties. A potential loss due to other financial liabilities is also part of the investment risk, unless it was taken into account in the other risks.

Strategy

NORD/LB has an investment portfolio that was built up over time and contains a large number of holdings in various industries. The general purpose of investments is to strengthen universal banking activities and fulfil joint tasks resulting from the role of federal state bank (Landesbank) and central savings bank. The NORD/LB investment portfolio is focused on banks and financial services companies, along with real estate.

As part of its transformation and redimensioning process, the Bank is aiming to focus on its core business, reduce redundancies within the Group, simplify processes and reduce complexity while adhering to objectives under the capital-strengthening measures. The Bank's priority is reflected in the investment strategy. Here the main objective is to reduce shareholdings of no strategic benefit for the new realigned business model of the Bank and that do not meet the corresponding expected return. A further aim of NORD/LB's investment strategy is to protect and improve the strategic business segments' market position and support the development of investments so that they can support the Bank's business model.

The investment portfolio is primarily managed to generate value while adhering to the Group's objectives. This process is based on the concept of value-oriented investment management, which requires both selected investments to be actively managed and also requires active management to take place at portfolio level (identification of potential candidates for sales and selective portfolio additions). Strategically important investments are managed using an integrated approach as part of the value driver strategy. The Group's interests in relation to investments are primarily safeguarded by centrally defined key business indicators or by specifically assigned tasks.

Structure and organisation

Investment risks at the various levels in the Group are managed by NORD/LB's Investment/Strategy OU in close cooperation with other divisions, particularly the divisions of Risk Controlling and Bank Control/Finances. Domestic and foreign investments are monitored centrally by the Investments/Strategy OU. The two significant investments at NORD/LB, Deutsche Hypo and NORD/LB Luxembourg, had no investments of their own as at 31 December 2020. Information relating to equity investments is managed by the Investments/Strategy OU with the support of the Bank Control/Finances division.

The analysis by the Investments/Strategy OU is an integral element of investment risk measurement and is also used for the materiality review of investments. Based on the analysis, which also takes account of risks in excess of the carrying amount, a uniform classification valid across all divisions is undertaken, whereby investments are classified as Significant, Important or Other. Investments are examined on the basis of quantitative as well as qualitative criteria.

The result of the materiality review is crucial for the purposes of supervision intensity in all NORD/LB divisions. The treatment of investments is further differentiated during this review. The significant investments, NORD/LB Luxembourg and Deutsche Hypo, are included in Group internal and external overview reporting at the level of individual risk types. Significant and other investments are shown as an investment risk. Significant investments are subject to a more in-depth analysis by the divisions involved in Investment Management than other investments.

Control and monitoring

Investments are monitored regularly by analysing reports drawn up during the year, interim and annual reports, as well as audit reports. Control is exercised by representatives of NORD/LB or the managing subsidiaries on/in the supervisory boards, managing and advisory boards, shareholders' meetings, annual general meetings and owners' meetings and also on the basis of operating mandates in the companies.

Assessment

Investment risks are also measured by considering risks over and above the carrying amount, e.g. from funding obligations, profit/loss transfer agreements and letters of comfort. In the counterparty risk model investment and credit risks are simulated in mutual dependency in order to take account of concentration risks between risk types.

Reporting

The Investments/Strategy OU reports to the Managing Board and the NORD/LB supervisory bodies on the investment portfolio each year. The report includes among other things an analysis of current developments regarding the strengths and weaknesses of significant and important investments.

The Report on the Risk Situation and the Finance and Risk Compass also include quarterly reports on material and significant investments. Furthermore, this information is incorporated into the Bank's controlling and planning processes by having the investments transfer their earnings forecasts prepared at the end of each quarter and the current calendar's income and expenses from investments to be recorded as income to the Bank Control/Finances division.

Market-price risk

Market-price risk denotes potential losses that may be sustained due to changes in market parameters. Market-price risk is subdivided into interest-rate risk, credit-spread risk, currency risk, share-price risk, commodity risk and volatility risk:

Interest-rate risk is always present when 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 when these changes may consequently impair the value of the position (present-value approach) or reduce the interest income (income-oriented approach). Interest-rate risk also includes, in particular, the risk from changes in interest basis spreads, from changes in yield curves as well as repricing risks and interest-rate risks from optional components. According to Article 362 CRR, NORD/LB must also split trading book interest-rate risks into general and specific risks. It is NORD/LB's understanding that the general interest-rate risk also includes the credit-spread risk, while the specific interest-rate risk corresponds to the issuer risk.

Credit-spread risks arise in case of changes to the credit spread valid for the given issuer, borrower or reference debtor used for market or model measurement of the position. Credit-spread risks thus stem from securities, credit derivatives and promissory notes (Schuldscheine) held for trading purposes. Credit products held for placement purposes are also relevant here.

Other risk sub-types relevant for NORD/LB include the possibility that the value of a position reacts to changes in one or more currency exchange rates (currency risk), share-prices or share indices (share-price risk) or volatilities applied for valuing options (volatility risk), and that the changes reduce the value of the item.

As the NORD/LB Group does not conduct any business with commodities, the commodity risk sub-type is not relevant. This risk sub-type is not included in reports on market-price risk or on risk-bearing capacity.

Strategy

NORD/LB Group's activities in respect of market-price risks focus on selected markets, customers and product segments. Its positioning on the money, foreign exchange and capital markets is based on the Group's significance and size, and also on customer demand and support from overall Bank management. The NORD/LB Group does not engage in positioning beyond the scope just described.

Trading activities relating to customer business focus on interest products.

There are significant credit-spread risks across the Group from securities used as part of interest-rate and liquidity management and credit investments in securities and credit derivatives.

From the risk strategy perspective, market-price risk is divided into three blocks:

- The first block is "Trading and Investments" and consists of the market-price risks arising from customer-driven trading, strategic investments for RWA management and credit exposures intended to be placed. It also includes all transactions in the regulatory trading book and internal transactions with the second block. Due to the corresponding IFRS classification, the risks in this block are managed both economically and normatively using a fair value-based, present value consideration.
- The second block is "Treasury and Bank Management" and comprises the market-price risk on interest-rate and liquidity investments and on investing assessment interest-rate positions. The risks in this block therefore lie solely in interest-rate risks in the banking book and the credit-spread risks, currency risks and volatility risks taken as part of interest-rate and liquidity risk management. In addition to the full present value approach (including the credit spread risks of all tradable positions) in the economic perspective, which also includes modelling of pension and assistance commitments, the net interest income for the next twelve months is considered in a normative perspective and the valuation effects from credit spreads of securities to be accounted for at fair value are considered.
- The "Central Valuation Effects (IFRS)" block also contains risks from central valuation effects that result from IFRS accounting. Credit spread effects from other items to be accounted for at fair value as well as CVA risks are particularly relevant here. From a normative perspective, this block also includes the currency risk from the guarantees of the State of Lower Saxony which serve to hedge the loss risks of certain ship and aircraft financing portfolios as well as the valuation effects from interest rate movements not taken into account in blocks 1 and 2, which are also not triggered by IFRS hedge accounting, with a particular focus on valuation effects from cross-currency spreads and pension commitments.

Structure and organisation

The trading divisions of Treasury, Markets and Aviation Finance & Investment Solutions (AFIS) are responsible for managing market-price risks at NORD/LB. Under the global head function, the trading divisions are also responsible for the trading activities of the foreign offices in London, New York, Singapore and Shanghai. Trading transactions are processed and monitored in separate divisions. Management of market-price risks is supported by NORD/LB Group's ALCO.

Market-price risks are monitored by Risk Controlling which, in accordance with MaRisk, operates independently of the divisions responsible for market-price risk control, both in terms of function and organisation; Risk Controlling performs extensive monitoring, limiting and reporting activities for NORD/LB (including its foreign branches). These also include calculating eligible amounts based on the internal risk model for quarterly CRR reporting. Responsibility for developing and validating the risk model also lies with Risk Controlling.

The market-price risks of NORD/LB Luxembourg and Deutsche Hypo are managed on a decentralised basis by local trading and/or Treasury divisions. These entities have their own risk controlling units in place to monitor risks. Calculated data is integrated into reporting at Group level.

Control and monitoring

The management approach used at the NORD/LB Group to manage market-price risk focuses on both present value and income. While market-price risk in the economic perspective of risk-bearing capacity is calculated and measured using a present value approach, the aim of the earnings-oriented approach in the normative perspective is to measure and manage those market-price risks which can affect the capital ratios of the NORD/LB Group through the IFRS income statement and other comprehensive income (OCI). The interest-rate risks in the banking book are an integral part of market-price risk, but are subject to special modelling, limitation and management requirements.

Various operating limits and sub-limits are derived from the NORD/LB Group's RBC limits in order to limit risks, which are clearly assigned to the NORD/LB Group's trading and treasury divisions responsible for risk management. While the present value risk potential is limited in the economic perspective via operational VaR limits, the risks are limited in the normative perspective via scenario-based limits.

The limits for market-price risk are measured in such a way so that they support the activities related to customer business and overall bank management in line with trading strategy. The operating limits also cover the risks resulting from the equity investment strategy in block two agreed by the Managing Board, which is reviewed at least once a year by ALCO. The risks in block three are limited indirectly by RBC limits at NORD/LB Group level. Interest rate risks from pension commitments, for which there is a separate sub-limit from a normative perspective, are an exception.

Assessment

In the economic perspective, the VaR indicators are calculated daily using the historical simulation method across the Group. On the last day of each month, a VaR calculation is prepared to determine the risk-bearing capacity for the NORD/LB Group at an underlying confidence level of 99.9 per cent and a holding period of one year. When setting operating limits for market-price risk the VaR calculation generally uses other parameters, e.g. a 95 per cent confidence level and a one trading-day holding period for daily monitoring of the trading book. The VaR calculation is based on historical changes to risk factors over the previous twelve months, while for the calculation of the risk-bearing capacity, changes that have taken place since 2 January 2008 are used. The models take account of correlation effects between risk factors and sub-portfolios.

VaR models are particularly suitable for measuring market-price risks under normal market conditions. The historical simulation method used is based on historical data, and in this respect is dependent on the reliability of the time series used. The VaR is calculated based on the figures entered at the end of the day, and therefore does not show any changes in positions during the course of the day.

The prediction quality of the VaR model is verified by means of comprehensive back-testing analyses. These involve comparing the daily change in value of the respective portfolio with the previous day's VaR. There is a back-testing exception if the negative change in value observed exceeds the amount of the VaR. Additional validation analyses are also performed annually.

In addition to VaR, stress-test analyses are used to examine the impact of extreme market changes on risk positions. The stress parameters observed were selected so as to cover the material risks for the overall NORD/LB portfolio and for the individual sub-portfolios of the trading divisions.

NORD/LB also uses the VaR model to calculate the capital adequacy requirements for general interest-rate risks, currency risks and for specific share risks in accordance with the Capital Requirements Regulation (CRR) for the Hanover office and at all foreign branch offices. The standard process is applied for all remaining risk types and for Deutsche Hypo and NORD/LB Luxembourg.

In the normative perspective, the market-price risks are determined using a scenario-based consideration. This is based on adverse stress scenarios. Scenarios for yields and credit spreads, which lead to capital consumption via the income statement or OCI, are particularly relevant.

Reporting

In the NORD/LB Group companies of material relevance, the local Risk Controlling units, which are independent of the divisions managing the positions, submit daily reports to the relevant department head regarding market-price risks in the “Trading and Investments” block (exception: Deutsche Hypo determines the market-price risk from syndication positions monthly and reports weekly), submit at least weekly or monthly reports regarding market-price risks in the “Treasury and Bank Management” block, and submit monthly reports regarding market-price risks in the “Central Valuation Effects (IFRS)” block (exception: Deutsche Hypo does not report on these positions as it does not prepare single entity statements under IFRS).

The NORD/LB Managing Board is informed about NORD/LB Group’s market-price risks on a quarterly basis in the Report on the Risk Situation and the Finance and Risk Compass. Furthermore, an in-depth monthly report regarding interest-rate risks is submitted to the Managing Board in the banking book.

Liquidity risk

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

Traditional liquidity risk is the risk that payment obligations cannot be met, or cannot be met on time. At NORD/LB, the focus in this context is on observing the next 12 months on the one hand, and on the intraday liquidity risk on the other. From the longer-term perspective, risks can potentially be caused by general disruptions in liquidity on the money markets that affect individual institutions or the entire financial market. In particular, market disruptions can mean that significant asset classes may no longer be employed as collateral. Alternatively, unexpected events in own lending, deposit or issue business may also result in liquidity shortages. From the intraday perspective, an institution’s ability to manage intraday liquidity effectively is of particular importance. Intraday liquidity risk occurs when payments cannot be made at the scheduled time, thereby impacting the liquidity situation of the Bank or others. Possible causes of risks may be market disruptions, e.g. delayed/defaulted payment flows from market participants, and the lack of ability to correctly estimate one’s own intraday liquidity situation at any time so that the Bank can forecast the size and timing of expected payment flows as fully as possible. The focus here is on intraday planning and management of liquidity and the institution’s ability to meet its own payment obligations even under conditions of stress.

Liquidity-spread risk describes the potential losses caused by changes in own funding conditions on the money or capital market. This can result from a change in the assessment of the Bank’s credit rating by other market participants, or from general market developments. In addition to the refinancing risk, which is explicitly relevant for an institution’s long-term liquidity situation and is crucial in case of liquidity gaps, there can also be a “reinvestment risk” if future liquidity surpluses are present. But this does not lead to a traditional liquidity risk (in the sense of a future risk of inability to pay), instead, under certain circumstances it can merely have a negative impact on future earnings if it is subsequently not possible to service costs under liabilities from assets. Risk drivers for reinvestment risk can also include the liquidity spread if it is assumed that this is passed over to assets. The focus here is on the entire range of maturities. Model assumptions are made for positions without any fixed maturities.

The refinancing risk also includes part of the reputational risk, which is taken into account implicitly in the historical liquidity-spread changes.

By considering individual currencies in the liquidity risk, spread risks from cross-currency swaps are also implicity considered in the liquidity-spread risk.

Securities are modelled in accordance with their liquidity category, so market-liquidity risks are also implicitly considered. Market-liquidity risk defines the potential losses to be borne if transactions need to be concluded at conditions which are not in line with the fair market value due to a lack of liquidity in individual market segments. NORD/LB's understanding is that placement risk is also part of liquidity risk. This describes the risk that own issues on the market cannot be placed at all, or only under worse conditions.

Strategy

Securing liquidity at all times is strategically essential for the NORD/LB Group. While traditional liquidity risk should principally be hedged by maintaining a sufficient supply of liquid assets (in particular eligible securities), refinancing risks are permitted with a structural transformation of liquidity terms. Risks are restricted by appropriate limits in both cases.

The limit for traditional liquidity risk is designed to ensure the ability to make payment even in a conservative stress scenario, while the limit for the liquidity-spread risk is derived from the risk strategy and risk-bearing capacity of the NORD/LB Group, and allows opportunities for a contribution to earnings from the term transformation commonly used by banks.

NORD/LB Group's liquidity policy defines the business principles for liquidity risk management. The individual institutions in the NORD/LB Group also have liquidity control policies in place with basic strategic guidelines to ensure adequate liquidity supply. Liquidity control measures in emergencies and crises are specified in contingency plans.

Risk concentrations under liabilities are prevented by a diversified investor base and product range. The focus is on institutional and public investors. Diversification of funding sources is also strengthened by Pfandbrief issues, green bonds, and retail deposits.

Structure and organisation

In addition to Treasury, the Markets division and Risk Controlling are also integrated into NORD/LB's liquidity-risk management process.

Treasury is responsible for managing positions carrying liquidity risks and bears the profits and losses resulting from changes in the liquidity situation (in general, or specific to NORD/LB).

Treasury also presents the liquidity maturity balance sheet to ALCO. In addition, it reports to this committee on the liquidity-spread risk and issues recommendations for action regarding ongoing strategic planning as appropriate.

Risk Controlling is responsible for introducing, developing and validating liquidity-risk models. Development of the model takes place separately from its validation. It also determines and monitors traditional liquidity risk and monitors the liquidity-spread risk. Risk Controlling is also responsible for monitoring compliance with the liquidity buffer as per MaRisk BTR 3.1 and Liquidity Coverage Ratio (LCR).

In the event of a liquidity crisis, the Global Liquidity Management crisis team is in place to assume responsibility for liquidity control in close liaison with the Managing Board.

The liquidity risks of NORD/LB Luxembourg and Deutsche Hypo are managed on a decentralised basis by local Treasury units, with monitoring by the entities' own risk controlling units. To ensure coordination between the decentralised units, information is exchanged regularly between companies of material relevance in the NORD/LB Group; this information concerns management-related Treasury issues and questions regarding risk controlling models.

Control and monitoring

The liquidity-spread risk of NORD/LB and its subsidiaries of material relevance is limited by present-value limits and volume structure limits for the various maturities derived from risk-bearing capacity. Liquidity maturities are also considered separately by currency.

Traditional liquidity risk is primarily limited by analysing a dynamic stress scenario, which describes the most likely crisis situation in each case. As at the reporting date, the scenario reflects potential pressure from the ongoing COVID-19 pandemic. While liquidity supply on the market is secured by measures taken by central banks and state institutions, there is a risk of increased outflows due to credit commitments and demand deposits, as well as an impairment of the overall credit portfolio. At the same time, there is still a risk that NORD/LB will be downgraded to the second-to-last level "investment grade" because essential targets for profitability and capital ratios will not be achieved; compared with the market-wide effects from the pandemic as outlined, however, this is less important.

The analysis is based on liquidity cash flows and covers the following twelve months on a daily basis. For products without a fixed liquidity maturity, optional components (e.g. from irrevocable credit commitments), planned new business and funding opportunities, assumptions are made in accordance with the market situation and are subject to regular validation.

The limit system helps to ensure that in the event of stress, surplus liquidity is available for at least three months. This means that securing the ability to make payment at any time in this maturity range is given preference over possible opportunities to generate profit. Bearing profitability aspects in mind, the aim is to ensure a liquidity surplus for at least six months in the dynamic stress scenario.

The dynamic stress scenario is supplemented by three further static stress tests. These tests cover a scenario specific to NORD/LB and also the alternative scenario of a general liquidity crisis, as well as a short-term scenario of market-wide liquidity turbulence.

Market-liquidity risks are implicitly considered by classifying securities according to market liquidity in the liquidity maturity balance sheet. On the basis of a detailed security category concept, securities are allocated – according to their degree of liquidity – to one of nine main categories with one to eight sub-categories (e.g. by central bank eligibility and rating) and broken down by eligibility for repo (where required for collateral that cannot be discounted at a central bank). The liquidity maturity balance sheet is presented by liquidity category, with the maturities ranging from due on demand to final maturity.

In addition to tradability, when classifying the securities in the liquidity categories the usability as collateral is of key importance in particular, i.e. the suitability of the securities as collateral in repo transactions, with central banks or as cover for Pfandbriefs.

For management purposes at group level, a monthly Group liquidity maturity balance sheet of the material Group companies is prepared. For this purpose, all cash flows in euros and the translated amount of foreign currency cash flows are combined in a single overview. The liquidity maturity balance sheets are also drawn up in the main foreign currencies.

As part of forward-looking risk monitoring and management, projections of the economic and normative perspective of the ILAAP (Internal Liquidity Adequacy Assessment Process) are created annually for a 5-

year horizon. The forecast liquidity risk indicators are based on the planned volume development of the individual products and take into account not only a basic scenario but also undesirable developments. They thus enable forward-looking risk management.

Assessment

The NORD/LB Group calculates the utilisation of volume structure limits for the various maturity bands based on a liquidity maturity balance sheet for the entire position, which essentially reflects the standard case. Liquidity risk is estimated as part of the risk-bearing capacity concept, on the basis of a present-value consideration of the liquidity-spread risk.

Calculation of dynamic and static stress scenarios for modelling traditional liquidity risk is based on present liquidity maturities, including assumptions about new business and refinancing. These are stressed until they reflect a crisis. For example, reduced position liquidities and increased utilisation of credit commitments are presumed. The stress scenarios can present the impact of unexpected events on the Group's liquidity situation. This facilitates foresighted planning and preparations for emergencies.

Furthermore, the aforementioned annual projections of the economic and normative perspective enable forward-looking management of all key risk indicators.

The key importance of market liquidity for all securities held is factored into stress scenario analysis. In addition, the credit-spread risks for all securities are considered when calculating market-price risks. Since the spreads observed on the market reflect both the credit rating of the issuer and the market liquidity of the securities, the risk reporting also indirectly takes the market liquidity of the securities into account. No separate risk measure is applied for market-liquidity risks.

Reporting

The Group's quarterly "Finance and Risk Compass", "Report on the Risk Situation" and "Monthly Liquidity Risk Report" inform the Managing Board in detail about the liquidity risk situation of NORD/LB and the NORD/LB Group. Additionally, the Managing Board and other recipients within Risk Controlling receive daily information via e-mail regarding traditional liquidity risks in a dynamic environment.

Monthly liquidity-spread risk reports are prepared in euros and key foreign currencies. In addition, the maturity balance sheets underlying the liquidity-spread risk are presented together with the stress tests to ALCO, which convenes each month.

NORD/LB's largest customers in the deposit business are also monitored regularly. The corresponding report is made available on a quarterly basis via the Finance and Risk Compass and the Report on the Risk Situation.

For subsidiaries of material relevance, corresponding reports are also in place regarding the traditional liquidity risk, the liquidity-spread risk and the liquidity situation in the status quo and under stress. These reports update the managing divisions, responsible department heads and the Managing Board on a quarterly, monthly, weekly or daily basis.

Operational risk

Operational risks are potential events, unintended from the NORD/LB Group's perspective, which occur as a result of the inadequacy or failure of internal procedures, employees or technology or as a result of external influencing factors, resulting in a loss or significant negative consequences for the NORD/LB Group. They include legal risks, but not strategic or business risks.

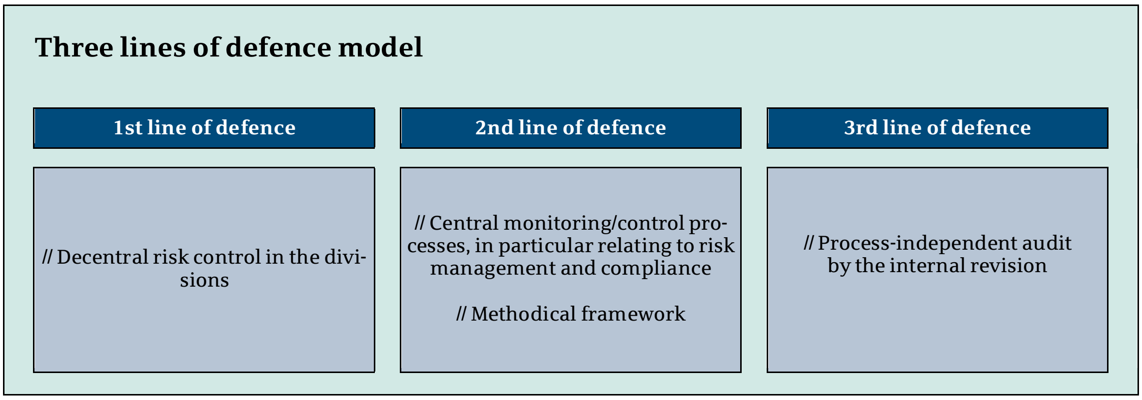
In accordance with this definition, legal risks, risks due to a change in law, compliance risks, outsourcing risks, insourcing risks, conduct risk, fraud risks, model risks, IT risks, information security risks, vulnerabilities in contingency and crisis management and personnel risks are included in operational risk.

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

- early identification of operational risk;
- avoidance, transfer or reduction, where this makes economic sense;
- consideration of operational risk in corporate decisions;
- compliance with relevant legal requirements;
- avoidance of future losses with a strong risk culture, which includes an open approach to operational risks;
- business continuity and contingency plans to limit loss in the case of extreme unexpected events; very extreme unforeseeable events are countered by a crisis management organisation;
- implementation of an appropriate and effective internal control system.

Management

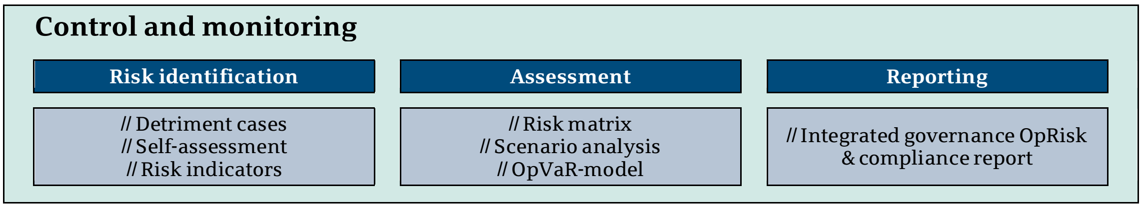
Risk management for operational risks is based on the “three lines of defence” model. Responsibility for managing operational risks is decentralised within the given framework and lies with the divisions (first line of defence). Downstream control processes are in place as part of risk management and compliance functions along the second line of defence, which are supplemented by a central methodological framework for risk identification and assessment as well as higher-level management and reporting processes. Process-independent audits are conducted by Internal Audit (third line of defence).



The NORD/LB Group adopts an integrated approach to managing operational risks, which it develops continuously. The aim is to ensure optimal interlinkage of the processes along the second line of defence. In this context, operational risks are presented in an integrated governance, OpRisk & compliance report.

The NORD/LB Group has a uniformly structured internal control system (ICS) based on the framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The ICS process organisation at the NORD/LB Group is essentially a regular and recurring risk-oriented control cycle. The overriding goal is a Bank-wide assessment based on examinations of the appropriateness and effectiveness of the key controls implemented. By means of interlinked business continuity management focusing on time-critical activities and processes, contingency measures are in place to ensure appropriate operations in the event of an emergency and a return to normal operations as quickly as possible. The higher-level contingency and crisis organisation ensures communication and decision-making capabilities in the event of escalating emergencies and crises.

Control and Monitoring



The NORD/LB Group collects data on losses from operational risks above a de minimis limit of € 5,000. This data provides the basis for analyses aimed at optimising risk management. The loss data collected is exchanged with other banks in anonymous form in the Data Consortium of Operational Risks (DakOR). Consortium data is added to the database used for the internal model. In addition, information is available in the database of the Data Service for Public Operational Losses and Reputation Risks (ÖffSchOR), in which press reports on major losses resulting from operational risk are collected, structured and processed.

The annual integrated self-assessment involves interviews by the second line of defence in the form of a survey. Risk indicators are used in NORD/LB to identify potential risks early and to take countermeasures. Indicators are selected on a risk-oriented basis and reviewed regularly to ensure they remain up to date.

Scenario analyses provide detailed insight into the risk situation at topic or process level, and relevant measures are derived as necessary. Risk-oriented analysis planning draws on all available data (e.g. losses, self-assessments, results from the ICS control cycle). The results are incorporated into the internal OpVaR model.

All risks are assessed on the basis of a risk matrix valid for the entire Group and are included in the Bank's risk reporting. The results are reported to the Managing Board every quarter (in the Report on the Risk Situation and the Finance and Risk Compass), while information on material risks is reported immediately. Reports are sent to the competent divisions as and when required, but at least once a year.

Established as part of integrated OpRisk management, the Risk Round Table is a central committee offering a platform where significant OpRisk issues and methods can be discussed at management level across divisional boundaries and thus enable comprehensive management initiatives. It focuses on operational risks, including legal risks, risks due to a change in law, compliance risks, outsourcing risks, insourcing risks, conduct risk, fraud risks, model risks, IT risks, information security risks, sustainability risks and vulnerabilities in contingency and crisis management as well as personnel risks.

Staff are made aware of risks during face-to-face and online training courses and ad-hoc informational events. "Lessons Learned" from previous cases play a special role here.

Management cycles have been implemented for IT and security risks. The aim of these cycles is to ensure that internal and external threats are detected quickly and can be actively managed. In the IT division, measures including procedural instructions, spare capacity and back-ups support the stability of the IT infrastructure. Security concepts and contingency plans supplement precautionary measures to prevent losses resulting from the failure or manipulation of applications and information.

HR risks are tackled with an HR strategy which aims to safeguard human resources that are of an adequate quantity and quality. Personnel shortages related to time-critical processes form part of the contingency planning process.

To prevent criminal acts, money laundering, the financing of terrorism and other compliance risks, NORD/LB has established comprehensive protection and prevention measures. Ongoing control and monitoring activities help to identify relevant issues. If there are any indications of major fraud, the course of action is decided in a committee at management level. There is a whistleblowing system for employees, customers and business partners so that information can be passed on securely.

Protection against legal risks is ensured by using contract templates and holding close consultations with the Legal Department. To ensure there are no unintended regulatory omissions, the Compliance Department identifies new banking requirements, informs the relevant divisions of resultant needs for action and provides evidential information across all divisions. In addition, Compliance works to ensure legal provisions and requirements are fulfilled by the specialist divisions.

The quality of external suppliers and service providers is ensured by a service provider management concept. For significant outsourcings, a quarterly risk assessment takes place using defined risk indicators.

NORD/LB uses insurance policies. NORD/LB's insurance cover is subject to a regular analysis regarding its scope and effectiveness. Natural disasters and terrorist attacks are defined as force majeure and are countered with appropriate contingency concepts.

Accounting-related ICS

The NORD/LB Group's ICS, which also includes the accounting process, covers all the policies, procedures and measures implemented by management that are aimed at the organisational implementation of management decisions regarding

- The correctness and reliability of external accounting
- Compliance with legal regulations that are relevant for NORD/LB and the
- Assurance of the effectiveness and efficiency of accounting.

The ICS is designed to prevent the risks associated with accounting processes, e.g. incorrect presentation, recognition or measurement of transactions or incorrect presentation of information in financial reporting.

The accounting-related ICS is integrated into the NORD/LB Group's overall ICS concept, and consists of a hierarchy of checks and key controls that are carried out periodically or as and when required, with documentation of the results. Key controls are subject to risk-oriented reviews regularly (every 1 to 3 years) and as and when required to determine whether they are appropriate and effective. The testing is part of a control cycle that reviews the quality of the internal control system.

NORD/LB's accounting process is decentralised. NORD/LB's Bank Control/Finances DRU is responsible for preparing NORD/LB's annual report and consolidated financial statements, including the combined management report, in compliance with legal requirements. Many issues subject to accounting are already recorded in the market and back office divisions in upstream systems at NORD/LB, and are already subject there to controls with regard to verification, completeness and valuation. There are also controls with regard to the correct recording of data, the reporting of facts and the preparation of disclosures in the notes.

For new processes to be implemented in order to meet new reporting requirements and new accounting standards, the controls and key controls necessary in this respect are integrated into the existing control system and expanded.

As a matter of principle NORD/LB has implemented accounting processes that are organisationally independent. These contain their own accounting-related controlling activities.

The closing accounting figures of NORD/LB are consolidated via a SAP module into one set of financial statements for NORD/LB. The reported data for all of the subsidiaries in the basis of consolidation are also processed in a SAP module, which at the same time also records the consolidated financial statement measures (e.g. receivables, liabilities, expenses and income as well as capital consolidations). The consolidated financial statements that are generated for NORD/LB via this process then undergo quality assurance.

In selected areas relevant for accounting, in particular when calculating liabilities to employees, NORD/LB uses external service providers.

In addition, the specialist divisions involved in preparing the financial statements communicate daily regarding processing status, so that management can immediately take control in the event of questions or delays.

NORD/LB's Internal Audit conducts process-independent audits to ensure compliance with the ICS. The accounting-related ICS is also subject to an annual audit by the auditor. The results are reported to the Audit Committee.

Assessment

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

For the risk-bearing capacity (Pillar II) and for internal control purposes, a Value-at-Risk model based on a loss distribution approach is used. The distribution parameters are calculated on the basis of internal data, scenario analysis and external data from the DakOR consortium. An allocation process combining size indicators with risk-sensitive elements is used to assign the model results to the individual institutions. Risk indicators within the warning range impact the models. The model's parameters are validated on a regular basis and subjected to stress tests. Mitigation effects due to insurance or other instruments used to spread risk are not considered in the quantification model at present. However, NORD/LB regards 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 unanticipated negative deviation of the business from its expected course, which is not already explicitly or implicitly recognised by other types of risk taken into account in the risk-bearing capacity calculation.

Strategy and management

From the reporting year to the end of 2023, NORD/LB will undergo a far-reaching transformation towards a lower risk and leaner business model. Extensive adaptations of processes and IT infrastructure will be carried out in support of this. The successful implementation of the transformation process will have a significant impact on NORD/LB's earnings and profitability. Against this backdrop, the business and strategic risk in 2020 at NORD/LB Group level for ICAAP and ILAAP was classified as a material risk type. The effects of business and strategic risks are taken into account in the risk-bearing capacity calculation on a flat-rate basis via the reserve position in capital.

Monitoring is carried out in a two-stage test process with two thresholds. The level of the early warning and escalation threshold is defined as a risk strategy objective. Business risks are monitored on a quarterly basis in the risk situation report based on selected items in the income statement. If the thresholds are exceeded, information is sent to the Managing Board and, in addition, to the Supervisory Board/Risk Committee. A cause analysis is also prepared and recommendations for action are derived if necessary.

Reputational risk

Definition and strategy

Reputational risk defines the risk of the Bank sustaining serious or permanent losses due to a loss of trust among customers, business partners, the general public, investors, employees or the owners. Step-in risk is a possible source of reputational risk. It refers to the risk that financial support is provided to an unconsolidated entity under stress when no contractual obligation for such an occurrence is in place or the financial support exceeds the existing contractual obligation. The main reason for this support is to avoid potential reputational risks.

NORD/LB aims to maintain and continually expand the trust of its stakeholders at all times, and to be perceived as a fair and reliable partner. The aim is also to ensure the efficient management of reputational risks in a manner that makes economic sense. The following specific objectives are pursued:

- prevent the occurrence of reputational risks with guidelines, knowledge of stakeholder expectations through ongoing dialogue and the safe management of risky transactions
- recognise early and reduce arising and existing reputational risk
- securely manage reputational risk that has arisen.

Management

The conduct of every employee has an impact on the Bank's reputation. Therefore, responsibility for the appropriate management of reputational risks also lies with each individual employee. As well as Corporate Communications, key players in this regard are Sustainability Management, Compliance and Risk Controlling. As part of the management of reputational risks, a compilation is made of how reputational risks are dealt with.

General and Bank-wide rules to prevent reputational risks define the permitted scope for decision-making. The following main rules apply in this regard:

- Financing principles
- Guidelines which direct and govern the economic, environmental and social aspects of business (ESG guidelines, sustainability guidelines)
- Guidelines for external communication
- Overall guidelines to prevent money laundering, the financing of terrorism and other criminal offences (fraud) as well as to ensure compliance with financial sanctions/embargoes at the NORD/LB Group
- Code of Conduct for the NORD/LB Group

Mechanisms such as defined audit steps and checklists in control processes help to identify and safely control reputational issues. In urgent cases involving reputational risk issues that cannot go through the due process due to their time urgency, a committee is convened.

In parallel with the continuous, cross-divisional exchange of reputation-related information, NORD/LB has an early-warning system that is continually reviewed. Findings related to reputational risk are incorporated into the regular GOC reporting process (Governance, Operational Risk, Compliance).

Economic Report

General Economic and Industry-Specific Environment

Global Economic Environment

In 2020, the global economy suffered greatly from the impact of the COVID-19 pandemic. In the first half of the year, in particular, economic activity was dampened in China initially, and later also in Europe and North America, at times significantly. Despite a rapid catch-up in summer, global economic performance fell by almost four per cent over the year as a whole. In Germany, real gross domestic product fell by 5.0 per cent year on year. Economic performance in the euro zone fell even further (6.8 per cent). In the USA, gross domestic product shrank by 3.5 per cent. The depth of the recession also had consequences for the labour market. The US unemployment rate rose to 14.7 per cent in April. Although it gradually fell back to 6.7 per cent by the end of the year, the pre-crisis level has not yet been reached. In Germany, the number of unemployed also increased considerably, but at 6.4 per cent, the peak unemployment rate was significantly lower. One key reason for this was the extensive use of the short-time work option, which frequently meant that it was possible to avoid layoffs. With the second wave of infections in autumn and winter, the pressure on macroeconomic development increased again. The containment measures particularly affect sectors that rely on strong social contacts. This includes, among other things, large parts of the service sector, hotel business and hospitality and traditional retail. In the manufacturing sector, on the other hand, the recovery continued until the end of the year, meaning that the macroeconomic pressures for Germany and the euro zone were considerably lower in the fourth quarter than in spring 2020.

In response to the crisis, a range of support measures were adopted within both monetary and fiscal policy to try to prevent an even greater economic contraction. Important central banks such as the European Central Bank and the Federal Reserve have also made it very clear that key interest rates are not expected to rise in the medium term. Indeed, at the end of the year, the European Central Bank decided on measures to increase both the term and volume of its COVID-19-related economic stimulus package. Capital market yields remained relatively stable at a low level throughout 2020. The yield on German government bonds with a ten-year residual term has fluctuated within a relatively narrow range of around -0.50 per cent since the start of the pandemic. The gradual rise in yields of US government bonds with a ten-year residual term has not fundamentally changed this either. The global equity markets were able to profit from high liquidity worldwide and the hopes of an imminent recovery in economic activity fostered by the development of various vaccines. Against this backdrop, the German equity index marked a new all-time high at around 13,790 points at the end of the year, after having briefly fallen below 9,000 points in March. The euro appreciated significantly over the course of the year and temporarily climbed above the USD 1.23 mark. The EUR/USD-based swap spreads remained within relatively narrow ranges in all maturities, despite the crisis situation.

Finance Sector

In recent years, the European banking market has been able to improve particularly the risk profile and strengthen capitalisation, among other things due to regulatory requirements and positive macroeconomic conditions. This is benefiting banks during the COVID-19 pandemic. Banks are also benefiting from the strong willingness and capacity to provide support offered by the EU, national states, central banks and supervisory authorities during the COVID-19 pandemic. Nevertheless, the consequences will have a negative impact on the credit quality of banks. Due to this, significant risk provision expenses have already been made in order to be able to absorb future losses caused by COVID-19. The risk provision expenses, however, have a significant impact on the profitability of the banks. Adding pressure on the income side is the fact that the ECB has further relaxed its already very loose monetary and interest rate policy due to the COVID-19 pandemic. As a result, the swap and yield curves in the euro area have flattened significantly, which has already been making it increasingly difficult for banks in recent years to generate income from traditional interest earning operations and/or term transformation.

Shipping

Last year, the container sector experienced a renaissance within the shipping industry. The SCFI freight rate index reached a record high of 2,642 points in December (959 points at the end of 2019). The sharp increase in demand in the trans-Pacific trade, reduced line services, bottlenecks in ports and a shortage of available containers and tonnage also led to a significant recovery in the charter market. For example, the charter rate index “New ConTex” published by the Hamburg and Bremen Shipbrokers’ Association (Verband der Hamburger und Bremer Schiffsmakler; VHBS) climbed by around 60 per cent over the course of the year.

In the bulk cargo sector, the COVID-19 pandemic initially caused declines in demand as a result of the first global wave of lockdowns after the New Year holidays in China, while demand for bulkers continued to increase worldwide. In the second half of the year, following the ramp-up of production there, Chinese imports of raw materials were able to compensate for the weak demand in other countries, resulting in charter rate recoveries. Over the course of the year, however, there was an estimated decline (in tonnes) of seaborne bulk cargo of 2.1 per cent. Although the Baltic Dry Index ended the year at a level of 1,366 points with an increase of approx. 25 per cent, on average the achieved charter rates were weaker than in 2019.

The tanker sector was able to benefit from an oil glut at the beginning of the year, but this changed in the second half of the year. The restrictions issued worldwide as a result of the pandemic reduced the demand for oil and consequently the demand for tanker tonnage. Crude oil trading by sea is estimated to have decreased by 6.6 per cent in 2020 compared with the previous year. Trade in oil products even fell by around 9.0 per cent. The year-end announcements from the OPEC+ countries that they were to reduce oil production provided little support. Accordingly, charter rates in the tanker sector remained under pressure.

Aircraft

According to the calculations of the International Air Transport Association (IATA), global passenger numbers (RPK, revenue passenger kilometres) fell by 65.9 per cent in 2020 as a result of the COVID-19 pandemic. The declines were 75.6 per cent for international traffic and 48.8 per cent for domestic traffic. International markets were affected worse than domestic markets, as many countries have closed their borders or adopted travel rules to limit the spread of the virus. There were no clear geographical differences in these transport trends. However, the Middle East region performed particularly poorly with a 72.2 per cent slump, due to the dependence on long-distance connections.

The cargo tonne-kilometres (CTK) sold decreased by 10.6 per cent year on year in 2020 due to the lack of freight capacities in passenger aircraft.

Real Estate

In the full year 2020, the global transaction volume decreased year on year by 28 per cent to around $ 762.0 billion. Compared with the previous year, the European transaction volume fell by 17 per cent to around € 276.6 billion. The Office asset class, with a transaction volume in 2020 of around € 94.3 billion, remained the largest in the European real estate investment market. The transaction volume there fell by 32 per cent year on year. On the German investment market, the transaction volume in 2020 was 5.5 per cent lower than in the previous year at around € 79.2 billion. Commercial properties, with approx. € 59.2 billion, represented a share of some 75 per cent of the total transaction volume. The most traded asset class, Office, recorded a transaction volume of around € 27.6 billion. This corresponded to a decrease of 31 per cent compared with the previous year. The investment market for residential real estate achieved a transaction volume of around € 20 billion, an increase of 23 per cent compared with the previous year. The market share of international investors on the German investment market went up by five percentage points to around 47 per cent. In the top 7 markets, the transaction volume of all asset classes fell year on year by 26 per cent to around € 36.5 billion.

Significant Events in the Financial Year

COVID-19 pandemic

In the wake of the worldwide spread of COVID-19, NORD/LB has since March established a project based structure comprising a management team, situation team and topic-specitif task forces to implement extensive measures to protect its employees and business operations, including a rolling split organisation.

Following interim easing measures during 2020, NORD/LB again strengthened the measures due to a resurgence in infections at the end of the year. As a result, more than 70 per cent of employees are currently working from home without significantly compromising process stability. Further measures, such as compulsory mask-wearing for employees in the Bank on all traffic areas, have been introduced.

NORD/LB maintains close contact with the main service providers in the context of COVID-19 in order to be able to react quickly to any disruptions that may occur.

So far, all these measures have led to a proportionally lower increase in NORD/LB's case numbers compared with Germany as a whole and to the successful prevention of disruption to NORD/LB's business operations.

The further development of the COVID-19 pandemic will continue to be closely monitored in order to be able to react quickly with further measures, if necessary.

Regulatory requirements regarding minimum capital

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

In addition to the statutory minimum capital ratios, the European Central Bank (ECB), as the supervisory authority responsible for NORD/LB, imposes individual minimum capital ratios on NORD/LB at group level as part of the Supervisory Review and Evaluation Process (SREP). In the reporting period, this requirement applied to the total capital ratio and was 10.5 per cent. This requirement comprises the legal minimum total capital ratio as per CRR of 8.0 per cent and an additional 2.5 per cent ("Pillar 2 Requirement", or P2R).

In addition, on the reporting date, the bank had to meet a combined capital buffer requirement of around 2.8 per cent, comprising the statutory capital buffer of 2.5 per cent, an institution-specific anti-cyclical buffer weighted for all lending of around 0.01 per cent and – because NORD/LB is a systemically important bank – a capital buffer for other systemically important institutions of 0.25 per cent. In total, on the reporting date, this resulted in an individual minimum total capital ratio of around 13.3 per cent.

According to ECB regulations, the P2R requirement had to be covered in the reporting period up to at least around 56 per cent by Common Equity Tier 1 capital and up to 75 per cent with core capital. Up to and including the end of 2019, on the other hand, the stipulation that the P2R requirement had to be completely covered by Common Equity Tier 1 capital still applied. The change in this stipulation by the ECB in the reporting period represented a significant component of the supervisory easements, with the help of which the impact of the COVID-19 pandemic, which started in the reporting period, on the banks of the EU was to be alleviated. At the same time, the change in the stipulation by the ECB pre-empted a corresponding change in EU Directive No. 2013/36 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD) from 2019, which was implemented in German law at the end of the reporting period.

The combined capital buffer requirement, in contrast, must be completely covered by Common Equity Tier 1. However, in order to mitigate the effects of the COVID-19 pandemic, the ECB has, starting from the reporting period, allowed banks to temporarily fall short of the requirements for the capital preservation buffer and the anti-cyclical capital buffer.

In this respect, in the reporting period, the Bank had to maintain in principle an individual Common Equity Tier 1 ratio of around 8.7 per cent (= legal 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 table below shows an overview of the minimum regulatory capital requirements for the NORD/LB Group on the reporting date:

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

In addition to the minimum capital ratios, the responsible EU authorities for the resolution of credit institution and investment firms (SRM) also specify a minimum MREL ratio for NORD/LB at group level. MREL stands for minimum requirement for own funds and eligible liabilities which banks in the EU are under the relevant valid version of Directive 2014/59/EU on establishing a framework for the restructuring and resolution of credit institutions and investment firms (Bank Recovery and Resolution Directive, BRRD), obligated to hold as a buffer for losses and recapitalisation in the event resolution is required. The minimum MREL ratio for NORD/LB in the reporting period was 8.0 per cent; this is obtained by dividing equity and MREL-qualifying liabilities by the sum of equity and all liabilities.

Regulatory amendments

In June 2020, changes to parts of the CRR ("CRR II quick fix") came into effect; these were essentially intended by EU legislators to be ad hoc easements for credit institutions in the EU during the COVID-19 pandemic and therefore came into effect immediately. NORD/LB exercised the elective rights provided for in these changes in order to make use of easements regarding the factors for risk positions with respect to small and medium-sized enterprises (SME factor) and certain infrastructure financing.

In addition, a BRRD amendment was implemented into German law with effect from December 2020. According to this amendment, only corresponding liabilities parent companies are recognised as MREL-eligible liabilities at group level on the one hand. On the other hand, it redefines the denominator of the MREL ratio. Since then, the total risk exposure amount has functioned as the denominator instead of the sum of own funds and all liabilities as was the case before then. As part of the BRRD change, the SRB has announced that NORD/LB will be given a minimum MREL ratio adapted to this new logic in 2021.

Change in regulatory capital ratios and the MREL ratio

NORD/LB met the minimum regulatory capital ratios at group level in the reporting period (for details see note (68) Regulatory data).

The common equity tier 1 ratio increased slightly in the reporting period due to both a slight increase in common equity tier 1 and a slight reduction in the total risk exposure amount.

The growth in common equity tier 1 primarily resulted from an increase in share capital of around € 137 million by a NORD/LB owner. This capital increase corresponded to the level of fees paid by the Bank to the State of Lower Saxony in the reporting period for guarantees for credit portfolios of the Bank issued by the State of Lower Saxony since 2019. 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. This capital increase overcompensated for the opposing reductions in common equity tier 1 capital in the reporting period, which resulted primarily from negative consolidation effects and a negative change in "Accumulated OCI" in accordance with IFRS. The OCI is largely influenced by the change in the actuarial result from pension and healthcare aid obligations.
The reduction in the total risk exposure amount in the reporting period was the result of offsetting effects. On the one hand, negative rating migrations from updates to customer ratings as a result of the COVID-19 pandemic, which began in the reporting period and continues as at the reporting date, had a significant impact on the increase in the total risk exposure amount. On the other, the total risk exposure amount resulting from securitisations also increased. This was due to the changed regulatory requirements in place since the start of 2020 with respect to an increased equity backing for existing securitisations.
These increases in the total risk exposure amount were more than offset by reductions in all material risk types (counterparty, market-price and operational risks). Decreases in operating business and reductions due to optimisation measures contributed to the reduction of counterparty risks.

The core capital and regulatory capital ratios, on the other hand, fell in the reporting period. The main reason for this was the omission of the regulatory eligibility of existing silent participations due to their termination by NORD/LB (for further details see also the section "Servicing, ending and performance of capital instruments" below).

The MREL ratio also decreased in the reporting period when comparing on the basis of the denominator valid as at 31 December 2019 (sum of own funds and all liabilities). This was mainly due to the effects of the aforementioned implementation of a BRRD amendment into German law, since only corresponding liabilities of parent companies are recognised as MREL-eligible liabilities. Consequently, as of the reporting period, all liabilities of NORD/LB subsidiaries that were still included in this figure up to the end of 2019 are now no longer recognised as MREL-eligible liabilities. Despite this, NORD/LB maintained the minimum MREL ratio as at the reporting date.

Servicing, ending and performance of capital instruments

Unlike the slightly positive earnings after taxes reported at group level according to IFRS, NORD/LB reported a significant loss after taxes for the reporting period at the individual institute level in accordance with HGB has with the German Commercial Code (HGB). These negative earnings after taxes in accordance with HGB has an impact on the servicing and valuation of certain NORD/LB capital instruments.

Existing instruments that are permanently eligible as additional tier 1 capital (AT1) under the CRR will not be serviced from the earnings for 2020. This arises contractually from insufficient available distributable items (ADI).

The following consequences apply to existing silent participations:
As at the reporting date, the loss for the year according to HGB further increased the net accumulated loss according to HGB already recorded as at 31 December 2019. As a consequence, the contractually agreed interest for silent participations will not be paid for 2020. Furthermore, in accordance with HGB, and as at the reporting date the silent participations participated in the net loss for the year or in the net accumulated loss based under HGB based on their contractual relative share in all liable equity available. For this reason the carrying amounts of the individual silent participations as at the reporting date were reduced by the amount of the respective share of the loss. Conversely, the amounts arising from the elimination of interest and write-downs were recognised in profit and loss.

The carrying amounts of the silent participations had already been reduced on 31 December 2019 due to the loss for the year or net accumulated loss under HGB recorded at that time. The further reduction of the carrying amounts of the silent participations as at the reporting date took place accordingly on the basis of this already reduced level.

In deviation from this method, an effective interest rate-based valuation of the future contractual cash flows is carried out in accordance with IFRS when ceasing the contractual servicing of capital instruments recognised as debt. Consequently, all silent participations recognised as debt have been measured in accordance with IFRS as at the reporting date. As a result, the valuation of silent participations recorded as debt under IFRS fell significantly at group level. The changes in value were in turn recognised through profit and loss.

This valuation of the silent participations accounted for as debt in accordance with IFRS was significantly influenced by the expected future development of NORD/LB's earnings after taxes in accordance with HGB, including expected effects from the ongoing COVID-19 pandemic.The fact that the NORD/LB owners decided during the reporting period to end all remaining silent participations in order to optimise the capital structure also played an important role in the valuation. The background to this is that the silent participations, in accordance with the transition regulations of the CRR, can only be eligible proportionally as core capital up to the end of 2021 and thereafter as supplementary capital at most. Accordingly, NORD/LB terminated all existing silent participations in accordance with the contract following submission of the necessary approval by the ECB in the reporting period. These terminations also include the silent participations of three special purpose vehicles ("Fürstenberg Capital Erste to Dritte"), which each refinanced the silent participations at NORD/LB through the issue of structure-congruent bonds (capital notes).

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. To achieve the associated targets, the "NORD/LB 2024" transformation programme was launched last year, including the existing programmes "Blossom" (recapitalisation and business model of NORD/LB) and "One Bank" (optimisation of Group structures and processes).

Despite the challenging environmental conditions due to the COVID-19 pandemic, it proved possible to move ahead with the programme without significant deviations by switching to teleworking at an early stage.

In particular, the following milestones were achieved in 2020:

- At the end of the second half of 2020, the owners decided to integrate Deutsche Hypothekenbank into NORD/LB. This decision further streamlines the Group structure.

- The Owners' Meeting approved the concept for the "new bank management" infrastructure, which forms the technological and procedural core of the transformation under NORD/LB 2024. The resolution by the Owners' Meeting is of exceptional strategic importance and is, in the view of the Managing Board, necessary in order to be able to meet the significantly increased supervisory requirements for the management of banking transactions and for reporting on these for accounting, reporting, tax-related, financial and risk controlling and treasury purposes.

  For measures with an overall earnings and cost effect of around € 315 million, the design stage was completed and these measures were then moved to the implementation stage.

- In 2020, measured in terms of the planned value contribution, it was possible to specify 70 per cent of these measures in sufficient detail for subsequent implementation, which corresponds to around € 410 million of the stipulated € 587 million.

- Based on the current project plans, further restructuring measures were planned in more detail, prepared for implementation, and approved by the committees at NORD/LB. These include projects for reducing the workforce, redimensioning NORD/LB, and redesigning the Bank's operational structures. Based on current plans, the workforce-reduction measures at the NORD/LB Group aim to reduce the number of full-time positions by around 1,850. Including the implementation of the One Bank programme, the number of full-time positions will be reduced to around 2,800 positions. As far as possible, staff reductions are to be implemented on a socially responsible basis. NORD/LB concluded contracts with employees in the scope of around 1,100 employee capacities based on the service agreement concluded in 2019. The affected employees will leave the Bank by the end of 2023. The plans to reduce the workforce of NORD/LB AöR in Germany as part of the NORD/LB 2024 programme have been completed. In the year under review, the Managing Board adopted an amendment to the restructuring plan on the basis of instruments such as early retirement regulations and termination offers as well as the planned measures for implementing staff reductions. This amendment to the restructuring plan includes measures at subsidiaries and foreign branches.

- The aforementioned savings effects planned in the NORD/LB 2024 programme will incur additional restructuring expenses in the NORD/LB Group. The anticipated restructuring expenses have been taken into account in the restructuring provisions in the annual Report and in the consolidated financial statement as at 31 December 2020.

Within the framework of the NORD/LB 2024 transformation programme, the aim is to achieve full completion of the measures design stage by the end of 2021 and for all planned measures to be implemented by the end of 2023.

Reduction of the ship loan portfolio

NORD/LB has set the goal of reducing its NPL ship portfolio as much as possible by the end of 2021. In the reporting year, the exposure of the NPL ship portfolio fell from € 2.5 billion to € 0.9 billion. The risk provisioning balance for the NPL ship exposure remaining at the end of the reporting year is now € 0.6 billion (incl. fair-value deductions) taking into account the associated risk provisioning utilisation of € 0.8 billion, which resulted in a coverage ratio of 67 per cent for the remaining NPL ship portfolio (coverage: ratio of risk provisioning to NPL exposure).

Audit of the German Financial Reporting Enforcement Panel

The German Financial Reporting Enforcement Panel (FREP) announced a random sample-style enforcement audit in May in accordance with § 342b (2) clause 3 no. 3 HGB. The audit focused on the consolidated financial statements of NORD/LB as at 31 December 2019 and the annual financial statements of Deutsche Hypothekenbank AG as at 31 December 2019. The responsible chamber ended the procedure in December and found no errors in the accounts for the annual financial statements of Deutsche Hypothekenbank AG nor for the consolidated financial statements of NORD/LB.

External rating

At the start of January 2020, all rating agencies that issue a mandated rating for NORD/LB responded to the equity increase of 23 December 2019 with rating actions.

Fitch ratings

On 3 January 2020, the rating agency Fitch Ratings affirmed, inter alia, the “A” long-term issuer default and the deposit rating and removed the “Rating Watch Negative”. Furthermore, Fitch raised the intrinsic viability rating (VR) of NORD/LB from “f” to “bb+”. On 4 March 2020, Fitch set the ratings of NORD/LB (deposit, debt) to “UCO up” due to changes in the criteria; the subordinated debt rating was set to “UCO down” (under criteria observation (UCO)).

On 6 April 2020, the following changes were made to the ratings: The rating of “A-” (long-term IDR) was affirmed. Fitch changed the outlook to “negative”. The reason for this was the likewise negative outlook of the Sparkassen Finance Group. The short-term rating (“F1”) was affirmed. The viability rating (VR) was downgraded from “bb+” to “bb”, while the subordinated debt rating was also downgraded from “BB” to “B+”. The reasons for the downgrades are the deterioration in the economic environment as a result of the COVID-19 pandemic, the earnings and profit targets which are now at risk, and an increased total risk exposure amount due to the change in ratings.

Upon completion of the implementation of the amended criteria, Fitch removed the “UCO” for NORD/LB on 23 April 2020. Consequently, the long-term ratings were broken down into “non-preferred” (as before at “A-”) and “preferred” (“A”).

On 17 December 2020, Fitch published a press release on NORD/LB in which all ratings were confirmed. NORD/LB CBB’s rating was also confirmed in the publication and withdrawn at the same time. CBB had terminated the ratings for economic reasons.

DBRS Morningstar

The ratings agency DBRS Ratings GmbH (DBRS Morningstar) affirmed the ratings for NORD/LB on 6 January 2020, including the long-term issuer rating of “A”, the short-term issuer rating of “R-1 (low)” and the subordinated debt rating of “BBB (high)”. The trend for all ratings has once again returned to “positive”. The intrinsic viability rating assessment remained unchanged at “BBB (low)”.

On 8 December 2020, DBRS Morningstar reconfirmed NORD/LB’s ratings.

Moody's Investors Service

On 9 January 2020, the rating agency Moody's Investors Service upgraded all long-term ratings as well as the viability ratings of NORD/LB, of Deutsche Hypo and of NORD/LB CBB by two notches; the short-term rating of "P-2" was affirmed, and the ratings of Fürstenberg I and II were downgraded to "Caa3(hyb)". The outlook was described as "stable". On 13 January 2020, the reviews of the Pfandbriefes were also ended. Ratings were confirmed at "Aa1".

On 31 August 2020, Moody's downgraded the ratings of Fürstenberg Capital Erste GmbH and Fürstenberg Capital II GmbH from "Caa3(hyb)" to "Ca(hyb)". The downgrade of hybrid ratings reflects Moody's expectation that the present value of the economic loss will lie within a range of 35-65 per cent of its nominal value.

Moody's published a new report on NORD/LB on 21 December 2020. All ratings were reconfirmed.

Brexit

The trade agreement negotiated between the European Union and the United Kingdom came into affect on 1 January 2021. Equivalence decisions on financial services are not part of the trade agreement and must be decided unilaterally. Various MoUs (Memoranda of Understanding) have already been drawn up between the European Securities and Markets Authority (ESMA) and the Bank of England (BoE) for this purpose. For example, there is to be permanent equivalence decisions for CCPs and CSDs in the UK.

NORD/LB and Deutsche Hypo have applied for and received the Temporary Permission Regime (TPR) from the Bank of England, which came into force on 1 January 2021. This ensures that the institutions can continue to act in the scope set out in the current authorisation on a transitional basis. The transitional period ends with the London offices receiving authorisation from the Financial Conduct Authority (FCA). A request from the FCA to submit an application for a third-party office is anticipated in the first half of 2021.

Transitional solutions have been implemented or decreed by law for those issues of relevance to NORD/LB:

- Central derivatives clearing
- Eligibility of UK assets for cover pooling under German Pfandbrief law

The progress of negotiations between the European Union and the United Kingdom is being monitored closely so that the Bank can respond quickly if required. On the whole, no significant effects from Brexit are anticipated for NORD/LB.

Subsequent Events

Events of particular significance after the end of the financial year are described in Note (80) Events after the balance sheet date.

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 2019 are shown in brackets)

Earnings Position

NORD/LB's earnings in the reporting year 2020 compared with the previous year were influenced by the consequences of the COVID-19 pandemic, the effects on earnings from the guarantees of the State of Lower Saxony, the end of the securitisation transactions, the revaluation of financial obligations at amortised cost, and lower restructuring and transformation expenses.

For the reporting period, the NORD/LB Group recorded almost balanced **earnings after taxes** of € 25 million, which is significantly above the previous year's level.

The income statement figures can be summarised as follows:

	1 Jan. - 31 Dec. 2020 (in €million)	1 Jan. - 31 Dec. 2019[1)] (in €million)	Change (in %)
Net interest income	1 285	1 024	25
Net commission income	– 38	71	> 100
Profit/loss from fair value measurement	202	164	23
Risk provisioning	– 426	29	> 100
Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss	– 36	– 30	20
Profit/loss from hedge accounting	66	22	> 100
Profit/loss from shares in companies	– 13	17	> 100
Profit/loss from investments accounted for using the equity method	– 11	20	> 100
Administrative expenses	934	970	– 4
Other operating profit/loss	– 21	45	> 100
Earnings before restructuring, transformation and taxes	**74**	**392**	**– 81**
Profit/loss from restructuring and transformation	– 87	– 459	– 81
Earnings before taxes	**– 13**	**– 67**	**– 81**
Income taxes	– 38	36	> 100
Consolidated profit	**25**	**– 103**	**> 100**

Key figures	1 Jan. - 31 Dec. 2020 (in €million)	1 Jan. - 31 Dec. 2019 (in €million)	Change (in %)
Common equity tier 1 capital (in €million)	64.5%	73.7%	– 12
Return-on-Equity (RoE)	-0.2%	-1.0%	– 80
Harte Kernkapitalquote (in %)	14.63%	14.45%	1
Leverage Ratio (transitional)	4.29%	4.11%	4

1) For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

Net interest income at € 1,285 million was € 261 million above the prior-year comparison period (€ 1,024 million). The development primarily from a positive effect on earnings of € 297 million (€ -30 million) from the revaluation of financial liabilities at amortised cost due to a change in the estimate of cash flows.

Overall, both income and expenses booked under net interest income declined compared with the previous year due to the persistently low interest rate level and the reduction in receivables.

On the earnings side, interest income from financial assets at amortised cost decreased by € 437 million while interest income from derivatives fell by € 302 million. Interest expenses on financial liabilities at amortised cost decreased by € 328 million; the reduction in interest expenses from derivatives was € 404 million.

The contribution from interest-rate conditions on the assets side was particularly adversely affected by the further reduction of the shipping portfolio and the subdued new business as a result of the COVID-19 pandemic. Although the credit exposure declined, the asset-side margins remained stable. In addition, the passive interest rate contribution declined due to the low interest rate level, particularly in the Private and Commercial Customers and Savings Banks Network Customers segment. Earnings from interest rate and liquidity risk management declined significantly in the previous year due to one-off effects.

Net commission income decreased compared with the same period in the previous year and amounted to € -38 million (€ 71 million), in particular due to higher guarantee fees. Commission income went down by € 51 million. This is due to lower levels of new business compared to the previous year primarily in the Corporate Clients and Structured Finance Customers segments. The previous year's figure was boosted by a non-recurring effect of € 30 million from a servicing fee received as part of the sale of the shipping portfolio. Commission expenses, on the other hand, increased by € 58 million mainly due to fees of € 164 million (€ 16 million) for the guarantees of the State of Lower Saxony. The expiry of two existing securitisation transactions had a positive effect in the amount of € 79 million compared with the previous year.

At € 202 million, the **profit/loss from financial assets at fair value** was above the level of the previous year (€ 164 million). The positive valuation effects of € 128 million (€ -33 million) in connection with the guarantees of the State of Lower Saxony made a major contribution to this. This valuation income will in future be subject to an expense of the same amount either due to necessary risk provision expenses or the reversal of the positive valuation effects. In addition, the foreign currency result of € 51 million (€ 46 million) led to a positive result. This was offset by changes in the counterparty-specific default risk on derivatives in the amount of € -25 million (€ -16 million) and expenses of € -24 million (€ -6 million) from price losses due to unfavourable changes in credit spreads on fixed-income securities.

Expenses from **loan loss provisions** changed considerably year on year by € 455 million to € -426 million (€ 29 million). To give appropriate consideration to the deterioration in the overall economic situation as a result of the COVID-19 pandemic, model adjustments in the amount of € 386 million were recognised in the risk provisions in the segments aircraft, real estate and corporate financing as well as structured finance. In addition, most of the risk provisioning result for 2020 was due to the winding down of the ship finance portfolio, impairment reversals and valuation allowances as well as some additionals to risk provisionings for individual exposures in the corporate and aircraft customer business as a result of the COVID-19 pandemic.

Use of a management adjustment (MAC-19)

A fundamental deterioration in credit quality as a result of the pandemic means that banks must regularly increase risk provisions for transactions that have deteriorated significantly in their credit quality or have defaulted. Consequently, the effects of the COVID-19 pandemic can lead to increased volatility in banks' risk provisions. In application of IFRS 9, risk provisions must be made for expected credit losses. Further information on this can be found in the chapter Risk management (sub-chapter Credit risk/Risk provisions).

The **disposal profit/loss from financial instruments not measured at fair value through profit or loss** of € -36 million (€ -30 million) primarily consisted of the repurchase of various receivables in the amount of € 18 million and the expense from the repurchase of liabilities issued in the amount of € -12 million.

The **profit/loss from hedge accounting** in the amount of € 66 million (€ 22 million) was mainly due to valuation effects related to interest rates, the basis spread and currencies.

The **profit/loss from shares in companies** amounted to € -13 million (€ 17 million). This was mainly due to the unscheduled depreciation of a participation in the amount of € -28 million. At the same time, positive earnings contributions in the previous year did not arise in 2020 due to the sale of a participation.

Administrative expenses decreased year on year by € -36 million to € 934 million (€ 970 million). The lower staff expenses of € 484 million (€ 516 million) were in particular a consequence of the successfully started transformation project. General operating expenses fell compared with the previous year by € -12 million to € 377 million (€ 389 million). Other ongoing administrative expenses as well as costs for land and buildings also fell by € -5 million. Depreciation expenses increased year on year by € 8 million to € 73 million (€ 65 million), mainly due to write-downs on self-built and purchased IT systems.

Other operating profit/loss went down by € 66 million to € -21 million (€ 45 million). Compared with the previous year, the result included increased expenses in connection with the restructuring fund of € 63 million (€ 55 million). The profit from the sale of a building in the amount of € 18 million and the reversal of provisions in the amount of € 19 million (€ 21 million) had an offsetting effect. In contrast, in the previous year there were special effects from the sale of a participation in the amount of € 115 million as well as unscheduled depreciation of real estate in the amount of € -32 million, which did not occur in the current reporting period.

The **restructuring and transformation result** amounted to € -87 million (€ -459 million) and was related to the NORD/LB 2024 project. The allocation to provisions for restructuring amounted to € -36 million (€ -341 million) and was related to the further reduction of personnel in foreign branches and subsidiaries and other consolidated participations by the end of 2023. The transformation expense of € -52 million (€ 118 million) is of non-recurring nature and comprised the activities in the context of securing the future and maintaining the competitiveness of NORD/LB Group. This expense included consulting services for strateic, IT and legal advice as well as the implementation of the New Bank Management project.

The **tax revenue** of € 38 million (tax expense €36 million) primarily resulted from current income taxes in Germany after completion of tax audits and from deferred taxes at consolidated subsidiaries.

The **cost/income ratio (CIR)** was significantly better than in the previous year as a result of higher earnings.

Return-on-equity (RoE) remained negative due to earnings before taxes, but improved significantly compared with the previous year.

The **common equity tier 1 ratio** increased from 14.45 per cent to 14.63 per cent in the reporting period due to both a slight increase in common equity tier 1 capital and a slight reduction in the total risk exposure amount.

The **leverage ratio increased** from 4.11 per cent to 4.29 per cent in the reporting period, primarily due to a significant reduction in total assets and consequently also the leverage exposure as denominator of the ratio. The decline in the denominator more than compensated for a reduction in Tier 1 capital as the numerator for the ratio.

Assets and Financial Position

	31 Dec. 2020 (in €million)	31 Dec. 2019[1] (in €million)	Change (in %)
Trading assets	9 801	9 332	5
Financial assets mandatorily at fair value through profit or loss	1 353	1 768	– 23
Financial assets at fair value through other comprehensive income	14 903	17 185	– 13
Financial assets at amortised costs	90 745	104 215	– 13
Shares in companies	322	352	– 9
Investments accounted for using the equity method	127	147	– 14
Other assets	9 240	6 595	40
Total assets	**126 491**	**139 594**	**– 9**
Trading liabilities	3 153	3 341	– 6
Financial liabilities designated at fair value through profit or loss	6 508	7 754	– 16
Financial liabilities at amortised costs	103 727	115 487	– 10
Provisions	3 909	3 751	4
Other liabilities	3 373	3 457	– 2
Equity	5 821	5 804	0
Total liabilities	**126 491**	**139 594**	**– 9**

[2] For individual items, the previous year's figures have been adjusted, see Note (5).

Total assets wre reduced as planned and decreased by around € -13 billion in the reporting period. For further information on the financial situation, please refer to the risk report.

Trading assets of € 9,801 million (€ 9,332 million) included derivative financial instruments of € 4,702 million (€ 4,570 million), the increase in which was mainly due to higher positive fair values of the financial guarantees within the credit derivatives as well as higher positive fair values from currency derivatives due to currency and base-spread effects. Debt securities and receivables held for trading in the amount of € 5,099 million (€ 4,762 million) increased in particular due to a requirement for such financial instruments.

Financial assets at fair value through profit or loss primarily comprise debt securities and receivables. The decline of € -415 million to € 1,353 million was mainly due to falling receivables from the reduction of ship financing in the amount of € -165 million as well as valuation effects and stock reduction in securities of € -244 million.

Financial assets at fair value through other comprehensive income in the amount of € 14,903 million (€ 17,185 million) included securities of € 13,845 million (€ 15,759 million) that are used for short- and medium-term liquidity management or for which there is no general intention to hold. The stock reduction is caused in particular by not replacing securities after their maturity was placed and by the sale of securities as part of the reduction of risk-weighted assets.

At € 90,745 million (€ 104,215 million), **financial assets at amortised cost** were the NORD/LB Group's largest asset category by amount. The principal parts of the traditional credit and lending business are reported in this category. The reduction of € -13 billion was related to the Group's efforts to reduce total assets with the scope of its new business model and resulted in particular from the reduction term overnight deposits of € -4.5 billion, the reduction in credit and loans to corporates of € -2.2 billion and the reduction of ship and aircraft financing of € -2.0 billion.

The increase in **other assets** resulted primarily from the increase in the cash reserve due to the repayment of overnight deposits in the amount of € 4.5 billion as well as normal reporting date-related changes.

Trading liabilities of € 3,105 million (€ 3,279 million) mainly included derivative financial instruments with negative fair values. The change in this position was due mainly to a decline of the currency derivatives portfolio. In addition, a transfer of interest rate derivatives to a clearing broker and the associated netting of assets and liabilities contributed to the decline.

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. Overall, inventories changed by € -1.2 billion. In the reporting year, repayments overcompensated the volume of new issues and led to a stock decline of € -1.3 billion. Market-related valuation effects of € 67 million and creditworthiness-related valuation effects of € 58 million had a counteracting effect.

At € 103,727 million (€ 115,487 million), **financial liabilities at amortised cost** was the largest category on the liabilities side by amount. The reduction is largely due to the fall in fixed-term deposits totalling € -4.1 billion, repo volumes of € -4.7 billion and securitised liabilities in the amount of € -1.4 billion.

The total amount of **provisions** increased by € 158 million compared to the previous year. This was primarily caused by an increase in provisions for pension and benefit obligations of € 228 million due to a reduced actuarial interest rate of 1.5 per cent as at 31 December 2019 compared to 1.2 per cent as at 31 December 2020. In contrast, restructuring provisions as part of the transformation process shrank by € -25 million, provisions for loan commitments fell by € -16 million and provisions for other commitments and guarantees issued were down € -13 million.

The slight increase of € 17 million in reported **equity** to € 5,821 million was due to the reinvestment of guarantee commissions by the State of Lower Saxony in the amount of € 137 million, which was partially offset by the negative comprehensive income for the period under review in the amount of € -113 million.

The total contingent liabilities and other obligations remained almost at the previous year's level and amounts to € 12.5 billion as at the balance sheet date (€ 11.9 billion).

Description and Development of the Business Segments

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

→	Change between -5 und +5 per cent
↘	Change between -15 und -5 per cent
↗	Change between +5 und +15 per cent
↓	Change more than -15 per cent
↑	Change more than +15 per cent

Private, Commercial, Savings Banks and Regional Customers

The Private and Commercial Customers and Savings Banks Network Customers segment is divided into two subsegments: private customers combined with commercial customers and savings banks network customers. In addition, the segment includes the participation in the Öffentlichen Lebens- sowie Sachversicherung Braunschweig insurance company.

31 Dec.2020 (in € million)	Private, Commercial, Savings Banks and Regional Customers	Trend	Development
Earnings before taxes (EBT)	– 32	↓	- Earnings before taxes are negative and are considerably below the previous year's level as a result of noticeably lower income and significantly increased risk provisions. - Income from the deposit business significantly decreased in net interest income as a result of the low interest rate phase. Furthermore, earnings from the lending business were noticeably below the previous year's level. - Marginally increased income in net commission income, in particular from account management fees, securities and brokerage business (construction savings, insurance and conversion of consumer credit business) compared to the previous year. The effects of the COVID-19 pandemic are particularly noticeable in payment transactions. - Profit from financial instruments measured at fair value significantly above the previous year, in particular due to lower negative value adjustments. - Increased risk provisions due to the COVID-19 pandemic, while in the previous year it was predominantly loan provisions that were recorded. - Profit/loss from investments accounted for using the equity method includes the investment in Öffentliche Versicherung Braunschweig. - Minimally increased administrative expenses by recognising the project costs for the introduction of OSPlusKredit with the same level of personnel and secondary costs compared to the previous year. - Other operating income significantly reduced compared to the previous year, as this item was characterised by the reversal of provisions from cancellation instructions and closed funds in 2019.
Cost-Income-Ratio (CIR)	96.0%	↑	- CIR runs out significantly above prior-year figure. - Lower earnings and higher operating costs were the main influencing factors.
Return-on-Risk-adjusted-Capital (RoRaC)	-4.2%	↓	- RoRaC significantly below prior-year level due to negative earnings.

Private and Commercial Customers

The Private and Commercial Customers subsegment includes private banking and commercial customers, corporate retail customers, branch advisory customers, and service customers in the business areas of

Braunschweigische Landessparkasse (BLSK) and the locations in Hanover, Hamburg, Bremen and Oldenburg.

While NORD/LB operates under its own name at its sites in Hanover, Hamburg, Bremen and Oldenburg, it conducts its business in the Braunschweig region as a "Braunschweigische Landessparkasse" (BLSK).

The business area of BLSK comprises the city of Braunschweig and the parts of the former Duchy of Brunswick (Braunschweig) which now belong to the Federal State of Lower Saxony. As an institution with partial legal capacity within NORD/LB, BLSK is an established savings bank in the market.

The range of products and services offered 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 Öffentliche Versicherung Braunschweig insurance company.

In addition, the expanded services in the high-end customer groups range from multi-award-winning asset management, tandem support for corporate and commercial customers at BLSK and NORD/LB to entrepreneurial banking. In private banking and in the commercial customers segment, the NORD/LB Group positions itself as the first call in the market at the respective locations.

Asset and portfolio management in capital market transactions and asset management at the Bremen location are centres of competence within the group.

Savings Banks and Regional Customers

The Savings Banks Network Customers subsegment area serves the savings banks in the states of Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania as well as Schleswig Holstein and Brandenburg (extended network). In addition, there are business activities in cooperation/liaison with the savings banks, managed commercial customers and municipal customers.

From NORD/LB's perspective, the savings banks play three roles: They are customers, owners and a point of access to a broad market of customers. The business with the network savings banks comprises the function of a clearing house, pass-through promotional lending business, business with private customers, proprietary business and service for savings banks. As part of the clearing house function, NORD/LB is the principal bank of the savings banks for short-term and long-term refinancing, manages liquidity reserves and operates as a provider of central services for savings banks in payment transactions and foreign business. In the network region, NORD/LB acts as the central pass-through institution for KfW loans and loans in the Bremen region in the promotional lending business. NORD/LB is also a product supplier for savings banks' customers in the private customer business. In its proprietary business, it offers supplementary services for savings banks in the securities business, and provides information services and other bundling issues as part of the service for savings banks.

Commercial customer business is carried out in consultation with the respective savings bank in the framework of a joint market development. In cooperation/liaison with the savings banks, it focuses on supported commercial customers in the network region and the extended network and serves as a yardstick for cooperation. The business activity of municipal customers includes the regional municipal lending 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 the municipalities nationwide on all matters relating to capital market products such as derivatives, asset investments, portfolio management and facility management.

Corporate Customers

The Corporate Customers strategic business segment includes NORD/LB Group's medium-sized and upper medium-sized corporate customer business (excluding corporate customers in the Private and Commercial

Customers and Savings Banks Network customers segment) in Germany and the neighbouring countries, with a focus on three core regions: North, Central and South.

The main goal is to achieve core bank status for its customers. Furthermore, the Corporate Customers segment also includes the financing of corporate acquisitions by private equity companies.

31 Dec.2020 (in € million)	Corporate Customers	Trend	Development
Earnings before taxes (EBT)	89	↓	- Profit contribution significantly below the previous year due to lower income. - Net interest income noticeably below that of the previous year, as a result of portfolio transfer to SCPO, lower income from liabilities due to interest rates and lower investment income from committed equity. - Net commission income significantly below the previous year's level due to the changed framework conditions in new business as a result of the COVID-19 pandemic - Other operating profit increased significantly as a result of the reversal of provisions for processing fees. - Administrative expenses fell appreciably due to savings in personnel and material costs and lower inter-company cost allocations.
Cost-Income-Ratio (CIR)	49.9%	→	- CIR almost unchanged year on year. - Lower earnings with simultaneously reduced costs.
Return-on-Risk-adjusted-Capital (RoRaC)	5.4%	↓	- RoRaC significantly below previous year's level. - This is mainly due to the lower earnings before taxes.

Markets

The focus of the Markets strategic business segment is the sale of capital market products and products related to the capital market to 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 A & B securities business. Business activities in this area concentrate primarily on the interest segment. Furthermore, capital-market-related products, such as corporate promissory notes or alternative investment products, are also sold to the aforementioned customer groups as required.

The Markets segment is the operator of NORD/LB's Financial Markets platform. This includes in particular the DCM platform, which brings together the issuers and investors, the ABF platform, which offers customers of the Bank capital market-oriented and low-risk credit products, and the capital market product platform with a focus on interest rate and FX products for the wholesale divisions of the Bank.

The customer groups start with German and European institutional investors (insurance companies, asset managers, pension plans, public authorities and corporate customers) and extend to (predominantly) European public sector issuers and financial institutions. The regional focus of business activities is on Germany and German-speaking countries, supplemented by the international sales approach for Europe in Luxembourg by NORD/LB Luxembourg S.A. Covered Bond Bank. Market activities also include customer business in financial market products for NORD/LB and Deutsche Hypo customer groups. The customers served by Corporate Sales are corporate customers, aircraft customers, commercial real estate customers, energy and infrastructure customers, and savings bank network customers.

In addition to the sales business, the strategic Markets segment also offers classic trading services (market access for customers in the product groups of interest, foreign currency and their derivatives). In the sales business, the focus is on strengthening customer-generated earnings across all customer groups. An extension of the product range based on customer requirements and an increase in cross-selling activities are intended to support the customer areas in strengthening customer penetration and to further exploit existing revenue potential.

One of the priority areas for activities in the Markets segment is the expansion of the debt capital market business (particularly primary market issuances by foreign issuers).

31 Dec.2020 (in € million)	Markets	Trend	Development
Earnings before taxes (EBT)	31	↘	- Earnings before taxes decreased moderately. - Result is dominated by negative valuation losses as a result of the COVID-19 pandemic. - Slightly lower net interest income compared to the previous year due to lower interest income from securities investments with increased liabilities-side deposit base advantages. At the same time, the investment result from committed equity fell significantly due to considerably lower RWA in the segment. - Significant increase in the services result, based on a significant expansion of business activities in the Debt Capital Markets and Asset Back Finance areas. - The significant decline in the profit from financial assets at fair value compared to the previous year is heavily influenced by the high securities valuation losses as a result of the COVID-19 pandemic. - Minor increase in operating costs with reduced personnel costs, in particular due to increased material costs (IT costs and costs for consultations).
Cost-Income-Ratio (CIR)	78.1%	→	- Marginal increase in CIR compared to the previous year due to the slight increase in administrative expenses.
Return-on-Risk-adjusted-Capital (RoRaC)	7.1%	→	-RoRaC slightly above the previous year's level despite the lower result, largely due to a significantly lower share of committed capital.

Special finance

The Special Finance business segment is divided into the two subsegments: Energy and Infrastructure Customers as well as Aircraft Customers.

31 Dec.2020 (in € million)	Special finance	Trend	Development
Earnings before taxes (EBT)	– 150	↓	- Earnings before taxes down sharply compared with the previous year. - Net interest income, in particular due to declining assets and margins as well as a lower investment result from committed equity, significantly below the previous year's level. - Net commission income came under pressure predominantly from the guarantee expenses to the State of Lower Saxony. - Profit from financial instruments at fair value through profit or loss increased sharply due to valuation effects of the guarantee of the State of Lower Saxony with offsetting negative valuation effects and reduced sales margins from derivatives. - Risk provision expenses increased significantly in the sub-segment aircraft financing as a result of the COVID-19 pandemic. - Other operating profit significantly increased due to the reversal of provisions for recourse risks. - Administrative expenses significantly above the previous year owing to higher inter-company cost allocations.
Cost-Income-Ratio (CIR)	56.6%	↑	- Moderate increase in CIR due to lower income and increased administrative expenses.
Return-on-Risk-adjusted-Capital (RoRaC)	-12.3%	↓	- RoRaC significantly below previous year's level. - Significant decline in earnings before taxes while, at the same time, capital commitment was moderately reduced due to portfolio reduction.

Energy and Infrastructure Customers

The central locations for the Energy and Infrastructure subsegment are Hanover, London, Oldenburg and New York. Customers are also supported at the Singapore offices. The focus of this subsegment is on structuring and arranging bespoke, individual financing solutions, mainly for project-related transactions.

In the energy sector, financing relates mostly to new construction and capacity expansions of wind and photovoltaic plants. The focus of the infrastructure business is on the sectors Public buildings, Economic infrastructure and Rail-based transportation. The focus here is on building customer relationships with sustainable earning structures and acceptable risks within the existing limits.

Aircraft Customers

The Aircraft Customers sub-segment covers primarily asset-based aircraft financing and is based mainly at the Hanover location with additional sales units in Singapore and New York. In addition to the commercial financing of aircraft, this sub-segment also offers other financial products such as promissory note loans or derivatives.

The sub-segment is managed through active portfolio management using suitable refinancing and placement instruments. 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.

Since June 2020, the Aircraft Customers business segment, along with the placement functions and the network of banks as well as institutional investors for alternative investments (single and portfolio transactions) across all NORD/LB asset classes (formerly Credit Asset Management), have been bundled in the Aviation Finance & Investment Solutions (AFIS) division.

Real Estate Banking Customers

NORD/LB and Deutsche Hypothekenbank generally understand real estate financing to mean financing, irrespective of collateralization for customers who generate their cash flow mainly from real estate or who regularly make major 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. These are regarded as fungible investment properties as they can normally are or can be rented out on a long-term basis. The Bank also finances commercial property in the segments of hotels, logistics and multi-purpose properties.

Business activities focus on the key markets of Germany, France, the United Kingdom, Benelux, Poland, Spain and Austria.

31 Dec.2020 (in € million)	Real Estate Banking Customers	Trend	Development
Earnings before taxes (EBT)	30	↓	- Earnings before taxes down sharply compared to the previous year. This is mainly due to a significant increase in risk provisions, in addition to significantly lower income. - Real estate financing portfolio compared to previous year with only slightly declining development reduction via NORD/LB's wind-down portfolio to a relatively small extent. Overall interest income is primarily margin-related and moderately below the previous year's level due to lower prepayment penalties. - Net commission income in absolute terms had an insignificant impact on earnings. The majority of the commission income in the Real Estate Banking Customers business segment is reported as an interest-like fee component in interest income. - The sharply reduced trading and valuation result was primarily due to the valuation of loans measured at fair value. - Other operating profit/loss for this segment has little relevance for earnings. - Significant increase in risk provisions, mainly due to the COVID-19 pandemic, compared to a very low comparison level in the previous year. - Administrative expenses decreased moderately, in particular due to lower personnel costs.
Cost-Income-Ratio (CIR)	34.9%	↗	- CIR significantly increased compared to the previous year. - Relatively stronger decline in income compared to the decrease in administrative expenses.
Return-on-Risk-adjusted-Capital (RoRaC)	3.7%	↓	- RoRaC significantly below previous year's level. - Mitigation characterised by significantly reduced earnings before taxes and an increased capital commitment factor.

Special Credit & Portfolio Optimization

The Special Credit & Portfolio Optimisation (SCPO) segment was created from the previous Special Credit Management (SCM) unit and the internal Strategic Portfolio Optimization (SPO) unit and focuses on the previous SPO domain in accordance with NORD/LB's strategic realignment and the reduction of non-strategic portfolios. These include ship financing (SPO ships and maritime industries) and the other wind-down portfolios, Housing, Supra-regional municipal finance as well as the wind-down sub-portfolios Corporate customers and Agricultural customers. SCPO is not a strategic business segment, but as an area with an integrated bank management function it serves to wind down non-strategic customer relationships and asset classes.

The SPO Ships portfolio (primarily non-performing ship financing) comprises the "Tower Bridge" and "SPO Other" portfolios and is subject to risk shielding through valuation allowances and the financial guarantee of the State of Lower Saxony. The wind-down should largely be completed by the end of 2021. The Maritime Industries portfolio (primarily performing ship financing) is also subject to risk shielding through the financial guarantee of the State of Lower Saxony and in some cases the securitisation transaction Northvest II. The Maritime Industries portfolio is to be wound down primarily as part of the regular repayment process.

Further wind-down portfolios include Housing and Supra-regional municipal finance. These are to be largely completely wound down as part of the regular repayment process.

The lion's share of customer reduction is also carried out via SCPO. For this purpose, the Corporate customers and Agricultural customers sub-portfolios that include non-strategic customers were selected and transferred from the market segments to SCPO. The wind-down should primarily be carried out by means of regular repayments.

31 Dec.2020 (in € million)	SCPO	Trend	Development
Earnings before taxes (EBT)	– 53	↓	- Earnings before taxes are largely influenced by the state guarantees on the ship portfolio. - Overall interest income is significantly above the previous year's level, mainly due to the takeover of new wind-down portfolios. - The commission payments for the state guarantees on the ship's portfolio resulted in an overall loss, despite positive valuation effects, which over compensated the positive development in interest income. - The risk provisioning, taking into account the effects of the fair value accounting for individual portfolios, has been balanced out overall in the current year, but still declined sharply compared to the previous year.
Cost-Income-Ratio (CIR)	-20.0%	↓	- Significantly lower CIR due to commission expenses for the state guarantees.
Return-on-Risk-adjusted-Capital (RoRaC)	-24.7%	↓	- RoRaC significantly below the previous year's level. Development is largely due to the commission payments for the state guarantees. No trend can be deduced from the development in 2020.

Treasury / Group Management / Others

This segment covers all other performance indicators directly related to business activity, such as Group companies that are not recognised in the segments, performance components at overall institutional level that are not attributed to the segments, results from financial instruments (in particular, from central measurement effects), financial assets and hedge accounting that are not included in the economic performance of the business segments, as well as overall Bank projects and consolidation items. In addition, the Other Operating Profit/Loss also includes, among other things, the bank levy.

Furthermore, the business segment also includes the Treasury division, which makes a significant contribution to NORD/LB's sustainable business development by managing liquidity, funding as well as interest rate and currency risks. In addition, Treasury provides all market segments with the instruments of effective interest calculation and conditioning and advises them at an early stage in complex transactions in the new business process, so that sustainable funding solutions for customers and the Bank are achieved. Treasury also has market access to the international money and foreign exchange markets. Furthermore, positioning in credit investment products is also carried out here as part of the overall bank management. These portfolios are managed by the Asset Liability Committee (ALCO) and serve to flexibly invest the allocated equity or to reinforce the Bank's earnings position.

Moreover, the segment plays a central role in managing and optimising the banking book.

31 Dec.2020 (in € million)	Treasury /Group Manage-ment/ Other	Trend	Development
Earnings before taxes (EBT)	– 3	↑	- Earnings before taxes are significantly better than the previous year. - Net interest income year on year rose significantly as a result of the positive effect of € 260 million (€ 21 million) from the revaluation of financial liabilities at amortised cost due to a change in the estimate of cash flows. - Significantly improved, but still negative net commission income as the expiry of two securitisation transactions had a positive effect compared to the previous year. - Profit from financial instruments measured at fair value significantly higher. Positive valuation effects (in particular from financial instruments designated at fair value) and a noticeably higher foreign currency result more than compensated for negative valuation effects from the financial markets division from reversals of hedging transactions in NORD/LB AöR. - Other operating income was significantly lower compared to the previous year due to increased expenses in connection with the restructuring fund and on-off effects from the sale of participations in 2019. - Risk provisions are insignificant for the result in this segment. - Significantly higher profit from hedge accounting due to positive valuation effects in interest rates, base spreads and currencies. - Profit from shares in companies significantly lower than in the previous year due to the profit contribution from other investments. - Income from at-equity participations fell sharply compared to the previous year, as the income from the participations sold in 2020 no longer accrues. - Total administrative expenses are at the previous year's level. Falling personnel and material costs are offset by lower inter-company cost allocations. - Compared to the previous year, the restructuring and reorganisation costs of the subsidiaries in connection with the NORD/LB 2024 transformation programme decreased significantly. The addition in the reporting year results from the further reduction of personnel up to the end of 2023 in the foreign branches as well as subsidiaries and consolidated holdings.

Target v Actual Comparison

31 Dec.2020 (in € million)	Planned amount	Actual amount	Accounting variance	Statement
Earnings before reorganisation and taxes	↓	– 13	↑	- The budgeted figure for profit before tax was significantly exceeded, mainly as a result of budget overruns in net interest income and in the fair value result. - Earnings significantly exceed the budgeted figure. - Net interest income is significantly above plan due to key factors (mainly amortization effects from hedge derivatives and revaluation of financial liabilities measured at amortized cost). Despite further reductions in the balance sheet as a result of the portfolio reduction and the subdued level of new business due to the COVID 19 pandemic, net interest income from lending business is almost on target, although margins in the credit business are at the planned level. Due to the low level of interest rates, the interest margin contribution on the liabilities side is significantly below plan as a result of reduced product margins. In addition, net interest income improved due to higher income from interest rate and liquidity risk management. - Net commission income was significantly lower than planned. This is mainly attributable to a COVID 19 pandemic-related slowdown in new business. - Profit/loss from financial assets at fair value was significantly higher than planned, in particular due to positive, interest rate- and credit rating-induced measurement effects from net trading income on credit derivatives (mainly financial guarantees provided by the State of Lower Saxony) and from net foreign exchange income. - The risk provisioning result is significantly below plan. While normal risk provisioning is inconspicuous except for the Aircraft Financing business area, the consequences of the COVID 19 pandemic were taken into account in almost all segments by means of model adjustments. - The disposal result from financial instruments not measured at fair value through profit or loss due to sales of securities and redemption of own issues is significantly lower than forecast in the plan. - Profit/loss from hedge accounting is significantly higher than the budgeted figure due to interest rate, basis spread and currency effects. - Profit/loss from shares in companies were below plan due to impairment losses on investments. - Administrative expenses are on target. Lower-than-budgeted personnel expenses (results of the Group-wide cost-cutting program) and other administrative expenses were offset by higher depreciation and amortization. - The other operating income was negative but significantly better than planned. This is due to positive unscheduled proceeds from the sale of a property. - The restructuring and transformation result was slightly below plan due to revised assumptions on the timing of transformation expenses.
Cost-Income-Ratio (CIR)	↘	64.5%	↓	- CIR considerably lower than planned. - Earnings markedly exceeded planned figures with administrative expenses that were slightly lower than planned.
Return-on-Equity (RoE)	↓	-0.2%	↑	- RoE only slightly negative and therefore significantly better than planned. - Positive effects generated particularly by lower restructuring expenses, a higher than planned fair value result and positive risk provisioning.
Common equity tier 1 capital ratio (CET 1 ratio)	→	14.9%	↗	- CET1 ratio slightly above plan. - Slight improvement in CET1 capital compared to plan, in particular due to the more positive development in earnings before taxes. - Total risk exposure amount in the year under review is at the planned level.
Leverage Ratio	→	4.3%	→	- The leverage ratio reveals a marginal budget overrun. - A slight decrease in core capital as the numerator of the ratio can be almost compensated for by a lower-than-planned balance sheet total and consequently also the leverage exposure as the denominator of the ratio.

Despite increased risk provisions as a result of the COVID-19 pandemic, the NORD/LB Group significantly exceeded its targets in the reporting year 2020. The higher-than-planned net interest income and fair value result were significant.

While the contributions to earnings before taxes in the segments Private and Commercial Customers and Savings Bank Network Customers (contributions from interest-rate conditions on the liabilities side, risk provisions), Corporate Customers (income), Markets (income, administrative expenses), Structured Finance Customers (risk provisions), Real Estate (risk provisions) were significantly below the planned value, the Treasury/Consolidation/Other (income) segment significantly exceeded the plan.

Target achievement with regard to key figures is as follows for the segments: In relation to the changes in earnings and administrative expenses, the CIR in the segments Private and Commercial Customers and Savings Bank Network Customers, Corporate Customers and Markets was significantly above target. In the Structured Finance Customers segment, the CIR was visibly below the planned figure, while in the Real Estate Banking Customers segment, it was only slightly so.

In the reporting year, the RoRaC was significantly below target in almost all segments, largely due to the performance of earnings before taxes.

At € 40 billion, the total risk exposure amount of the NORD/LB Group was moderately below target. Among other things, this was due to a declining EaD development. At € 126 billion, total assets continued to decline and are therefore slightly below plan in the reporting year.

Overall Assessment

In the financial year 2020, the NORD/LB Group's financial position, earnings position and financial performance remain satisfactory despite the continued challenges in the market environment. Compared with the previous year, total assets shrank by € 13 billion to around € 126.5 billion, which was positive against the background of target total assets of around € 100 billion by 2024. The earnings position declined as expected, due to the persistently low interest rates and the reduction of the loan portfolio. The positive one-off effects from the revaluation of financial liabilities measured at amortised cost offset the decline in interest and commission income in the financial year 2020. At € -426 million, the risk provision result is significantly below the previous year's figure, mainly due to the need to increase risk provisioning in connection with the sharp deterioration in the overall economic situation as a result of the COVID-19 pandemic. Altogether, the NORD/LB Group closed the reporting year 2020 with a consolidated profit of € 25 million.

Forecast, Opportunities and Risk Report

General Economic Development

Global Economic Outlook

NORD/LB believes that, at the start of 2021, the pressures of the second wave of infections will still have to be dealt with. However, a recovery in global economic activity is expected from spring and beyond, supported by advances in vaccinations and more favourable weather conditions. Growth rates in Germany, the euro zone and the USA will be clearly positive throughout 2021. Real gross domestic product is expected to expand by more than three per cent in Germany and the USA, and by as much as four per cent in the euro zone. Both monetary policy and fiscal policy will remain expansionary and support the economic recovery.

Further prospects for the development of the global economy remain fraught with uncertainty. Downside risks for NORD/LB's base scenario could stem primarily from the pandemic taking a more unfavourable course. This would be conceivable due to disappointments in terms of the vaccines, a lack of willingness to vaccinate or due to mutations of the virus. At present, however, NORD/LB believes that there is much evidence that the pandemic will gradually become more manageable in 2021.

NORD/LB is not expecting the important global central banks to increase key interest rates in the medium term either. Accordingly, a strong rise in capital market yields in the important currency areas is not expected. For the EUR/USD exchange rate, a return to below the USD 1.20 mark is expected in the base scenario.

Finance Sector

NORD/LB is facing a variety of challenges on the European banking market.

Addressing the effects of the COVID-19 pandemic is, in the Bank's view, once again increasing the already existing consolidation drivers (cost/income pressure, high competition) and will accordingly further increase the consolidation pressure in the banking market.

NORD/LB believes that the very low interest rate environment will force banks to change their very interest-focussed business model towards a significant increase in net commission income.

In addition, political risks remain unchanged (Brexit consequences, EU-critical governments and intercontinental trade conflicts), which present banks with uncertainties.

Progressive digitalisation and increasing competition due to the additional market entry of fintechs or Apple Pay, for example, are likely to force banks to invest heavily, which further intensifies cost pressure.

Shipping

Sectors in the industry have recently developed differently in the context of the pandemic. Even at the start of 2021, both freight and charter rates in the container sector remained at the high levels last achieved before the start of the 2008 financial crisis. The unexpected upturn was driven by changing consumer behaviour in the USA and Europe as a result of the pandemic (increased e-commerce in lockdown) as well as continuing bottlenecks in global availability of containers. No sustained correction is expected yet, at least for the first half of 2021.

The bulk goods sector stagnated initially in the first quarter with a view to the Chinese New Year. However, the forecast recovery of the global economy is expected to increase demand for seaborne commodity transports by 3.7 per cent in 2021. As the bulker order book is at a record low of just 6 per cent of the total fleet and demand has recovered from the worst effects of the pandemic last year, despite uncertainties, it looks as though the bulk goods sector could receive some positive impetus this year.

Against the backdrop of OPEC and Saudi Arabia's further cuts to output at the beginning of the year, as well as the negative impact on oil demand due to renewed lockdowns in key consumer regions such as Europe in the first quarter of 2021, oil transport by sea will remain under strong pressure in the first few months of the year. In addition, higher oil prices will again lead to a further decline in the use of tanker capacities as floating storage facilities. As fleet growth is generally foreseeable on the basis of past orders, the outlook for rising incomes in the sector remains weak for the time being.

Aircraft

In its latest published forecast, IATA expects an increase of 50.4 per cent in global passenger transport (RPK) for 2021 due to the extremely low base of the previous year. However, due to the weak development at the beginning of the year, the aviation association is already warning of a slower recovery in the current year. For 2021, the IATA is anticipating a loss of USD 38.7 billion for international airlines' net income (estimate for 2020: USD -118.5 billion). This would correspond to a net margin of -8.4 per cent (2020: -36.2 per cent).

The IATA is forecasting an increase of 13.1 per cent in demand for air cargo volume (FTK).

Real Estate

The European real estate investment market should gradually recover in 2021, depending on the further course of the COVID-19 pandemic. An increase in the transaction volume of around 8.5 per cent is forecast. Demand for investment in the office and residential property markets should remain at a high level. In the German real estate investment market, the Bank believes investors should continue to look for investment opportunities due to the high investment pressure and low interest rates.

Group Forecast with Opportunities and Risk Report

Key planning assumptions

NORD/LB's Group-wide medium-term planning is based on the assumptions and specifications agreed with the owners of NORD/LB and the EU Commission in 2019. As part of this year's Group planning, the planning scenario was updated to 2025, taking into account the changed economic forecasts, e.g. the global recession triggered by the COVID-19-pandemic and the ongoing period of low interest rates. The transformation process for the resizing and realignment of the NORD/LB Group, which began in 2020, will continue.

The medium-term economic forecast produced by NORD/LB Research serves as the binding premise for the planning process. In order to contain the COVID-19-pandemic, economic activity in almost all countries of the world was restricted to an unprecedented extent last year. The further course of the economy largely depends on the successes achieved in containing the COVID-19-pandemic. In the base scenario, an economic trend is assumed that most closely resembles an elongated V. The outlooks contained in this forecast for the changes in the economy, interest rates, exchange rates, price inflation and financial markets are included in the NORD/LB Group's planning. Interest rates in 2021 are expected to be slightly higher than in 2020. In addition, an average exchange rate of USD/EUR 1.12 is assumed in the planning process. NORD/LB Research anticipates GDP growth of 6.0 per cent to -7.8 per cent in 2020, and a rise in consumer prices of +1.3 per cent for Germany, along with a slight increase for the iTraxx, which will continue to be driven by market sentiment. Further details can be found in the section dealing with general economic developments.

NORD/LB's rating of Baa2 increased to A3/stable on 9 January 2020 by Moody's after successful implementation of the capital measures was also used as a basis for 2021 planning.

The forecast of the total risk exposure amount, regulatory equity, regulatory capital ratios as well as other relevant capital ratios such as the leverage ratio and the MREL ratio of the NORD/LB Group for 2021 takes account of the relevant statutory provisions derived from EU Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR), including transitional rules, and Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD), as well as further binding individual requirements of the banking supervisory authorities and the resolution authorities with regard to providing regulatory equity or MREL-eligible capital.

2021 business plan for the NORD/LB Group

In the 2021 business plan, earnings are expected to fall sharply compared with the previous year. This was due both to the positive one-off effect on earnings in the previous year from the revaluation of the financial liabilities measured at amortised cost (silent participations) due to a change in the estimation of cash flows, and to positive valuation effects in the fair value measurement in the previous year in connection with the derivatives of the state guarantees, which are forecast in the plan with an offsetting result. On the other hand, a significant increase in commission income is anticipated as a result of the lower guarantee expenses to the State of Lower Saxony compared with the previous year for the guarantees granted as part of the capital increase.

Due to the COVID-19-related economic uncertainties, NORD/LB has had to use a management adjustment (MAC-19) with the consequence of an increase in model-based risk provisions for loans and advances in impairment levels 1 and 2 in accordance with IFRS 9. Accordingly, risk provisions to take account of the effects of the COVID-19-pandemic were also taken into account in the 2021 plan to a material extent.

Administrative expenses are expected to be slightly above the previous year's level in the 2021 plan. Slightly lower personnel costs as a result of job cuts are offset by justifiably higher other administrative expenses, especially for IT services.

The markedly higher expense provided for the restructuring result in 2021 compared with the previous year is required for the measures taken as part of the realignment and redimensioning of NORD/LB.

Due to the expectation of a decline in income as a result of the positive special effects in 2020 and the continued increase in risk provisions as a result of the COVID-19-pandemic, the NORD/LB Group is expected to achieve a negative and significantly lower profit before tax in the 2021 plan than in the previous year, with slightly higher administrative expenses and expenses for restructuring overall. In the 2021 business plan, the CIR has fallen compared with the previous year due to declining earnings coupled with a slight increase in administrative expenses; the RoE is expected to be tangibly lower. The CET1 ratio is lower in the 2021 budget compared with 2020 due to the moderately increasing total risk exposure amount and slightly declining common equity tier 1; the leverage ratio in 2021 is slightly higher than in the previous year.

Overall, NORD/LB anticipates a moderately rising total risk exposure amount in 2021 as a result of the implementation of business cases in the market areas and COVID-19-related rating migration effects. The total assets of the NORD/LB Group increased slightly compared to the previous year, mainly due to the expected recovery in new business volume and the increase in pass-through business brought about by the increased demand due to COVID-19.

According to the forecast, the regulatory requirements and binding requirements of the banking supervisory or resolution authorities with regard to the provision of regulatory equity and MREL-eligible capital will be fully met in 2021.

One fundamental component of regulatory equity capital is Common Equity Tier 1 capital in accordance with the CRR. Due to the effects of the ongoing COVID-19 pandemic on earnings and the total risk exposure amount, the Bank expects the Common Equity Tier 1 ratio to move in 2021, but still to fall above all legal requirements and other individual requirements of banking supervision.

The Structured Finance segment, consisting of the two sub-segments Energy and Infrastructure Customers as well as Aircraft Customers, differs significantly from the anticipated development of the Bank as a whole in terms of the key performance indicators:

In the Energy and Infrastructure Customers segment, the earnings before taxes are expected to rise considerably in 2021. Significant influencing factors are a sharp increase in net commission income and trading income, in particular due to an improved new business situation and the elimination of unplanned, negative valuation effects for derivatives. Administrative expenses are also expected to fall significantly owing to lower internal cost allocation. Due to lower costs and the rise in earnings, the CIR will improve markedly in 2021, while the RoRaC will rise significantly given the higher operating result paired with practically unchanged committed capital.

The aircraft financing sub-segment expects a significant reduction in the negative contribution to earnings before taxes for 2021. A significant influencing factor is a considerable decline in risk provisions, which was comparatively high in 2020 due to the effects of the COVID-19 pandemic. In addition, an increase in net commission income is expected in 2021 due to decreasing commission expenses for the state guarantee and initial income from the asset manager. This is counteracted by a decline in trading income from 2020 to 2021. This in turn is due to a high positive valuation effect for the guarantee of the State of Lower Saxony in 2020, which will be significantly reduced in the subsequent years due to the continuous decline in the hedged portfolio volume and will put a strain on earnings. Similar to the significant improvement in earnings before taxes in 2021, there is an increase in RoRaC while tied-up capital remained practically constant.

Exogenous opportunities and risks

Economic factors

In view of uncertain global development, including the further course of the COVID-19-pandemic, geo-political tensions and the unpredictability of market interference caused by political or economic developments such as the US trade policy, the impact of Brexit, an easing or worsening of the sovereign debt crisis, and a continuation of the low-interest phase, the planning assumptions for 2021 may deviate from economic forecasts in relation to yield curves, exchange rate forecasts and the economic situation, which would present corresponding opportunities and risks for NORD/LB's earnings situation.

Regulatory environment

In spite of taking into account all known regulatory requirements such as CRR II, Basel IV, SRB regulations in the planning, the level of bank levies and expenses for deposit guarantee schemes, potential new regulatory requirements of relief pose risks, but also opportunities, for the regulatory capital ratios, for the leverage ratio and subsequently also for the MREL ratio of NORD/LB.

Competition

There are challenges from the arrival of new competitors (fintechs) and cooperation between current competitors and fintechs in established markets, which is creating increased competitive pressure. Likewise, competition, including institutional competitors, will increasingly provide customers with alternative financing opportunities (such as pension funds), thus heaping pressure on the NORD/LB Group's future volumes, margins and commissions. Institutional investors have the opportunity to invest in the Group's loan portfolio and thus to profit from its strengths in its main asset classes. There continue to be opportunities for the NORD/LB Group as a result of the departure of competitors from the market, an expansion of the Group's good market position in established areas, with positive effects as a result on earnings before taxes.

Company-specific opportunities and risks

NORD/LB 2024 Transformation Programme

General opportunities but also risks are presented by the implementation of NORD/LB's redimensioning process, although this will not be completed properly until 2024. This process aims to wind down the portfolios in selected business segments, reduce the number of staff and, as a result, simplify the structure of the Group and its processes. On the other hand, there is a risk that the restructuring expenses proposed for the redimensioning process will prove to be insufficient. If the earmarked measures are not implemented as planned, this could lead to operational risks and pressure on the NORD/LB Group's profitability and KPIs.

Consequences of the COVID-19 pandemic

The risk provision planning due to the ongoing COVID-19-pandemic and the new business expectations generally offer opportunities for an economically faster recovery than anticipated, but also entail risks of putting greater strain on NORD/LB's earnings before taxes should the pandemic continue for a prolonged period.

In addition to the general company-specific opportunities and risks, NORD/LB also sees the following **segment-specific opportunities and risks** that may have an impact on all the NORD/LB Group's management indicators:

The **Private and Commercial Customers and the Savings Banks Network Customers** segment faces both opportunities and risks in relation to the ongoing digitalisation that is resulting in radical changes in the banking industry. The changing patterns in customer behaviour are producing opportunities and risks for the current size of the market share and the acquisition of new clients. In the Braunschweigische

Landessparkasse 2024 project, specific sales measures to increase earnings and reduce costs were identified in a range of modules and are now due to be implemented with a corresponding positive or negative influence on the segment result. In the real estate sector of the Private and Commercial Customers segment, the expansion of digital broker platforms presents both an opportunity, e.g. in relation to the cooperation with LBS and the brokering of real estate financing. A risk arises as a result of the shortage of the supply of land. Both in the savings banks network business as well as in the private and commercial customer sector, the respective reduction in the NORD/LB business model presents the challenge of maintaining the existing market position and a significant contribution to earnings with a reduced customer base.

Focusing on medium and upper medium-sized customers and on selected sectors, the **Corporate Customers** segment has a broad granular customer portfolio, which will continue to be expanded in the future. The product portfolio and the focus on customer-specific structured credit products enable further earnings potential to be tapped while optimising the use of equity. These include the arrangement and structuring of financing transactions and acquisition financing, capital-market financing, derivatives as well as products for the management of current assets and balance sheet structure optimisation. In addition to continuing pressure on competition and margins, the further course of the pandemic remains an element of uncertainty. Potential setbacks in the fight against the COVID-19-pandemic, such as disappointments in vaccines or further virus mutations, could nullify growth projections for the economy. New business is expected to maintain a good risk structure. Risk provisions have nevertheless been increased in order to cushion potential COVID-19-effects. Considering the NORD/LB 2024 framework parameters, substantial growth is expected in the Corporate Customers segment.

In the **Markets** division, the expansion of debt capital markets activities into a customer platform (digital and analogue) and the systematic integration of third-party products is intended to expand the product range, deepen and expand customer relationships, exploit revenue potential and gain market share of this sales market. The Markets division sees the digital transformation in the competitive environment as an opportunity to intensify existing customer relationships and exploit additional revenue potential as part of a digital roadmap through the use of technological solutions and the targeted use of personnel to further develop existing products. Further challenges arise due to changes in the market environment (changes in customer behaviour due to digitalisation, changes in communication channels, orientation towards standardisation and complexity reduction), characterised by declining margins, persistent low interest rates, partly negative interest rates and a flat interest rate curve. In addition, regulatory issues that influence customer business, such as increased capital adequacy or new disclosure rules, have an impact on the segment. Furthermore, there is a risk of delays in the planned business initiatives.

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

The utilisation of long-term expertise, the good market position, enhancing NORD/LB customer relationships as well as the ongoing global and politically driven trend for ESG-compatible energy and infrastructure projects offer opportunities in the **Energy and Infrastructure Customers** sub-segment. Based on this, there is also an opportunity to further diversify the business segment’s risk strategy by tapping into neighbouring sectors and regions. Furthermore, the involvement of institutional investors can be enhanced, for example by developing new products, in order to improve NORD/LB’s position amongst its competitors and advance credit syndication activities in investors’ interests. The major market-driven challenges in the future will come from increasing competition in a constantly evolving market environment, especially in the renewables segment. This also includes, in particular, the constantly changing framework conditions for the remuneration and implementation of renewable energy projects and the resulting consequences for the financing structures.

In the **Aircraft Customers** sub-segment, the anticipated success of suitable vaccines against the COVID-19 offers the aviation sector the opportunity for a short- to medium-term market recovery, following the negative impact of the COVID-19 pandemic on the aviation industry. This expectation also creates potential for the aviation industry to become increasingly attractive to the capital market again and opens up opportunities for NORD/LB to create greater exposure, including in the interest of investors, by placing individual assets or portfolio transactions with institutional investors and by setting up structured products (including special funds) and thus actively managing the portfolio. The specialist aircraft financing teams in Hanover, New York and Singapore allow for the wide-ranging and comprehensive management of target clients or investors in the regions of Europe/Middle East, North/South America and Asia/Pacific, resulting in additional business opportunities. As the authorisation and distribution of vaccines against SARS-CoV-2 is still ongoing, there continues to be a latent risk of the long-term maintenance of international travel restrictions. These would result in reduced passenger numbers and potentially increased losses or insolvencies at airlines and leasing companies, which could lead to valuation allowances in isolated cases at NORD/LB. In addition, there is a fundamental risk in the aviation industry that new or enhanced aircraft models will put pressure on the residual values of existing models with older technical equipment. At the same time, new aircraft models do not always achieve the requisite market penetration, while technical faults upon market launch can prevent swift success.

In the **Real Estate Banking Customers** segment the NORD/LB Group sees an opportunity in the fact that demand for commercial real estate remains high owing to a lack of investment alternatives and that the target real estate markets are still robust, providing attractive business opportunities in the future as well. The Bank has a diversified financing portfolio in terms of its target markets and property classes. As a result of the COVID-19-pandemic, there were in some cases severe restrictions in economic activity with as yet unpredictable consequences for the economic environment. If the effects of the COVID-19-pandemic manifest in sustained economic and capital market burdens beyond current expectations, this could put a strain on the real estate markets due to vacancies and further value losses in commercial real estate and thus lead to increasing risk provision expenses, particularly for hotel financing or financing of specific retail uses. Furthermore, there could be a decrease in the new business volume and holdings in the commercial real estate financing business.

The earnings performance in the **Strategic Portfolio Optimisation** segment was affected mainly by the continued reduction of the total ship portfolio. Successful sales activities in the area of NPL ship financing and future market fluctuations could benefit the reversal of risk provisions and therefore have a positive effect on profitability. Any negative effects on earnings due to new risk provisions being required are mainly limited by state guarantees for ship financing. Outside NPL ship financing, winding down is mainly carried out as part of the regular repayment process. Positive economic development can lead to the exploitation of market opportunities and early return flows and accelerate the reduction - with corresponding earnings effects. Stricter crisis conditions, on the other hand, can lead to increased risk provision burdens for clients that have been performing to date.

Extended Risk Report

Risk-Bearing Capacity

The risk-strategy and regulatory requirements regarding capital requirements to be maintained (CET1, T1 and total capital) were consistently complied with in 2020. The risk-bearing capacity was achieved as at 31 December 2020.

The visible increase in risk potential is mainly due to the increase in market risk potential in the first quarter of 16.4 per cent compared to the end of 2019. The cause of this is the decline in the interest level – as a result of the COVID-19 pandemic – in the first quarter by approx. 35 basis points in the longer maturities (20 years and longer) in combination with the flattening of the interest curve. The counterparty risk potential increased slightly year on year, although the planned exposure reduction was continued in the reporting year. The decrease for the entire year amounts to € 19.3 billion, of which € 9.4 billion is attributable solely to the borrower segment of credit institutions. However, the effects of this were more than offset by the negative effects of the COVID-19 pandemic on counterparty risks and the updating of parameters of the credit risk model in the fourth quarter, resulting in a slight increase in potential as a result. The slight reduction in the liquidity spread risk in the economic perspective lies in the changes in the holdings in the securities portfolio and the reduction in holdings of shipping loans in the first quarter. The slight reduction in operational risks over the course of the year is due to the updating of scenario assessments and a decline in internal loss events.

With the implementation of the ECB Guide on ICAAP, a merger of the RBC scenarios occurred in 2020, among other things (previously: business case and resolution case; now: value-at-risk approach as the economic perspective), silent charges were taken into account in the economic perspective, the time-related risk was quantified (present-value risk view), the CET1 capital was restricted and a buffer was introduced to take into account the interaction between the normative and economic perspective.

In the reporting period, business risk was defined as a material risk type, in addition to the risk types already defined as material (counterparty, market-price, liquidity and operational risks). The transformation of the Bank in the direction of a lower-risk and more streamlined business model, due to continue until 2023, has a significant influence on the earning power and profitability of the Bank. Therefore, NORD/LB decided to qualify the business and strategic risk as a material risk type. It is not included in the risk-bearing capacity calculation, but instead monitored quarterly using the defined income statement items.

The economic perspective defines the CET1 capital as the maximum output value and considers deductions from economic viewpoints. Accordingly, the limit capital was reduced by around € 287 million compared to the end of the previous year due to the loss anticipation taken into account, despite almost constant common equity tier 1 capital. As at 31 December 2020, an internal limit capital in the amount of € 4,312 million was offset by an aggregated risk position of € 2,446 million (based on a confidence level of 99.9 per cent). The utilisation of the risk-bearing capacity was consequently 57 per cent.

Economic risk limits are monitored based on an approved operating limit in the amount of € 3,500 million. As at 31 December 2020, 70 per cent of the operating limit was utilised and the limit was sufficient to cover 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. The defined thresholds for monitoring business risk were also adhered to in the reporting period.

In the normative perspective (scenario-based consideration), limitation has also taken place since 2020 on the basis of adverse planning scenarios. The limits were likewise adhered to in the reporting period.

Risk-bearing capacity[1]	31 Dec. 2020	31 Dec. 2019
Normative perspective		
Common equity tier 1 capital (in € million)	5 805	5 758
Regulatory risk potentials (in € million)	3 175	3 187
Common equity tier 1 capital ratio (in %)	14.63%	14.45%
Tier 1 capital ratio (in %)	14.75%	15.25%
Total capital ratio (in %)	19.24%	20.67%
Economic perspective		
Total risk potential (in € million)	**2 446**	**2 283**
Counterparty risk	793	768
Market-price risk	1 219	1 055
Liquidity risk	85	92
Operational risk	349	367
Risk capital (in € million)	**4 312**	**4 600**
Risk capital utilisation (in %)	**56.7%**	**49.6%**

[1] Differences in totals are rounding differences.

Credit risk – development in 2020

Analysis of the total exposure

As at 31 December 2020, the NORD/LB Group's total exposure is € 130 billion and is thus significantly lower as planned than at the end of the prior year (€ 150 billion). 57 per cent of this decline in exposure results from the financial institutions & insurers sectors (down € 11.0 billion) and 19 per cent from the services trade & others sectors (down € 3.6 billion). The focus of the total exposure continued to be on the very good to good rating classes.

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 classes 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 class, subdivided into product types.

Rating Structure[1)2)] (in € million)	Loans 31 Dec.2020	Securities[3)] 31 Dec.2020	Derivates[4)] 31 Dec.2020	Other[5)] 31 Dec.2020	Total exposure 31 Dec.2020	Total exposure 31 Dec. 2019
very good to good	65 943	17 458	4 617	17 325	105 343	123 266
stage 1[6)]	64 665	6 474	–	17 324	88 463	100 927
stage 2	13	–	–	–	14	149
fair value	1 265	10 984	4 617	1	16 867	22 191
good / satisfactory	9 520	1 029	364	1 616	12 528	11 285
stage 1	9 194	198	–	1 565	10 958	10 448
stage 2	253	631	–	50	934	471
fair value	73	199	364	–	636	366
reasonable / satisfactory	3 837	54	131	898	4 920	6 130
stage 1	3 193	–	–	830	4 023	5 378
stage 2	551	18	–	64	633	624
fair value	92	36	131	4	263	128
increased risk	2 763	117	203	419	3 502	3 768
stage 1	1 904	64	–	267	2 234	2 624
stage 2	850	53	–	152	1 056	896
fair value	9	–	203	–	212	249
high risk	1 172	22	24	108	1 326	1 438
stage 1	417	–	–	40	458	738
stage 2	754	–	–	67	821	685
fair value	–	22	24	–	47	15
very high risk	1 105	–	17	62	1 184	931
stage 1	260	–	–	3	263	260
stage 2	808	–	–	59	867	663
fair value	37	–	17	–	54	9
default (=NPL)[7)]	1 526	–	38	107	1 671	2 935
stage 3	1 437	–	–	107	1 543	2 602
fair value	89	–	38	–	128	333
Total	**85 866**	**18 679**	**5 395**	**20 533**	**130 473**	**149 754**
stage 1	79 633	6 736	–	20 030	106 399	120 373
stage 2	3 230	702	–	392	4 324	3 488
stage 3	1 437	–	–	107	1 543	2 602
fair value	1 565	11 241	5 395	5	18 207	23 290

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

The items rated in the “very good to good” rating class fell over the reporting period by € 17,923 million. Total exposure ranked in the best rating category (very good to good) fell slightly to 81 per cent (82 per cent). This can be explained by the fact that business with public authorities and financing institutions with good credit ratings has always been tremendously important, and it is therefore also a reflection of the NORD/LB Group’s risk policy. Collectively, this business continues to make up a majority share of the total exposure at 50 per cent (52 per cent).

With the exception of the rating classes “good/satisfactory” and “very high risk”, exposure decreased in all rating classes in the reporting year.

Collaterals[1)2)] (in € million)	Loans 31 Dec.2020	Securities[3)] 31 Dec.2020	Derivates[4)] 31 Dec.2020	Other[5)] 31 Dec.2020	Total exposure 31 Dec.2020	Total exposure 31 Dec.2019
Total	85 866	18 679	5 395	20 533	130 473	149 754
Mortgages	15 558	–	–	1 178	16 736	17 030
Financial collaterals	972	–	30	14	1 017	3 528
Sureties and guarantees	4 535	203	126	426	5 289	7 316
Others	17	–	–	5	23	23
Stage 1 [(6)]	79 633	6 736	–	20 030	106 399	120 373
Mortgages	15 133	–	–	1 139	16 272	16 750
Financial collaterals	957	–	–	14	970	3 478
Sureties and guarantees	3 647	178	–	375	4 200	6 275
Others	16	–	–	5	21	20
Stage 2	3 230	702	–	392	4 324	3 488
Mortgages	381	–	–	38	420	235
Financial collaterals	2	–	–	–	2	2
Sureties and guarantees	800	–	–	50	850	572
Others	1	–	–	1	1	2
Stage 3	1 437	–	–	107	1 543	2 602
Mortgages	17	–	–	1	18	18
Financial collaterals	14	–	–	–	14	15
Sureties and guarantees	54	–	–	–	54	199
Others	–	–	–	–	–	–
Fair value	1 565	11 241	5 395	5	18 207	23 290
Mortgages	27	–	–	–	27	27
Financial collaterals	–	–	30	–	30	33
Sureties and guarantees	35	25	126	–	185	271
Others	–	–	–	–	–	–

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

As a result of collateral netting, risk-weighted assets of material Group companies as at 31 December 2020 fell by € 9 billion (€ 12 billion), which corresponded to a share of 22 per cent (27 per cent) of the total risk exposure 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.

Industries by risk provisioning level[1)2)] (in € million)	stage 1[3)] 31 Dec.2020	stage 2 31 Dec.2020	stage 3 31 Dec.2020	Fair Value 31 Dec.2020	Total exposure 31 Dec.2020	Total exposure 31 Dec. 2019
Financing institutes / insurance companies	32 745	381	8	7 986	41 121	52 122
Service industries / other	44 406	1 648	532	7 736	54 322	57 938
Of which: Land, housing	15 876	306	33	564	16 778	17 260
Of which: Public administration	17 440	485	–	6 260	24 185	25 385
Transport / communications	3 906	1 000	659	558	6 123	8 792
Of which: Shipping	517	478	560	147	1 703	3 900
Of which: Aviation	358	314	94	21	787	1 124
Manufacturing industry	4 355	705	117	434	5 611	6 076
Energy, water and mining	14 180	372	84	1 076	15 713	16 856
Trade, maintenance and repairs	3 508	113	48	228	3 897	3 974
Agriculture, forestry and fishing	1 969	70	71	6	2 116	2 223
Construction	1 308	35	23	178	1 544	1 649
Other	20	0	–	6	27	123
Total	**106 399**	**4 324**	**1 544**	**18 207**	**130 473**	**149 753**

1) As with internal reporting, impairments are allocated 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).

Industries by products1)2) (in € million)	Loans 31 Dec.2020	Securities[3)] 31 Dec.2020	Derivates[4)] 31 Dec.2020	Other[5)] 31 Dec.2020	Total exposure 31 Dec.2020	Total exposure 31 Dec.2019
Financing institutes / insurance companies	20 779	8 891	2 083	9 367	41 121	52 122
Service industries / other	41 881	9 129	1 513	1 800	54 322	57 938
Of which: Land, housing	15 872	–	531	375	16 778	17 260
Of which: Public administration	14 533	9 019	336	297	24 185	25 385
Transport / communications	5 128	153	360	482	6 123	8 792
Of which: Shipping	1 555	–	64	84	1 703	3 900
Of which: Aviation	767	11	9	–	787	1 124
Manufacturing industry	4 434	159	275	743	5 611	6 076
Energy, water and mining	8 366	322	831	6 193	15 713	16 856
Trade, maintenance and repairs	3 287	19	203	388	3 897	3 974
Agriculture, forestry and fishing	658	–	6	1 452	2 116	2 223
Construction	1 317	–	124	102	1 544	1 649
Total	16	6	–	5	27	123
Total	**85 866**	**18 679**	**5 395**	**20 533**	**130 473**	**149 753**

1) As with internal reporting, impairments are allocated on the basis of economic criteria.
2) to 5) Please see the preceding Rating structure table.

The breakdown of the total exposure by region shows that the euro area accounted for a hefty 84 per cent (83 per cent) of the total exposure and remained by far the most important business region for the NORD/LB Group. Germany's share of this is 71 per cent (69 per cent).

Regions[1)2)] (in € million)	Loans 31 Dec.2020	Securities[3)] 31 Dec.2020	Derivates[4)] 31 Dec.2020	Other[5)] 31 Dec.2020	Total exposure 31 Dec.2020	Total exposure[6)] 31 Dec.2019
Euro countries	72 975	13 884	2 859	20 413	110 131	124 605
Of which: Germany	61 445	9 274	2 146	19 364	92 229	103 798
Other Europe	6 544	1 609	1 971	107	10 231	12 549
North America	3 628	2 143	273	–	6 043	6 999
Middle and South America	1 077	–	40	14	1 130	1 599
Middle East / Africa	330	–	–	–	330	645
Asia / Australia	1 312	1 043	252	–	2 608	3 356
Other[7)]	–	–	–	–	–	–
Total	**85 866**	**18 679**	**5 395**	**20 533**	**130 473**	**149 753**

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

The exposure in Greece, Ireland, Italy, Portugal, and Spain is € 4.2 billion (restated prior year value: € 4.8 billion). This makes up 3.3 per cent of the total exposure (restated prior year value: 3.2 per cent). The amount of receivables from the respective central governments, regions and municipalities sank to € 441 million (€ 723 million). This translates into 0.3 per cent (0.5 per cent) of the total exposure.

31 Dec. 2020 **Exposure in selected European countries**[1)2)] (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
Sovereign Exposure	–	–	407	–	34	441
Financing institutes / insurance companies	–	311	103	1	384	799
Corporates / Other	–	2 419	404	17	161	3 001
Total	**–**	**2 730**	**914**	**18**	**579**	**4 241**

1) The figures are reported, as in the internal reports, by the country in which the borrower is legally domiciled.
2) Differences in totals are rounding differences.

31 Dec. 2019 **Exposure in selected European countries[1)2)3)]** (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
Sovereign Exposure	–	–	617	–	106	723
Financing institutes / insurance companies	–	314	26	–	366	707
Corporates / Other	–	2 711	470	27	201	3 408
Total	**–**	**3 025**	**1 113**	**27**	**672**	**4 838**

1) The figures are reported, as in the internal reports, by the country in which the borrower is legally domiciled.
2) Differences in totals are rounding differences.
3) When determining the value, the collateral values were not correctly determined in the previous year due to an incorrect data query. This has been adjusted accordingly.

31.12.2020 **Sovereign Exposure in selected European countries by maturity[1)2)]** (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
up to 1 year	–	–	2	–	16	17
more than 1 up to 5 years	–	–	3	–	18	21
more than 5 years	–	–	402	–	–	402
Total	**–**	**–**	**407**	**–**	**34**	**441**

1) The figures are allocated by residual term of the contract and, as in the internal reporting, by the country in which the borrower is legally domiciled.
2) Differences in totals are rounding differences.

31.12.2019 **Sovereign Exposure in selected European countries by maturity[1)2)]** (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
up to 1 year	–	–	123	–	70	194
more than 1 up to 5 years	–	–	55	–	35	90
more than 5 years	–	–	439	–	–	439
Total	**–**	**–**	**617**	**–**	**106**	**723**

1) The figures are allocated by residual term of the contract and, as in the internal reporting, by the country in which the borrower is legally domiciled.
2) Differences in totals are rounding differences.

The countries below were selected on the basis of the rating-dependent limit utilisation and a country-specific risk assessment, e.g. current natural disasters, armed conflicts, particular political developments, 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 UK's holdings currently amount to € 5.8 billion (€ 7.8 billion), which is essentially divided into € 3.6 billion (€ 4.0 billion) for Corporates & Other and € 2.2 billion (€ 3.7 billion) for Financing Institutions & Insurance Companies. In Russia, the NORD/LB Group has an exposure of € 84 million (€ 93 million); divided into € 67 million (€ 70 million) for Corporates & Other and € 17 million (€ 23 million) for Financial Institutions & Insurance Companies. NORD/LB holds an exposure of € 83 million (€ 100 million) in Turkey; composed of € 52 million (€ 63 million) for Financing Institutions & Insurance Companies and € 31 million (€ 37 million) for Corporates & Others. NORD/LB also closely monitors and analyses significant developments in other countries. However, the Bank does not consider it necessary to make any valuation 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.

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

Securitisations

During the reporting period, the NORD/LB Group did not enter any new securitisation positions.

The securitisation positions held by the NORD/LB Group can basically 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)

In 2020, the strategic direction to reduce the overall ship exposure was continued with a priority focus on the NPL ship portfolio. Total NPL exposure as a share of total exposure decreased during the reporting period and as at 31 December 2020 amounted to 1.3 per cent (2.0 per cent). The shipping industry makes up the main portion of this. The volume of the ship and aircraft portfolios covered by the state guarantees are included in the figures presented above. Consequently, the guarantee effect is not apparent from the above description and the national guarantees have no influence on the NPL ratio. Additional information is provided in Note (3) “Explanation of Balance Sheet Effects caused by the Guarantee Contracts from the Support Contract”. The impaired exposure of € 1.5 billion (€ 2.6 billion) was reduced and amounted to 1.2 per cent (1.8 per cent) of the total exposure.

The NORD/LB Group’s portfolio of overdue or impaired financial assets is largely secured by customary bank collateral and other credit enhancements, the value of which is determined in accordance with lending principles. In addition to the aforementioned impaired receivables, the NPL portfolio includes all other receivables with ratings of 16 to 18.

Industries[1)2)]	Total exposure of impaired receivables		Portfolio risk provisions (stage 3) [3)]	
(in € 000)	31 Dec.2020	31 Dec.2019	31 Dec.2020	31 Dec.2019
Financing institutes / insurance companies	8 488	47 162	6 811	4 793
Service industries / other	532 382	270 488	138 941	108 648
Transport / communications	658 899	1 788 285	349 958	966 705
Manufacturing industry	117 309	107 301	72 286	91 788
Energy, water and mining	84 467	244 698	37 901	147 741
Trade, maintenance and repairs	48 142	23 508	28 538	18 343
Agriculture, forestry and fishing	70 996	116 319	25 417	57 211
Construction	22 904	23 462	14 406	15 138
Other	–	–	6 486	24 840
Total	**1 543 585**	**2 621 222**	**680 744**	**1 435 207**

1) As with internal reporting, impairments are allocated on the basis of economic criteria.
2) Differences in totals are rounding differences.
3) Information: the gross carrying amount of NPL requiring valuation allowance is € 3,733 million (€ 4,231 million).

31 Dec. 2020 **Industries**[1)2)] (in € 000)	Total exposure of overdue, unimpaired receivables Up to 1 month	1 up to 3 months	3 up to 6 months	More than 6 months	Total	Portfolio risk provisions (stage 1+2)
Financing institutes / insurance companies	33 056	262	6	33 098	66 421	11 617
Service industries / other	260 655	48 236	11 928	28 433	349 252	329 056
Transport / communications	16 868	47 025	2 612	137 609	204 114	97 964
Manufacturing industry	31 784	7 948	–	12 142	51 874	46 486
Energy, water and mining	33 881	69 996	15 829	2 894	122 600	39 148
Trade, maintenance and repairs	56 790	11 266	106	962	69 123	12 421
Agriculture, forestry and fishing	46 442	5 973	4 506	2 298	59 219	23 833
Construction	2 028	31	32	1 896	3 987	5 441
Other	874	–	–	–	874	15 722
Total	**482 377**	**190 737**	**35 019**	**219 333**	**927 466**	**581 688**

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

31 Dec. 2019 **Industries**[1)2)] (in € 000)	Total exposure of overdue, unimpaired receivables Up to 1 month	1 up to 3 months	3 up to 6 months	More than 6 months	Total	Portfolio risk provisions (stage 1+2)
Financing institutes / insurance companies	74 422	13 078	–	1	87 502	6 454
Service industries / other	286 872	2 225	6 953	6 999	303 050	65 471
Transport / communications	26 760	280	47 520	79 657	154 216	37 625
Manufacturing industry	32 557	104 623	–	2 665	139 845	17 901
Energy, water and mining	54 063	–	22	3 150	57 236	22 486
Trade, maintenance and repairs	10 516	3 700	–	1 212	15 428	12 545
Agriculture, forestry and fishing	30 238	1 928	43	88	32 297	8 079
Construction	10 507	201	654	291	11 653	3 151
Other	–	–	–	–	–	13 100
Total	**525 934**	**126 036**	**55 192**	**94 063**	**801 225**	**186 812**

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

Regions[1)2)]	Total exposure of impaired receivables		Portfolio risk provisions (stage 3)	
(in € 000)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Euro countries	892 160	1 901 397	428 956	1 099 813
Other Europe	287 294	175 520	55 917	81 432
North America	72 423	28 267	16 703	10 029
Middle and South America	22 862	122 551	20 219	11 489
Middle East / Africa	18 977	125 563	6 970	66 901
Asia / Australia	249 870	267 924	151 777	147 162
Total	**1 543 585**	**2 621 222**	**680 744**	**1 435 207**

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

31 Dec. 2020	Total exposure of overdue, unimpaired receivables					Portfolio risk provisions (stage 1+2)
Regions[1)2)] (in € 000)	up to 1 month	1 up to 3 months	3 up to 6 months	More than 6 months	Total	
Euro countries	394 040	101 486	16 648	64 413	576 587	420 444
Other Europe	88 336	74 877	18 371	147 536	329 121	39 882
North America	1	–	–	7 384	7 385	57 680
Middle and South America	–	–	–	–	–	30 811
Middle East / Africa	–	–	–	–	–	6 871
Asia / Australia	–	14 374	–	–	14 374	26 000
Total	**482 377**	**190 737**	**35 019**	**219 333**	**927 466**	**581 688**

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

31 Dec. 2019	Total exposure of overdue, unimpaired receivables					Portfolio risk provisions (stage 1+2)
Regions[1)2)] (in € 000)	up to 1 month	1 up to 3 months	3 up to 6 months	More than 6 months	Total	
Euro countries	506 238	126 030	22 110	68 889	723 268	142 356
Other Europe	9	–	2	–	10	11 770
North America	–	1	–	–	1	13 395
Middle and South America	–	1	33 080	–	33 082	8 168
Middle East / Africa	–	4	–	25 173	25 177	6 493
Asia / Australia	19 688	1	–	–	19 688	4 630
Total	**525 934**	**126 036**	**55 192**	**94 063**	**801 225**	**186 812**

1) As with 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 € 126 million. This primarily takes place in a time frame of more than 6 months. 27 per cent (19 per cent) of the portfolio of overdue, unimpaired receivables comprises receivables whose agreed interest or principal payments are more than 90 days overdue. The NORD/LB Group considers them to be in default. As regards the 52 per cent (66 per cent) of receivables that are overdue by up to a month, the NORD/LB Group generally assumes that they will be repaid.

Differences in the basis of consolidation were the main reason why the risk provisioning figures presented for the risk provision stages 1 to 3 amounting to € 1,262 million deviated from the risk provisions including credit provisions in Note (59) Risk provisioning and gross carrying amount. The ship valuation replaces the risk provision for fully consolidated ship financing exposures.

Material Group companies directly wrote off bad debts on loans of € 74 million in the reporting year (restated value for previous year: € 99 million). Additions to receivables written off amounted to € 43 million (€ 48 million). Once again, there were no direct write-offs of bad debts with regard to securities in the Loans and Receivables (LaR) category by the NORD/LB Group.

With an exposure of € 44 million (€ 143 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 is € 214 million (€ 392 million).

The NORD/LB Group has obtained assets in the reporting period with a balance sheet value of € 24 million, by taking possession of collateral held as security or utilising other credit enhancements.

Sensitivity of risk provisions to future economic conditions

In the parameter-based loss estimation under IFRS 9, the parameters must be checked for appropriate consideration of macroeconomic, forward-looking information and applied if there is sufficient plausibility.

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

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

The scenarios always include a time horizon of at least two years. This time horizon corresponds to the quarterly review. The baseline scenario is consistent with the baseline scenario of Group planning as long as these are requested at the same time. Due to continuous updates, the scenarios may differ in individual values due to increasing time distance. The scenarios under IFRS 9 are calculated on the basis of forecasts from third parties such as Reuters, Bloomberg or Focus Economics. These are obtained from several sources and serve as a benchmark for our own forecasting. Larger deviations are checked for plausibility and consistency. The following macroeconomic variables are used in the analysis: Oil price, unemployment rate (%), change rate in real GDP (%), change rate in CPI (%), change rate in a leading equity index (%), short-term interest rates (3 months nominal) (%), long-term interest rates (10 years nominal) (%) and change rate in national currency/USD (%). The oil price trend is the only global variable that flows into the model, all other variables are country-specific. Country-specific variables are available for Germany, the USA, the UK and Canada. Furthermore, the countries France, Luxembourg, the Netherlands, Ireland, Austria and Italy are taken into account approximatively via a forecast for the euro area. Taking into account assumptions about these economies, more than 90 percent of exposure coverage is achieved.

As at 31 December 2020, there were the following probabilities of occurrence:

Probability of occurrence		**31 Dec. 2020**			**31 Dec. 2019**	
(in per cent)	positive	base	negative	positive	base	negative
	20	55	25	15	60	25

Compared with the previous year, there was a slight increase in the probability of the positive scenario occurring, based on the baseline scenario. This was due to the growing uncertainties in the wake of the COVID-19 pandemic and the resulting potential characteristics of its future course. The following tables show the assumed forecasts for Germany, the USA, Great Britain, Canada and the eurozone.

Germany	positive		base		negative	
	2021	2022	2021	2022	2021	2022
Unemployment rate (in %)	5,8	5,5	6,0	5,7	6,7	6,8
GDP (real; Y/Y[1] in %)	5,0	4,2	3,2	3,7	0,3	3,5
HCPI[2] (in % Y/Y)	1,6	2,0	1,3	1,4	0,7	1,1
Leading index shares (DAX, % p.a.)	6,3%	2,9%	5,7%	5,5%	5,3%	8,8%
Short-term interest (3M Money market rate, in %)	-0,50	-0,40	-0,50	-0,50	-0,60	-0,60
Long-term interest rate (10Y Government, in %)	-0,30	-0,10	-0,45	-0,30	-0,70	-0,60
Exchange rate rate (EUR/USD)	1,20	1,25	1,14	1,15	1,08	1,05
Rate of change exchange rate (in % Y/Y)	5,26	4,17	0,88	0,88	-3,57	-2,78

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

USA	positive		base		negative	
	2021	2022	2021	2022	2021	2022
Unemployment rate (in %)	6,0	4,5	7,0	6,0	9,0	9,0
GDP (real; Y/Y[1] in %)	4,8	3,0	3,7	2,8	3,0	2,0
CPI[2] (in % Y/Y)	2,2	2,5	2,0	2,2	1,0	1,3
Leading index shares (MSCI TR USA, % p.a.)	12,0%	7,0%	8,0%	6,0%	-3,0%	7,0%
Short-term interest rate (3M Money market rate, in %)	0,30	0,30	0,30	0,30	0,30	0,30
Long-term interest rate (10Y Government, in %)	1,20	1,50	1,10	1,30	0,70	0,70
Exchange rate (EUR/USD)	1,20	1,25	1,14	1,15	1,08	1,05
Rate of change exchange rate (in % Y/Y)	5,26	4,17	0,88	0,88	-3,57	-2,78

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

Great Britain	positive		base		negative	
	2021	2022	2021	2022	2021	2022
Unemployment rate (in %)	4,2	4,0	4,7	4,5	6,0	5,6
GDP (real; Y/Y[1] in %)	6,7	3,2	6,5	2,3	-4,8	2,4
CPI[2] (in % Y/Y)	1,5	1,6	1,4	1,4	1,7	1,3
Leading index shares (FTSE 100, % p.a.)	6,5%	4,5%	5,0%	3,5%	2,0%	5,0%
Short-term interest rate (3M Money market rate, in %)	0,05	0,05	0,05	0,05	-0,15	-0,15
Long-term interest rate (10Y Government, in %)	0,20	0,25	0,2	0,20	0,03	0,00
Exchange rate (GBP/USD)	1,38	1,47	1,24	1,31	1,14	1,12
Rate of change exchange rate (in % Y/Y)	6,47	6,62	-2,40	5,46	-8,65	-1,74

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

Canada	positive		base		negative	
	2021	2022	2021	2022	2021	2022
Unemployment rate (in %)	7,0	6,5	8,0	6,9	10,0	9,0
GDP (real; Y/Y[1] in %)	6,5	3,0	5,0	2,9	3,0	2,5
CPI[2] (in % Y/Y)	1,8	2,1	1,7	2,0	1,0	1,3
Leading index shares (MSCI TR CAN, % p.a.)	10,0%	6,0%	10,0%	5,0%	-1,0%	7,0%
Short-term interest rate (3M Money market rate, in %)	0,15	0,30	0,15	0,20	0,15	0,15
Long-term interest rate (10Y Government, in %)	1,10	1,40	0,90	1,10	0,60	0,70
Exchange rate (CAD/USD)	1,30	1,30	1,32	1,30	1,35	1,35
Rate of change exchange rate (in % Y/Y)	-2,99	0,00	-1,49	-1,52	0,75	0,00

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

Euroland	positive		base		negative	
	2021	2022	2021	2022	2021	2022
Unemployment rate (in %)	8,6	8,0	9,0	8,5	9,8	10,0
GDP (real; Y/Y[1] in %)	5,8	3,6	4,7	3,8	1,5	4,8
CPI[2] (in % Y/Y)	1,2	1,6	1,0	1,3	0,4	0,9
Leading index shares (EuroStoxx50 Perf., % p.a.)	8,7%	5,3%	6,9%	6,6%	7,6%	11,0%
Short-term interest rate (3M Money market rate, in %)	-0,50	-0,40	-0,50	-0,50	-0,60	-0,60
Long-term interest rate (10Y Government, in %)	-0,30	-0,10	-0,45	-0,30	-0,70	-0,60
Exchange rate (EUR/USD)	1,20	1,25	1,14	1,15	1,08	1,05
Rate of change exchange rate (in % Y/Y)	5,26	4,17	0,88	0,88	-3,57	-2,78

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

The assumed trend of the only global variable oil price is shown in the table below.

Oil price	positive		base		negative	
	2021	2022	2021	2022	2021	2022
Brent (in USD per barrel)	65	75	47	57	29	42

In the financial statements, NORD/LB carries out a sensitivity analysis for parameter-based risk provisioning in stages 1 and 2. The basis for this is the scenarios of the analysis carried out in the fourth quarter of 2020 on special macroeconomic constellations, which is carried out as standard at rating module level due to its relevance for management. The following table shows the adjustment factors resulting from the analysis for the individual rating modules if an adjustment occurred in at least one scenario.

Rating module	positive		base		negative	
	Jahr 1	Jahr 2	Jahr 1	Jahr 2	Jahr 1	Jahr 2
Corporates	1,00	1,00	1,13	1,00	1,45	1,14
Aircraft finance	1,00	0,81	1,32	1,00	1,40	1,11
International real estate	1,00	1,00	1,33	1,25	1,33	1,25
Sparkassen - customer compact rating	1,00	0,93	1,00	1,00	1,21	1,19
Leasing finance	1,00	0,78	1,00	1,00	1,00	1,00
Project finance	1,00	1,00	1,09	1,00	1,63	1,34
Sparkassen-real estate business rating	0,90	0,90	1,00	1,00	1,00	1,00
Sparkassen - customer scoring	1,00	1,00	1,00	1,00	1,28	1,25
Sparkassen - standard rating	0,85	0,85	1,00	1,00	1,00	1,00

A factor different from 1 means that the cyclically averaged PD profiles have been corrected accordingly upwards or downwards. The factors are applied for both marginal and conditional PD profiles. In the positive scenario, the negative adjustments made in the course of the COVID-19 pandemic are largely reversed. In the negative one, there were strong adjustments due to the negative outlook, which is reflected above all in the second forecast year. The rating modules banks, international local authorities, leveraged finance, state and transfer risks, ship financing and insurance did not receive any adjustments. For ship financing, this was mainly driven by the planned portfolio reduction within NORD/LB 2024 and the current high level of inventories in stage 3. The other rating modules had holdings of loan-loss provisions in the low single-digits to low double-digit million range.

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

31. Dec 2020 **Sensitivity calculation for risk provisioning** (in € million)	positive	base	negative
Exposure at Default[1]	130 473	130 473	130 473
of whitch			
Corporates	51 994	51 994	51 994
Aircraft finance	287	287	287
International real estate	4 486	4 486	4 486
Sparkassen - customer compact rating	555	555	555
Leasing finance	3 145	3 145	3 145
Project finance	14 020	14 020	14 020
Sparkassen-real estate business rating	14 121	14 121	14 121
Sparkassen - customer scoring	3 020	3 020	3 020
Sparkassen - standard rating	6 488	6 488	6 488
Risk provisioning [2]	– 1 051	– 1 071	– 1 114
of whitch			
Corporates	– 316	– 323	– 350
Aircraft finance	– 260	– 265	– 266
International real estate	– 64	– 67	– 67
Sparkassen - customer compact rating	– 10	– 10	– 10
Leasing finance	– 12	– 12	– 12
Project finance	– 70	– 71	– 82

31. Dec 2020 **Sensitivity calculation for risk provisioning**	positive	base	negative
Sparkassen-real estate business rating	– 68	– 70	– 70
Sparkassen - customer scoring	– 15	– 15	– 18
Sparkassen - standard rating	– 194	– 197	– 197

Share of risk provisioning in stage 2 in per cent	23%	26%	30%
of whitch			
Corporates	36%	37%	44%
Aircraft finance	13%	25%	25%
International real estate	62%	63%	63%
Sparkassen - customer compact rating	45%	45%	46%
Leasing finance	19%	19%	19%
Project finance	28%	28%	38%
Sparkassen-real estate business rating	22%	23%	23%
Sparkassen - customer scoring	66%	66%	70%
Sparkassen - standard rating	17%	18%	18%

[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 € 73 million as well as further adjustments, mainly due to differences in the scope of consolidation in the amount of € 206 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 level allocation. The previous table contains the breakdowns of the exposure at default after risk reduction via stage 1 to 3 as well as for FV items. This allows for a reconciliation to the tables in the previous sections. The 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 base scenario. In all scenarios, the risk provisions for stage 1 and 2 included the management adjustment for COVID-19 of around € 386 million formed by the bank at the end of 2020 in order to provide better comparability of the data and a pure focus on the effects triggered by the macroeconomic scenarios. The main drivers here were the aviation (€ 154 million), corporates (€ 81 million), savings bank standard rating (€ 39 million) and savings bank real estate business rating (€ 38 million) modules. The rating module corporates (€ +7/-28 million) has the highest sensitivity to risk provisions, which is also the largest module in terms of exposure at default, followed by the project financing rating module (€ +1/-11 million). The high sensitivity in the negative scenario was due to the high economic dependence on borrowers of these project financings. Overall, risk provisions would be reduced by € 21 million under the positive scenario and increased by € 42 million under the negative scenario. The proportion of risk provisions in stage 2 fell from 26 per cent to 23 per cent or increased to 30 per cent under the negative scenario.

Outlook

The NPL portfolio of ship financing will be further reduced in 2021. Negative effects on the Bank's income statement, which may accompany an NPL reduction, are largely limited by the guarantees of the State of Lower Saxony, which, together with the value adjustments already formed (including fair value discounts), almost completely hedge the portfolio of NPL ship financing at the end of the year. The NORD/LB Group will continue to monitor developments for all relevant asset classes in 2021. Based on its risk policy, the gradual enhancement of the risk model and risk management process, and the focused business strategy, the NORD/LB Group is well prepared on the whole.

Equity Investment Risk – Development in 2020

To increase earnings and reduce the capital commitment and potential risks from equity investments, NORD/LB has divested itself of numerous investments in recent years by conducting a critical assessment of its equity investment portfolio. This strategy was continued during the reporting year. Particularly noteworthy is the decision to integrate the Deutsche Hypothekenbank. With regard to NORD/LB Luxemburg, as part of a strategic review, it was decided, among other things, to cease new issue activities for the Lettre de Gage product as at 31 December 2021. In addition, several smaller equity investments were sold or liquidated.

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

The risk calculated for the equity investment portfolio on the basis of the integrated model for the reporting year totalled € 238 million (€ 223 million for unexpected loss and € 15 million for expected loss). This is an increase of € 45 million compared with the last reporting date. This increase is mainly a result of the rise in unexpected loss (+ € 48 million). This is due to the significant decline in the credit exposure, which leads to a correspondingly higher share of the equity investment risk in an unexpected loss on an overall portfolio view in the integrated model. From a risk perspective, the relative importance of equity investments has grown in NORD/LB's new business model. The equity investment portfolio exposure was reduced in absolute terms by € 154 million or 24 per cent in the reporting period.

The parameters for the equity investment analysis concept of NORD/LB were validated during the reporting period. No anomalies were identified. The materiality thresholds of the equity investment classification concept were adjusted as at 7 April 2020 to the Bank's capital situation. New significant equity investments were not identified. An overview of the two significant investments in Deutsche Hypo and NORD/LB Luxemburg is provided. As at 31 December 2020, there were also eight significant equity investments that are relevant for the development of risk-bearing capacity for NORD/LB.

Outlook

The main tasks for 2021 will remain the optimisation of the equity investment portfolio with regard to the strategic benefits for the Bank's business model and NORD/LB's return expectations, as well as to secure and improve the market position of the strategic business segments and/or selected holdings.

Market-Price Risk – Development in 2020

Activities in the markets were heavily influenced by the COVID-19 crisis in 2020.

The expected effects of the COVID-19 pandemic on the economic situation of many companies allowed credit spreads in many asset classes to increase significantly in March. However, credit spreads narrowed again later in the year. Capital market interest rates in the euro zone fell significantly overall over the course of the year. US dollar interest rates also significantly dropped up to the outbreak of the COVID-19 pandemic and have remained at an almost constant level since then. The interest rate difference measured in cross currency basis spreads between US dollar and euro interest rates had narrowed significantly in mid-March, but was once again at the previous year's level at the end of the year. Equity markets had fallen sharply in March, but were already able to recover significantly in the second quarter.

In accordance with ICAAP, management of the market-price risks comprises the economic and the normative perspectives. In the economic perspective, the cash-value risk potentials are reported and limited. The normative perspective, on the other hand, relies on a scenario-based consideration and limitation. When determining the results, adverse stress scenarios were used as a basis. As at the reporting date, the limit in the normative perspective had been complied with.

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.

As at 31 December 2020, the VaR calculated for NORD/LB in the economic perspective amounted to € 1,219 million. This corresponded to an increase of € 164 million compared with the end of the prior year (€ 1,055 million). The limit utilisation was 79 per cent as at the reporting date.

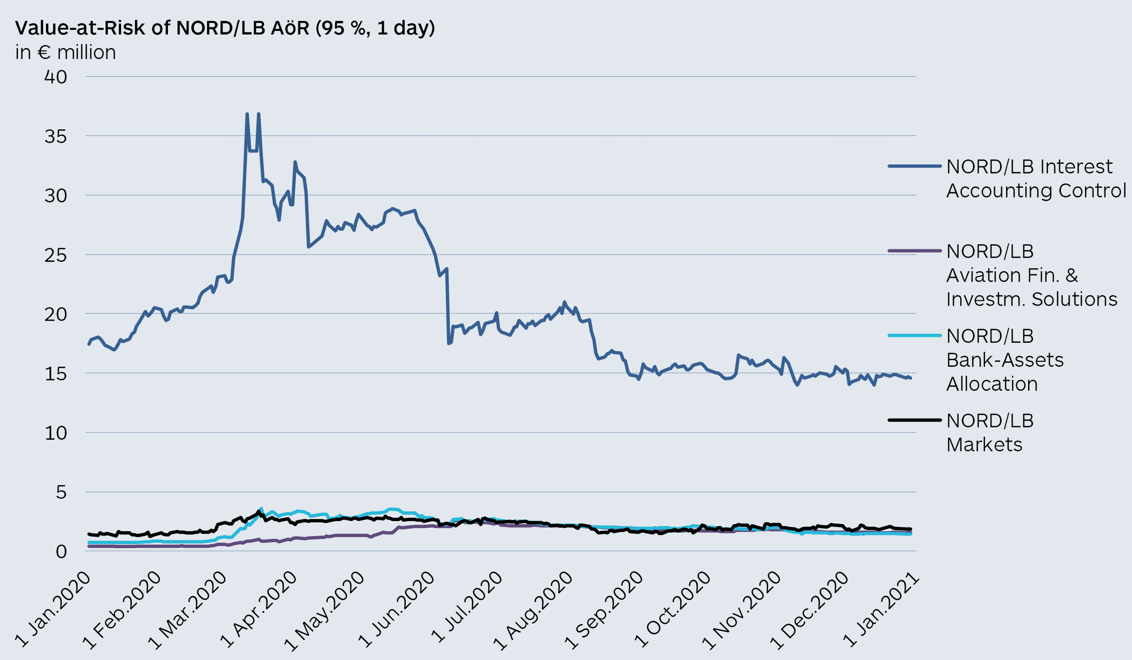
In the correlated total risk exposure in the economic perspective, interest-rate risks and credit-spread risks dominate. All other types of risk are of minor significance. The correlated total risk exposure for NORD/LB breaks down into the following individual risk types:

Market-Price Risks[1)]	Economic Perspective				
in € million	31 Dec. 2020	30 Sep. 2020	30 Jun. 2020	31 Mar. 2020	31 Dec. 2019
Interest rate risk	631	725	725	745	668
Credit-spread-risk	810	764	750	810	745
Currency risk	56	80	105	118	101
Stock price and fund price risk	4	4	4	4	4
Votality risk	9	13	12	19	20
Other add-ons	42	42	43	53	55
Total risk2)	**1 219**	**1 207**	**1 226**	**1 228**	**1 055**

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.

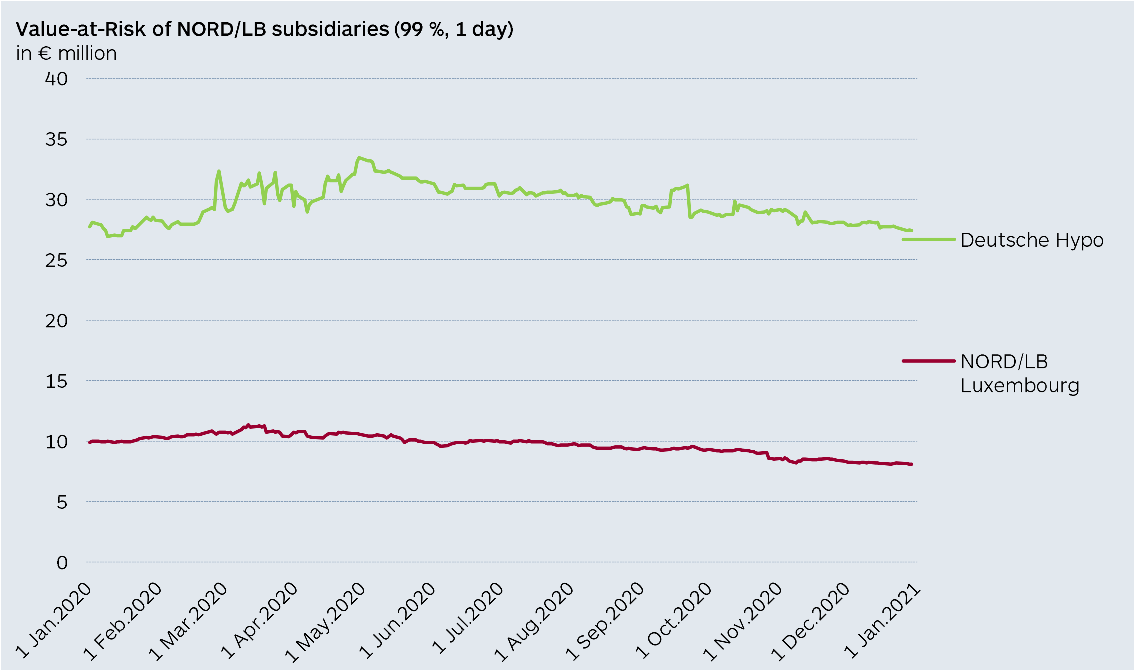
The operational limiting of the individual sub-portfolios in the trade and treasury arms of the relevant units of NORD/LB is implemented by way of corresponding sub-limits, which are derived from the total limit for market-price risks for NORD/LB. The operational limiting of the corresponding VaR ratios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

Both of the charts below show the development of the correlated value-at-risk, as calculated each day, in the cash-value perspective (economic perspective) 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 in operational limiting. As a result of the COVID-19 pandemic, the increased volatility in interest rates and the expansion of the credit spreads in March lead to a significantly increased risk in the "NORD/LB Interest Book Management" portfolio. Previously, the falling interest rate level had already lead to a successively rising risk via the valuation of the long-running pension commitments. In the second quarter, there was a reduction in risk as a result of a model adjustment in the mapping of pension commitments and the comprehensive technical consideration of the hedging of aid commitments agreed with the State of Lower Saxony as part of NORD/LB's recapitalisation. The slight risk decline in the second half of the year can be attributed to the elimination of scenarios from the 250-day look-back period

For the Group subsidiaries Deutsche Hypo and NORD/LB Luxemburg, a confidence level of 99 per cent and likewise a holding period of one trading day are used. The representation of the course of the VaR in the following chart thus refers to the confidence level, at which the subsidiary institutions are being managed. The risk of the subsidiary institutions has not changed materially year on year.



Outlook

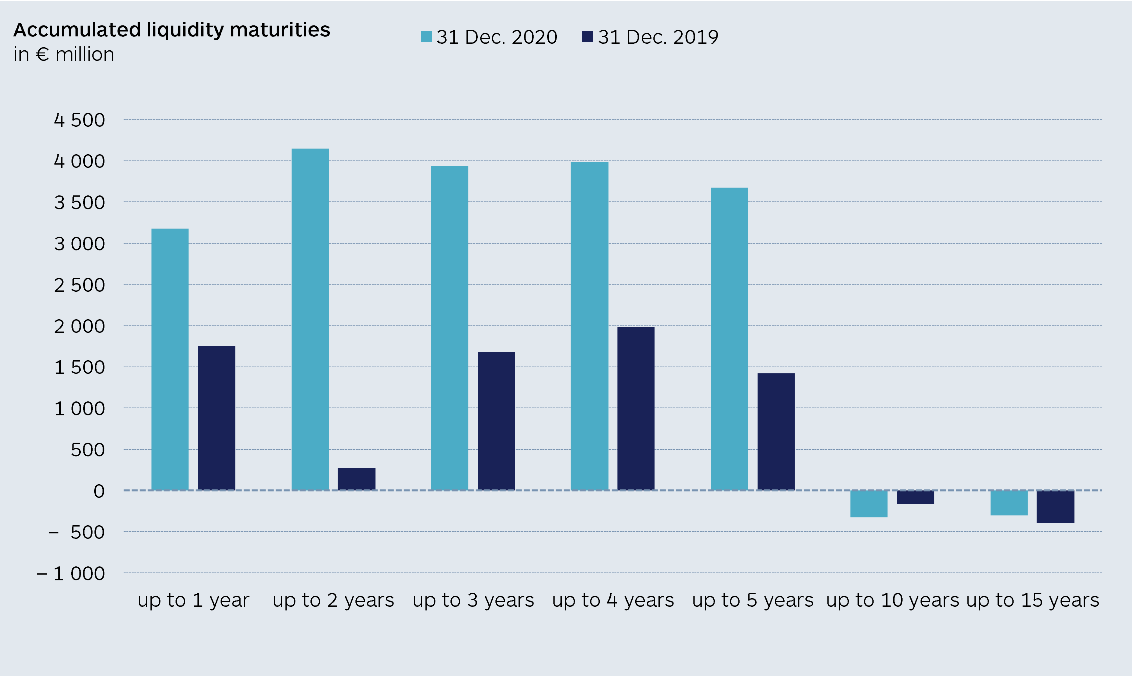
NORD/LB will continue to monitor market developments carefully in 2021 for all relevant asset classes. Based on the risk policy, the gradual enhancement of risk models and the risk management process, and the focused trade strategy, NORD/LB is well prepared on the whole, even for volatile market phases.

Liquidity Risk – Development in 2020

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

At the beginning of 2020, the ratings improved significantly at NORD/LB as a result of the implemented and planned measures related to the reduction of the ship portfolio and the completed capital measures. The liquidity situation of NORD/LB proved to be comfortable after the capital increase at the end of 2019. In March 2020, the uncertainty caused by COVID-19 in the market lead to a phase of liquidity stockpiling, in which the central banks intervened to assist. NORD/LB took this situation into account in a timely manner in its liquidity stress with particular attention being paid to the risk of increased liquidity outflows in the case of credit commitments and demand deposits. Since then, the development has been closely monitored and continuously re-evaluated. Over the course of the pandemic, the focus increasingly shifted to a higher credit default risk, which is taken into consideration by NORD/LB in the liquidity stress tests. For example, the parametrisation of the assumptions in the relevant liquidity stress scenario was interpreted over the course of the third quarter over a longer term, with a particular focus on credit risk.

In 2020, the internal liquidity stress scenario relevant for management purposes was managed for NORD/LB at group level entirely in the green phase, and, as at the reporting date, the liquidity was more than satisfactory. NORD/LB AöR found itself in the amber phase on a total of 24 days during the reporting period, exclusively in the first half of the year, as a result of the severity of the underlying COVID-19 stress scenario. The liquidity buffers were maintained for one week and one month, in accordance with the Minimum Requirements for Risk Management (MaRisk). The NORD/LB Group's cumulated liquidity maturity balance sheet as at the reporting date continues to show up to ten and up to fifteen years of liquidity gaps at the sampling points. All other maturities show a liquidity surplus, which increased further in 2020. The priority reduction of assets which took place in the first quarter effected a relief in the maturities up to five years. The liquidity gap was within the limits derived from the risk-bearing capacity model. At NORD/LB Group level, the limits were respected in the year under review, both when taking all currencies into account and when taking the key individual currencies into account.



The refinancing of the NORD/LB Group is mainly made up of liabilities to banks at 24 per cent (25 per cent), to customers at 41 per cent (41 per cent) and securitized liabilities at 22 per cent (21 per cent). In addition to unsecured securities, NORD/LB also uses secured securities, including public-sector mortgage bonds denominated in euros and US dollars, as well as real estate mortgage bonds. There is a total of € 29 billion (€ 31 billion) in mortgage bonds in circulation (including mortgage bonds issued prior to the entry into force of the mortgage bonds Act and Lettres de Gage issued under Luxembourg law) of which public-sector mortgage bonds make up the largest share.

The NORD/LB Group is active in highly liquid markets and maintains a portfolio of high-quality securities. As at the reporting date the material companies of the NORD/LB Group hold securities worth € 25 billion (€ 27 billion), of which 79 per cent (81 per cent) are 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 2020, the liquidity coverage ratio (LCR) is 157.8 per cent (previous year: 166.5 per cent).

Outlook

NORD/LB will continue to deal with the further course and effects of the COVID-19 pandemic in 2021. Although liquidity bottlenecks are unlikely due to the intervention of the central banks, close observation of the development is absolutely necessary, particularly with regard to possible payment delays from the credit risk. In a difficult environment for profitability with persistent negative interest, liquidity must be managed with a qualitative approach and current excess liquidity must be converted in a targeted manner, while simultaneously reducing the balance sheet total as planned and adhering to key performance indicators.

The increased regulatory and internal requirements placed on management and NORD/LB's reporting system will again be significant in 2021.

Operational Risk – Development in 2020

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 2020 amounted to € 258 million (€ 321 million).

As at the reporting date, the losses of NORD/LB stood at € 1.9 million (€ 11.1 million). The losses were mainly caused by “External influences”, “Technology” and “Employees”.

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

Outlook

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

Overall Assessment

The NORD/LB Group has taken adequate precautionary measures to address all known risks. Appropriate tools have been implemented for early detection of risks.

The material risks in terms of the Bank's overall risk profile were covered by the available capital during the reporting period.

Following the implementation of the capital-strengthening measures on 23 December 2019, the Bank exited the restructuring phase in January 2020. It fully met all normative capital requirements throughout 2020. The economic limits for the main types of risk were also complied with throughout the reporting period. The risk-bearing capacity was maintained at all times. The Group's liquidity requirements were also complied with at all times. As at 31 December 2020, the total risk exposure amount for the NORD/LB Group was € 39,692 million (equity requirements corresponding to € 3,175 million), with equity totalling € 7,639 million. Likewise, the requirements regarding large exposure limits in line with Art. 387 to 403 CRR and Luxembourg law were also met in full. According to the NORD/LB Group, no going-concern risks currently exist.

As part of this year's Group planning, the planning scenario was updated to 2025, taking into account the changed economic forecasts, e.g. the global recession triggered by the COVID-19 pandemic and the ongoing period of low interest rates. The transformation process for the resizing and realignment of the NORD/LB Group, which began in 2020, will continue. Overall, NORD/LB anticipates a moderately rising total risk exposure amount in 2021 as a result of the implementation of business cases in the market areas and COVID-19-related rating migration effects. According to the forecast, the regulatory requirements and binding requirements of the banking supervisory or resolution authorities with regard to the provision of regulatory equity and MREL-eligible capital will be fully met in 2021.

Exogenous opportunities and risks
In view of uncertain global growth, including how the COVID-19 pandemic will unfold, geo-political tensions and the unpredictability of market interference caused by political or economic developments such as the US trade policy, the impact of Brexit, an easing or worsening of the sovereign debt crisis, and a continuation of the low-interest phase, the planning assumptions for 2021 may deviate from economic forecasts in relation to yield curves, exchange rate forecasts and the economic situation, which would present corresponding opportunities and risks for NORD/LB's earnings situation. Furthermore, potential new regulatory requirements pose risks for NORD/LB's capital ratio.

Company-specific opportunities and risks
General opportunities but also risks are presented by the implementation of NORD/LB's redimensioning process, although this will not be completed properly until 2024. This process aims to wind down the portfolios in selected business segments, reduce the number of staff and, as a result, simplify the structure of the Group and its processes. Furthermore, there is a risk that the restructuring expenses proposed for the redimensioning process will prove to be insufficient. If the earmarked earnings and costs measures are not implemented as planned, this could lead to operational risks and pressure on the NORD/LB Group's profitability and KPIs.

According to current analyses, NORD/LB feels the potential, foreseeable effects of these influences are manageable, and will continue to monitor and analyse developments closely and take appropriate measures where necessary.

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

Report on the earnings, assets and financial position

(In the following text the previous year's figures for the period from 1 January to 31 December 2019 are shown in brackets)

Earnings position

NORD/LB AöR's earnings position in the reporting year 2020 compared with the previous year was influenced by the effects of the COVID-19 pandemic, the fees for guarantees in the State of Lower Saxony, the expiry of securitisation transactions, the sustained low interest rates and lower restructuring expenses.

The following overview provides details of the breakdown of the accumulated net loss:

	1 Jan.- 31 Dec. 2020 (in € million)	1 Jan.- 31 Dec. 2019 (in € million)	Change (in %)
Net interest income	746	925	– 19
Net commission income	–	114	– 100
Earnings from financial transactions in the trading portfolio	42	31	35
Administrative expenses	885	952	– 7
Depreciation and value adjustments on intangible assets and property, plant and equipment	47	91	– 48
Other profit / loss	– 4	1	> 100
Operating result before risk provisioning / valuation	**– 148**	**28**	**> 100**
Valuation result receivables, securities and participations	– 85	– 103	– 17
which of: Assumption of investment losses	4	4	–
Operating result after risk provisioning / valuation	**– 237**	**– 79**	**> 100**
Extraordinary result	– 89	– 452	– 80
Tax income (previous year: tax expense)	– 3	12	> 100
Income from loss assumptions	30	23	30
Annual deficit before approriation of profits	**– 293**	**– 520**	**– 44**

In the 2020 reporting year, the operating result after risk provisions/valuation decreased by € 158 million to € -237 million (€ -79 million). Compared with the previous year, the result was negatively influenced in particular by the reduced net interest income and fees for guarantees of the State of Lower Saxony. On the other hand, there is a return of administrative expenses as a result of the NORD/LB 2024 programme.

After accounting for the extraordinary profit/loss and the tax expenditure, there was an accumulated net loss for the year of € -293 million (€ -520 million).

Due to persistently low interest rates on the money and capital markets and the reduction in receivables compared with the prior-year period, **net interest income** fell by € 179 million to € 746 million (€ 925 million) year on year. This reduction in total assets stemmed primarily from the further reduction of the ship portfolio and from the moderate volume of new business as a result of the COVID-19 pandemic. While the credit exposure is declining, the active margins remain stable. In addition, the passive interest rate contribution declined due to the low interest rate level, particularly in the Private and Commercial Customers and Savings Banks Network Customers segment. Earnings from interest rate and liquidity risk management declined significantly in the previous year due to one-off effects from prepayment penalties.

Net commission income is significantly below the previous year's result (€ 114 million). The change is mainly due to the increase in commission expenses due to the fees of € -158 million for the guarantees of the State of Lower Saxony. Earnings fell by € -15 million in the area of guarantee commissions and compared with the previous year, a one-off servicing fee received during the sale of the ship portfolio which, in the same period in the previous year, had a positive effect in the amount of € 30 million was notably missing. Commission income was also reduced as a result of low new business levels, mainly in the Private and Commercial Customers and Savings Banks Network Customers and Structured Finance Customers segments. The expiry of two existing securitisation transactions had a positive effect in the amount of € 79 million compared with the previous year.

Income from financial transactions in the trading portfolio increased by € 11 million to € 42 million. The result is characterised in particular by the cash value of sales margins from trading activities in the amount of € 55 million, a basis spread-induced result from currency derivatives in the amount of € 24 million and a positive foreign exchange result in the amount of € 17 million. This was offset in particular by € -27 million from the counterparty-specific default risk of external interest derivatives and a € -24 million expense from price losses caused by an adverse change in the credit spread for fixed-interest securities.

Administrative expenses amounted to € 885 million (€ 952 million). In essence, the reduction compared with the previous year is due to reduced personnel expenses, which are a consequence of the successful start of the transformation project. As a result, total personnel expenses were reduced by € 54 million compared with the same period in the previous year. At € 450 million, other administrative expenses are € 13 million below the previous year's figure. This decrease includes reductions in marketing expenses, the contribution to the security reserve of the Landesbank, personal material costs and other administrative costs. This was offset by an increase in IT expenses and an increased bank levy compared with the previous year.

Depreciation and impairment expenses totalled € 47 million (€ 91 million). Compared with the previous year, there was no depreciation in the amount of € 52 million on land and buildings this year as part of depreciation and value adjustments on intangible assets and property, plant and equipment. On the other hand, there are increases in depreciation of intangible assets, self-built software and purchased software.

Other operating profit/loss fell by € 5 million in the reporting year to € -4 million (€ 1 million). The change was primarily due to price losses from the repurchase of promissory notes. Higher income from discounting provisions, among other things, had an offsetting effect.

The **valuation result for receivables, securities and participations** improved by € 18 million year on year to € -85 million (€ -103 million). This primarily resulted from a positive changeover effect as a result of the first-time application of the IDW RS BFA 7 standard and the associated reversal of general loan loss provisions previously formed using a formula totalling € 204.9 million. Further information on determining the general loan loss provisions can be found in the Risk management section (sub-chapter Credit risk/Risk provisions). In addition, the result is characterised by depreciation of a participation as well as specific valuation allowances, particularly in the Aircraft Customers and Corporate Customers business as a result of the COVID-19 pandemic.

Extraordinary expenses in the amount of € -89 million (€ -452 million) relate to expenses for restructuring or transformation measures. The 2020 expenses result from the planned significant reduction in the number of staff in the foreign branches and a subsidiary with regard to the merger in the coming year. An additional € -36 million (€ -330 million) was added to the provision for restructuring for this purpose. Transformation expenses of € -53 million (€ -122 million) involved activities aimed at securing the future and maintaining competitiveness; these expenses were reported separately due to their significance. The recognised items are non-recurring in nature and are not part of the operating business activities. These expenses arose primarily from consultancy services for strategic, IT and legal advice.

The **tax revenue** of € -3 million (tax expenditure of € 12 million) was the result of the income tax earnings totalling € 6 million and the expenses for other taxes in the amount of € 3 million. Earnings for taxes on income consists of a tax expense for current income taxes at the foreign units as well as tax revenue for previous years in Germany after completion of tax audits.

Assets and financial position

Balance sheet values are summarised as follows:

	31 Dec. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Assets			
Loans and advances to banks	16 852	25 599	– 34
Loans and advances to customers	50 779	55 503	– 9
Securities	13 521	15 689	– 14
Trading portfolio	15 024	14 239	6
Participations and shares in companies	1 269	1 448	– 12
Other assets	11 754	8 631	36
Total assets	**109 199**	**121 109**	**– 10**
Liabilities			
Liabilities to banks	28 934	33 710	– 14
Liabilities to customers	42 000	47 566	– 12
Securitised liabilities	13 141	14 991	– 12
Trading portfolio	11 149	9 839	13
Provisions	1 801	1 757	3
Profit participation capital and subordinated liabilities	1 969	2 541	– 23
Liable funds	5 480	5 665	– 3
Other liabilities	4 725	5 040	– 6
Total assets	**109 199**	**121 109**	**– 10**
Balance sheet notes			
Contingent liabilities	10 512	10 491	-
Other obligations	7 524	6 854	10
Business volume	**127 235**	**138 454**	**– 8**

Total assets continued to fall as planned and decreased by around € -12 billion in the reporting period. For further information on the financial situation, refer to the risk report.

Loans and advances to banks fell by € -8.7 billion year on year to € 16,852 million. This is attributable mainly to the € -4.5 billion reduction in receivables to Deutsche Bundesbank and the € -2.6 billion decrease in receivables from loans guaranteed by public sector bodies.

Loans and advances to customers remain the largest balance sheet item at 47 per cent (46 per cent). The decrease of € -4.7 billion to € 50,779 million was mainly the result of the reduction of the ship financing portfolio and aircraft financing.

The **securities portfolio** contracted by € -2 billion to a total of € 13,521 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 mature securities were replaced and by the sale of bonds and debt securities as part of the reduction of risk-weighted assets.

The active **trading portfolio** increased to € 15,024 million. This was caused in particular by the increase in the positive fair values of the receiver swaps in interest rate derivatives, due to the sharp fall in interest rates.

The € -179 million decline in **participations and shares in affiliated companies** is mainly due to the unscheduled depreciation of a participation.

The main items under **other assets** are cash reserves, assets held in trust, accruals and deferrals and other types of asset. The steep rise results primarily from the increase in the cash reserve due to the repayment of overnight money assets in the amount of € 4.5 billion as well as normal changes specific to the key date.

Liabilities to banks decreased by € -4.8 billion to € 28,934 million. This is mainly due to the reduction of repo transactions. Together with **liabilities to customers**, they were the biggest driver of volumes in the efforts to reduce total assets. These were also on a downward trajectory, mainly in the area of overnight funds.

The reduction in **securitised liabilities** by € -1.9 billion to € 13,141 million reflects a reduction in the portfolio due to the lowering of the Bank's own issue portfolio as a result of maturing liabilities. Overall, the volume of new issues during the course of 2020 was around € 1.1 billion and therefore below the total maturities of around € 3.1 billion.

The significant rise in the **trading portfolio** on the liabilities side was caused mainly by the sharp drop in interest and the resulting rise in negative fair values of the payer swaps in the interest derivatives.

Provisions rose by € 44 million year on year. At € 55.8 million, the changeover of the calculation of the lump-sum loan loss provisions from the early application of IDW RS BFA 7 and the associated first-time use of the PWB approach on the off-balance sheet business within the provisions for the lending business had an increasing effect. In addition, the increase in pension provisions of € 45.3 million contributed to the rise triggered by a continued fall in the actuarial interest rate. Provisions for guarantees and credit commitments declined by a total of € -18 million, provisions for credit derivatives declined by € -15.3 million and personnel provisions declined by € -10 million.

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

The slight reduction in **equity** was due in particular to the increase in the net accumulated loss compared with the previous year. This is counteracted by the reinvestment of guarantee commissions by the State of Lower Saxony.

Additional details regarding funding and liquidity can be found in the risk report

Further Regulatory Publications

Disclosures in Accordance with § 315b HGB

With the entry into force of the German Act to Strengthen the Non-Financial Reporting of Companies in their Management Reports and Consolidated Management Reports (CSR Directive Transposition Act), the NORD/LB Group is obligated to provide reporting on environmental, employee and social matters as well as measures to combat corruption and bribery and to respect human rights if these are fundamental to the conception of its business and the impact of its own corporate activities. In order to comply with this requirement, the NORD/LB Group reports separately outside this Group management report in a "Separate Combined Non-Financial Report for the NORD/LB Group and NORD/LB for the financial year from 1 January to 31 December 2020" in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, or HGB) Section 315b para. (1) and (3) as well as Section 315c in conjunction with Section 289b para. (3).

The "Separate Combined Non-Financial Report for the NORD/LB Group and NORD/LB for the financial year from 1 January to 31 December 2020" is published in accordance with Section 315b para. (3) clause 2a HGB in the electronic German Federal Gazette and is also available online at:

www.nordlb.de/die-nordlb/investor-relations/berichte/

In addition, NORD/LB also provides reporting about its other social, environmental and social activities in its Group Sustainability Report. The Group Sustainability Report is prepared in accordance with the applicable requirements of the Global Reporting Initiative (GRI) and also contains a progress report on the commitment to the ten principles in the UN Global Compact (UNGC).

Consolidated Financial Statements

Income Statement

	Notes	1 Jan.-31 Dec. 2020 (in € million)	1 Jan.-31 Dec. 2019[1) 2)] (in € million)	Change (in %)
Interest income from assets		4 838	5 487	– 12
of which: interst income calculated using the effective interst method		2 120	2 602	
Interest expenses from assets		54	57	– 5
Interest expenses from liabilities		3 626	4 484	– 19
Interest income from liabilities		127	78	63
of which: interst income calculated using the effective interst method		127	78	63
Net interest income	**25**	**1 285**	**1 024**	**25**
Commission income		198	249	– 20
Commission expenses		236	178	33
Net commission income	**26**	**– 38**	**71**	**> 100**
Profit/loss from fair value measurement	27	202	164	23
Risk provisioning	28	– 426	29	> 100
Disposal profit/loss from financial instruments not measured at fair value through profit or loss [1)]	29	– 36	– 30	20
Profit/loss from hedge accounting	30	66	22	> 100
Profit/loss from shares in companies	31	– 13	17	> 100
Profit/loss from investments accounted for using the equity method	32	– 11	20	> 100
Administrative expenses	33	934	970	– 4
Other operating profit/loss	34	– 21	45	> 100
Earnings before restructuring, transformation and taxes		**74**	**392**	**– 81**
Profit/loss from restructuring and transformation	36	– 87	– 459	– 81
Earnings before taxes		**– 13**	**– 67**	**– 81**
Income taxes		– 38	36	> 100
Consolidated profit/loss		**25**	**– 103**	**> 100**
of which: attributable to the owners of NORD/LB		31	– 109	
of which: attributable to non-controlling interests		– 6	6	

1) Gains of € 4 million (€ 10 million) and losses of € 13 million (€ 30 million) result from the disposal of financial assets measured at amortised cost.
2) For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

Statement of Comrehensive Income

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

	1 Jan.-31 Dec. 2020 (in € million)	1 Jan.-31 Dec. 2019[1)] (in € million)	Change (in %)
Consolidated profit/loss	**25**	**– 103**	**> 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	– 7	– 15	– 53
Changes in financial liabilities designated at fair value through profit or loss due to changes in own credit risk	– 58	– 135	– 57
Revaluation of the net liability from defined benefit pension plans	– 186	– 358	– 48
Deferred taxes	39	46	– 15
	– 212	**– 462**	**– 54**
Other comprehensive income which is reclassified to the income statement in subsequent periods			
Changes in financial assets at fair value through other comprehensive income			
Unrealised profit/losses	66	192	– 66
Reclassification due to profit/loss realisation	50	– 25	> 100
Investments accounted for using the equity method - Share of other comprehensive income	– 1	26	> 100
Translation differences of foreign business units			
Unrealised profit / losses	– 4	2	> 100
Deferred taxes	– 37	– 60	– 38
	74	**135**	**– 45**
Other comprehensive income	**– 138**	**– 327**	**– 58**
Comprehensive income for the period under review	**– 113**	**– 430**	**– 74**
of which: attributable to the owners of NORD/LB	– 107	– 436	
of which: attributable to non-controlling interests	– 6	6	

[1)] For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

Balance Sheet

Assets	Notes	31.12.2020 (in € million)	31.12.2019[1] (in € million)	Change (in %)
Cash reserve	37	6 031	3 454	75
Trading assets	38	9 801	9 332	5
of which: Loans and advances to customers		*692*	*582*	19
Financial assets mandatorily at fair value through profit or loss	38	1 353	1 768	– 23
of which: Loans and advances to banks		*58*	*63*	– 8
of which: Loans and advances to customers		*326*	*491*	– 34
Financial assets at fair value through other comprehensive income	39	14 903	17 185	– 13
of which: Loans and advances to banks		*473*	*652*	– 27
of which: Loans and advances to customers		*585*	*774*	– 24
Financial assets at amortised cost	40	90 745	104 215	– 13
of which: Loans and advances to banks		*14 418*	*19 986*	– 28
of which: Loans and advances to customers		*72 502*	*80 049*	– 9
Positive fair values from hedge accounting derivatives	41	856	1 019	– 16
Balancing item for financial instruments hedged in the portfolio fair value hedge	42	425	281	51
Shares in companies	43	322	352	– 9
Investments accounted for using the equity method		127	147	– 14
Property and equipment	44	302	339	– 11
Investment property	45	131	122	7
Intangible assets	46	126	139	– 9
Assets held for sale	47	67	81	– 17
Current income tax assets	48	23	19	21
Deferred income taxes	48	457	435	5
Other assets	49	822	706	16
Total assets		**126 491**	**139 594**	**– 9**

[1] For individual items, the previous year’s figures have been adjusted, see Note (5) Restatement of previous year’s figures.

Liabilities	Notes	31.12.2020 (in € million)	31.12.2019[1)] (in € million)	Change (in %)
Trading liabilities		3 153	3 341	– 6
Financial liabilities designated at fair value through profit or loss	50	6 508	7 754	– 16
of which: Liabilities to banks		*265*	*349*	– 24
of which: Liabilities to customers		*3 839*	*4 254*	– 10
of which: Securitised liabilities		*2 404*	*3 151*	– 24
Financial liabilities at amortised cost	51	103 727	115 487	– 10
of which: Liabilities to banks		*30 195*	*35 168*	– 14
of which: Liabilities to customers		*48 535*	*53 633*	– 10
of which: Securitised liabilities		*24 844*	*26 270*	– 5
of which: Subordinated liabilities		*2 258*	*3 137*	– 28
Negative fair values from hedge accounting derivatives	52	1 966	2 019	– 3
Balancing item for financial instruments hedged in the portfolio fair value hedge	53	1 003	1 045	– 4
Provisions	54	3 909	3 751	4
Current income tax liabilities	55	29	34	– 15
Deferred income taxes	55	64	65	– 2
Other liabilities	56	311	294	6
Equity	**57**			
Issued capital		2 972	2 835	5
Capital reserves		2 589	2 589	–
Retained earnings		1 039	1 047	– 1
Accumulated other comprehensive income (OCI)		– 818	– 722	13
Currency translation reserve		– 13	– 9	44
Equity capital attributable to the owners of NORD/LB		**5 769**	**5 740**	**1**
Additional equity		50	50	–
Equity capital attributable to non-controlling interests		2	14	– 86
		5 821	**5 804**	**–**
Total liabilities		**126 491**	**139 594**	**– 9**

1) For individual items, the previous year's figures have been adjusted, see Note (5) 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 2019 and 2020 can be seen in the following Statement of Changes in Equity:

(in € million)	Issued capital	Capital reserves	Retained earnings	Accu-mulated OCI	Currency transla-tion re-serve	Other equity	Equity capital attribu-table to the own-ers of NORD/LB	Additio-nal equity	Equity capital attribu-table to non-con-trolling interests	Consoli-dated equity
Equity as at 1 Jan 2020	**2 835**	**2 589**	**1 081**	**– 722**	**– 9**	**–**	**5 774**	**50**	**14**	**5 838**
Adjustments according to IAS 8	–	–	– 34	–	–	–	– 34	–	–	– 34
Adjusted equity as at 1 Jan 2020	**2 835**	**2 589**	**1 047**	**– 722**	**– 9**	**–**	**5 740**	**50**	**14**	**5 804**
Consolidated profit/loss	–	–	31	–	–	–	31	–	– 6	25
Changes in financial assets at fair value through other comprehensive income	–	–	–	116	–	–	116	–	–	116
Investments accounted for using the equity method - Share of other comprehensive income	–	–	–	– 8	–	–	– 8	–	–	– 8
Changes in financial liabilities designated at fair value through profit or loss due to changes in own credit risk	–	–	–	– 58	–	–	– 58	–	–	– 58
Revaluation of the net liability from defined benefit pension plans	–	–	–	– 186	–	–	– 186	–	–	– 186
Translation differences of foreign business units	–	–	–	–	– 4	–	– 4	–	–	– 4
Deferred taxes	–	–	–	2	–	–	**2**	–	–	**2**
Other comprehensive income	–	–	–	– 134	– 4	–	– 138	–	–	– 138
Comprehensive income for the period under preview	**–**	**–**	**31**	**– 134**	**– 4**	**–**	**– 107**	**–**	**– 6**	**– 113**
Capital increases / decreases	137	–	–	–	–	–	137	–	–	137
Changes in the basis of consolidation	–	–	– 1	–	–	–	– 1	–	– 6	– 7
Other changes in capital	–	–	– 38	38	–	–	–	–	–	–
Equity as at 31 Dec 2020	**2 972**	**2 589**	**1 039**	**– 818**	**– 13**	**–**	**5 769**	**50**	**2**	**5 821**

(in € million)	Issued capital	Capital reserves	Retained earnings [1]	Accu-mulated OCI	Currency transla-tion re-serve	Other equity	Equity capital attribu-table to the own-ers of NORD/LB	Additio-nal equity	Equity capital attribu-table to non-con-trolling interests	Consoli-dated equity
Equity as at 1 Jan 2019	**1 607**	**3 332**	**– 1 096**	**– 412**	**– 11**	**–**	**3 420**	**50**	**– 66**	**3 404**
Adjustments according to IAS 8	–	–	– 48	8	–	–	**– 40**	–	– 2	**– 42**
Adjusted equity as at 1 Jan 2019	**1 607**	**3 332**	**– 1 144**	**– 404**	**– 11**	**–**	**3 380**	**50**	**– 68**	**3 362**
Consolidated profit/loss	–	–	– 109	–	–	–	**– 109**	–	6	**– 103**
Changes in financial assets at fair value through other comprehensive income	–	–	–	167	–	–	**167**	–	–	**167**
Investments accounted for using the equity method - Share of other comprehensive income	–	–	–	11	–	–	**11**	–	–	**11**
Changes in financial liabilities designated at fair value through profit or loss due to changes in own credit risk	–	–	–	– 135	–	–	**– 135**	–	–	**– 135**
Revaluation of the net liability from defined benefit pension plans	–	–	–	– 358	–	–	**– 358**	–	–	**– 358**
Translation differences of foreign business units	–	–	–	–	2	–	**2**	–	–	**2**
Deferred taxes	–	–	–	– 14	–	–	**– 14**	–	–	**– 14**
Other comprehensive income	–	–	–	– 329	2	–	– 327	–	–	– 327
Comprehensive income for the period under preview	**–**	**–**	**– 109**	**– 329**	**2**	**–**	**– 436**	**–**	**6**	**– 430**
Capital increases / decreases	1 228	– 743	2 350	–	–	–	**2 835**	–	–	**2 835**
Changes in the basis of consolidation	–	–	– 31	– 1	–	–	**– 32**	–	76	**44**
Other changes in capital	–	–	– 19	12	–	–	**– 7**	–	–	**– 7**
Equity as at 31 Dec 2019	**2 835**	**2 589**	**1 047**	**– 722**	**– 9**	**–**	**5 740**	**50**	**14**	**5 804**

[1] With regard to the consolidated net profit for 2019 and equity as of January 1, 2020, the prior-year figures have been adjusted, see Note (5) Adjustment of prior-year figures. The IAS 8 adjustment to equity as of January 1, 2019 relates to an error correction in the financial statements for fiscal 2019.

For further information, please refer to the explanation in Note (57) Equity.

Cash Flow Statement

	1 Jan. - 31. Dec. 2020 (in € million)	1 Jan. - 31. Dec. 2019[1] (in € million)	Change (in %)
Consolidated profit/loss for the period	**25**	**– 103**	**> 100**
Non-cash items included in consolidated profit/loss and reconciliation to cash flow from operating activities			
Depreciation, impairment and write-ups	– 259	83	> 100
Increase / decrease in provisions	118	454	– 74
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	– 1	> 100
Risk provisioning	426	– 29	> 100
Restructuring result	87	459	– 81
Other adjustments net	– 1 597	– 1 213	32
Sub-total	**– 1 199**	**– 350**	**> 100**
Changes in assets and liabilities from operating activities:			
Financial assets at amortised costs	13 654	9 817	39
Trading assets/liabilities and hedge derivatives	– 145	– 442	– 67
Financial assets mandatorily at fair value through profit or loss	332	2 002	– 83
Financial assets at fair value through other comprehensive income	2 376	3 710	– 36
Other assets from operating activities	– 99	1 040	> 100
Financial liabilities at amortised costs	– 12 456	– 18 318	– 32
Financial liabilities designated at fair value through profit or loss	– 1 388	– 340	> 100
Other liabilities from operating activities	654	1 349	– 52
Interest received	4 314	5 238	– 18
Interest paid	– 2 944	– 4 266	– 31
Income taxes paid	– 5	– 8	– 38
Cash flow from operating activities	**3 094**	**– 568**	**> 100**

[1] With regard to the items net income; depreciation, amortization, impairment losses, and reversals of impairment losses; net other adjustments; and other liabilities from operating activities, the prior-year figures have been adjusted, see Note (5)Adjustment of prior-year figures.

	1 Jan. - 31. Dec. 2020 (in € million)	1 Jan. - 31. Dec. 2019[1] (in € million)	Change (in %)
Cash flow from investment activities:			
Cash receipts from the disposal of			
financial assets	3	154	– 98
property and equipment	20	57	– 65
Payments for acquisition of			
financial assets	–	– 2	– 100
property and equipment	– 36	– 35	3
Cash receipts from the disposal of consolidated companies and other business units	1	5	– 80
Cash flow from investment activities	**– 12**	**179**	**> 100**
Cash flow from financing activities:			
Cash receipts from equity capital contributions	137	2 835	– 95
Decrease in funds from other capital	– 498	– 365	36
Interest expenses on subordinated capital	– 125	– 171	– 27
Repayment from leases	– 19	9	> 100
Cash flow from financing activities	**– 505**	**2 308**	**> 100**
Cash and cash equivalents as at 1 January	**3 454**	**1 519**	**> 100**
Cash flow from operating activities	3 094	– 568	> 100
Cash flow from investment activities	– 12	179	> 100
Cash flow from financing activities	– 505	2 308	> 100
Total cash flow	**2 577**	**1 919**	**34**
Effects of changes in exchange rates	–	16	– 100
Cash and cash equivalents as at 31 December	**6 031**	**3 454**	**75**

[1] With regard to the items net income; depreciation, amortization, impairment losses, and reversals of impairment losses; net other adjustments; and other liabilities from operating activities, the prior-year figures have been adjusted, see Note (5)Adjustment of prior-year figures.

With respect to the cash and cash equivalents as at 31 December, please see Note (37) Cash Reserve.

The cash flow statement does not substitute the 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, please 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 2020 were prepared on the basis of Regulation (EC) No. 1606/2002 of the European Union 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 by the end of the financial year and adopted by the European Union. National requirements contained in § 315e of the German Commercial Code (Handelsgesetzbuch; HGB) were also met.

The consolidated financial statements as at 31 December 2020 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 (23) Segment reporting by business segment and Note (24) Information by geographical segment. The reporting on the nature and scope of risks relating to financial instruments in accordance with IFRS 7 is mainly provided in the extended risk report within the Group management report.

Assets at the NORD/LB Group are generally 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 the assumption of a going concern. Earnings and expenses are accrued or deferred pro rata temporis. They are recognised and reported in the period to which they are economically attributable. The main accounting policies are set out below.

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

Estimates and assessments are made in accordance with the relevant standard and with respect to the following points in particular: Determination of fair values of Level 2 and Level 3 financial assets and liabilities including assessment of the presence of an active or inactive market (Note (13) Financial instruments in conjunction with Note (58) Fair value hierarchy), measurement of provisions for pensions in respect of determining the underlying parameters (Note (20) Provisions for pensions and similar obligations and (21) Other provisions in conjunction with Note (54) Provisions), measurement of loan loss provisions in respect of future cash flows (Note (14) Risk provisioning in conjunction with Note (59) Risk provisioning and gross carrying amount), determination of deferred tax assets in respect of the impairment of unused tax losses (Note (22) Income taxes in conjunction with Note (36) Income taxes, Note (48) Income tax assets and Note (55) Income tax liabilities), measurement of provisions (Note (20) and (21) in conjunction with Note (54)), measurement of leasing obligations with respect to the incremental borrowing rate of interest and the anticipated useful life (Note (16)). Where more extensive estimates were required, the assumptions made are presented. Please refer to the relevant information on sensitivity in Note (58) Fair value hierarchy for the impact of using assumptions to measure Level 3 financial instruments.

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

Other than estimates, the following are the main discretionary decisions taken by management as regards accounting and measurement in the NORD/LB Group that could result in changes to accounting and measurement in subsequent periods: The use of the fair value option for financial instruments (Note (13) in conjunction with Note (38) Financial assets measured at fair value through profit or loss and Note (50) Financial liabilities measured at fair value through profit or loss (50)), the application of the reclassification rules of IFRS 9 (Note (13)), the delimitation of finance lease and operating lease (Note (16) Leases in conjunction with Note (71) Leases), the recognition of provisions (Note (20) Provisions for pensions and similar obligations and (21) Other provisions in conjunction with Note (54) Provisions), the presence of assets held for sale (Note (19) Assets held for sale in conjunction with Note (47) Assets held for sale) and the assessment of control of shares in companies, including the control of credit-financed project companies or fund companies due to activities as fund managers (Note (9) Basis of consolidation in conjunction with Note (75) Disclosures concerning shares in companies).

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 19 March 2021 and approved for forwarding to the Supervisory Board.

(2) Impact of the Coronavirus Crisis

Establishment of crisis prevention management

NORD/LB has for many years had an established Business Continuity Management system according to MaRisk AT 7.3. Due to the COVID-19 pandemic, NORD/LB established a crisis prevention management system at the end of February 2020, the organisation of which is based on existing emergency and crisis management. It comprises a situation team and a management team. Both committees comprise representatives from the various divisions involved. Their task is to observe the situation on an ongoing basis, to assess it and to develop and implement measures. The objective is firstly to guarantee the protection of employee’s health at all times and secondly to ensure the operability of NORD/LB. Material measures within the framework of crisis prevention management included and continue to include:

- Ensuring that all employees can work from home
- Establishing a “split” organisation with rolling changeover of employees
- Setting up a COVID-19 hotline
- Preparing guidelines for dealing with the COVID-19 pandemic
- Issuing regular COVID-19 news updates
- Setting up regulations for business trips and events/meetings
- Implementing the COVID-19 occupational health and safety standard
- Elaborating an access concept for the branch business

The measures were adapted accordingly as the COVID-19 pandemic unfolded and also adjusted in line with the corresponding statutory regulations in the past year. In addition, all measures were constantly coordinated within the NORD/LB Group and regular contact was maintained with the key service providers concerning these measures.

Effects on credit quality risk

In addition to the crisis prevention management measures, various measures have been taken within the NORD/LB Group to minimize or mitigate the economic impact. For example, in the first lockdown, the bank carried out a comprehensive customer survey at an early stage in business areas that were significantly affected (e.g., corporate customers, private customers, business customers, as well as associated customers and real estate customers). As a result, NORD/LB anticipated deteriorations in credit ratings in the lending business over the course of the pandemic. At the start of the second lockdown, the customer survey was renewed in order to gain insights into possible risks outside the customers' usual reporting cycles. In addition, relevant sectors were subjected to individual reviews across all lockdowns according to portfolio impact (such as special finance or commercial real estate finance or particularly affected sectors such as tourism). In addition, the financing principles for new business were temporarily adjusted to the new conditions for individual segments that were particularly affected. Scenario analyses (overall or sector-specific) were also conducted to assess the impact on the bank's key loan portfolios. The appropriateness of ratings was regularly reviewed in the course of credit monitoring and, where necessary, adjustments were made. The impact of the pandemic on borrowers and their debt servicing capacity affects the level of loan loss provisions to be recognized on the balance sheet. As part of the assessment of credit quality risk, NORD/LB has taken steps to assess debt servicing capacity, taking into account the impact of COVID-19-related government stabilization measures. Due to the continued dynamic development of the pandemic, the bank has taken into account the risks of the further course and possible effects on the credit quality of borrowers in the balance sheet as outlined below.

Establishment of a management adjustment (MAC-19)

A fundamental deterioration in credit quality as a result of the pandemic means that banks must increase risk provisions for transactions that have deteriorated significantly in their credit quality or been defaulted on. Consequently, the effects of the COVID-19 pandemic can lead to increased volatility in banks’ risk provisions. In application of IFRS 9, risk provisions must be made for expected credit losses. Among other things, the impairment of credit collateral must be examined. Credit risk models and forecasts for estimating these expected credit losses must be adapted to current developments. Due to the COVID-19-related economic uncertainties, NORD/LB has had to make a management adjustment (MAC-19) with the consequence of an increase in model-based risk provisions for loans and advances in impairment levels 1 and 2, in accordance with IFRS 9. The aim of MAC-19 is to take into account the expected, but not yet realised effects of COVID-19 on the Bank’s risk provisions for industries severely affected by the pandemic that were not shown in level 1 and 2 modelling at the balance sheet date.

This is based on the U-scenario of the COVID-19 stress case, which in turn is based on the economic forecasts of NORD/LB Research and then transformed by experts in the relevant areas of the Bank into rating and loss ratio shifts. The results were then limited, for the management adjustment, to sectors that are particularly severely affected by the pandemic. Building on this, NORD/LB carried out a further comprehensive scenario analysis during the COVID-19 pandemic, which forms the basis for MAC-19 in respect of the consolidated financial statements. Based on three macroeconomic scenarios of different degrees of severity (Scenarios 1, 2 and 3) and the resulting risk parameters, an analysis of the resulting effects in the individual risk types was carried out. The projection period includes the years 2020 to 2022. For the credit risk, effects for the ratings (in the form of rating changes) on industry levels were created on the basis of the forecasts by the relevant experts at NORD/LB Group. The loss ratios were stressed based on market value deteriorations in asset financing. In addition, specific specifications have been drawn up at customer level for the structured finance and corporate clients segments.

Scenario analysis showed that some areas have been more affected, which led to an update of the MAC-19 portfolio based on the information gained during the pandemic. The focus has been expanded as a result and is on the structured finance, real estate and corporate customers and markets segments. In the consolidated financial statements, MAC-19 amounts to around € 386 million. Broken down by segment, the structured finance segment accounted for around € 163 million, corporate customers for around € 122 million, real estate customers for around € 88 million and markets for around € 13 million.

Deferrals within the framework of the state moratorium and COVID-19-related forbearance measures

NORD/LB also granted deferrals of interest and repayment payments for the relevant period 01 April to 30 June 2020 within the framework of the state-organised moratorium on consumer loan agreements, whereby no interest was paid on the deferrals. 841 loans were affected by this measure in the NORD/LB AöR, with no significant impact on earnings.

All further COVID-19-related measures were agreed on an individual basis and assessed on a borrower-specific basis. A total of 125 of these loan with a total gross carrying amount of around € 649 million received conditional forbearance measures due to COVID-19.

155 new loan with a total volume of € 117 million were granted and these are subject to the public guarantee system (new COVID-19 relief measures by KfW or such similar institutions as Rentenbank, development banks, EIB etc.).

Effects of credit spread changes

The performance of the result arising from the fair value measurement is dependent on various market parameters. Consequently, the COVID-19 pandemic led in the first quarter of 2020 to a sharp increase in the credit spread. Thus for example the annual high of the Itraxx Europe index on 18 March 2020 was around 135 basis points. This trend was already declining again in the second quarter of 2020. As at 31 December 2020, credit spreads were almost at the previous year's level, as measured by the Itraxx Europe Index with around 48 basis points.The changes are reflected in particular in the credit spread-induced earnings from debt securities and credit derivatives, which amounted to € -21 million overall as at 31 December 2020. As at 31 March 2020, earnings of € -68 million and € -39 million were recorded for the first half of the year. The change in credit spreads also impacted on the measurement of the guarantees granted by the state of Lower Saxony which were accounted for as credit derivatives as at 31 December 2020, in the amount of € 128 million. This valuation income will in future be subject to an expense of the same amount either due to necessary risk provisions expenses or due to the reversal of the positive valuation effects. The development of the counterparty-specific default risk for derivatives has also been influenced by the significant market data movements that occurred during the COVID-19 pandemic. In particular, the significant narrowing of interest rates in all major currencies as well as the sharp rise in credit spreads in the first quarter 2020 contributed to the counterparty-specific default risk for derivatives (31 March 2020: € -35 million). Here, too, an improvement in earnings took place in the second quarter due to the partial recovery of the markets (30 June 2020: € -27 million), which continues until the end of the year. As at 31 December 2020, the earnings were € -25 million.

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

As at 31 December 2020, the volume of targeted longer-term refinancing operations III (TLTRO-III) of the European Central Bank (ECB) included in the Liabilities to banks item was € 890 million.

In the Group's opinion, these TLTRO III transactions in relation to the unconditional special interest rate are not liabilities with an interest rate below the market interest rate in accordance with IAS 20 as there is a lack of comparability to determine an unusual market situation in view of the specific conditions relating to the institution-specific granting of credit. The measure also serves less to support credit institutions but rather to stimulate the granting of loans in the real economy.Liabilities are therefore recognised and measured in accordance with IFRS 9. In this context, the Group expects that it will not be sufficiently likely to achieve the lending objectives of the TLTRO III programme linked to the additional interest rate advantage provided for above and beyond the unconditional special interest rate. The effective interest rate on liabilities is therefore determined solely according to the unconditional special interest rate and corresponds to the interest rate on variable-rate financial instruments. In the financial year 2020, interest income from the TLTRO III programme amounted to € 2 million. Should our assessment of the non-achievement of the lending targets change, this will be treated as an estimate change in accordance with IFRS 9.B5.4.5 through profit or loss in future periods.

Effects of changes in IFRS 16 leases

With regard to the recognition of lease concessions granted as a direct result of the COVID-19 pandemic, the IASB has published temporary optional relief measures for lessees. The amendments to IFRS 16 have no effect on the NORD/LB consolidated financial statements, as NORD/LB did not make use of the option to take relief in the reporting year 2020 (see Note (6) Applicable IFRS).

Effects on real estate

In NORD/LB, no adjustments were made to the carrying amounts of real estate in the reporting year 2020 in connection with the effects of the COVID-19 pandemic. As a measure to check the impairment of the land and buildings, valuations were undertaken for the main properties of the NORD/LB Group.

Further effects on NORD/LB's earnings and expenses

Further COVID-19 related effects are reported in administrative expenses and net commission income:

- Administrative expenses include IT costs of around € 3 million, which were incurred for the home office capability of all employees.
- Net commission income fell significantly short of NORD/LB's expectations due to the pandemic, which can primarily be attributed to a slowdown in new business.

Furthermore, due to the COVID-19 pandemic, there were no further significant effects on NORD/LB's earnings and expenses in the reporting year 2020.

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

Through the three guarantee contracts concluded in the financial year 2019, the State of Lower Saxony assumes the unconditional, irrevocable and unsubordinated guarantee to protect against the risk of losses for certain ship and aircraft financing portfolios on behalf of Norddeutsche Landesbank Girozentrale and NORD/LB Luxemburg S.A. Covered Bond Bank.

The guarantee contracts each comprise two reference portfolios from the segments Ship Customers/Maritime Industries Customers and one reference portfolio from the Aircraft Customers from the Structure Finance Customers segment with relevant loans including the associated customer derivatives and a number of loan commitments, sureties and overdraft facilities. The total amount up to which the State of Lower Saxony will guarantee payment obligations is limited on an individual basis for each contract. For the Ship Customers/Maritime Industries Customers loan portfolio, the guarantees cover the net carrying amount of a portfolio with non-performing loans totalling approximately € 0.2 billion (€ 0.9 billion) to protect the total portfolio amount of a maximum of € 0.4 billion (€ 1.5 billion) and another portfolio to protect the gross carrying amount with a total guarantee in an amount of around € 1.0 billion (€ 1.4 billion) plus contingent liabilities of € 0.1 billion (€ 0.4 billion). For the Aircraft Customers segment, the gross book value of the loan portfolio is protected with a total guarantee amount of around € 1.1 billion (€ 1.7 billion). The guarantee amounts relating to the hedging of gross carrying amounts derive from the original loan amounts in the foreign currency and other elements. Based on the guarantee contracts, payment claims in the amount of the anticipated loss vis-à-vis the State of Lower Saxony will arise upon occurrence of one or more guarantee cases. The warranty contracts include the following:

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

In the consolidated balance sheet of NORD/LB, the guarantee agreements are posted as credit derivatives and measured at fair value, as, viewed individually, they do not fulfil the prerequisites of the applicable accounting standards for the presence of a financial guarantee. Taking into consideration the individual measurement principle, these derivatives cannot be offset in the balance sheet to mitigate risks as securities for the transactions contained in the hedged portfolios. Consequently, all transactions in the guarantee portfolios remain subject to risk provisioning and ongoing fair value measurement, even after conclusion of the guarantee contracts. The hedging effect of the derivatives is visible at the level of the income statement of the NORD/LB Group by way of the compensative recording of the counterbalancing measurement effects arising from the hedged risks (risk provisioning and fair value changes) of the guarantee portfolio and of the performance of the derivatives in the subsequent periods. In this respect, the compensation effect may be postponed to later periods during the guarantees' term due to differences in the measurement methods. This only involves temporary differences, as over the term of the relevant guarantee the market value of the derivatives gets closer to the final settlement amount, which corresponds to the sum of the contractual payment obligations of the guarantor arising from the guarantee cases. With regard to the positive effects for the financial year 2020 and the resulting future pressures, please refer to Note (4) Development of the guarantee portfolios as at 31 December 2020.

In return for granting the guarantees, NORD/LB pays the state of Lower Saxony a commission for each one. With respect to the guarantee for the NPL portfolio, this is determined variably as a percentage of the total guarantee amount which reduces in line with the portfolio reduction and is charged monthly. For the other two portfolios, a fixed guarantee fee is stipulated, which must be paid in fixed quarterly instalments Note (26) Net commission income).

The guarantee contracts end at the earliest at the time at which the respective guarantee portfolio is fully wound down and all pending payment obligations have been settled (variable end of term). In the guarantee contracts for the portfolios with the hedged gross carrying amounts 31 December 2024 was originally or alternatively defined as a fixed maturity end. The fixed maturity date can be extended by one year in each case within the first ten business days of a year, insofar as incongruities between the residual term of the guarantee contracts and the collateralised claims exist. The extension option was utilised for the guarantee contracts for the portfolios with the hedged gross carrying amounts both in 2020 and 2021 so that these contracts have a term until 31 December 2026.

In addition to the three guarantee contracts mentioned, the support contract provides for an exemption of the Bank by the state of Lower Saxony from risks associated with the potentially increased health-care benefits payable by NORD/LB to its retirees and employees up to an amount of € 200 million. With regard to the country's performance obligation as at the reporting date, please refer to Note (40) Financial assets measured at amortised cost.

(4) Development of the Guaranteed Portfolio as at 31 December 2020

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 as well as future guarantee fee payments. The fair value of the derivatives contains all valuation-relevant changes that refer back to the hedged risks, in particular, credit default risks.

The non-performing loans portfolio in the Ship Customers/Maritime Industries Customers segment is hedged as at 31 December 2020 at a net carrying amount of € 220 million (€ 873 million) (of which € 73 million (€ 253 million) is measured at fair value) plus € 4 million (€ 13 million) of contingent liabilities. The hedged net carrying amount contains a level 3 risk provision of € 151 million (€ 669 million) for the receivables valued at amortised cost.

The fair value of the derivative totalling € -23 million (€ -2 million) is influenced as at the balance sheet date by guarantee commissions yet to be paid and expected to total € 21 million and hedged guarantee commissions in the presumed amount of € -2 million (€ -2 million).

(in € million)	Ship customers / Maritime industry customers - Hedging Net carrying amount: Opening balance 1 Jan. 2020	Changes in stock	Risk provisioning and profit/loss from Financial Instruments at Fair Value through Profit or Loss	Currency translation	Closing balance 31 Dec. 2020
Assets					
Trading assets - Positive fair values from derivatives	3	–	6	– 1	8
Financial assets mandatorily at fair value through profit or loss - Loans and advances to customers	208	– 129	26	– 40	65
Financial assets at amortised cost - Gross carrying amount from Loans and advances to customers	1 289	– 995	–	– 63	231
Risk provisioning - Stage 3	– 669	141	355	22	– 151
Assets held for sale - Financial assets at fair value through profit or loss	42	– 42	–	–	–
Assets held for sale - Property [1]	–	67	–	–	67
Total	**873**	**– 958**	**387**	**– 82**	**220**
Liabilities					
Financial liabilities at amortised cost - Liabilities to customers	7	– 3	–	–	4
Provisions in lending business - Stage 3	1	–	– 1	–	–
Total	**8**	**– 3**	**– 1**	**–**	**4**
Contingent liabilities					
Credit commitments	13	– 9	–	–	4
Total	**13**	**– 9**	**–**	**–**	**4**
Net value of the hedged portfolio	**878**	**– 964**	**388**	**– 82**	**220**
Guarantee contract (Hedging derivative)	**– 2**	**–**	**– 21**	**–**	**– 23**

[1] Assets of subsidiaries included in the consolidated financial statements for the first time as at 31 December 2020, which were included in the items Mandatory financial assets measured at fair value through profit or loss – Loans and advances to customers and financial assets measured at amortised cost in the previous year, are reported in this line. For more information, see Note (9) Basis of consolidation.

The performing loans portfolio in the Ship Customers/Maritime Industries Customers segment is hedged as at 31 December 2020 at a gross carrying amount of € 994 million (€ 1,415 million) (of which € 42 million (€ 53 million) is valued at fair value) plus € 114 million (€ 434 million) of contingent liabilities. The hedged gross carrying amount of the receivables valued at amortised cost included in the performing loans portfolio is offset against risk provisioning of levels 1, 2 and 3 in the amount of € 3 million (€ 4 million), € 15 million (€ 14 million) and € 8 million (€ 7 million) respectively.

The fair value of derivatives of € 48 million (€ -8 million) is mainly influenced as measurement income as at the balance sheet date by the deterioration in the ratings of borrowers in the reference portfolio.

(in € million)	Ship customers / Maritime industry customers - Hedging Gross carrying amount Opening balance 1 Jan. 2020	Changes in stock	Risk provisioning and profit/loss from Financial Instruments at Fair Value through Profit or Loss	Currency translation	Closing balance 31 Dec. 2020
Assets					
Trading assets - Loans and advances to customers	17	– 3	–	–	14
Trading assets - Positive fair values from derivatives	15	– 2	4	– 2	15
Financial assets mandatorily at fair value through profit or loss - Loans and advances to customers	21	– 8	–	–	13
Financial assets at amortised cost - Gross carrying amount from Loans and advances to customers	1 362	– 409	–	– 1	952
Risk provisioning - Stage 1	– 4	–	1	–	– 3
Risk provisioning - Stage 2	– 14	–	– 1	–	– 15
Risk provisioning - Stage 3	– 7	–	– 2	1	– 8
Total	**1 390**	**– 422**	**2**	**– 2**	**968**
Liabilities					
Trading liabilities - Negative fair values from derivatives	2	–	–	– 1	1
Financial liabilities at amortised cost - Liabilities to customers	1	–	–	–	1
Provisions in lending business - Stage 2	–	–	1	–	1
Total	**3**	**–**	**1**	**– 1**	**3**
Contingent liabilities					
Credit commitments	312	– 241	–	– 4	67
Financial guarantees	3	–	–	–	3
Other Off-balance-sheet liabilities	119	– 75	–	–	44
Total	**434**	**– 316**	**–**	**– 4**	**114**
Net value of the hedged portfolio	**1 821**	**– 738**	**1**	**– 5**	**1 079**
Guarantee contract (Hedging derivative)	**– 8**	**–**	**56**	**–**	**48**

For better comparability with the hedged portfolios, the credit derivatives concluded by the Group units NORD/LB - Girozentrale - and NORD/LB Luxemburg S.A. Covered Bond Bank are shown here in aggregated form.

The sub-portfolio in the Aircraft Customers comprising the Structured Finance Customers segment is hedged as at 31 December 2020 at a gross carrying amount of € 1,055 million (€ 1,655 million) (of which € 50 million (€ 46 million) is measured at fair value) plus € 41 million (€ 158 million) of contingent liabilities. The hedged gross carrying amount of the receivables valued at amortised cost included in the sub-portfolio is offset against risk provisioning of levels 1, 2 and 3 in the amount of € 21 million (€ 1 million), € 20 million (€ 0 million) and € 2 million (€ 0 million) respectively.

The fair value of derivatives of € 41 million (€ -39 million) is influenced as measurement income as at the balance sheet date by the deterioration in the ratings of borrowers in the reference portfolio.

	Aircraft customers - Hedging Gross carrying amount				
(in € million)	Opening balance 1 Jan. 2020	Changes in stock	Risk provisioning and profit/loss from Financial Instruments at Fair Value through Profit or Loss	Currency translation	Closing balance 31 Dec. 2020
Assets					
Trading assets - Loans and advances to customers	25	– 3	–	–	22
Trading assets - Positive fair values from derivatives	21	– 2	12	– 3	28
Financial assets at amortised cost - Gross carrying amount from Loans and advances to customers	1 609	– 612	–	11	1 008
Risk provisioning - Stage 1	– 1	–	– 20	–	– 21
Risk provisioning - Stage 2	–	–	– 20	–	– 20
Risk provisioning - Stage 3	–	–	– 2	–	– 2
Total	**1 654**	**– 617**	**– 30**	**8**	**1 015**
Liabilities					
Trading liabilities - Negative fair values from derivatives	1	–	– 1	–	–
Total	**1**	**–**	**– 1**	**–**	**–**
Contingent liabilities					
Credit commitments	158	– 117	–	–	41
Total	**158**	**– 117**	**–**	**–**	**41**
Net value of the hedged portfolio	**1 811**	**– 734**	**– 29**	**8**	**1 056**
Guarantee contract (Hedging derivative)	**– 39**	**–**	**80**	**–**	**41**

For better comparability with the hedged portfolios, the credit derivatives concluded by the Group units NORD/LB - Girozentrale - and NORD/LB Luxemburg S.A. Covered Bond Bank are shown here in aggregated form.

(5) Restatement of Previous Year’s Figures

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

In the annual report as at 31 December 2019, as described in Note (3) Explanation of the balance sheet effects of the guarantee contracts from the support contract, guarantee contracts from the NORD/LB Group in favour of Norddeutsche Landesbank Girozentrale and NORD/LB Luxembourg S.A. Covered Bond Bank were presented for the first time in the form of a credit derivative. In the valuation of one of the credit derivatives as of December 31, 2019, eligible external collateral in favor of the hedged loan agreements in the form of credit insurance was not taken into account, which would have resulted in a reduction in the reimbursement right and thus the fair value of the credit derivative. As a result of the collateral recognition, the potential reimbursement right of the guarantee portfolio (hedging effect) falls below the amount of the commissions to be paid in the future, (hedging costs), so that, starting from a positive fair value as of December 31, 2019, a negative fair value arises for the credit derivative and thus a liability a trading liability.

Adjustment of the balance sheet values as at 31 December 2019:

31 Dec.2019 (in € million)	Before adjustment	Adjustment guarantee derivative	After adjustment
Assets			
Cash reserve	3 454	–	3 454
Trading assets	9 359	– 27	9 332
Current income tax assets	17	2	19
Further assets	126 789	–	126 789
Total assets	**139 619**	**– 25**	**139 594**
Liabilities			
Trading liabilities	3 331	10	3 341
Current income tax liabilities	35	– 1	34
Further liabilities	130 415	–	130 415
Equity			
Issued capital	2 835	–	2 835
Capital reserves	2 589	–	2 589
Retained earnings	1 081	– 34	1 047
Accumulated other OCI	– 722	–	– 722
Currency translation reserve	– 9	–	– 9
Other equity	–	–	–
Equity capital attributable to the owners of NORD/LB	**5 774**	**– 34**	**5 740**
Additional equity	50	–	50
Equity capital attributable to non-controlling interests	14	–	14
	5 838	**– 34**	**5 804**
Total liabilities and equity	**139 619**	**– 25**	**139 594**

Adjustment of consolidated profit and comprehensive income for the period from 1 January to 31 December 2019:

1 Jan. - 31 Dec.2019 (in € million)	Before adjustment	Adjustment guarantee derivative[1]	After adjustment
Profit/loss from financial assets at fair value	201	*– 37*	164
Further pofit / loss	228	–	228
Earnings before restructuring, reorganisation and taxes	**429**	***– 37***	**392**
Restructuring result	– 459	–	– 459
Earnings before taxes	**– 30**	***– 37***	**– 67**
Income taxes	39	*– 3*	36
Consolidated profit/loss	**– 69**	***– 34***	**– 103**
of which: attributable to the owners of NORD/LB	– 75	*– 34*	– 109
of which: attributable to non controlling interests	6	–	6
Comprehensive income for the period under review	**– 396**	***– 34***	**– 430**
of which: attributable to the owners of NORD/LB	– 402	*– 34*	– 436
of which: attributable to non-controlling interests	6	–	6

[1] Calshflow from operating activities has not changed as a result of the adjustment of the items reported in the statement of cash flows..

The respective restatements were also taken into account in the following notes (23) Segment reporting, (24) Disclosures by geographical characteristics, (27) Gains or losses on fair value measurement, (36) Income taxes, (38) Financial assets measured at fair value through profit or loss, (48) Income tax assets, (50) Financial liabilities at fair value through profit or loss, (55) Income tax liabilities, (58) Fair value hierarchy, (61) Offsetting of financial assets and financial liabilities, (60) Net results, (63) Derivatives, (65) Residual terms of financial liabilities, (68) Regulatory data, (70) Longer-term assets and liabilities, (76) Related parties.

In Note (58) Fair value hierarchy, there is a shift in the previous year's values for the level allocation in the item Financial liabilities measured at cost between Level 2 and Level 3 due to a correction in accordance with IAS 8.42.

(6) Adopted IFRS

In these consolidated financial statements, all standards, interpretations and their respective changes are 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 2020 reporting year.

In the reporting period, account was taken of the following standards and amendments to standards applicable to the NORD/LB Group for the first time as at 1 January 2020:

Amendments to IFRS 3 – definition of a business

In October 2018, IFRS 3 Business Combinations was amended with respect to how it defines a business. This will not have any effect on NORD/LB's consolidated financial statements as no relevant circumstances currently exist.

Amendments to IFRS 9, IAS 39 and IFRS 7 – IBOR reform (Phase 1)

In September 2019, the IASB issued amendments to the standards IFRS 9, IAS 39 and IFRS 7, in order to respond to the potential consequences for financial reporting of interest rate benchmark reform (IBOR reform). Until the interest rate benchmark reform has been completed, reliefs will be provided for the accounting of hedging relationships so that the IBOR reform should not generally cause hedging transactions to be terminated. The IBOR reform is relevant for the NORD/LB Group, as holdings affected by the IBOR reform are included in the balance sheet as hedging relationships. For information on the implementation status of the IBOR reform in the NORD/LB Group, please refer to Note (7) Implementation of the Interest Rate Benchmark Reform as at 31 December 2020.

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

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

Pursuant to the adoption into European law, the amendments are to be applied no later than 1 June 2020 for financial years beginning on or after 1 January 2020.

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

Amendments to IAS 1 and IAS 8 – definition of materiality

The amendments to IAS 1 and IAS 8, which were published at the end of October 2018, are intended to provide a more precise definition of "materiality" by aligning the definition used in all IFRS and the Conceptual Framework and providing clarifications regarding the definition of "material" and on the topic of "obscuring material information with immaterial information". In addition, the relevant meaning of the term "users of financial statements" is clarified for these purposes. The new definition of "materiality" is contained in IAS 1, while the previous definition is being replaced in IAS 8 through a reference to IAS 1. This has not had any impact on the consolidated financial statements of NORD/LB.

Amendments to references to the conceptual framework in IFRS standards

In conjunction with the 2018 amendments to the IASB's conceptual framework, the IASB statement "Amendments to References to the Conceptual Framework in IFRS Standards" was also released, which amended the references to the conceptual framework in various standards and interpretations. The amendments to be applied as of 1 January 2020 are not expected to have a material impact on the NORD/LB consolidated financial statements.

The NORD/LB group has refrained, permissibly, from the early application of the following standard amendments which have been adopted into European law and do not have to be applied to the NORD/LB consolidated financial statements until after 31 December 2020:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 IBOR reform (Phase 2)

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, published in August 2020, are the result of Phase 2 of the IASB IBOR project. The aim of these changes is to mitigate the effects of replacing existing reference interest rates with alternative reference interest rates. In particular, the regulations give practical relief in terms of changes required by the IBOR reform. In addition, balance sheet hedging relationships should be able to continue under adjusted documentation despite a replacement of the reference interest rate. The amendments must be applied to financial years starting on or after 1 January 2021; voluntary early application is permissible. For information on the implementation status of the IBOR reform in the NORD/LB Group, please refer to Note (7) Implementation of the Interest Rate Benchmark Reform as at 31 December 2020.

On the preparation date of the consolidated financial statements, adoption into European law by the European Commission of the following standards and amendments to standards was still outstanding:

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, evaluation and reporting of insurance contracts. IFRS 17 is retrospectively applicable as a mandatory requirement for financial years starting on or after 1 January 2021.

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

Amendments to IAS 1 – classification of debt by maturity

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

Amendments to IFRS 3, IAS 16, IAS 37 and annual improvements to IFRS (2018-2020 cycle)

In May 2020, the IASB published amendments to IFRS 3, IAS 16 and IAS 37 and the annual improvements to IFRS (cycle 2018-2020). The annual amendments to IFRS relate to IFRS 1, IFRS 9, IFRS 16 and IAS 41. There is a mandatory initial application for financial years beginning on or after 1 January 2022. No material impact can be expected on the consolidated financial statements of NORD/LB.

Amendments to IAS 1 – disclosure of accounting policies

In February 2021, the IASB issued amendments to IAS 1 to assist creators in deciding which accounting policies are disclosed in the financial statements. There is a mandatory initial application for financial years beginning on or after 1 January 2023. No material impact can be expected on the consolidated financial statements of NORD/LB.

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 material impact can be expected on the consolidated financial statements of NORD/LB.

The first-time application of any standards and amendments to standards which must only be implemented in NORD/LB's consolidated financial statements after 31 December 2020 is planned for the respective initial adoption date.

(7) Implementation of the Interest Rate Benchmark Reform by 31.12.2020

In the 2020 financial year, the NORD/LB Group dealt intensively with the implementation of the global reform of reference rates (so-called "IBOR reform"), which became necessary due to the obvious weaknesses of the previous system, and has taken significant steps to prepare for a full implementation of the 2021 reform in line with the EU Benchmark Regulation. The IBOR reform does not follow a clearly defined regulatory schedule. However, the deadlines of 1 January 2021 for the compliance of all benchmarks with the requirements of the EU Benchmark Regulation and 1 January 2022 for the replacement of all IBORs can be assumed to be stable according to the prevailing market assessment. This is being implemented in the NORD/LB Group by means of a project with several sub-projects for product-related implementation including the technical changeover in the existing systems. The project activities for the implementation of the IBOR reform in relation to the derivative business as at 31 December 2020 in the NORD/LB Group are more advanced than in relation to the loans and account products, as extensive portfolio analyses were initially required here. There is comparatively little need for action in the Group's securities issue business and in the securities held, which meant that the significant implementation steps in this regard could already be initiated in 2020. In parallel to the implementation, the ongoing discussions between the supervisory authorities and market participants on alternative reference rates are closely followed in order to be able to assess the effects on NORD/LB Group in good time.

Uncertainties that still exist concerning the effects of the conversion of the reference interest rates on the timing and amounts of the affected interest cash flows in terms of the method of calculating the interest rate are expected to be resolved in the second quarter of 2021, according to the Group's estimation. The EU Commission has transposed the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 as part of Phase 2 of the IBOR reform into European law and published them in the Official Journal of the European Union on 13 January 2021.

Specific challenges related to the IBOR reform

The NORD/LB Group expects the IBOR reform to have a major impact on the operative business and risk management in the affected divisions. The main challenges to which the Group is exposed as a result of the IBOR reform are operational. Examples include renegotiating credit agreements through bilateral negotiations with clients, adapting framework agreements and collateral arrangements for OTC derivatives, updating contractual terms and conditions, updating systems regarding the interest rate curves used and revising operational controls related to the reform.

Financial risk is mainly limited to interest rate risk. If the interest rates of the floating rate transactions or underlying transactions dependent on a reference interest rate (e.g. loans or securities) and their hedging transactions (e.g. OTC derivatives) are converted at different times or will in future refer to different interest rates, there is generally a basic risk that differing measurement effects may be generated through profit or loss. Interest rates may vary significantly in the short term, particularly on balance sheet dates or after certain market events (e.g. bank decisions). A comparable interest rate level can only be achieved once the next interest rate determination of the transaction takes place with the more distant determination date. However, as the interest fixing dates are spread over the year due to the large number of hedge relationships, no major deviations are to be expected at portfolio level.

There are no significant challenges with regard to the EURIBOR interest rate. This can continue to be used for existing and new transactions after 1 January 2020 following an adjustment of the calculation methodology in 2019 and the adoption of the calculation and publication by the Belgian European Money Market Institute (EMMI). The NORD/LB Group assumes that the EURIBOR will continue to exist as a benchmark interest rate in the foreseeable future.

Product-related implementation

The implementation of the IBOR reform has progressed to varying degrees in the individual product groups concerned:

Derivative transaction

In the NORD/LB Group, the valuation of collateralised OTC derivatives was adjusted in 2020 in preparation for the replacement of the EONIA (Euro OverNight Index Average) with the €STR (Euro Short-Term Rate) planned at the end of 2021. Adjustment measures have also been introduced to replace the EFFR (Effective Federal Funds Rate) with the SOFR (Secured Overnight Financing Rate).

As part of this change in valuation, the discounting of OTC derivatives with both EUR collateral and USD collateral as well as the associated collateral interest rate for the clearing houses LCH SwapClear and EUREX Clearing was adjusted from EONIA to €STR and from EFFR to SOFR respectively. The resulting valuation adjustments were neutralised by offsetting payments at portfolio level.

Furthermore, adjustment of discounting and interest on collateral for bilateral counterparties was started. Equalisation payments were also agreed here to neutralise the valuation adjustments.

In 2021, the switch to variable reference interest rates in individual transactions will take place in particular. This will affect numerous variable reference interest rates, including GBP LIBOR, USD LIBOR, EONIA and EFFR. The conversion of the interest rate derivatives linked to loan agreements takes place in parallel with the adjustment of the credit agreements. The Group is actively preparing for this transition and has already started with corresponding technical and specialist preparations in 2020. Fallback arrangements were made available by the International Swap and Derivatives Association (ISDA) during the second half of 2020 for all the Group’s derivatives relating to a reference rate that was to be discontinued. These arrangements were to determine interest rates after the originally agreed reference rate had been discontinued. The fallback arrangements provide for the transitional replacement of the suspended reference interest rate with an alternative interest rate in line with currency and time limits. The NORD/LB Group has agreed with the counterparties concerned on the application of the relevant ISDA fallback arrangements.

The following table lists the notional values of centrally cleared derivatives (excluding hedge derivatives) by their floating reference rate, for which a contract conversion is required in 2021. The discount conversion for these derivatives has already been completed in full:

Nominal values (in € million)	EONIA	USD LIBOR	GBP LIBOR	JPY LIBOR	CHF LIBOR	Total
Interest-rate risks	11 076	8 717	9 039	516	602	29 950
Total	**11 076**	**8 717**	**9 039**	**516**	**602**	**29 950**

In addition to the centrally cleared derivatives, contractual adjustments to the bilateral contracts must also be made in 2021. Individual contracts were already adjusted to the new interest rate standard in 2020 by terminating and concluding new contracts at market conditions. The following table lists the notional values of bilateral derivative contracts (excluding hedge derivatives) by their floating reference rate, for which a contract conversion is required in 2021. The discount conversion for these derivatives has already been completed in full:

Nominal values (in € million)	EONIA	USD LIBOR	GBP LIBOR	JPY LIBOR	CHF LIBOR	EUR LIBOR	Total
Interest-rate risks	399	5 271	3 851	111	880	41	10 553
Currency risks	–	8 982	2 002	155	–	–	11 139
Total	**399**	**14 253**	**5 853**	**266**	**880**	**41**	**21 692**

Hedge accounting

The aforementioned adjustments in the derivative business also include the adjustment of the portfolio fair value hedge accounting for interest rate risks to the new interest rate standard. Portfolio fair value hedge accounting is used for hedging currency-only EUR and USD portfolios.

With regard to the hedging of EURIBOR risk, there are no adjustments due to the continued existence of EURIBOR, as this may continue to be used for existing and new transactions after an adjustment of the calculation method made in 2019, even after 1 January 2020. Accordingly, the Group will continue to hedge EURIBOR risk in the future. The uncertainties that still exist as at 31 December 2020 with regard to the IBOR conversion therefore do not relate to the portfolio fair value hedge accounting of the EUR portfolio hedges.

For USD portfolio hedges, the USD LIBOR is to be replaced in 2021 with a compounded SOFR interest rate plus a premium based on the ISDA IBOR fallback protocol.

The impact of the compensation payments incurred as part of the discount conversion on the effectiveness of the hedging relationship was examined. The possibility of avoiding the release of hedging relationships due to ineffectiveness arising as a result of the IBOR reform was not used in portfolio hedge accounting, since in 2020 there was no ineffectiveness in the hedge relationships that would have otherwise meant a mandatory release of the hedge relationship.

In micro hedge accounting, effects of the IBOR reform on effectiveness are avoided by taking appropriate credit spread adjustment into account when converting interest rates. The resulting one-off valuation effects are neutralised by corresponding equalisation payments to the counterparty.

The following table lists the nominal values of centrally cleared hedge derivatives based on their variable reference rate and the state of transition for those requiring a contract conversion in 2021. The discount conversion for these derivatives has already been completed in 2020:

Nominal values (in € million)	EONIA	USD LIBOR	Total
Interest-rate risks	1 183	1 890	3 073
Total	**1 183**	**1 890**	**3 073**

In addition to the centrally cleared hedge derivatives, contractual adjustments to the bilateral hedge derivatives must also be made in 2021. The table below lists the notional values of the bilateral hedge derivative contracts by their floating reference rate, for which a contract conversion is required in 2021. The discount conversion for these derivatives has already been completed in full:

Nominal values (in € million)	EONIA	USD LIBOR	GBP LIBOR	EUR LIBOR	Total
Interest-rate risks	782	972	73	399	2 226
Currency risks	33	10	–	–	43
Total	**815**	**982**	**73**	**399**	**2 269**

Loans and account products

With regard to the lending business and the associated account products, a comprehensive portfolio analysis was carried out in financial year 2020 in advance of the required changeover to €STR and the LIBOR successors in all affected Group units. The analysis had not yet been fully completed at the end of the year. Transactions requiring a contractual adjustment are identified as their due date is later than the expected discontinuation of the current reference interest rate and the existing contracts do not already contain sufficient arrangements for dealing with a reference interest rate conversion. The effects in the respective credit segments were also analysed. As only variable-rate financial instruments are affected by the reform, it is expected that this will only affect the existing business in the wholesale sector of the NORD/LB Group. Based on this, a procedural model for the credit material and technical implementation of the inventory changeover was drafted. The following table lists the loan transactions according to their variable reference interest rate, for which a contract conversion is required in 2021:

	USD LIBOR	GBP LIBOR	JPY LIBOR	CHF LIBOR	Total
Gross carrying amount (in € million)	3 399	2 718	74	54	6 245
Number	520	180	7	19	726

In order to ensure a uniform customer approach, the affected areas have coordinated with regard to the communication strategy. The contractual changeover to the new reference interest rates and the repricing of existing loan transactions or account products will gradually take place over the course of 2021. This will include the replacement of the previous reference interest rate in the respective contract with an alternative reference rate or the addition of fallback agreements on a case-by-case basis, as well as further contractual modifications depending on the contract negotiations in individual cases.

In view of the new business for loans and account products, the necessary preparatory steps were also taken for the legal implementation of the reform in corresponding contract templates, as well as in particular for the restructuring of the pricing process and the adaptation of the existing systems in 2021.

Securities transaction

In the area of variable-rate securities issued, the effects are regularly analysed and assessed. For the EUR-denominated floating rate issues, there is no need for action in the foreseeable future, as the securities bear interest on the basis of EURIBOR and this will continue to be used as a reference interest rate after the calculation method has been adjusted. In the portfolio of foreign currency issues (excluding USD LIBOR), there were only three variable-rate securities maturing after 2021 in 2020. One of the issues has already been fully bought back in 2020 and another issue has been partially bought back. This procedure should be continued in 2021 or alternatively existing fallback agreements should be applied. With a view to new issues, all issue conditions now include detailed fallback arrangements, which are to be continuously adapted to the market standard. New issues with a variable reference rate are currently only in EUR based on the EURIBOR.

In the area of acquired securities, the effects are also regularly analysed and evaluated. Timely communication and conversion by issuers is expected. The table below lists the securities acquired according to their floating reference rate, which are expected to be subject to contract conversion in 2021:

	USD LIBOR	GBP LIBOR	JPY LIBOR	Total
Gross carrying amount (in € million)	12	76	40	128
Number	6	13	1	20

IBOR reform and modifications in accordance with IFRS 9

An adjustment to existing contracts with an impact on the contractual payment streams as part of Phase 2 implementation from 2021 is basically a modification within the meaning of IFRS 9. With regard to the IBOR reform, the IASB has granted the accounting companies mandatory practical relief within the framework of the IBOR Phase 2 Amendments. Accordingly, the (present value) cash flow change arising from the individual transaction must be offset in the balance sheet by a corresponding adjustment of the effective interest rate in analogous application of IFRS 9.B5.4.5. This relief is limited to modifications that are directly related to the IBOR reform and for which the change in the reference interest rate takes place on an economically equivalent basis.

(8) Consolidation Fundamentals

The consolidated financial statements of the NORD/LB Group are drawn up according to the Group's standard accounting and measurement policies. They include the financial statements for the parent entity (NORD/LB) and the subsidiaries which it controls. Control means when a Group company has decision-making powers in respect of the significant business activities of another entity, has an entitlement or right to variable returns, and can influence the amount of such variable returns through its decision-making powers.

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

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

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

Business combinations were presented according to the acquisition method. For this purpose, all assets and liabilities of subsidiaries were recognised at their fair value, taking account of deferred tax, on acquisition of the controlling influence. Any goodwill resulting from initial consolidation is recognised under Intangible assets. Goodwill is impairment-tested at least once per year and may be subject to unscheduled depreciation. 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 essentially 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 in existence 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 on consolidation of debt or expense and income. Interim profits/losses within the Group are consolidated as part of the elimination process for interim profit/losses.

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

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

An associated company (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 a participating interest in the former subsidiary still remains, it is recognised at fair value. Differences resulting from recognition and derecognition are recognised in the Group Income Statement. Amounts related to this subsidiary that were carried under Other profit/loss (Other comprehensive income, OCI) in prior periods are rebooked to the Group Income Statement or, if required by other IFRSs, are rebooked directly to Retained earnings.

(9) Basis of Consolidation

In addition to NORD/LB as parent, the consolidated financial statements include 21 (19) subsidiaries in which NORD/LB directly or indirectly holds more than 50 per cent of the voting rights or over which NORD/LB can exercise a controlling influence in another manner. In addition, one (one) joint venture and 6 (7) associates are recognised. The joint venture and the additional associates are accounted for using the equity method.

The basis of consolidation compared with 31 December 2019 has changed as follows:

The KMU Shipping Invest GmbH, which is subject to consolidation, acted as a holding company for several purchasing companies. With effect from 1 July 2020, NORD/LB sold its receivable from the Company, which is no longer of value, to one of the shareholders. The KMU Shipping Invest GmbH is no longer subject to consolidation and has been deconsolidated.

Following the departure of the general partner, BGG Bremen GmbH & Co. KG, Bremen became part of BLB Immobilien GmbH as at 1 September 2020.

Following a change in legal form to a GmbH & Co. KG and the subsequent departure of the limited partner, GBH Beteiligungs-GmbH, Bremen, became part of NORD/LB as at 16 December 2020 .

With deconsolidation as at 31 December 2020, NORD KB Beteiligungsgesellschaft mbH, Hanover, is no longer included as an associate for reasons of materiality using the equity method, but is instead accounted for as a financial instrument (participation). It is an umbrella fund company whose investments are largely attributable and which is in the final phase of the fund term.

The five single- or multi-ship companies Maritime Asia Emerald Pte. Ltd., Maritime Asia Pearl Ltd., Maritime Asia Zircon Pte. Ltd., Maritime Asia Opal Pte. Ltd. and APSE SPV1 Pte. Ltd., all Singapore, are included in the scope of consolidation for the first time as a fully consolidated subsidiary as at 31 December 2020. As a lender, the NORD/LB Group has a dominant influence on the significant business activities of the companies from its creditor's point of view. As part of the initial consolidation, receivables of € 62 million were derecognised as consideration carried forward. The valuation of the consideration carried forward at fair value resulted in a profit of € 5 million. Cash did not flow during the transaction. Essentially, eleven ships in the amount of € 67 million were acquired, which are reported under assets held for sale.

The effects resulting from the change in the scope of consolidation have no significant influence on the net assets, financial position and results of operations of the NORD/LB Group.

The subsidiaries, joint ventures and associates included in the consolidated financial statements are listed in Note (79) Equity holdings.

(10) Currency Translation

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

Assets and liabilities of foreign subsidiaries which are to be consolidated and whose functional currency is not the euro are translated at ECB reference exchange rates on the measurement date. With the exception of accumulated other comprehensive income (OCI; translated at the closing rate) and the annual 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. Resultant exchange differences are recognised as a separate item under OCI. Exchange differences accrued until disposal are included in the disposal profit/loss.

(11) Interest and Commission

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

In the case of impairments of Stage 3 interest-bearing assets, the interest income is determined on the basis of the interest rate used to calculate the impairment (unwinding).

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

(12) Commission

The Bank recognises income in compliance with the respective accounting standard. IFRS 15 is particularly relevant for the NORD/LB Group with regard to commissions. Commission income that must be received at a specific point in time is recognised in the income statement when the service is performed. This relates primarily to commission income from account management and payment transactions as well as to brokerage business. The control over agreed services passes directly to customers when the services are rendered by NORD/LB, even if the services are sometimes invoiced to the customers only after the fact. A right of return or refunds do not exist for these services.

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. In the NORD/LB Group, services that relate to a specified period of time are usually rendered on an ongoing basis in equal increments over the relevant time period whereby the Group usually has a claim to remuneration from the customer that corresponds directly to the equivalent value of the service rendered. 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. Expenses related to future income from customer contracts are recognised as capitalised contract costs under Other assets until these earnings are recognised. Remuneration already paid by customers for services not yet performed is deferred as a contract liability under Other liabilities and is recognised as income in the period when the service is rendered.

The income amounts to 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, i.e. variable transaction prices only exist in part. Variable remunerations are not estimated. Variable remunerations are generally not limited by separate additional constraints, i.e. a material reclaim of cumulated income by the customer is not expected. Customer contracts do not contain material non-financial compensation. If a distribution is relevant, the transaction price is allocated based on the stand-alone sales prices of the services. Bundled services for which one transaction price is paid and which share the same performance period or time are not split since these are irrelevant with respect to revenue recognition. Discounts are not taken into account 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 and the other recognition criteria are met. The amount of the capitalised contract costs is calculated on the basis of the amounts paid to third parties. If capitalised costs are incurred, they are amortised on a straight-line basis over the period in which the service is rendered due to the uniformity of the service.

(13) Financial Instruments

A financial instrument is defined as a contract which results in a financial asset for one entity and in a financial liability or equity instrument for another entity. The NORD/LB Group's financial instruments are recognised accordingly on the balance sheet and accounted for in accordance with the accounting principles of IFRS 9.

a) Recognition and derecognition of financial instruments
A financial asset or liability is recognised on the balance sheet when the Group becomes a contracting party to the contractual arrangements for the financial instrument or substantial contractual amendments are made. Trade dates and settlement dates generally differ in the case of regular spot purchases or sales of financial assets. An option is available to account for these regular spot purchases or sales as of the trade date (trade date accounting) or the settlement date (settlement date accounting). Trade date accounting is applied in the NORD/LB Group for all financial assets on recognition and disposal.

The financial instruments disposal requirements are geared to the risks and rewards concept and also to the question of control; when examining derecognition procedures, the measurement of risks and rewards arising from ownership takes precedence over the measurement of the transfer of control.

If risks and rewards are only transferred on a partial basis and control is retained, the continuing involvement approach is applied. In this case, taking account of special accounting and measurement policies, the financial asset is recognised to the extent that corresponds to its continuing involvement (ongoing exposure). The degree of continuing involvement is determined from the extent to which the Group continues to retain the risks and rewards of changes in the value of the transferred asset.

A financial liability (or a part of a financial liability) is derecognised when it has lapsed, i.e. when the liabilities stated in the contract have been met or cancelled, or have expired. The reacquisition of own debt instruments is also covered by the derecognition of financial liabilities. Differences between the carrying amount of the liability (including share premiums and discounts) on reacquisition 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.

In accordance with IFRS 9, the initial measurement of financial assets and liabilities is at fair value upon recognition. As regards financial instruments not measured at fair value through profit and loss, the transaction costs are included in amortised cost insofar as these can be directly allocated. They are recognised at nominal value or at the redemption amount as part of the distribution of share premiums and discounts at a constant effective interest rate. For financial instruments which are measured at fair value through profit and loss, the transaction costs are immediately recognised in profit and loss.

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

b) Classification and measurement of financial assets

Under IFRS 9, the classification is based on the actual management of the cash flows from financial assets (business model) and the structure of the financial asset itself (cash-flow criterion).

ba) Business model

To assess the business model, the Bank evaluates financial assets at an aggregate level. To that end, it aggregates those with homogeneous strategic and commercial objectives into assessment units. These assessment units are then assigned to an IFRS 9 business model in accordance with their objective. The specific allocation criteria used in the NORD/LB Group include, for example, 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. Assessment units in the NORD/LB Group are established based on the Group's business segments. The Managing Board determines the assessment unit and, based on that determination, the resulting allocation to an IFRS 9 compliant business model. The Bank reviews the allocation of the assessment units with their corresponding objective-based IFRS 9 business models at least once a year when it reviews or adjusts the segment strategies.

IFRS 9 provides for three possible business models for financial assets: "Hold", "Hold and sell", and "Other". The "Hold" business model includes financial assets for which the objective is to receive the contractual cash flows from these assets until they mature. When assessing whether this business model is applicable, the Bank takes into account at the level of the corresponding assessment unit the frequency, volume and timing of sales in previous periods, the reasons for these sales and expected future sales activities. This review process is conducted under the assumption that sales conducted just prior to maturity or due to a deterioration in creditworthiness are fundamentally compatible with this business model. The same applies to disposals that are material in terms of disposal volume, but which occur only very infrequently, as well as for disposals that are immaterial both individually and in total, even if they occur frequently.

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

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

bb) Cash flow criterion

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

Contractual cash flows that do not meet the requirements for the cash flow criterion include, for example, principal payments in excess of the contractual nominal amount, interest payments linked to shares, commodity prices or other indices, or a nominal currency that differs from the currency of the reference interest rate.

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 only situations in which the Bank does not assess the cash flow criterion is in respect of contractual components that have only a very minor effect on the contractual cash flows or whose occurrence is considered to be very unlikely.

Financial assets may contain contractual components for which an initial qualitative analysis is performed but it is unclear to what extent these components result in more than just very minor deviations compared with unleveraged interest payments. In this case, the NORD/LB Group reviews these components by comparing the present values of the contractual cash flows of the financial asset under consideration with those of an existing or hypothetical unmodified financial instrument that has identical features and the same credit quality except for the components causing the deviations (benchmark test).

The following measurement categories are applicable in the Bank depending on the classification of the business model and whether the cash flow criterion is met:

bc) Financial assets at amortised costs
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. This category also includes a portion of the NORD/LB Group's securities portfolio.

Assets included in this category are subsequently measured at amortised cost using the effective interest-rate method. In addition, under the impairment regulations the carrying amount in the balance sheet is reduced by expected credit losses (see Notes (14) Risk provisioning, (28) Profit/loss from risk provisioning and (59) Risk provisioning and gross carrying amount). Allocations to and reversals of risk provisioning are recognised in the income statement under Risk provisioning. Interest is recognised in Net interest income; commissions are recognised in Net commission income.

bd) Financial assets at fair value through other comprehensive income
This category includes non-derivative financial assets allocated to the "Hold and sell" business model if the cash flow criterion is also met. The NORD/LB Group allocates to this category primarily securities intended for short and medium-term liquidity management purposes, or those the Group does not generally intend to hold until maturity. In the lending business, this category was used for only a very narrow spectrum of products, primarily promissory notes.

Assets allocated to this category are subsequently measured 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 recognised in Net interest income; commissions are recognised in Net commission income.

In addition, the debt securities allocated to this category are subject to the same impairment regulations as financial assets at amortised cost (see Notes (14) Risk provisioning, (28) Profit/loss from risk provisioning and (59) Risk provisioning and gross carrying amount). Allocations to and reversals of risk provisioning are also recognised here through profit or loss under Risk provisioning. However, the expected credit losses determined for this category do not reduce the balance sheet carrying amount at fair value, rather they are recognised in Other comprehensive income (OCI).

In addition, the Bank has an option to allocate to this measurement category those equity instruments that are in principle to be measured at fair value through profit or loss. This irrevocable allocation must occur at initial recognition. The impairment regulations are not applicable for equity instruments. Upon disposal, the measurement profit or loss that has accumulated in Other comprehensive income (OCI) is not reclassified to the income statement, rather it is recognised directly in equity in Retained earnings. This option was not utilised in the reporting year.

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

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

i) Trading assets (financial assets held for trading)
This subcategory includes financial assets acquired with the intention of selling them soon thereafter. They are therefore always allocated to the “Other” business model. In addition, all derivatives with positive fair values that are not hedging instruments used in hedge accounting are recognised under trading assets. Trading assets in the NORD/LB Group comprise primarily debt securities and derivatives.

ii) Financial assets requiring measurement 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. Loans must be recognised at fair value through profit or loss when they include specific contractual arrangements, such as “conditional terminal fees” or similar clauses allowing for additional income potential (certain cash sweep or pay-as-you-earn agreements). This measurement approach is mandatory because such contractual terms are not compatible with the cash flow criterion. In addition, financial assets may fall into this category if the creditor’s right of recourse to settle its claim is limited to only some of the debtor’s assets or to payments from these assets, and as a result of this limitation the financial instrument’s cash flows are highly dependent on the performance of the financed property (non-recourse financing). This is the case if a review of the cash flows generated by the financed asset (look-through test) confirms that, from an economic perspective and loan-specifically, the NORD/LB Group is more likely to bear the risks from the financed property. This can be the case, for example, if the relationship of the loan amount to the value of the collateral exceeds a defined threshold. Syndication portfolios are also allocated to this category because of the Group’s intention to place them in the market. Furthermore, equity instruments not held for trading are recognised under this subcategory.

iii) Designated financial assets at fair value through profit or loss
This subcategory, which is known as the fair value option, can include all financial assets that would otherwise be measured at amortised cost or at fair value through other comprehensive income. The requirement for its application is that by exercising the fair value option, the Group will avoid or significantly reduce accounting mismatches arising from different measurement methods for financial assets and liabilities (e.g. by presenting economic hedges of structured bond issues and the corresponding derivatives). The NORD/LB Group does not currently use this category.

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 such liabilities were not designated for measurement at fair value under the fair value option. Subsequent measurement is at amortised cost applying the effective interest rate method. Interest is recognised in Net interest income; commissions are recognised in Net commission income.

cb) Financial liabilities at fair value through profit or loss

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

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

i) 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 the financial liabilities that are held for trading. Trading liabilities therefore include primarily derivatives with a negative fair value and delivery obligations from short-sales. All fair value changes related to liabilities held for trading are reported in the income statement under Profit/loss from financial assets at fair value.

ii) Designated financial liabilities at fair value through profit or loss

Financial liabilities otherwise measured at amortised cost on initial recognition which the Group has irrevocably designated at fair value through profit or loss can be designated in this subcategory. The NORD/LB Group uses the fair value option to minimise or avoid accounting mismatches. In contrast to the subcategory Trading liabilities, the changes in fair value attributable to the Group's own credit risk are recognised in Other comprehensive income (OCI). However, if such recognition in OCI causes or increases an accounting mismatch, the total fair value changes are recognised in the income statement. When the transactions are derecognised, these fair value changes are reclassified into retained earnings. Further information on the nature and scope of application of the fair value option in the Group, as well as on the change in credit risk, is provided in Note (50) Financial liabilities at fair value through profit or loss.

d) Reclassifications

In accordance with the provisions of IFRS 9 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 are significant for the work processes and are 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 valued. Any differences in value resulting from the reclassification are recorded in the income statement or in other comprehensive income (OCI). No reclassifications were required in the NORD/LB Group during the period under review. The balance sheet total reduction as part of the implementation of the target figures agreed with the EU Commission does not meet the requirements for reclassification.

e) Modifications

If the contractual cash flows of a financial asset measured at amortised cost are renegotiated or otherwise changed (modification), it is examined whether this modification is substantial. A substantial modification leads to the derecognition of the previous financial asset while at the same time recognising a new financial asset. The general principles apply to the initial valuation 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).

Modifications are made in the NORD/LB Group exclusively in connection with the lending business.

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 that would be obtained on the basis of a normal transaction, i.e. a disposal or transfer, on the principal market or the most advantageous market on the measurement date. It is therefore an exit price, i.e. the measurement on the measurement date is always based on a fictitious, possible market transaction. If there is a principal market, the price on that market represents the fair value regardless of whether the price can be observed directly or is determined on the basis of a measurement method. This also applies if the price on another market is potentially more advantageous.

The measurement 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 are taken into account appropriately when determining fair value. These factors include the bid-ask spread, counterparty default risk and business-typical discount rates. In the context of the bid-ask spread, the measurement is generally carried out using the average price or average quote. 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 now discounted using the OIS interest-rate curve rather than the term-specific interest rate. Unsecured derivatives continue to be discounted using the term-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 refinancing costs.

fa) Financial instruments recognised at fair value in the balance sheet

The NORD/LB Group applies the three-stage fair value hierarchy using the Level 1, Level 2 and Level 3 terminology set out in IFRS 13. Alongside IFRS 13, the specific regulations of IDW RS HFA 47 are used for the assessment of the financial instruments at the various levels.

The respective level is determined by the input data used in the measurement and reflects the market proximity of the variables included in the determination of fair value. If input data from multiple levels of the fair value hierarchy are used in the determination of fair value, the resultant fair value of the respective financial instrument is assigned to the lowest level at which the input data has a significant influence on the fair value measurement.

Level 1

Within the fair value hierarchy, 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 publicly listed market prices or prices actually traded on the OTC market are not available, executable prices without transaction reference from traders and brokers will be used for the measurement. Instruments are allocated 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. If the broker quotations are for (mixed) prices or if the price is determined on an inactive market, the instruments are not assigned to Level 1, rather to Level 2 of the measurement hierarchy 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 1 input factors are not regularly corrected.

Level 1 financial instruments include trading assets, financial assets requiring measurement at fair value through profit or loss, financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial instruments at amortised cost as well as shares in companies.

Level 2

If no price quotes on an active market are available, the fair value is calculated using recognised measurement methods or models or through external pricing services, provided that the measurement in such cases makes either full or significant use of observable input data such as spread curves (Level 2). To measure financial instruments in these situations, measurement methods are used 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 fundamentally based on inputs available on an active market. One requirement here is that variables which market participants would have taken into account in the pricing are included in the measurement process. 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 interest-rate 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 no longer 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 NORD/LB Group to be measured in this manner 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 value financial instruments in inactive markets. This approach makes it possible to assess inactivity in the most objective manner possible. The measurement model for financial instruments assigned to Level 2 is based on term-specific interest rates, the credit rating of the respective issuer and, where applicable, other components, such as foreign currency premiums.

Level 2 financial instruments include trading assets and liabilities, financial assets requiring measurement at fair value through profit or loss, financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial instruments at amortised cost, hedge accounting derivatives as well as other assets.

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 comparison and 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
- Stock index options, provided that no dividend expectations are observable on the market for the relevant term
- 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.

Level 3 financial instruments include trading assets and liabilities, financial assets requiring measurement at fair value through profit or loss, financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial instruments at amortised cost, shares in companies as well as other assets and liabilities.

fb) Financial instruments recognised at fair value for disclosure purposes
As regards financial instruments whose fair value is determined solely for disclosure purposes, the same requirements apply to the determination of fair value as for financial instruments whose fair value is posted in the balance sheet. Such financial instruments include, for example, the cash reserve, loans/advances and liabilities to banks and customers, certain debt securities, securitised liabilities and subordinated capital.

For the cash reserve as well as current loans/advances and liabilities to banks and customers (demand deposits), the nominal value is taken as the fair value on account of the short-term nature of these items.

In the same way as for financial instruments recognised on the balance sheet at fair value, various forms of measurement are used in practice for securities and liabilities (e.g. market or comparative prices, or measurement models). The discounted-cash-flow model is generally used. In this case, the value is often determined with the help of a risk-free yield curve adjusted for risk premiums and other components as relevant. For liabilities, NORD/LB's 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 for these financial instruments is determined with the help of recognised measurement methods (discounted-cash-flow model). Input data 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 is given in Note (58) Fair value hierarchy.

g) Measurement of investments not falling under IFRS 10, IFRS 11 or IAS 28

Investments not consolidated or values using IFRS 10, IFRS 11 or IAS 28 are measured at fair value in accordance with IFRS 9.

If investments are traded on an active market, the market/stock exchange price is used to determine the fair value. If it is impossible to refer to prices quoted on active markets, the fair value may be determined using recognised measurement methods. These include the capitalised-earnings-value method generally used in the NORD/LB Group. This method is assigned to Level 3 in the fair value hierarchy as per IFRS 13 (see Note (58) 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 are to be discounted to calculate the income value, 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, perpetuity of the undertaking is generally assumed. For this purpose, a perpetual annuity is calculated to reflect the sustainable situation of the affiliated company (planning phase II). These expected future profits are discounted as at the balance sheet 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.

In order 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 valuing 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 different 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 an "of which" item under financial liabilities at amortised cost. They consist of securitised and unsecuritised subordinated liabilities and silent participations.

Due to the contractual termination provisions, silent participations in the NORD/LB Group should basically be classified as debt capital, in keeping with the requirements of IAS 32; under the German Commercial Code (HGB), all silent participations are included under equity in the balance sheet. For regulatory purposes, these were previously recognized mainly as own funds within the meaning of the CRR.

Subordinated liabilities are recognised on the balance sheet at amortised cost. Share premiums and discounts are distributed over the term in accordance with the effective interest method, and are recognised under Net interest income in the Income Statement.

The silent participations in the NORD/LB Group are provided with a profit-dependent interest rate and participate in the net loss for the year or the net accumulated loss. Due to the cancellations of all silent deposits still in the portfolio in 2019 and 2020 with effect from 31 December 2021 and 31 December 2022 and the current earnings forecast at NORD/LB Group, which largely depends on NORD/LB's future earnings position and economic development, the estimates regarding future contractual cash flows of the silent deposits had to be adjusted as at the reporting date. As a result, the carrying amount must be recalculated by discounting the estimated future interest and redemption payments at the original effective interest rate in accordance with IFRS 9.B5.4.6. The resulting difference is recognised through profit and loss under the net interest income in the year of the new estimate and amortised at an effective interest rate in the following years. Deferred taxes arise as a result of the difference between the tax valuation and the measurement of silent contributions in the consolidated financial statements (see Note (25) Net interest income).

i) Structured products
Structured products comprise two components: a host contract (e.g. security) and one or more embedded derivative financial instruments (e.g. swaps, futures or caps). Both components are the object of only one contract regarding the structured product, so these products constitute a legal unit and cannot be treated separately from one another due to the contractual unit.

Under IFRS 9 the host contract and the derivative for hybrid financial assets must be 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, or as a hedging derivative, at fair value through profit and loss.

j) Hedge accounting (accounting for hedging transactions)
Hedge accounting denotes the accounting presentation of hedging transactions. Here, hedges are created between underlying transactions and hedging investments. The aim is to avoid or reduce fluctuations in the annual profit/loss due to the use of different measurement approaches for underlying transactions and hedging investments.

The NORD/LB Group continues to apply the existing regulations of IAS 39 with respect to hedge accounting. These differentiate between three basic forms of hedges and each requires different treatment for hedge accounting purposes. With fair value hedging, assets (or parts thereof) or obligations 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 portfolios are hedged with fair-value hedges. Only fair value is currently hedged against the interest-rate risk. Changes to fair values arising from the assets (or parts thereof) or liabilities are hedged in euro and US dollars in single-currency portfolios. Interest-rate swaps or cross-currency interest-rate swaps are used to hedge this risk.

The other two basic forms - cash flow hedges and hedges of a net investment in a foreign operation - are not currently used in the NORD/LB Group.

Hedging transactions may only be reported in accordance with hedge accounting rules if the restrictive conditions under IAS 39 are met. The hedge accounting requirements, and in particular the proof of effective hedging, must be met on all balance sheet dates and for all hedging transactions. Prospective effectiveness testing in the Group is carried out with the critical term matching, market data shift and regression methods. In the majority of cases, the modified dollar offset method is applied in the Group for retrospective effectiveness tests. This method takes account of the problem of small numbers in the case of minor changes in the value of underlying transactions and hedge transactions by means of additional tolerance limits. At times, the regression method is used to carry out the retrospective effectiveness test.

As regards the retrospective effectiveness test in the portfolio fair value hedge, disposals from the hedged portfolios of underlying transactions are treated according to the bottom-layer method.

In accordance with the rules of fair value hedge accounting, 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 (41) or Note (52) Positive/Negative fair values from hedge accounting derivatives). Measurement changes are recognised in the income statement (Note (30) Profit/Loss from hedge accounting). For the hedged asset or liability, the changes in fair value resulting from the hedged risk are also recognised in profit/loss under Profit/loss from hedge accounting. Profit/loss from hedge accounting is mainly affected by the measurement of the variable side of the hedging instruments.

When employing hedge accounting for financial assets at fair value through other comprehensive income, the portion of any change in value relating to the hedged risks is recognised through profit or loss under Profit/loss from hedge accounting, while the portion that is not related to the hedged risk is recognised in Other comprehensive income (OCI).

For the purposes of micro fair value hedge accounting, financial instruments measured at amortised cost are corrected on both the asset and liability sides of the balance sheet by the change in fair value attributable to the hedged risk (hedge adjustment). When hedging interest-rate risks in portfolio fair value hedge accounting, fair value changes to the asset- and liability-side underlying transactions relating to the hedged risk are recognised in the balancing item for financial instruments hedged in the portfolio fair value hedge, on the assets or liabilities side of the balance sheet respectively. Asset-side underlying transactions measured at fair value through other comprehensive income continue to be reported at full fair value. The portfolio fair value hedge currently contains items on both the asset and liability sides.

A hedging relationship ends when the underlying or hedging transaction expires, is disposed 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 hedges, see Note (30).

K) Securities repo and lending transactions

In genuine securities repurchase (repo) transactions, the transfer of a security sold under a repurchase agreement ("repoed") does not result in a derecognition, since the transferring entity essentially retains all risks and rewards related to ownership of the subject of the repo. The transferred asset should therefore continue to be recognised in the seller's accounting and measured according to the respective category. The payment received is to 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 (63) Transfer and derecognition of financial assets.

l) 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. 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 (73) Other financial obligations).

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 rolled forward. Premium payments received are recognised in the Income Statement. Provisions in accordance with IAS 37 are formed in case of pending utilisation.

Financial guarantees received are taken into account as collateral for the risk analysis of related assets, if they are recoverable.

With respect to the guarantees of the State of Lower Saxony on certain loan portfolios, these are not treated on the balance sheet as financial guarantees within the meaning of the IFRS, but as credit derivatives (see Note (3). Explanation of the accounting-related impact of the guarantee contracts from the support contract).

m) 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 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.

In the financial year 2020, further securitisations totalling € 2 billion were terminated (cf. Note (73) Other financial obligations). Loss compensation claims in relation to the mezzanine tranche arose for the first time in 2020 in the Northvest II securitisation (cf. Note (28) Risk provisioning.

(14) Risk Provisioning

The "three stage model" of IFRS 9 recognises anticipated creditworthiness-induced losses of the financial assets on initial recognition on the basis of an expected loss model. This model must be applied across all products to all debt instruments measured at amortised cost or at fair value through other comprehensive income as well as to off-balance sheet liabilities. These are allocated to one of three stages depending on the relative change in their credit quality since initial recognition.

When initially recognised, all relevant financial assets for which objective indications of impairment are not already evident must be allocated to stage 1, regardless of the credit rating of the debtor. The expected losses in this stage derive from the present value of the payment defaults expected from potential default events over the next twelve 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 the Bank determines that the default risk has increased significantly since initial recognition, even though objective indications of impairment do not exist, the Bank must transfer the underlying financial assets 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. In this stage, risk provisioning likewise equals the present value of the lifetime expected credit loss. 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 (unwinding) determined by accruing the net carrying amount.

Significant criteria for objective evidence of impairment include, for example, arrears on interest and principal payments in excess of 90 days, or major financial difficulties on the part of the borrower, such as imputed and actual insolvency or sustained negative development of a restructuring. These criteria also include concessions by the lender to the borrower, such as deferral of principal payments, exemption from interest or waiver of claim.

The definition used in the NORD/LB Group of an event triggering an impairment is based on the regulatory requirements for defining default pursuant to CRR; as a result, all loan receivables currently in default pursuant to CRR are allocated to Stage 3.

Financial assets which when purchased or issued already exhibit objective indications of impairment (POCI assets) are not subject to the “three stage model”. In these cases, 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. This assumes that the increase in the default risk since initial recognition is immaterial. The NORD/LB Group does not utilise this rule, which is referred to as the low credit risk exemption.

The simplified approach may be used in the case of trade receivables, lease receivables and certain assets as defined in IFRS 15. Under the simplified approach, an asset may be generally allocated to Stage 2 upon initial recognition independent of the development of its credit quality. The simplified approach is also not used in the NORD/LB Group.

The impairment model is based on a symmetric approach. If as at the financial reporting date the Bank determines a significantly higher default risk is no longer present, the respective financial asset must be transferred from Stage 2 to Stage 1. Likewise, a financial asset must also be transferred from Stage 3 to Stage 2 if there is no longer any objective evidence of an impairment. However, when assets are transferred back to another stage, especially if these either are forborne or are in default pursuant to CRR, periods of good conduct must be observed as defined by FINREP or the default and recovery plan in the NORD/LB Group before the transfer can take place.

Risk provisioning is calculated in the NORD/LB Group based on each individual financial asset. The Bank uses a parameter-based approach to determine risk provisioning for all Stage 1 and 2 financial assets, as well as for non-significant Stage 3 financial assets. An expert-based approach taking into consideration multiple scenarios is used for significant Stage 3 financial assets.

The parameter-based calculation is carried out on the basis of default probabilities, loss rates and the amount of the exposure on default.Against the background of the effects of the COVID-19 pandemic and the associated high economic uncertainty with regard to the valuation of the forward-looking estimates and assumptions, the need arose for model-specific use of a post-model adjustment pursuant to IFRS 9. This was carried out with a management adjustment (MAC-19) for the financial assets in levels 1 and 2. The aim of MAC-19 was to take into account the expected, but not yet realised effects of COVID-19 in the Bank’s risk provisions for industries severely affected by the pandemic. Further information on the basis for using MAC-19 is presented in Note (2).

For the impairment calculation under the expert-based approach in Stage 3, risk-based weightings are determined and attached to possible positive or negative scenarios, taking into account the particular circumstances of each market segment (e.g. historical averages) as well as 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, whereas for debt instruments measured at fair value through other comprehensive income, the risk provisioning is reported under Accumulated other comprehensive income (OCI).

The Bank also uses the expected loss model, broken down by Stage 1, 2 or 3, to determine the risk provisioning for off-balance-sheet obligations in the form of loan commitments and financial guarantees. In these cases, risk provisioning is reported as provisions in lending business.

If it is no longer likely that the financial assets can be realised (uncollectible loans and advances) in a specific case within the scope of restructuring measures or the liquidation of an exposure, the corresponding gross carrying amount is written off directly. Financial assets with a carrying amount of less than € 10,000 when grounds for default are determined pursuant to CRR are written off directly. 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.

(15) Property and Equipment

Property and equipment are recognised on acquisition, at cost. Subsequent costs are capitalised provided that they result in a significant improvement of the asset and increase its future economic benefit. Depreciable property and equipment are recognised on the balance sheet as per the subsequent measurement, less straight-line depreciation according to its useful 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 the impairment no longer apply, write-ups (reversals) are implemented up to a maximum of the amortised costs or amortised production costs. Scheduled depreciations are recognised under Administrative expenses, while impairments as well as reversals of impairment losses are recognised under Other operating profit/loss. Property and equipment are depreciated over the following periods:

	Period of use in years
Buildings	3-50
Operating and office equipment	3-25
Other property and equipment	3-25

(16) Leases

Leasing transactions are recognised and measured in accordance with the provisions of IFRS 16. A distinction must be made here between the characteristics of the accounting as lessee and as lessor. In principle, 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

As the lessee, NORD/LB must recognise both assets for the right of use and leasing liabilities from leasing contracts.

At the start of the lease, the NORD/LB Group as the lessee 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 purchase are taken into consideration 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.

At the start of the lease, the NORD/LB Group as the lessee 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. Below, the right-of-use is measured at amortised cost. The associated accruing scheduled depreciation is recognised under Administrative expenses, while impairments as well as reversals of impairment losses are recognised under Other operating profit/loss.

As a lessee, the NORD/LB Group exercises the option to not record rights of use or leasing liabilities for short-term and low-value leases. Instead, the expenses from these contracts are recognised in the periods in which they occur in the income statement as Administrative expenses. Leases that on initial recognition have a term of 12 months or less are considered short-term. Leases are considered low-value when the new value does not exceed € 5,000.

The lease liability and corresponding right-of-use is remeasured to reflect changes in the recognised lease.

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. If all risks and rewards of ownership are not essentially transferred to the lessee, the lease must be classified as an operating lease.

If the NORD/LB Group serves as the lessor 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 NORD/LB Group recognises the receivable at the net investment value (difference between gross investment in the lease and unearned financial income) and carries it under Receivables. Directly attributable ancillary costs are distributed over the contract term. Lease payments under the terms of the finance lease are split into a principal component and an interest component. The principal component is deducted from the receivables directly in equity. The interest component is recognised through profit and loss as interest income received.

If the Group is the lessor in an operating lease, the item leased is capitalised in the balance sheet at the start of the lease agreement; initial directly attributable costs are recorded with the leased item. The leased item is measured as an asset at amortised cost. The lease payments received are recognised as leasing income under Other operating income. The interest expense from the financing of the leased item is recognised under Other operating expenses. Scheduled depreciations are recognised under Administrative expenses, while impairments as well as reversals of impairment losses are recognised under Other operating profit/loss. The assets in operating leases are written down over a period of 31 - 50 years.

(17) Investment Property

Investment properties comprise land and buildings/parts thereof held to obtain rental income and/or for capital appreciation purposes. Properties with third-party use exceeding 20 per cent of the basic rental area are examined to determine whether the part used by third parties can be separated. If not, the entire property is recognised on the balance sheet under Property and equipment, provided the share of own use is not insignificant.

Investment property 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 investment properties takes account of scheduled, straight-line depreciation. Impairments are applied at the amount at which the carrying amount exceeds the higher amount of fair value less the costs of disposal and value in use of the asset. If the reasons for an impairment no longer apply, a write-up is implemented up to a maximum of the amortised costs or amortised production costs. Scheduled depreciations are recognised under Administrative expenses, while the impairments as well as reversals of impairment losses are recognised under Other operating profit/loss.

Investment properties are depreciated over a period of 29 to 50 years.

The capitalised earnings value method is applied together with market data to determine the fair value of investment properties. The assessment was partly carried out by independent experts. All experts have the necessary qualifications and current experience.

(18) 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 of acquisition. 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 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, scheduled straight-line depreciation is taken into account 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. Scheduled depreciations are recognised under Administrative expenses, while 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 3 to 15 years.

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

(19) 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 scheduled depreciation as from the reclassification date. Impairment losses resulting from non-current assets and disposal groups are, however, taken into account. 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.

(20) Provisions for Pensions and Similar Obligations

According to IAS 19, direct and indirect pension liabilities from defined benefit plans are determined as at the balance sheet 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. Rights to reimbursement from the provident fund are also measured at fair value.

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) accrue interest at the discount rate used as the basis for measuring the gross pension liability. The resultant net interest expense is recognised in the income statement under Interest expenses. Other expenses due to pension commitments paid out and similar retirement benefits resulting primarily from entitlements earned in the financial year are taken into account under Administrative expenses in the income statement.

To determine the present value of defined benefit pension obligations, the actuarial interest rate (discount rate) also determined according to the Mercer Yield Curve Approach (MYC) for high-quality corporate bonds and anticipated future salary and pension increase rates are taken into account in addition to the biometric assumptions. The 2018 G Reference Tables by Klaus Heubeck were used to map mortality and disability. Gains or losses from the reduction or settlement of a defined benefit plan are recognised through profit or loss at the time of such reduction or settlement. The defined benefit obligation is determined based on the following actuarial assumptions:

(in %)	31 Dec. 2020	31 Dec. 2019
Domestic		
Actuarial interest rate	1.20	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.	Basis Heubeck Mortality Table 2018 G	Basis Heubeck Mortality Table 2018 G
Abroad (weighted parameters)		
Actuarial interest rate	1.31	2.05
Salary development (weighted)	2.70	2.69
Pension development	3.23	3.23
Mortality, invalidity, etc.	USA RP-2014, GB S1PMA Light/S1PFA light base tables with CMI 2014 projections basis, LUX DAV 2004 R	USA RP-2014, GB S1PMA Light/S1PFA light base tables with CMI 2014 projections basis, LUX DAV 2004 R
Inflation	3.02	3.07

(21) Other Provisions

Other provisions are recorded for uncertain liabilities to third parties and imminent losses on pending transactions if a present legal or constructive obligation results from an event in the past, availment is likely and the amount can be reliably determined. Provisions are measured according to the best estimate of the amount rationally required to meet the present obligation (or to transfer the obligation to an independent third party) on the balance sheet date. Management is responsible for this estimate. Empirical values from similar transactions and (as relevant) expert reports or specialists' opinions are included for this purpose. Risks and uncertainties are taken into account by measuring the obligation on the basis of the most probable event from a range of potential events. Future events which could influence the amount required to meet an obligation are taken into account if there are objective indications that they could occur. Provisions are discounted provided that the effect is significant.

(22) Income Taxes

Current income tax assets and liabilities are calculated using the applicable tax rates at which the payment to or reimbursement from the taxation authority is expected. In the event that the amounts stated in the tax returns may not be realised (uncertain tax items) current income tax liabilities have been formed. The amount is determined from the best-possible estimate of the expected tax payment (expected value or most likely value of the uncertain tax). Current income tax assets from uncertain tax assets are shown on the balance if it is likely that they can be realised. Only if there is a tax loss carried forward, no current income tax assets or liabilities for uncertain tax items are shown on the balance sheet rather deferred tax claims are modified for tax losses carried forward that have not yet been used.

Deferred tax assets and liabilities are calculated from the difference between the carrying amount of an asset or liability on the balance sheet and the corresponding tax base. On account of the temporary differences, deferred tax assets and liabilities are likely to result in effects due to income tax reliefs or burdens in future periods. They are measured using the tax rates expected to be valid for the period in which an asset is realised or a liability is met. Entity-specific tax rates (and tax rules) are applied for this purpose, as valid or adopted on the balance sheet date.

A deferred tax asset is recognised for the carryforward of unused tax losses and unused tax credits only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Current income tax assets and liabilities, and deferred tax assets and liabilities, are offset if the prerequisites for offsetting are met. No discounting is applied. Depending on the treatment of the underlying element, deferred tax assets and/or liabilities are recognised either in the income statement or in Other comprehensive income (OCI).

Income tax assets and liabilities are recognised separately on the balance sheet, divided into actual and deferred assets and liabilities for the reporting year. The carrying amount of a deferred tax asset is impairment-tested as of each balance sheet date.

Income tax expense or income is recognised in the Income taxes item in the Group's income statement.

Segment Reporting

Segment reporting provides information on the Group's operational 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 on the basis of internal reporting the way it is regularly reported internally for performance assessment and for decisions on the allocation of resources to the segments. The total risk exposure amount was recognised uniformly for the business segments and the Group, shown pursuant to CRR/CRD IV as at the financial reporting date. As of 1 January 2020, the former segments of Private and Commercial Customers and Savings Banks Network Customers were combined into the new segment of Private and Commercial Customers and Savings Banks Network Customers, and the former segments of Energy and Infrastructure Customers and Aircraft Customers were combined into the Special Financing segment. In addition, the former segment Group Controlling / Others was renamed Treasury / Consolidation / Others. In addition, holdings of the supra-regional municipal business amounting to € 2.5 billion (formerly the Savings Banks Network Customers segment) and housing amounting to € 2.5 billion, agricultural customers amounting to € 0.4 billion and other corporate customers amounting to € 1.6 billion (all formerly the Corporate Customers segment) were transferred to the newly formed Special Credit & Portfolio Optimization segment as of 1 December 2020.

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 internal calculations of the Group companies serve as the basis of calculation. 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 the requested range of products. There are no discernible dependencies on individual customers. The product ranges offered in the individual segments are described in the following notes. The income generated from them is presented in the overview. The product range offered comprises traditional credit and syndicate business, savings and checking products, securities, foreign exchange and derivative transactions, complex structured financing 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 customer transaction is determined by comparing the customer 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 Bank, every interest-bearing customer transaction is applied to the balancing provision held by the Treasury as the central cash management unit. There are no direct business relationships among market divisions within the Bank. For this reason, no inter-segment income is recognised in the internal reporting.

Segment expenses comprise primary expenses, expenses allocated on the basis of cost and service charging, and distributed overhead costs. Risk provisioning is allocated to the segments according to actual costs incurred.

Overall bank profit and loss, such as profit/loss from hedge accounting and the disposal profits/losses from financial instruments not measured at fair value through profit or loss, is not allocated to the Bank'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, committed capital and the key figures of cost/income ratio (CIR), Return on Risk adjusted Capital (RoRaC) and Return-on-Equity (RoE) are also presented in the segment report. The total risk exposure amounts pursuant to CRR/CRD IV 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 the fair value measurement, Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss, Profit/loss from hedge accounting, Profit/loss from investments accounted for using the equity method and Other operating profit/loss.

Committed capital in the segments is calculated on the basis of average annual values. The amount of the reconciliation between the committed capital recognised in the segments and the long-term equity under commercial law at company level is included in the reconciliation segment. A transfer from long-term equity under commercial law to balance sheet equity is presented separately at the end of the segment overview.

The following segments are considered in the segment reporting by business segment:

Private and Commercial Customers as well as Savings Banks Network Customers

The Private and Commercial Customers business segment as well as Savings Banks Network Customers consist of the Private and Commercial Customers and Savings Banks Network Customers sectors. In addition, the Group segment includes participation in Öffentliche Lebensversicherung and Öffentliche Sachversicherung Braunschweig.

Private and Commercial Customers includes the areas of private banking and commercial customers, corporate retail customers, branch advisory customers, and service customers in the business areas of Braunschweigische Landessparkasse (BLSK) and the locations in Hanover, Hamburg, Bremen and Oldenburg (Direct Reporting Unit (DRU) 61). The BLSK home area comprises Braunschweig and the parts of the former Duchy of Braunschweig belonging to the state of Lower Saxony today. BLSK is an institution with partial legal capacity within NORD/LB and is a savings bank established in the market. BLSK's range of products and services is based on the financial concepts at savings banks for specific customer segments, including the product range of the savings bank network partners including the Öffentliche Versicherung Braunschweig.

The Savings Banks in Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania as well as Schleswig Holstein and Brandenburg (extended network) are managed in the Savings Banks Network division. In addition, there are business activities in cooperation/liaison with the savings banks, managed commercial customers and municipal customers. From NORD/LB's perspective, the savings banks play three roles: They are customers, owners and a point of access to a broad market of customers. The business with the network savings banks comprises the current function of a clearing house, the pass-through promotional loan business, business with private customers, own business and the service for savings banks.

Corporate Customers

The Corporate Customers business segment comprises the NORD/LB Group's medium-sized and high-end corporate customer business. In doing so, it acts as a reliable partner in Germany and the neighbouring countries for corporate customers in medium-sized and large SMEs. In particular, the focus is on three core regions (north, central, south) in which NORD/LB impresses with very good local customer relationships regardless of the industry and looks after customers with many years of in-depth industry expertise. The main goal is to achieve core bank status for its customers. Furthermore, the Corporate Customers business segment also includes the financing of corporate acquisitions by private equity companies.

Markets

The main task of the strategic Markets segment is the trading of capital market products and products related to the capital markets 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 A & B securities business. Business activities in this area concentrate primarily on the interest segment. Furthermore, capital market-related products, such as corporate promissory notes or alternative investment products, are also sold to the customer groups as required.

Special Finance Customers

The special financing segment consists of the Energy and Infrastructure Customers and Aircraft Customers divisions.

The central locations for the Energy and Infrastructure segment are Hanover, London and Oldenburg. Customers are also managed at the New York and Singapore offices. The focus of this segment is on structuring and arranging bespoke, individual financing solutions, mainly for project-related transactions. In the energy sector, financing relates mostly to new construction and capacity expansions of wind and photovoltaic plants. The focus of the infrastructure business is on the sectors “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 within the existing limits.

The Aircraft Custoners segment covers primarily asset-based aircraft financing and is based mainly at the Hanover location with additional sales staff in Singapore and New York. These financing products are complemented by an extensive range of additional services (e.g. promissory notes, derivatives, etc.), which enable NORD/LB to offer its customers comprehensive solutions from a single source. The positioning of the business segment is successfully managed through active portfolio management using suitable refinancing and placement instruments. In addition to aircraft customers, outplacement functions and the network of banks as well as institutional investors for alternative investments (individual and portfolio transactions) are bundled across all NORD/LB asset classes (formerly Credit Asset Management).

Real Estate Banking Customers

NORD/LB’s and Deutsche Hypothekenbank’s definition of real estate finance relates mainly to financing regardless of the collateral for customers who generate the majority of their cash flow from real estate or who regularly make major 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. The Bank also finances commercial property in the segments of hotels, logistics and multi-purpose properties.

Special Credit & Portfolio Optimization

The Special Credit & Portfolio Optimisation (SCPO) segment was created from the previous Special Credit Management (SCM) unit and the internal Strategic Portfolio Optimization (SPO) unit and focuses on the previous SPO area in accordance with NORD/LB’s strategic realignment and the reduction of non-strategic portfolios. These include ship financing and the other wind-down portfolios “Housing” and “Supra-regional Municipal financing” as well as the wind-down portfolios “Corporate Customers” and “Agricultural Customers”. SCPO is not a strategic business segment, but as an area with an integrated bank management function it serves to wind down non-strategic customer relationships and asset classes.

The SPO ships portfolio (primarily non-performing ship financing) comprises the Tower Bridge and SPO Other portfolios and is subject to risk shielding through value adjustments and the financial guarantee of the state of Lower Saxony. The “Maritime Industries” portfolio (primarily non-non-performing ship financing) is also subject to risk shielding through the financial guarantee of the State of Lower Saxony and, in some cases, the securitisation transaction Northvest II. Further wind-down portfolios include “Housing” and “Supra-regional Municipal Financing“. The lion’s share of customer reduction is also carried out via SCPO. For this purpose, the “Corporate Customers” and “Agricultural Customers” wind-down portfolios were selected and transferred from the market division to SCPO.

Treasury / Consolidation / Other

This segment covers all other performance indicators directly related to business activity, such as Group companies that are not recognised in the segments, performance components at overall institutional level that are not attributed to the segments, results from financial instruments (in particular, from central measurement effects), financial assets and hedge accounting that are not included in the economic performance of the business segments, as well as overall Bank projects and consolidation items. In addition, the other operating profit/loss also includes, among other things, the bank levy.

The segment also includes Treasury, which makes a significant contribution to NORD/LB’s sustainable business development by managing liquidity, funding as well as interest rate and currency risks. In addition, Treasury provides all market areas with the instruments of effective interest calculation and conditioning and advises them early on with respect to complex transactions in the new business process, so that sustainable funding solutions for customers and the Bank are achieved. Treasury also has market access to the international money and foreign exchange markets. Furthermore, positioning in credit investment products is also carried out here as part of the overall bank management. These portfolios are managed by the Asset Liability Committee (ALCO) and serve to flexibly invest the allocated equity or to reinforce the Bank’s earnings position. Moreover, Treasury plays a central role in managing and optimising the banking book.

Reconciliation

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

Segment reporting by region

Regional distribution of income, earnings before taxes, segment assets and segment liabilities is based on the domicile of the branch or Group company concerned. Consolidation-related circumstances are shown separately.

(23) Segment Reporting by Business Segment

1 Jan. - 31 Dec. 2020 (in € million)	Private and Commercial Customers and Savings Bank Network	Corporate Customers	Markets	Special Finance	Real Estate Banking Customers	Special Credit & Portfolio Optimization	Treasury / Consolidation / Others	Reconciliation	NORD/LB Group
Net interest income	185	282	98	199	164	67	217	73	1 285
Net commission income	73	35	39	14	3	– 146	– 40	– 17	– 39
Profit/loss from fair value measurement	3	3	8	70	– 1	10	80	29	202
Risk provisioning	– 42	– 73	– 1	– 274	– 79	27	18	– 2	– 426
Disposal profit/loss from financial instruments not measured at fair value through profit or loss	–	–	–	–	–	–	– 36	–	– 36
Profit/loss from hedge accounting	–	–	–	–	–	–	66	–	66
Profit/loss from shares in companies	–	–	–	–	–	–	– 13	–	– 13
Profit/loss from investments accounted for using the equity method	2	–	–	–	–	–	– 14	–	– 11
Administrative expenses	242	162	114	163	58	13	173	9	934
Other operating profit/loss	– 12	4	1	4	1	2	– 21	–	– 21
Earnings before restructuring and transformation	**– 32**	**89**	**31**	**– 150**	**30**	**– 53**	**84**	**74**	**74**
Restructuring and transformation result	–	–	–	–	–	–	– 87	–	– 87
Earnings before taxes	**– 32**	**89**	**31**	**– 150**	**30**	**– 53**	**– 3**	**74**	**– 13**
Income taxes	–	–	–	–	–	–	–	– 39	– 39
Consolidated profit/loss	**– 32**	**89**	**31**	**– 150**	**30**	**– 53**	**– 3**	**112**	**25**
Segment assets	22 183	16 068	11 670	17 836	12 832	9 172	35 372	1 358	126 491
of which: investments at equity	40	–	–	–	–	–	87	–	127
Segment liabilities	12 382	4 631	31 078	2 540	160	1 775	72 041	1 883	126 491
Total risk exposure amount	4 924	10 295	2 604	7 398	5 547	1 953	2 509	4 462	39 692
Capital employed[1]	751	1 652	434	1 216	805	213	1 360	195	6 627
CIR	96.0%	49.9%	78.0%	56.6%	34.9%	-20.0%			64.5%
RoRaC/RoE[2]	-4.2%	5.4%	7.1%	-12.3%	3.7%	-24.7%			-0.2%

1 Jan. - 31 Dec. 2019 (in € million)	Private and Commercial Customers and Savings Bank Network	Corporate Customers	Markets	Special Finance	Real Estate Banking Customers	Special Credit & Portfolio Optimization	Treasury / Consolidation / Others	Reconciliation	NORD/LB Group
Net interest income	213	343	108	244	186	11	92	– 174	1 024
Net commission income	73	41	21	46	3	26	– 97	– 41	71
Profit/loss from fair value measurement	– 2	2	12	11	7	56	50	28	164
Risk provisioning	– 7	– 77	1	– 57	–	160	1	8	29
Disposal profit/loss from financial instruments not measured at fair value through profit or loss	–	–	–	–	–	–	– 35	6	– 30
Profit/loss from hedge accounting	–	–	–	–	–	–	22	–	22
Profit/loss from shares in companies	–	–	–	–	–	–	17	–	17
Profit/loss from investments accounted for using the equity method	2	–	–	–	–	–	18	–	20
Administrative expenses	234	190	109	132	62	58	177	8	970
Other operating profit/loss	– 2	–	1	3	1	1	105	– 64	45
Earnings before restructuring and transformation	**42**	**119**	**35**	**115**	**136**	**196**	**– 6**	**– 245**	**392**
Restructuring and transformation result	–	–	–	–	–	–	– 459	–	– 459
Earnings before taxes	**42**	**119**	**35**	**115**	**136**	**196**	**– 465**	**– 245**	**– 67**
Income taxes	–	–	–	–	–	–	–	36	36
Consolidated profit/loss	**42**	**119**	**35**	**115**	**136**	**196**	**– 465**	**– 281**	**– 103**
Segment assets[3]	25 391	23 785	13 401	19 899	13 195	4 273	39 869	– 219	139 594
of which: investments at equity	44	–	–	–	–	–	103	–	147
Segment liabilities[3]	11 020	5 023	35 603	3 144	153	815	83 286	550	139 594
Total risk exposure amount	5 274	12 462	2 774	8 757	5 498	671	466	3 939	39 841
Capital employed[1]	735	1 863	522	1 386	769	373	1 090	– 109	6 630
CIR	82.7%	49.3%	76.0%	43.3%	31.4%	62.2%			73.7%
RoRaC/RoE[2]	5.8%	6.4%	6.7%	8.3%	17.6%	52.5%			-1.0%

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

(in € million)	31 Dec. 2020	31 Dec. 2019
Long-term equity under commercial law	6 627	6 630
Accumulated OCI	-831	– 722
Earnungs after taxes	25	– 103
Reported equity	**5 821**	**5 804**

[2] RoRaC at the business level:
Earnings before taxes / committed capital
RoE at the company level:
Earnings before taxes/long-term equity under commercial law (see table above)
[3] For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

Due to the presentation in million € , there may be slight differences in the reproduction of mathematical operations in the present tables.

(24) Segment Reporting by Geographical Segment

1 Jan. - 31. Dec.2020 (in € million)	Federal Republic of Germany	Europe excluding Germany	America	Asia	Consolida-tion	NORD/LB Group
Earnings [1]	1 387	118	43	9	– 110	1 447
Earnings before taxes (EBT)	– 58	– 3	– 39	– 39	127	– 13
Segment assets	120 254	14 378	2 951	1 443	– 12 535	126 491
Segment liabilities	121 814	12 818	2 951	1 443	– 12 535	126 491
Total risk exposure amount	37 340	6 658	1 653	550	– 6 510	39 692
Capital employed	5 557	715	263	92	–	6 627
CIR	58.6%	49.0%	90.8%	273.7%		64.5%
RoRaC/RoE[2]	-1.1%	-0.5%	-15.0%	-42.6%		-0.2%

1 Jan. - 31. Dec.2019 (in € million)	Federal Republic of Germany	Europe excluding Germany	America	Asia	Consolida-tion	NORD/LB Group
Earnings[1]	1 076	170	52	28	– 10	1 316
Earnings before taxes (EBT)	– 129	92	11	– 11	– 30	– 67
Segment assets	134 660	17 543	3 613	1 777	– 18 000	139 594
Segment liabilities	136 618	15 585	3 613	1 777	– 18 000	139 594
Total risk exposure amount	37 261	7 568	1 666	466	– 7 119	39 841
Capital employed	5 478	828	234	118	– 29	6 630
CIR	88.9%	38.4%	76.1%	95.3%		73.7%
RoRaC/RoE[2]	-3.0%	11.1%	4.6%	-9.1%		-1.0%

[1] Earnings are defined as the sum of Net interest income, Net commission income, Profit/loss from financial assets at fair value, Profit/loss from hedge accounting, Profit/loss from investments accounted for using the equity method and other Operating profit/loss.
[2] RoRaC at the segment level:
Earnings before taxes / committed capital

RoE at the company level:
Earnings before taxes / long-term equity under commercial law (= reported equity - OCI (up until 2017: revaluation reserve) - earnings after taxes).

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

Note to the Income Statement

(25) Net Interest Income

The interest income and interest expenses items include paid and received interest, accrued interest and pro rata reversals of premiums and discounts on financial instruments. Due to the fact that silent participations are to be classified as debt under IAS 32 under certain circumstances, the corresponding expenses and earnings are likewise recognised in Net interest income.

	1 Jan. - 31. Dec. 2020 (in € million)	1 Jan. - 31. Dec. 2019[1)] (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	2 055	2 363	– 13
Interest income from trading and hedge accounting derivatives	1 972	2 274	– 13
Interest income from debt securities and other fixed interest securities	11	11	–
Interest income from loans and advances	72	78	– 8
Interest income from financial instruments mandatorily at fair value through profit or loss	32	70	– 54
Interest income from debt securities and other fixed interest securities	10	20	– 50
Interest income from loans and advances	22	50	– 56
	2 087	**2 433**	**– 14**
Interest income from financial assets at fair value through other comprehensive income			
Interest income from debt securities and other fixed interest securities	159	192	– 17
Interest income from loans and advances	22	35	– 37
	181	**227**	**– 20**
Interest income from financial assets at amortised cost			
Interest income from debt securities and other fixed interest securities	97	112	– 13
Interest income from loans and advances	1 822	2 221	– 18
Interest income from impaired debt securities and other fixed interest securities as well as loans and advances	19	42	– 55
	1 938	**2 375**	**– 18**
Dividend income	**5**	**10**	**– 50**
Other interest income and similar income			
Interest income from hedge accounting amortisations	386	394	– 2
Other interest income and similar income	241	48	> 100
	627	**442**	**42**
	4 838	**5 487**	**– 12**

	1 Jan. - 31. Dec. 2020 (in € million)	1 Jan. - 31. Dec. 2019[1)] (in € million)	Change (in %)
Interest expenses from assets	**54**	**57**	**– 5**
Interest expenses from liabilities			
Interest expenses from financial labilities at fair value through profit or loss			
Interest expenses from trading liabilities	1 926	2 342	– 18
Interest expenses from trading and hedge accounting derivatives	1 926	2 330	– 17
Interest expenses from deposits	–	12	– 100
Interest expenses from financial labilities designated at fair value through profit or loss	132	151	– 13
Interest expenses from deposits	93	105	– 11
Interest expenses from securitised liabilities	39	46	– 15
	2 058	**2 493**	**– 17**
Interest expenses from financial liabilities at amortised cost			
Interest expenses from deposits	919	1 159	– 21
Interest expenses from securitised liabilities	272	360	– 24
	1 191	**1 519**	**– 22**
Other interest expenses and similar expenses			
Interest expenses from hedge accounting amortisations	334	405	– 18
Other interest expenses and similar expenses	43	67	– 36
	377	**472**	**– 20**
	3 626	**4 484**	**– 19**
Interest income from liabilities	**127**	**78**	**63**
Total	**1 285**	**1 024**	**25**

The Interest expenses from assets and the Interest income from liabilities refer in the main to the Group's lending and money market transactions. In addition, Interest income contains a valuation result stemming from the application of IFRS 9.B5.4.6 in the amount of € 297 million (€ -30 million), which resulted from the payment flows associated with the new valuation of financial liabilities at amortised cost (see Note (13) Financial instruments). The difference between the tax measurement of these obligations and the measurement under IFRS 9.B5.4.6 resulted in a reversal of deferred tax assets amounting to € 67 million and a recognition of deferred tax liabilities amounting to € 19 million (€ 16 million increase in deferred tax assets).

(26) Net Commission Income

	1 Jan. - 31. Dec. 2020 (in € million)	1 Jan. - 31. Dec. 2019 (in € million)	Change (in %)
Commission income			
Lending and guarantee business	71	113	– 37
Account management and payment transactions	43	46	– 7
Trust activities	1	1	–
Security transactions and custody service	42	45	– 7
Brokerage business	32	35	– 9
Insurance business	–	–	–
Other commission income	9	9	–
	198	**249**	**– 20**
Commission expenses			
Lending and guarantee business	209	145	44
Account management and payment transactions	2	3	– 33
Trust activities	–	–	–
Security transactions and custody service	10	15	– 33
Brokerage business	7	3	> 100
Insurance business	–	–	–
Other commission expenses	8	12	– 33
	236	**178**	**33**
Total	**– 38**	**71**	**> 100**

Commission expenses (Lending and guarantee business) include the commission to be paid by NORD/LB in return for the granting of guarantees by the State of Lower Saxony. This is determined for the guarantee for the non-performing ship finance portfolio variably totalling 7.15 per cent p.a. of the guarantee amount to be melted as part of the portfolio reduction minus the sales revenues received (€ 42 million (€ 1 million)). A fixed guarantee charge (€ 96 million (€ 11 million) or € 26 million (€ 3 million)) is incurred for the guarantee for the further ship financing portfolio or for the reference portfolio from the Aircraft Customers segment.

The expiration of two securitisation transactions saved commission expenses of € 79 million compared with the previous year.

Net commission income includes income from financial instruments not measured at fair value through profit and loss in the amount of € 156 million (€ 204 million) and expenses from financial instruments not measured at fair value through profit and loss in the amount of € 221 million (€ 162 million).

(27) Profit/loss from Financial Instruments at Fair Value

	1 Jan. - 31 Dec. 2020 (in € million)	1 Jan. - 31 Dec. 2019[1)] (in € million)	Change (in %)
Trading result			
Profit/loss from derivatives			
Interest-rate risks	– 49	68	> 100
Currency risks	3	– 14	> 100
Share-price and other price risks	1	– 11	> 100
Credit derivatives	131	11	> 100
	86	**54**	**59**
Profit/loss from equity instruments	–	–	–
Profit/loss from debt-securities and other fixed-interest securities	105	52	> 100
Profit/loss from receivables held for trading	64	130	– 51
Profit/loss from short sales	–	3	– 100
Other trading result	– 1	– 1	–
	254	**238**	**7**
Profit/loss from financial assets at fair value through profit or loss			
Profit/loss from equity instruments	–	8	– 100
Profit/loss from debt-securities and other fixed-interest securities	– 4	36	> 100
Profit/loss from receivables	– 37	63	> 100
	– 41	**107**	**> 100**
Profit/loss from designated financial instruments at fair value through profit or loss			
Profit/loss from deposits	– 82	– 214	– 62
Profit/loss from securitised liabilties	20	– 13	> 100
	– 62	**– 227**	**– 73**
Foreign exchange result	**51**	**46**	**11**
Total	**202**	**164**	**23**

1) For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

(28) Risk Provisioning

	1 Jan. - 31 Dec. 2020 (in € million)	1 Jan. - 31 Dec. 2019 (in € million)	Change (in %)
Risk provisioning of financial assets at fair value through other comprehensive income			
Income from the reversal of risk provisioning for			
Debt securities and other fixed interest securities	1	2	– 50
	1	**2**	**– 50**
Expenses from allocations to risk provisions for			
Debt securities and other fixed-interest securities	2	1	100
	2	**1**	**100**
	– 1	**1**	**> 100**
Risk provisionig of financial assets at amortised cost			
Income from the reversal of risk provisioning for			
Debt securities and other fixed interest securities	2	6	– 67
Loans and advances	299	579	– 48
	301	**585**	**– 49**
Expenses from allocations to risk provisions for			
Debt securities and other fixed interest securities	8	–	–
Loans and advances	714	487	47
	722	**487**	**48**
	– 421	**98**	**> 100**
Provisions in lending business			
Income from the reversal	64	48	33
Expenses from allocation	37	68	– 46
	27	**– 20**	**> 100**
Recoveries of receivables written off	**43**	**48**	**– 10**
Direct write-offs	**74**	**99**	**– 25**
Premium payments for credit insurance	**1**	**–**	**–**
Modification results	**1**	**1**	**–**
Total	**– 426**	**29**	**> 100**

Of the expenses from the allocation to risk provisions for loans and advances totalling € 714 million, € 386 million was attributable to the management adjustment of risk provisions as a result of the COVID-19 pandemic (MAC-19) for loans and advances in impairment levels 1 and 2. The basis for using MAC-19 is shown in Note (2) and Note (14).

€ 1 million (€ 1 million) of the modification result relates to financial instruments for which the risk provisioning was determined on the basis of a lifetime expected credit loss. The corresponding amortised cost came to a total of € 544 million (€ 471 million) prior to modifications.

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

	1 Jan.-30 Dec. 2020 (in € million)	1 Jan.-30 Dec. 2019 (in € million)	Change (in %)
Disposal profit/loss from financial assets at fair value through other comprehensive income			
Disposal profit/los of			
Debt securities and other fixed interest securities	–	17	– 100
	–	17	– 100
Disposal profit/loss from financial assets at amortised cost			
Disposal profit/los of			
Debt securities and other fixed interest securities	– 5	5	> 100
Loans and advances	– 5	– 25	– 80
	– 10	– 20	– 50
Disposal profit/loss from financial liabilities at amortised cost			
Disposal profit/los of			
Deposits	– 20	– 23	– 13
Securitised liabilities	– 6	– 4	50
	– 26	– 27	– 4
Total	**– 36**	**– 30**	**20**

(30) Profit/loss from Hedge Accounting

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

	1 Jan. - 31 Dec. 2020 (in € million)	1 Jan. - 31 Dec. 2019 (in € million)	Change (in %)
Profit/loss from micro fair value hedges			
from hedged items	105	299	– 65
from derivatives designated as hedging instruments	– 87	– 279	– 69
	18	**20**	**– 10**
Profit/loss from portfolio fair value hedges			
from hedged items	– 6	– 281	– 98
from derivatives designated as hedging instruments	54	283	– 81
	48	**2**	**> 100**
Total	**66**	**22**	**> 100**

(31) Profit/loss from Shares in Companies

Profit/loss from shares in companies includes current income, valuation gains and losses recognised in profit or loss and disposal gains and losses on non-consolidated investments in companies.

	1 Jan. - 31 Dec. 2020 (in € million)	1 Jan. - 31 Dec. 2019 (in € million)	Change (in %)
Profit/loss from shares in subsidiaries	3	– 4	> 100
Profit/loss from shares in joint ventures	–	1	– 100
Profit/loss from shares in associated companies	1	4	– 75
Profit/loss from other shares in companies	– 17	16	> 100
Total	**– 13**	**17**	**> 100**

(32) Profit/loss from Investments Accounted for using the Equity Method

The profit/loss from shares in companies accounted for using the equity method is shown below. This contains the contributions to earnings from joint ventures and associated companies through profit and loss, measured using the equity method.

	1 Jan.-30 Dec. 2020 (in € million)	1 Jan.-30 Dec. 2019 (in € million)	Change (in %)
Shares in joint ventures	–	1	– 100
Shares in associated companies	– 11	19	> 100
Total	**– 11**	**20**	**> 100**

(33) Administrative Expenses

	1 Jan.-30 Dec. 2020 (in € million)	1 Jan.-30 Dec. 2020 (in € million)	Change (in %)
Staff expenses			
Wages and salaries	368	403	– 9
Social insurance contributions	55	59	– 7
Expenditure on pension schemes and other benefits	55	48	15
Other staff expenses	6	6	–
	484	**516**	**– 6**
Other administrative expenses			
Costs for IT and communications	231	230	0
Building occupancy costs	29	29	–
Expenses for marketing, communications and entertainment	11	15	– 27
Personnel-related material expenses	8	14	– 43
Costs for legal, auditing, appraisal and consulting services	52	48	8
Levies and contributions	18	21	– 14
Expenses for operating and office equipment	5	5	–
Expenses for leasing	3	4	– 25
Other administrative expenses	20	23	– 13
	377	**389**	**– 3**
Amortisation and depreciation			
Property and equipment	33	37	– 11
Investment property	3	2	50
Intangible assets	37	26	42
	73	**65**	**12**
Total	**934**	**970**	**– 4**

Staff expenses include expenses for defined contribution plans amounting to € 4 million (€ 4 million).

(34) Other Operating Profit/Loss

	1 Jan.-30 Dec. 2020 (in € million)	1 Jan.-30 Dec. 2019 (in € million)	Change (in %)
Other operating income			
Income from the reversal of provisions	19	21	– 10
Income from the chartering of vessels related to restructuring lending commitments	–	5	– 100
Rental income from investment property	9	12	– 25
Income from the disposal of non-financial assets	19	–	–
Reimbursements	7	10	– 30
Other operating income	35	154	– 77
	89	**202**	**– 56**
Other operating expenses			
Expenses from bank levy and deposit protection fund	84	85	– 1
Expenses from additions of impairment losses on non-financial assets	–	32	– 100
Expenses for the achievement of charter revenues from vessels	–	3	– 100
Expenses from Investment property	3	2	50
Other taxes	6	7	– 14
Other operating expenses	17	28	– 39
	110	**157**	**– 30**
Total	**– 21**	**45**	**> 100**

(35) Restructuring Result

As of reporting year 2020, the items Restructuring result and Reorganisation expenses will be combined in the Profit/loss from restructuring and transformation totalling € 87 million (€ 459 million) . This gives consideration to the fact that the reorganisation programme One Bank has been transferred to the much more comprehensive, centrally managed transformation programme, NORD/LB 2024. The targets of NORD/LB 2024 are bringing about a fundamental reorganisation of the Group and are due to be completed by the end of 2023. The associated expenses are not to be assigned to the operating business activities, but are to be posted separately due to their significance and their extraordinary non-recurring nature. These are both personnel costs and expenses for consultancy services that arise as part of the Group’s transformation for strategy, implementation, IT and legal consultancy. The previous year's amount of € 341 million relates to restructuring expenses in connection with the reduction of staff and € 118 million to expenses for consulting services.

(36) Income Taxes

	1 Jan.-31 Dec. 2020 (in € million)	1 Jan.-31 Dec. 2019[1] (in € million)	Change (in %)
Current taxes on income and earnings			
Tax expenses / income for the current year	3	11	– 73
Tax expenses / income for previous years	– 10	– 3	> 100
	– 7	**8**	**> 100**
Deferred taxes			
Deferred taxes due to the accrual / reversal of temporary differences and tax losses / tax credits not previously considered	– 35	23	> 100
Deferred taxes due to changes in tax legislation / tax rates	1	– 1	> 100
Deferred taxes due to temporary differences in previous periods not previously considered	3	6	– 50
	– 31	**28**	**> 100**
Total	**– 38**	**36**	**> 100**

[1] For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

The following tax reconciliation shows an analysis of the difference between anticipated income tax expenditure, as derived from applying the German income tax rate to IFRS earnings before taxes, and the income tax expenditure actually reported.

	1 Jan.-31 Dec. 2020 (in € million)	1 Jan.-31 Dec. 2019 (in € million)
IFRS earnings before taxes	**– 13**	**– 67**
Anticipated income tax expenditure	– 4	– 22
Effects of reconciliation:		
Effects of differing tax rates	7	– 6
Taxes from previous years reported in the reporting period	– 7	3
Effects of changes in tax rates	1	– 1
Non-deductible operational expenditure	34	26
Effects of tax-free earnings	– 2	– 37
Effect of permanent accounting-related effects	2	– 9
Effects of write-ups / write-downs / recognition adjustments	– 73	88
Other effects	4	– 6
Reported income tax expenses	**– 38**	**36**

Anticipated income tax expenditure in the tax reconciliation statement is calculated using the corporate tax rate of 15 per cent plus the solidarity surcharge of 5.5 per cent and the average trade tax rate of roughly 16.2 per cent as valid in Germany in 2020. The income tax rate for Germany is therefore 32.0 per cent (32.0 per cent).

The deferred taxes of Group entities in Germany are measured using the tax rate valid on the reporting date and/or the future tax rate of 32.0 per cent (32.0 per cent).

The impacts of deviating tax rates are caused by the different tax rates applied in the various countries. The effects of write-ups/write-downs/recognition adjustments also include the effects of the subsequent increase or decrease in loss carry forwards and of unrecognised deferred tax assets on temporary differences and loss carry forwards.

Notes to the Statement of Comprehensive Income

The income tax effects are as follows on the individual components of other comprehensive income (OCI):

(in € million)	1 Jan. - 31 Dec. 2020 Amount before taxes	Income tax effect	Amount after taxes	1 Jan. - 31 Dec. 2019 Amount before taxes	Income tax effect	Amount after taxes
Investments accounted for using the equity method - Share of other comprehensive income	– 8	2	– 6	11	– 3	8
Changes in financial liabilities designated at fair value through profit or loss due to changes in own credit risk	– 58	7	– 51	– 135	39	– 96
Revaluation of the net liability from defined benefit pension plans	– 186	30	– 156	– 358	2	– 356
Changes in financial assets at fair value through other comprehensive income	116	– 37	79	167	– 52	115
Translation differences of foreign business units	– 4	–	– 4	2	–	2
Other comprehensive income	**– 140**	**2**	**– 138**	**– 313**	**– 14**	**– 327**

Notes to the Balance Sheet

(37) Cash Reserve

	31 Dec. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Cash on hand	54	58	– 7
Cash balances at central banks	5 977	3 396	76
Total	**6 031**	**3 454**	**75**

(38) Financial Assets at Fair Value through Profit or Loss

This item includes the trading assets, financial assets requiring measurement at fair value through profit or loss and financial assets at fair value through profit or loss of the NORD/LB Group.

The trading activities comprise the Group's derivative financial instruments not used in hedge accounting. Furthermore the item includes trading activities in debt securities and other fixed-interest securities. The financial assets requiring measurement at fair value category recognises financial instruments which are required to be measured at fair value through profit or loss due to fulfilment of the cash-flow or business model criterion as per IFRS 9.

	31 Dec. 2020 (in € million)	31 Dec. 2019[1)] (in € million)	Change (in %)
Trading assets			
Positive fair values from derivatives			
Interest-rate risks	4 230	4 222	0
Currency risks	357	321	11
Share-price and other price risks	2	1	100
Credit derivatives	113	26	> 100
	4 702	**4 570**	**3**
Debt-securities and other fixed-interest securities	2 202	1 666	32
Loans and advances to customers	692	582	19
Registered securities	2 205	2 514	– 12
	9 801	**9 332**	**5**
Financial assets mandatorily at fair value through profit or loss			
Equity instruments	20	21	– 5
Debt-securities and other fixed-interest securities	949	1 193	– 20
Loans and advances to banks	58	63	– 8
Loans and advances to customers	326	491	– 34
	1 353	**1 768**	**– 23**
Total	**11 154**	**11 100**	**0**

[1)] For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

The credit derivatives shown under trading assets include the guarantees received from the State of Lower Saxony as part of NORD/LB's capital enhancement on certain portfolios of the Special Credit & Portfolio Optimization (SCPO) segment and on the Aircraft Customer portfolio of the Special Financing segment. These guarantees are to be formed as credit derivatives according to the IFRS and have a carrying amount as at the reporting date of € 0 million (€ 2 million).

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

	31 Dec. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Debt-securities and other fixed-interest securities	13 845	15 759	– 12
Loans and advances to banks	473	652	– 27
Loans and advances to customers	585	774	– 24
Total	**14 903**	**17 185**	**– 13**

The change in the risk provisioning recognised in other comprehensive income (OCI) related to this item is presented under Note (59) Risk provisioning and gross carrying amount.

(40) Financial Assets at Amortised Cost

	31 Dec. 2020 (in € million)	31 Dec. 2019[1)] (in € million)	Change (in %)
Debt-securities and other fixed-interest securities	3 825	4 180	– 8
Loans and advances to banks	14 418	19 986	– 28
Loans and advances to customers	72 502	80 049	– 9
Total	**90 745**	**104 215**	**– 13**

Loans and advances to customers include an amount of € 89 million (€ 57 million), which results from the support contract and relates to the performance obligation of the State of Lower Saxony arising from NORD/LB's release from risks in connection with increased health assistance services.

The change in the risk provisioning contained in the item is presented under Note(59) Risk provisioning and gross carrying amount.

(41) Positive Fair Values from Hedge Accounting Derivatives

This item comprises positive fair values of hedging instruments in effective micro and portfolio fair value hedging relationships.

	31 Dec. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Micro fair value hedge derivative	773	998	– 23
Portfolio fair value hedge derivative	83	21	> 100
Total	**856**	**1 019**	**– 16**

(42) Balancing Items for Financial Instruments Hedged in the Portfolio Fair Value Hedge

This item includes fair-value changes to assets attributable to the hedged risk, which are included as an underlying transaction in a portfolio fair value hedge.

(43) Shares in Companies

The balance sheet item Shares in companies includes all shares in companies of the NORD/LB Group, which are not consolidated in accordance with IFRS 10, IFRS 11 or IAS 28, but rather measured in accordance with IFRS 9.

	31 Dec. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Subsidaries	18	25	– 28
Joint Ventures	7	7	–
Associated companies	39	39	–
Other shares in companies	258	281	– 8
Total	**322**	**352**	**– 9**

(44) Property and Equipment

	31 Dec. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Land and buildings	194	213	– 9
Operating and office equipment	34	38	– 11
Other property and equipment	1	1	–
Right-of-use assets from leasing	73	87	– 16
Total	**302**	**339**	– 11

The development of property and equipment is shown under Note (45).

(45) Investment Property

The investment property has a total carrying amount of € 131 million (€ 122 million). The corresponding fair value of the investment property is € 180 million (€ 177 million) and falls, according to the fair value hierarchy of IFRS 13, completely within Level 2 with € 180 million (€ 189 million).

The profit/loss from investment property is as follows:

	1 Jan. - 31 Dec. 2020 (in € million)	1 Jan. - 31 Dec. 2019 (in € million)
Rental income	9	12
Direct operating expenses	3	2

The development of cost and the development of accumulated depreciation for property and equipment and for investment property are shown as follows:

(in Mio €)	Land and buildings	Operating and office equipment	Ships	Other property equipment	Right-of-use-assets from leasing	**Total**	Investment property
Cost as at 1 January 2019	**629**	**253**	**75**	**1**	**100**	**1 058**	**138**
Additions	–	6	–	1	4	**11**	–
Disposals	–	38	75	1	–	**114**	23
Transfers	– 55	– 1	–	–	–	**– 56**	52
Total 31 December 2019	**574**	**220**	**–**	**1**	**104**	**899**	**167**
Accumulated depreciation as at 1 January 2019	**339**	**209**	**46**	**–**	**–**	**594**	**31**
Scheduled depreciation	9	11	–	–	17	**37**	2
Impairments (non-scheduled)	27	–	2	–	–	**29**	4
Transfers	– 11	–	–	–	–	**– 11**	11
Disposals	3	38	48	–	–	**89**	3
Total 31 December 2019	**361**	**182**	**–**	**–**	**17**	**560**	**45**
Closing balance as at 31 December 2019	**213**	**38**	**–**	**1**	**87**	**339**	**122**
Cost as at 1 January 2020	**574**	**220**	**–**	**1**	**104**	**899**	**167**
Additions	–	6	–	–	3	**9**	–
Disposals	52	5	–	–	4	**61**	–
Transfers	– 12	–	–	–	–	**– 12**	19
Change from currency translation	–	– 1	–	–	–	**– 1**	–
Total 31 December 2020	**510**	**220**	**–**	**1**	**103**	**834**	**186**
Accumulated depreciation as at 1 January 2020	**361**	**182**	**–**	**–**	**17**	**560**	**45**
Scheduled depreciation	7	10	–	–	16	**33**	3
Transfers	–	–	–	–	–	**–**	7
Disposals	52	5	–	–	3	**60**	–
Change from currency translation	–	– 1	–	–	–	**– 1**	–
Total 31 December 2020	**316**	**186**	**–**	**–**	**30**	**532**	**55**
Closing balance as at 31 December 2020	**194**	**34**	**–**	**1**	**73**	**302**	**131**

(46) Intangible Assets

	31 Dec. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Software			
Purchased	66	73	– 10
Internally generated	43	46	– 7
	109	**119**	**– 8**
Prepayments and intangible assets under development and preparation	10	13	– 23
Leased software	7	7	–
Total	**126**	**139**	**– 9**

Intangible assets under development refer primarily to internally generated software. Fully amortised software is still used.

NORD/LB Group's main intangible assets are listed below:

	Carrying amount (in € million)		Remaining depreciation period (in years)	
	31 Dec.2020[1]	31 Dec.2019[1]	31 Dec.2020	31 Dec.2019
IT applications	32	38	7	8
Internally developed software	50	44	4	7

[1] Amounts include intangible assets that are both completed and under construction.

Intangible assets changed as follows:

(in € million)	Software purchased	Software internally generated	Prepayments and intangible assets under development and preparation	Leasing items from finance lease	Leased software	Other intangible assets	**Total**
Cost as at 1 January 2019	**212**	**299**	**8**	**5**	**8**	**13**	**545**
Additions	5	7	11	–	1	–	24
Disposals	33	–	–	–	–	–	33
Transfers	13	5	– 6	– 5	–	– 13	– 6
Total at 31 December 2019	**197**	**311**	**13**	**–**	**9**	**–**	**530**
Accumulated depreciation as at 1 January 2019	**141**	**257**	**–**	**3**	**–**	**–**	**401**
Scheduled depreciation	17	7	–	–	2	–	**26**
Transfers	– 1	1	–	– 3	–	–	**– 3**
Disposals	33	–	–	–	–	–	**33**
Total at 31 December 2019	**124**	**265**	**–**	**–**	**2**	**–**	**391**
Closing balance as at 31 December 2019	**73**	**46**	**13**	**–**	**7**	**–**	**139**
Cost as at 1 January 2020	**197**	**311**	**13**	**–**	**9**	**–**	**530**
Additions	4	10	9	–	2	–	**25**
Disposals	2	–	2	–	–	–	**4**
Transfers	12	–	– 10	–	–	–	**2**
Total at 31 December 2020	**211**	**321**	**10**	**–**	**11**	**–**	**553**
Accumulated depreciation as at 1 January 2020	**124**	**265**	**–**	**–**	**2**	**–**	**391**
Scheduled depreciation	22	13	–	–	2	–	**37**
Transfers	2	–	–	–	–	–	**2**
Disposals	3	–	–	–	–	–	**3**
Total at 31 December 2020	**145**	**278**	**–**	**–**	**4**	**–**	**427**
Closing balance as at 31 December 2020	**66**	**43**	**10**	**–**	**7**	**–**	**126**

(47) Assets Held for Sale

Assets held for sale in accordance with IFRS 5 break down as follows:

	31 Dec. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Financial assets at fair value through profit or loss	–	42	– 100
Financial assets at amortised costs	–	18	– 100
Property and equipment	67	1	> 100
Investment property	–	20	– 100
Total	**67**	**81**	**– 17**

As at 31 December 2019, receivables arising from ship finance totalling € 60 million were recognised for the first time under Assets held for sale in the items Financial assets measured at fair value through profit and loss or Financial assets measured at amortised cost. These are assigned to the segment Ship Customers / Maritime Industries Customers. The sale of receivables was successfully completed in February 2020.

As at 31 December 2019, the items Property and equipment and Investment property included two properties to be sold from the segment Group Controlling/Others, which were sold in the 3rd quarter of 2020.

As at the current reporting date, the item “Assets held for sale” includes property and equipment (eleven ships) amounting to € 67 million. These belong to the Group Controlling / Others segment. The sale is planned for the 1st and 2nd quarter of 2021.

(48) Income Tax Assets

	31 Dec.2020 (in € million)	31 Dec.2019[1)] (in € million)	Change (in %)
Current income tax assets	23	19	21
Deferred tax assets	457	435	5
Total	**480**	**454**	**6**

[1)] For individual items, the previous year’s figures have been adjusted, see Note (5) Restatement of previous year’s figures.

Deferred tax assets reflect potential relief on income taxes from temporary differences in the values of assets and liabilities between the IFRS consolidated balance sheet and tax values in accordance with the tax regulations of the Group companies. Deferred tax assets recognised under other comprehensive income (OCI) totalled € 186 million (€ 150 million) as at 31 December 2020.

Deferred income tax assets were established in respect of the following balance sheet items and tax losses not yet utilised:

	31 Dec.2020 (in € million)	31 Dec.2019 (in € million)	Change (in %)
Assets			
Financial assets at fair value through profit or loss	33	30	10
Financial assets at fair value through other comprehensive income	4	2	100
Financial assets at amortised costs	197	142	39
Shares in companies	13	14	– 7
Property and equipment	40	37	8
Other assets	113	107	6
Liabilities			–
Trading liabilities	36	329	– 89
Designated financial liabilities at fair value through profit or loss	117	89	31
Financial liabilities at amortised costs	454	481	– 6
Negative fair values from hedge accounting derivatives	747	714	5
Provisions	783	751	4
Other liabilities	37	117	– 68
Tax loss carried forward	7	–	–
Total	**2 581**	**2 813**	**– 8**
Net	2 124	2 378	– 11
Total	**457**	**435**	**5**

In addition to deferred taxes recognised in the income statement, netted deferred income tax assets include € 37 million (€ 31 million) from Designated financial liabilities at fair value through profit or loss, € 7 million (€ 6 million) from Other assets and € 142 million (€ 113 million) from provisions, which are recognised in other comprehensive income (OCI).

In the case of loss carryforwards from corporate tax amounting to € 3,137 million (€ 2,612 million) and from trade tax amounting to € 3,118 million (€ 2,580 million), the limited planning period and the insufficient probability of use as a result meant that no deferred tax assets were recognised as at 31 December 2020.

Tax losses carried forward from corporate tax totalling € 5 million (€ 3 million) lapse in the next five years, while the other tax losses carried forward can be used indefinitely.

The NORD/LB Group recognises deferred assets exceeding deferred tax liabilities by € 369 million (€ 356 million) for companies that suffered a loss for the current year as at 31 December 2020. These deferred tax assets, the use of which depends on future taxable income, are recognised only to the extent that their realisation is sufficiently certain. This assumes that sufficient taxable results will be available in a manageable future period, against which offsetting can take place. On the basis of the medium-term plan, the Bank makes the assessment that the deferred tax assets recognised are of value and can be substantiated by sufficient taxable income.

No deferred taxes were recognised for € 1,199 million (€ 2,028 million) of temporary differences that can be carried forward indefinitely.

(49) Other Assets

	31 Dec.2020 (in € million)	31 Dec.2019 (in € million)	Change (in %)
Refund claims to provident fund NORD/LB	552	561	– 2
Loans and advances on interim accounts	94	44	> 100
Rights to reimbursement from defined benefit plans	–	1	– 100
Deferred item	26	15	73
Bailout purchases	24	–	–
Receivabales	1	1	–
Contract assets	10	9	11
Other assets	115	75	53
Total	**822**	**706**	**16**

NORD/LB transferred some of its pension obligations to the provident fund (Unterstützungkasse) Norddeutsche Landesbank Girozentrale Hannover/Braunschweig e.V., Hanover. Due to an existing agency agreement with the provident fund, however, NORD/LB will continue to make pension payments and on this basis has a reimbursement right from the fund. NORD/LB's rights to reimbursement from the fund equates to the fair value of the assets transferred to the fund by NORD/LB for the purpose of making the pension payments. Refer to Note (54) Provisions for details on the changes in the reimbursement right.

The loans and advances on interim accounts primarily relate to loans and advances in relation to the lending business, the securities business, and transactions on payment accounts.

The rescue purchases include 20 regional aircraft with a balance sheet value of € 24 million (€ 0 million), which NORD/LB took over as part of the insolvency of a British airline.

The change in Other assets, which are related to income from customer agreements, is presented in the following:

	Receivables		Contract assets		Contract costs		contract liabilities	
(in € million)	2020	2019	2020	2019	2020	2019	2020	2019
1 Jan.	**1**	**1**	**9**	**9**	**–**	**–**	**–**	**–**
Satisfaction of performance obligations	1	4	1	1	–	–	–	–
Consideration received	– 2	– 4	–	– 1	–	–	–	–
31 Dec.	**–**	**1**	**10**	**9**	**–**	**–**	**–**	**–**

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

This item includes trading liabilities and designated financial liabilities at fair value through profit and loss.

The trading liabilities include negative fair values from derivative financial instruments that are not used in hedge accounting and delivery obligations from short sales of securities. The category of financial liabilities designated at fair value through profit and loss includes liabilities to banks and customers and securitised liabilities.

	31 Dec.2020 (in € million)	31 Dec.2019[1)] (in € million)	Change (in %)
Trading liabilities			
Negative fair values from derivatives			
Interest-rate risks	2 718	2 735	– 1
Currency risks	355	492	– 28
Share-price and other price risks	1	1	–
Credit derivatives	31	51	– 39
	3 105	**3 279**	**– 5**
Delivery obligations from short-sales	48	62	– 23
	3 153	**3 341**	**– 6**
Financial liabilities designated at fair value through profit or loss			
Deposits			
Liabilities to banks	265	349	– 24
Liabilities to customers	3 839	4 254	– 10
	4 104	**4 603**	**– 11**
Securitised liabilities			
Securitised liabilities	2 404	3 151	– 24
	2 404	3 151	– 24
	6 508	**7 754**	**– 16**
Total	**9 661**	**11 095**	**– 13**

[1)] For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures

The change in fair value attributable to changes in the Bank's credit risk of financial liabilities designated at fair value through profit and loss is recognised in Other comprehensive income (OCI). It amounts to € -59 million (€ -142 million) for the reporting period and totals € 0 million (€ 0 million).

The fair value adjustment attributable to the credit risk is determined based on differences using a procedure in line with market practices. The amount in question is derived as the difference between the fair value determined on a daily basis based on current market figures as well as the current NORD/LB spread curves and the fair value calculated using market data without the NORD/LB spread curves.

The carrying amount of liabilities designated at fair value through profit and loss as at 31 December 2020 is € 543 million (€ 690 million) higher than the corresponding repayment amount. The difference stems largely from the higher interest rates on liabilities compared to the current market rate.

(51) Financial Liabilities at Amortised Cost

	31 Dec. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Deposits			
Deposits from banks	5 765	6 037	– 5
Saving deposits from customers	1 053	1 061	– 1
Other liabililities	71 912	81 703	– 12
Subordinated liabilities	153	416	– 63
	78 883	**89 217**	**– 12**
Securitised Liabilities			
Mortgage bonds	10 839	10 779	1
Municipal debentures	3 677	4 026	– 9
Other securitised Liabilities	8 223	8 744	– 6
Subordinated securitised liabilities	2 105	2 721	– 23
	24 844	**26 270**	**– 5**
Total	**103 727**	**115 487**	**– 10**

The change in subordinated liabilities is partly due to a positive effect on earnings of € 297 million (€ -30 million) from the remeasurement of financial liabilities measured at amortized cost (silent participations) due to a change in the estimate of cash flows.

(52) Negative Fair Values from Hedge Accounting Derivatives

This item comprises negative fair values of hedging instruments in effective micro and portfolio fair value hedging transactions.

	31 Dec.2020 (in € million)	31 Dec.2019 (in € million)	Change (in %)
Micro fair value hedge derivatives	1 930	2 001	– 4
Portfolio fair value hedge derivatives	36	18	100
Total	**1 966**	**2 019**	**– 3**

(53) Balancing Items for Financial Instruments Hedged in the Portfolio Fair Value Hedge

This item includes fair value changes financial liabilities attributable to the hedged risk that are included as underlying transactions in a portfolio fair value hedge.

(54) Provisions

Provisions are broken down as follows:

	31 Dec.2020 (in € million)	31 Dec.2019 (in € million)	Change (in %)
Provisions for pensions and other obligations	**3 205**	**2 977**	**8**
Other provisions			
Provisions for personnel	61	68	– 10
Provisions in lending business	65	94	– 31
Provisions for litigation and recourse risks	16	21	– 24
Provisions for restructuring measures	514	539	– 5
Other provisions	48	52	– 8
	704	**774**	**– 9**
Total	**3 909**	**3 751**	**4**

Pensionens and similar Oblgations

The net liability from defined benefit pension obligations breaks down as follows:

	31 Dec. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Present value of defined benefit obligations	3 253	3 024	8
Less fair value of plan assets	48	47	2
Total	**3 205**	**2 977**	**8**

In the NORD/LB Group, there are both defined benefit pension commitments and, to a lesser extent, defined contribution pension commitments.

Description of the pension plans

The NORD/LB Group's corporate pension plan is based on multiple pension systems. Firstly, employees acquire an entitlement to pension claims through a defined contribution paid by the Group to external pension funds (defined contribution plan). The pension claims are based on yearly benefit components, the amount of which depends on the individual annual pensionable salary. The pension contributions are recognised as a current expense using the accounting standards in accordance with IAS 19 for defined contribution plans. Pension provisions are not recognised.

Employees also acquire entitlements to pension claims where the pension benefit is defined, and the amount depends on factors like expected salary and wage increases, age, duration of employment and pension trend forecasts (defined benefit plan). These are mainly different pension components, and depending on possible insurance claims, pensions for a reduction in earning capacity and surviving dependants may be granted alongside the old-age pension. The plan assets for pension commitments are backed by plan assets in the form of fixed-interest securities. There are also claims to benefit payments.

There are defined benefit pension claims from direct commitments and indirect commitments. Payments from direct pension claims are made directly by NORD/LB, while payments from indirect pension claims are made by the legally independent provident fund Norddeutsche Landesbank Girozentrale Hannover/Braunschweig e. V., Hanover (Hanover provident fund). The legally independent provident fund of Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen, has transferred its assets and obligations to the Hanover provident fund with effect from 1 January 2020 and is to be liquidated at short notice. The management bodies of the Hanover provident fund consist of employer and employee representatives from the NORD/LB Group. The provident fund is endowed with a lump-sum or partially reinsured, and is provided with liquid assets by NORD/LB by law to fulfil their pension payments. As guarantor institution for the pension obligations, NORD/LB also bears subsidiary liability for the fulfilment of payments from the provident funds. With respect to the provident fund, NORD/LB enjoys a right of reimbursement equivalent to the fair value of the fund's assets. NORD/LB reports this right of reimbursement under Other assets (see Note 49).

There are multiple different pension schemes in the NORD/LB Group, in which the commitments are based on service agreements grounded in collective bargaining agreements or on individual contractual commitments. The primary pension schemes are the total pension commitments as per German civil service law, VO 1973 and VO 2000. For these pension systems, the accounting provisions from IAS 19 for defined benefit plans are used.

Since 1 January 2000, the defined benefit pension commitment based on VO 2000 is also applied to members of the Managing Board. Beyond the pension components acquired on a pro-rata basis, additional initial components are also committed, depending on the committee member's function and the number of times they have been reappointed as a member of the Managing Board. Managing Board members who joined the company before 1 January 2000 received an individual total pension commitment in accordance with regulations in place up to 31 December 1999.

Neither VO 1973 nor VO 2000 apply to any new employees. VO 2000 was closed, effective as at 31 December 2013.

Since 1 January 2014, the pension commitments for new employees of NORD/LB AöR are structured as a reinsured provident fund through the BVV Versorgungskasse des Bankgewerbes e.V. (Banking Insurance Association for the Banking Industry) in Berlin.

In addition, all Bank employees have the option to finance an additional pension provision from 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 a public-law institution, NORD/LB was subject to guarantor liability up to and including 17 July 2001. As a result, creditors, and thus the employees with respect to their pension claims, have a claim against the guarantors of the public-law institution to have their demands fulfilled. On 17 July 2001, guarantor liability for savings banks and state banks (Landesbanken) was abolished by the European Commission. As such, all pension commitments agreed upon up to that time fall under guarantor liability without limitation. Also included under guarantor liability are all pension commitments issued up to 18 July 2005, insofar as the pension benefits could be claimed before 31 December 2015. All pension commitments agreed upon since 18 July 2001 and all commitments not covered under the transitional regulations, are secured against insolvency by NORD/LB in exchange for a contribution payment to the Pensionssicherungsverein (Pension Security Association).

Both the obligations from defined-benefit pension commitments and the plan assets may be subject to volatility over time. This may have a positive or negative effect on funded status. Volatility in defined-benefit pension obligations result primarily from changes in financial assumptions and from actuarial interest rates, but also from changes in demographic assumptions like changes in life expectancy. Due to the structuring of existing pension commitments, the amount of the promised payments depends (among other factors) on the changes in pensionable income, the contribution assessment ceiling in the statutory pension insurance system and the social security pension. Insofar as these assessment parameters evolve differently to what was predicted in the calculation of provisions, there may be a need for supplementary financing. The NORD/LB Group reviews the scheduling of pension payments on a regular basis (liquidity management) and its investment strategy and investment amounts. The basis for determining investment and pension payment amounts for each closing date is drawn from the actuarial reports. The majority of the investment volume is placed in cash/cash equivalents, and to a small extent in long-term government bonds with a rating of at least AA that are quoted on an active market. Investments are made in short-term, highly fungible other investments at the same amount as the pension payments. The risk of interest rate change is reduced as much as possible by the smoothly rolling character of investments in debt instruments (government bonds). Market and investment risk is countered by observing a minimum rating (AA) for investments and by the type of investments (mainly government bonds). Liquidity risk management, due in part to pension payments, is described in the risk report.

With regard to the provident funds, the various management bodies have established the framework conditions for investing funds in their respective capital investment guidelines. For both funds, investments to finance pension benefits are predominantly made in low-risk forms of investment (NORD/LB debt instruments, interest-rate hedge transactions with NORD/LB and liquid assets and claims from reinsurance policies). The management bodies can delegate the management of fund assets to third parties.

Joint schemes for multiple employers

The NORD/LB Group, along with other financial institutions in Germany, is a member company of the BVV Versorgungskasse des Bankgewerbes e.V. (Banking Industry Pension Fund), or BVV. Both the Group as an employer and eligible employees make regular old-age pension contributions to the BVV. The BVV's rates provide for fixed pension payments with profit sharing.

The Group classifies the BVV plan as a defined benefit plan, and treats it as a defined contribution plan for accounting purposes, since the available information is not sufficient for accounting as a defined benefit plan. The BVV is subject to subsidiary employer liability with respect NORDLB employees. NORD/LB evaluates the likelihood of a claim on the subsidiary liability as extremely small, and therefore does not establish either a contingent liability or a provision.

The net liability from the defined benefit obligation shows the following transition from the opening to the closing balance for the period, accounting for the effects of the items listed below:

(in € million)	Defined benefit obligation 2020	2019	Fair value of plan assets 2020	2019	Negative balance (net indebtness) 2020	2019	Change (in %)
Opening balance	**3 024**	**2 570**	**47**	**168**	**2 977**	**2 402**	**24**
Current service cost	43	37	–	–	43	37	16
Interest income (interest expense)	45	57	1	4	44	53	– 17
Effects from settlements / assignments (compensation payments	–	–	–	– 124	–	124	– 100
Changes from currency translation	– 2	2	– 2	2	–	–	–
Benefits paid	– 76	– 72	– 2	– 17	– 74	– 55	35
Employer contributions	–	–	1	3	– 1	– 3	– 67
Reversals	1	1	–	–	1	1	–
	3 035	**2 595**	**45**	**36**	**2 990**	**2 559**	**17**
Revaluation							
Adjustments made on the basis of experience	24	45	–	–	24	45	– 47
Profit / losses from the change in demographic assumptions	6	11	–	–	6	11	– 45
Profit / losses from the change in financial assumptions	188	373	–	–	188	373	– 50
Income from plan assets (Without interest income)	–	–	3	11	– 3	– 11	– 73
Closing balance	**3 253**	**3 024**	**48**	**47**	**3 205**	**2 977**	**8**

In addition to the pension commitments, the present value of the defined benefit obligation includes commitments to benefit payments of € 371 million (€ 346 million).

The defined benefit obligation is divided as at the reporting date into amounts of € 3 245 million (€ 3 016 million) from defined benefit plans which are not financed through a fund, and amounts of € 0 million (€ 7 million) from defined benefit plans which are fully or partially financed through a fund.

The fair value of plan assets is structured as follows:

	31 Dec.2020 (in € million)	31 Dec.2019 (in € million)	Change (in %)
Equity instruments			
active market	19	18	6
	19	**18**	**6**
Debt instruments			
active market	18	18	–
	18	**18**	**–**
Other financial assets			
active market	7	7	–
inactive market	4	4	–
	11	**11**	**–**
Total	**48**	**47**	**–**

Own debt or equity instruments, other assets used for own use or real estate in own use are not included in the fair value of plan assets. Other assets contain asset values of reinsurance policies totalling € 4 million (€ 4 million).

In preparation for the merger with the Hanover provident fund, the plan asset characteristic for the fund assets of the Bremen provident fund was abandoned in 2019 within the framework of an amendment to the articles of association of the provident fund of Bremer Landesbank Kreditanstalt Oldenburg GmbH. The cash assets of Bremer Unterstützungskasse GmbH have been reported as a reimbursement right since 31 December 2019.

The fair value of the reimbursement right vis-à-vis NORD/LB's provident fund changed as follows:

(in € million)	2020 (in € million)	2019 (in € million)	Change (in %)
Opening balance 1 January	**561**	**426**	**32**
Benefits paid on reimbursement	– 61	– 43	42
Capital contribution by owner companies	47	45	4
Calculated interest income on reimbursement	9	7	29
Revaluation (OCI)	– 4	2	> 100
Other changes in value (P&L)	–	124	– 100
Closing balance 31 December	**552**	**561**	**– 2**

The following overview shows the maturity dates of the expected undiscounted defined-benefit obligations:

(in Mio €)	Pensions-auszahlungen 31.12.2020	Pensions-auszahlungen 31.12.2019
Weniger als 1 Jahr	75	75
zwischen 1 und 2 Jahren	78	77
zwischen 2 und 3 Jahren	82	79
zwischen 3 und 4 Jahren	85	82
zwischen 4 und 5 Jahren	89	85
Gesamt	**409**	**398**

The duration of the defined benefit pension obligation is 21 (21) years and is reviewed annually by an actuarial appraiser.

Due to actuarial assumptions, the defined benefit obligation is subject to changes. The following sensitivity analysis shows the effects of the specified changes to each assumption on the amount of the defined benefit obligation, based on the premises that there are no correlations and all other assumptions remain unchanged.

(in € million)	Increase 31 Dec.2020	Decline 31 Dec.2020	Increase 31 Dec.2019	Decline 31 Dec.2019
Actuarial interest rate	350	301	321	277
Wages	22	22	23	23
Pensions	84	80	77	71
Cost increase rate for allowance payments	71	75	78	59
Mortality, invalidity, etc.	167	163	151	149

For the actuarial interest rate, a sensitivity of -/+ 0.50 (0.50) per cent was assumed; for wage and pension trends -/+ 0.25 (0.25) per cent each; and 1.0 (1.0) per cent for benefits payments. With a constant probability of mortality of 88.2 (88.2) percent compared to the previous year, this only results in effects on the scope of obligations as a result of the lower actuarial interest rate compared to the previous year and the resulting higher commitment volume. Due to issues of materiality, only a sensitivity analysis focused on Germany 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.	**68**	**94**	**21**	**539**	**52**	**774**
Utilisation	9	1	–	20	9	**39**
Resolutions	1	64	11	4	6	**86**
Additions	3	37	6	40	11	**97**
Reversals	–	–	–	– 50	–	**– 50**
Effects on changes of currency translation and other changes	–	– 1	–	9	–	**8**
31 Dec.	**61**	**65**	**16**	**514**	**48**	**704**

The provisions for reorganisation measures stem largely from the One Bank transformation programme of the NORD/LB Group and the continuation of the transformation through the NORD/LB 2024 programme. They relate to human resource measures referring to the leveraging of synergies in the NORD/LB Group and the resizing of the Group when implementing the new business model and include both compensation agreements and early retirement measures. With regard to the severance payments, a corresponding transfer to liabilities is made at the time of the contract. At the time of the provisions were formed, there are uncertainties about the level and timing of use of the restructuring provisions for early retirement measures. These relate to the life expectancy of the beneficiaries, the social security contribution to be paid and the fact that not all individual contractual agreements have yet been concluded as at the reporting date. The NORD/LB Group expects significant consumption to be distributed over the next five to eleven years.

The majority of the provisions for human resources liabilities are long term. They also include provisions for reorganisation expenses amounting to € 9 million (€ 16 million). The reorganisation expenses stem from a programme launched in 2011 to boost efficiency and do not fulfil the definition of restructuring measures in accordance with IAS 37.70. The provisions due to reorganisation expenses as well as the provisions owing to early retirement schemes also contained in the provisions for obligations arising from human resources totalling € 9 million (€ 9 million) are heavily dependent on individual cases and thus the amounts are still uncertain. The provisions will be utilised gradually in the coming periods. The other human resources provisions are essentially of a short-term nature.

With regard to the provisions for legal proceedings there are uncertainties regarding the amount and timing of the use of these provisions owing to a lack of empirical data and the differences among the underlying situations as well as the uncertainties concerning the outcomes of potential court or arbitration proceedings.

The Other provisions are mostly long-term.

(55) Income Tax Liabilities

	31 Dec.2020 (in € million)	31 Dec.2019[1)] (in € million)	Change (in %)
Current income tax liabilities	29	34	– 15
Deferred income taxes	64	65	– 2
Total	**93**	**99**	**– 6**

1) For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

The current income tax liabilities include payment obligations from current income taxes to domestic and foreign tax authorities.

Deferred tax liabilities reflect the potential income tax burden from temporary differences in the values of assets and liabilities between the IFRS consolidated balance sheet and tax values in accordance with the tax regulations of the Group companies. Deferred tax liabilities recognised under Other comprehensive income (OCI) totalled € 108 million (€ 71 million) as at 31 December 2020.

The deferred tax liabilities are related to the following balance sheet items:

	31 Dec.2020 (in € million)	31 Dec.2019 (in € million)	Change (in %)
Assets			
Trading assets	207	686	– 70
Financial assets at fair value through profit or loss	10	13	– 23
Financial assets at fair value through other comprehensive income	232	235	– 1
Financial assets at amortised costs	425	443	– 4
Positive fair values from hedge accounting derivatives	354	376	– 6
Shares in companies	3	5	– 40
Property and equipment	123	132	– 7
Intangible assets	19	16	19
Other assets	218	251	– 13
Liabilities			
Trading liabilities	199	–	–
Designated financial liabilities at fair value through profit or loss	3	2	50
Financial liabilities at amortised costs	366	261	40
Provisions	17	11	55
Other laibilities	12	12	–
Total	**2 188**	**2 443**	**– 10**
Net	2 124	2 378	– 11
Total	**64**	**65**	**– 2**

In addition to deferred taxes recognised in the income statement, deferred income tax liabilities contain financial assets measured at fair value through other comprehensive income of € 108 million (€ 71 million), which are recognised in other comprehensive income (OCI). No deferred tax liabilities were recorded for taxable differences from shares in subsidiaries amounting to € 24 million (€ 24 million), in accordance with IAS 12.39.

(56) Other Liabilities

	31 Dec.2020 (in € million)	31 Dec.2019 (in € million)	Change (in %)
Liabilities from interim accounts	61	48	27
Liabilities from short-term employee remuneration	5	5	–
Liabilities resulting from unsettled invoices	33	29	14
Liabilities from payable taxes and social insurance contributions	13	14	– 7
Defferred item	9	8	13
Liabilities from leasing	78	94	– 17
Other liabilities	112	96	17
Total	**311**	**294**	**6**

The liabilities from interim accounts primarily relate to liabilities connected to the lending business, securities trading business and transactions on payment accounts.

With regard to the liabilities from leases, please refer to the Notes (16) Leasing transactions and (71) Leasing conditions.

(57) Equity

Composition of equity:

	31 Dec.2020 (in € million)	31 Dec.2019[1)] (in € million)	Change (in %)
Issued capital	2 972	2 835	5
Capital reserve	2 589	2 589	–
Retained earnings	1 039	1 047	– 1
Accumulated OCI	– 818	– 722	13
Currency translation reserve	– 13	– 9	44
Equity attributable to the owners of NORD/LB	**5 769**	**5 740**	**1**
Additional equity	50	50	–
Non-controlling interests	2	14	– 86
Total	**5 821**	**5 804**	**0**

[1)] In the case of some individual items, the previous year’s figures have been adjusted, see Note (5) Restatement of previous year’s figures.

On the key reporting date, the owners of NORD/LB are Niedersächsische Invest GmbH (NIG) with 42.92 per cent (45.00 per cent), Hannoversche Beteiligungsgesellschaft Niedersachsen mbH (HanBG) with 12.23 per cent (7.98 per cent), the state of Lower Saxony with 0.00 per cent (0.00 per cent), the State of Saxony-Anhalt with 6.66 per cent (6.98 per cent), the companies FIDES Gamma GmbH and FIDES Delta GmbH each with 12.73 percent (13.35 per cent), Sparkassenverband Niedersachsen (SVN) with 9.51 per cent (9.97 per cent), Sparkassenbeteiligungsverband Sachsen-Anhalt (SBV) with 1.90 per cent (1.99 per cent) and Sparkassenbeteiligungszweckverband Mecklenburg-Vorpommern (SZV) with 1.32 per cent (1.38 per cent). The NIG and HanBG operate for the state of Lower Saxony. The commissions paid to HanBG under the guarantees granted by the State of Lower Saxony were contributed to NORD/LB by HanBG, meaning that the subscribed capital increased by € 137 million to € 2,972 million with effect from the beginning of 31 December 2020. Accordingly, the ownership structure of the owners has changed compared to the previous year.

The capital reserves contain the amounts (premium) paid in connection with capital increases by the owners of NORD/LB through the issued capital and silent participations of € 10 million (€ 10 million) in total, which due to their economic nature constitute equity capital as per IAS 32. The profit participation for silent participations is € 0 million (€ 0 million).

Included in retained earnings are the earnings retained in the Group in previous reporting years and the transfers from the annual profit minus the shares of other shareholders.

Accumulated other comprehensive income (OCI) contains the effects from the valuation of financial assets measured at fair value through other comprehensive income, the proportional change in equity of shares in the company recognised according to the equity method and the effects of the revaluation of the net liability from defined benefit pension plans. This item also contains cumulative changes resulting from financial liabilities designated at fair value through profit and loss that are attributable to the change in own credit risk.

The currency translation reserve contains the effects resulting from use of the modified reporting date rate method in translating annual reports from foreign business units with a functional currency other than the euro.

The amount under additional equity totalling € 50 million (€ 50 million) relates to a tranche of additional Tier-1 bonds issued by the NORD/LB Group (AT1 bonds).

Other shareholders do also hold a stake in the equity of the NORD/LB Group. They hold shares in the equity of subsidiaries and are recognised as Group equity capital attributable to non-controlling interests. There are no funding obligations for the non-controlling interests.

No dividend was paid for 2019, nor is any dividend planned for 2020.

Notes to the Cash Flow Statement

The cash flow statement shows how cash and cash equivalents for the reporting year have changed by cash flows from operating activities, investing activities and financing activities.

Cash and cash equivalents are defined as a cash reserve (cash on hand and balances with central banks). There are no disposal constraints with regard to cash and cash equivalents.

The cash flow from operating activities is determined by the indirect method based on consolidated profit. The expenses and income to be allocated or deducted, respectively, are those that were no-cash items in the reporting year. In addition, all expenses and income that were cash items, but are not allocated to operating activities, are eliminated. These payments are taken into account in the cash flow from investing activities or financing activities.

In accordance with the IASB's recommendations, payment transactions from loans and advances, from securities in the trading portfolio and from liabilities are recognised under cash flow from operating activities.

The cash flow from investing activities includes payment transactions for the investment portfolio as well as payments and receipts for property and equipment and the acquisition of subsidiaries.

The cash flow from financing activities comprises cash flows from changes to equity and hybrid capital (subordinated capital), dividend payments to owners of the parent company NORD/LB and interest payments on subordinated capital. In addition to the information in the cash flow statement, the opening and closing balances of liabilities where the cash flows are assigned to financing activity is presented below:

	Equity		Subordinated capital	
(in € million)	2020	2019	2020	2019
01 January	**5 804**	**3 362**	**3 136**	**3 406**
Consolidated profit/loss	25	– 103	–	–
Repayment	–	–	– 498	– 365
No cash changes	–	–	–	–
Changes due to acquisition or loss of control of subsidiaries or other business operations	–	44	–	–
Exchange rate-related changes	– 4	2	– 67	15
Other changes	– 4	2 499	– 313	80
31 December	**5 821**	**5 804**	**2 258**	**3 136**

[1] For individual items, the previous year`s figures have been adjusted, see Note (5) Restatement of previous year`s figures.

For transactions that resulted in gaining or losing control of subsidiaries and other business units in the reporting period, remuneration € 0 million (€ 0 million) was paid and € 0 million (€ 206 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. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Trading assets	–	43	–	220
Financial assets at amortised costs	–	–	–	422
Shares in companies	–	–	6	–
Investments accounted for using the equity method	–	–	–	35
Property and equipment	–	–	–	20
Assets held for sale	67	–	–	37
Deferred income taxes	–	–	5	–
Other assets	–	–	–	1
Total assets	**67**	**43**	**11**	**735**

Liabilities	Acquisition of control		Loss of control	
(in € million)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Financial liabilities at amortised costs	–	–	6	9
Deferred income taxes	–	–	–	6
Other liabilities	–	–	–	20
Total liabilities	**–**	**–**	**6**	**35**

Other Disclosures

Notes to Financial Instruments

(58) Fair Value Hierarchy

The fair values of financial assets and their classification in the fair value hierarchy are compared with their corresponding carrying amounts in the following table.

(in € million)	31 Dec.2020 Level 1	Level 2	Level 3	Total fair values	Carrying amount	Difference
Assets						
Cash reserve	6 031	–	–	6 031	6 031	–
Trading assets	345	7 171	2 285	9 801	9 801	–
Positive fair values from derivatives	–	4 604	98	4 702	4 702	–
Interest-rate risks	–	4 228	2	4 230	4 230	–
Currency risks	–	357	–	357	357	–
Share-price and other price risks	–	1	1	2	2	–
Credit derivatives	–	18	95	113	113	–
Debt securities and other fixed interest securities	345	1 794	63	2 202	2 202	–
Loans and advances	–	773	2 124	2 897	2 897	–
Financial assets mandatorily at fair value through profit or loss	742	360	251	1 353	1 353	–
Equity instruments	20	–	–	20	20	–
Debt securities and other fixed interest securities	722	227	–	949	949	–
Loans and advances	–	133	251	384	384	–
Financial assets at fair value through other comprehensive income	2 445	11 237	1 221	14 903	14 903	–
Debt securities and other fixed interest securities	2 445	11 237	163	13 845	13 845	–
Loans and advances	–	–	1 058	1 058	1 058	–
Financial assets at amortised cost	375	6 537	87 451	94 363	90 745	3 618
Debt securities and other fixed interest securities	237	3 635	–	3 872	3 825	47
Loans and advances	138	2 902	87 451	90 491	86 920	3 571
Positive fair values from hedge accounting derivatives	–	856	–	856	856	–
Positive fair values from allocated micro fair value hedge derivatives	–	773	–	773	773	–
Interest-rate risks	–	755	–	755	755	–
Currency risks	–	18	–	18	18	–
Positive fair values from allocated portfolio fair value hedge derivatives	–	83	–	83	83	–
Interest-rate risks	–	83	–	83	83	–
Balancing items for financial instruments hedged in in the portfolio fair value hedge	–	–	–	–[1]	425	– 425
Shares in companies	10	–	312	322	322	–
Other assets (only financial instruments) measured at fair value	–	4	–	4	4	–
Total	**9 948**	**26 165**	**91 520**	**127 633**	**124 440**	**3 193**

[1] Contributions relating to the assets item “Balancing items for financial instruments hedged in the portfolio fair value hedge” are shown in the fair values of the hedged financial instruments.

(in € million)	31 Dec.2019 Level 1	Level 2	Level 3[2]	Total fair values	Carrying amount[2]	Difference
Assets						
Cash reserve	3 454	–	–	3 454	3 454	–
Trading assets	128	7 380	1 824	9 332	9 332	–
Positive fair values from derivatives	–	4 556	14	4 570	4 570	–
Interest-rate risks	–	4 211	11	4 222	4 222	–
Currency risks	–	321	–	321	321	–
Share-price and other price risks	–	1	–	1	1	–
Credit derivatives	–	23	3	26	26	–
Debt securities and other fixed interest securities	128	1 510	28	1 666	1 666	–
Loans and advances	–	1 314	1 782	3 096	3 096	–
Financial assets mandatorily at fair value through profit or loss	843	568	357	1 768	1 768	–
Equity instruments	19	2	–	21	21	–
Debt securities and other fixed interest securities	824	369	–	1 193	1 193	–
Loans and advances	–	197	357	554	554	–
Financial assets at fair value through other comprehensive income	5 204	10 509	1 472	17 185	17 185	–
Debt securities and other fixed interest securities	5 204	10 509	45	15 758	15 758	–
Loans and advances	–	–	1 427	1 427	1 427	–
Financial assets at amortised cost	5 396	6 845	94 960	107 201	104 215	2 986
Debt securities and other fixed interest securities	327	3 827	–	4 154	4 180	– 26
Loans and advances	5 069	3 018	94 960	103 047	100 035	3 012
Positive fair values from hedge accounting derivatives	–	1 019	–	1 019	1 019	–
Positive fair values from allocated micro fair value hedge derivatives	–	998	–	998	998	–
Interest-rate risks	–	970	–	970	970	–
Currency risks	–	28	–	28	28	–
Positive fair values from allocated portfolio fair value hedge derivatives	–	21	–	21	21	–
Interest-rate risks	–	21	–	21	21	–
Balancing items for financial instruments hedged in in the portfolio fair value hedge	–	–	–	–[1]	281	– 281
Shares in companies	24	–	328	352	352	–
Financial assets held for sale measured at fair value	–	–	42	42	42	–
Financial assets held for sale not recognised at fair value	–	–	14	14	14	–
Other assets (only financial instruments) measured at fair value	–	35	–	35	35	–
Total	**15 049**	**26 356**	**98 997**	**140 402**	**137 697**	**2 705**

[1] Contributions relating to the assets item “Balancing items for financial instruments hedged in the portfolio fair value hedge” are shown in the fair values of the hedged financial instruments.
[2] For individual items, the previous year’s figures have been adjusted, see Note (5) Restatement of previous year’s figures.

The fair values of financial liabilities and their classification in the fair value hierarchy are compared with their corresponding carrying amounts in the following table.

	31 Dec.2020					
(in € million)	Level 1	Level 2	Level 3	Total fair values	Carrying amount	Difference
Liabilities						
Trading liabilities	–	3 001	152	3 153	3 153	–
Negative fair values from derivatives	–	2 953	152	3 105	3 105	–
Interest-rate risks	–	2 595	123	2 718	2 718	–
Currency risks	–	355	–	355	355	–
Share-price and other price risks	–	1	–	1	1	–
Credit derivatives	–	2	29	31	31	–
Delivery obligations from short-sales	–	48	–	48	48	–
Financial liabilities designated at fair value through profit or loss	1 055	2 584	2 869	6 508	6 508	–
Deposits	–	1 960	2 144	4 104	4 104	–
Securitised liabilities	1 055	624	725	2 404	2 404	–
Financial liabilities at amortised cost	1 866	41 357	63 877	107 100	103 727	3 373
Deposits	–	22 318	59 621	81 939	78 883	3 056
Securitised liabilities	1 866	19 039	4 256	25 161	24 844	317
Negative fair values from hedge accounting derivatives	–	1 966	–	1 966	1 966	–
Negative fair values from allocated micro fair value hedge derivatives	–	1 930	–	1 930	1 930	–
Interest-rate risks	–	1 765	–	1 765	1 765	–
Currency risks	–	165	–	165	165	–
Negative fair values from allocated portfolio fair value hedge derivatives	–	36	–	36	36	–
Interest-rate risks	–	36	–	36	36	–
Balancing items for financial instruments hedged in in the portfolio fair value hedge	–	–	–	–[1]	1 003	– 1 003
Other liabilities (only financial instruments) not recognised at fair value	–	–	1	1	1	–
Total	**2 921**	**48 908**	**66 899**	**118 728**	**116 358**	**2 370**

[1] Contributions relating to the liabilities item “Balancing items for financial instruments hedged in the portfolio fair value hedge” are shown in the fair values of the hedged financial instruments.

(in € million)	31 Dec.2019 Level 1	Level 2[3]	Level 3[2)3)]	Total fair values	Carrying amount[2]	Differenz
Liabilities						
Trading liabilities	10	3 211	120	3 341	3 341	–
Negative fair values from derivatives	–	3 159	120	3 279	3 279	–
Interest-rate risks	–	2 666	69	2 735	2 735	–
Currency risks	–	492	–	492	492	–
Share-price and other price risks	–	1	–	1	1	–
Credit derivatives	–	–	51	51	51	–
Delivery obligations from short-sales	10	52	–	62	62	–
Financial liabilities designated at fair value through profit or loss	1 107	5 032	1 615	7 754	7 754	–
Deposits	–	2 988	1 615	4 603	4 603	–
Securitised liabilities	1 107	2 044	–	3 151	3 151	–
Financial liabilities at amortised cost	2 075	50 035	66 378	118 488	115 487	3 001
Deposits	294	27 864	63 778	91 936	89 217	2 719
Securitised liabilities	1 781	22 171	2 600	26 552	26 270	282
Negative fair values from hedge accounting derivatives	–	2 018	–	2 018	2 019	– 1
Negative fair values from allocated micro fair value hedge derivatives	–	2 000	–	2 000	2 001	– 1
Interest-rate risks	–	1 795	–	1 795	1 796	– 1
Currency risks	–	205	–	205	205	–
Negative fair values from allocated portfolio fair value hedge derivatives	–	18	–	18	18	–
Interest-rate risks	–	18	–	18	18	–
Balancing items for financial instruments hedged in in the portfolio fair value hedge	–	–	–	–[1]	1 045	– 1 045
Other liabilities (only financial instruments) measured at fair value	–	30	–	30	30	–
Other liabilities (only financial instruments) not recognised at fair value	–	–	1	1	1	–
Total	**3 192**	**60 326**	**68 114**	**131 632**	**129 677**	**1 955**

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) For individual items, the previous year’s figures have been adjusted, see Note (5) Restatement of previous year’s figures, guarantee derivative.
3) The previous year’s figures have been adjusted in accordance with IAS 8.42 due to incorrect technical processing. This leads to a transfer of disclosure between Level 2 in the amount of € +15,997 million and Level 3 in the amount of € -15,997 million with regard to deposits in the item Financial liabilities measured at amortised cost.

In the case of designated assets held for sale and reported at fair value these are non-recurring fair value measurements (see Note (47) Assets held for sale).

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

2020 (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	19	1	154	1
Debt securities and other fixed interest securities	19	1	–	–
Loans and advances	–	–	154	1
Financial assets at fair value through profit or loss	26	1	55	–
Equity instruments	–	1	–	–
Debt securities and other fixed interest securities	26	–	–	–
Loans and advances	–	–	55	–
Financial assets at fair value through other comrehensive income	1 634	113	62	–
Debt securities and other fixed interest securities	1 634	113	62	–
Trading liabilities	–	–	7	–
Negative fair values from derivatives	–	–	7	–
Interest-rate risks	–	–	7	–
Designated financial liabilities at fair value through profit or loss	–	–	1 269	117
Deposits	–	–	595	117
Securitised liabilities	–	–	674	–

2019 (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	7	–	443	54
Debt securities and other fixed interest securities	7	–	–	–
Loans and advances	–	–	443	54
Financial assets at fair value through profit or loss	–	24	–	–
Debt securities and other fixed interest securities	–	24	–	–
Financial assets at fair value through other comrehensive income	1 466	1 556	–	55
Debt securities and other fixed interest securities	1 466	1 556	–	55
Trading liabilities	–	–	–	1
Negative fair values from derivatives	–	–	–	1
Interest-rate risks	–	–	–	1
Designated financial liabilities at fair value through profit or loss	–	–	3	87
Deposits	–	–	3	87

Asset-side financial instruments are allocated to a level on the basis of the individual transaction pursuant to IDW RS HFA 47. This makes the classification of the financial instruments in the various levels more precise. Accordingly, (mixed) prices calculated by price service agencies, among others, on the basis of reported prices are to be assigned to Level 2. Broker quotations must originate from an active market in order to be allocated to Level 1. If there are only a few broker prices or if these prices have significant bid-ask ranges or price differences, it is assumed that there is no active market.

Most level transfers as at the reporting date compared to 31 December 2019 took place between Level 1 and Level 2. These transfers are attributable to changes in trading activity. Furthermore, there were significant level transfers from Level 2 to Level 3 for own issues, since all own issues of the unsecured preferred class are classified as Level 3 for all maturities compared with the previous year.

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)	2020	2019	2020	2019	2020	2019[2]	2020	2019	2020	2019
1 Jan.	**11**	**1**	**–**	**–**	**3**	**1**	**28**	**–**	**1 782**	**442**
Effect in the income statement [1]	– 9	1	1	–	92	–	3	6	54	– 2
Addition through purchase or issue	–	9	–	–	–	2	110	237	1 391	1 711
Disposal from sale	–	–	–	–	–	–	78	215	1 106	715
Repayment/exercise	–	–	–	–	–	–	–	–	136	88
Addition from level 1 and 2	–	–	–	–	–	–	–	–	154	443
Disposal to level 1 and 2	–	–	–	–	–	–	–	–	1	54
Changes from the basis of consolidation	–	–	–	–	–	–	–	–	– 1	44
Change from currency translation	–	–	–	–	–	–	–	–	– 13	1
31 Dec.	**2**	**11**	**1**	**–**	**95**	**3**	**63**	**28**	**2 124**	**1 782**
For information: Effect on income statement for financial instruments still held [1]	–	–	–	–	93	–	–	–	48	– 4

[1] The effects reported include net interest income and deferrals, valuation 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] For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

	Financial assets at fair value through profit or loss	
	Loans and advances	
(in € million)	2020	2019
1 Jan.	**357**	**690**
Effect in the income statement [1]	200	505
Addition through purchase or issue	87	184
Repayment/exercise	448	1 024
Addition from level 1 and 2	55	–
Changes from the basis of consolidation	–	2
31 Dec.	**251**	**357**
For information: Effect on income statement for financial instruments still held [1]	– 53	– 174

[1] The effects reported include net interest income and deferrals, valuation 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 other comprehensive income			
	Debt securities and other fixed interest securities		Loans and advances	
(in € million)	2020	2019	2020	2019
1 Jan.	**45**	**95**	**1 427**	**1 808**
Effect in the income statement [1]	–	–	– 17	– 17
Effect in other comprehensive income (OCI)	–	4	– 9	– 3
Addition through purchase or issue	70	34	–	–
Disposal from sale	–	33	–	–
Repayment/exercise	14	–	343	361
Addition from level 1 and 2	62	–	–	–
Disposal to level 1 and 2	–	55	–	–
31 Dec.	**163**	**45**	**1 058**	**1 427**
For information: Effect on income statement for financial instruments still held 1)	–	–	– 10	– 11

[1] The effects reported include net interest income and deferrals, valuation gains/losses and realised profit/loss; these are reported in the income statement under the items Net interest income, Profit/loss from risk provisioning, and Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss.

	Shares in companies		Financial assets held for sale measured at fair value	
(in € million)	2020	2019	2020	2019
1 Jan.	328	321	42	84
Effect in the income statement [1]	– 17	18	–	–
Addition through purchase or issue	–	91	–	42
Disposal from sale	3	102	42	84
Changes from the basis of consolidation	4	–	–	–
31 Dec.	**312**	**328**	**–**	**42**
For information: Effect on income statement for financial instruments still held [1]	– 17	18	–	–

[1] The effects reported include net interest income and deferrals, valuation gains/losses and realised profit/loss; these are reported in the income statement under the items Net interest income, Profit/loss from financial assets at fair value, Risk provisioning, Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss, Profit/loss from shares in companies, Administrative expenses and Other operating result.

	Trading liabilities			
	Negative fair values from derivatives interest-rate risks		Negative fair values from derivatives credit derivatives	
(in € million)	2020	2019	2020	2019[2]
1 Jan.	**69**	**6**	**51**	**3**
Effect on the income statement [1]	– 69	– 5	– 22	– 2
Addition through purchase or issue	116	69	–	50
Addition from level 1 and 2	7	–	–	–
Disposal to level 1 and 2	–	1	–	–
31 Dec.	**123**	**69**	**29**	**51**
For information: Effect on income statement for financial instruments still held [1]	–	–	– 22	–

[1] The effects reported include net interest income and deferrals, valuation 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] For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

	Designated financial liabilities at fair value through profit or loss			
	Deposits		Securitised liabilities	
(in € million)	2020	2019	2020	2019
1 Jan.	**1 615**	**1 459**	**–**	**4**
Effect in the income statement [1]	39	146	– 3	–
Effect in other comprehensive income (OCI)	20	75	1	–
Addition through purchase or issue	158	27	53	–
Repayment/exercise	166	8	–	4
Addition from level 1 and 2	595	3	674	–
Disposal to level 1 and 2	117	87	–	–
31 Dec.	**2 144**	**1 615**	**725**	**–**
For information: Effect on income statement for financial instruments still held [1]	51	146	– 3	–

[1] The effects reported include net interest income and deferrals, valuation 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.

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.2020 (in € million)	Significant non-observable input data in the fair value measurement	Spread of the used input data	Weighted average
Interest-bearing bond (liabilities)	725	historical volatilities	-0,3-1,4%	0,4%
Participations	312		6,1 - 9,2%	8,9%
Loans and Interest-bearing bond (assets)	1 818	Rating	Rating class (27er DSGV-Skala) 1-21	averaged rating 5
	1 692	Discount rate	0,1 - 2,6%	0,4%
	94	Cashflow	-	-
	55	Volatility	Cap & Floor volatility surface	5%
Loans (liabilities)	2 128	Discount rate	-0,2-1,4%	0,8%
	16	historical volatilities	20%	20%
Derivatives (assets)	1	Rating	Rating class (27er DSGV-Skala) 9-11	averaged rating 11
	31	Rating	Rating class (27er DSGV-Skala) 1-26	averaged rating 11
	63	Rating	Rating class (27er DSGV-Skala) 9-27	averaged rating 17
	2	Correlation	0,6-0,8	0,7
	1	historical volatilities	20%	20%
Derivatives (liabilities)	1	Rating	Rating class (27er DSGV-Skala) 9-13	averaged rating 11
	23	Ship market value volatility/sales discount	25% / 27%	25% / 27%
	7	Volatility	Cap & Floor volatility surface	5%
	121	price of underlyings	100 - 182	129

Significant changes to the material input parameter that cannot be observed on the market may result in a significantly higher or lower fair value. As part of the sensitivity analysis, the relevant input parameter was improved and/or downgraded by the factor specified in the table. The potential change in the fair value of Level 3 from the suggested change to the assumption-related 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. 2020 (in € million)	Potential changes in fair value 31 Dec.2020 (in € million)
Interest-bearing bond (liabilities)	Discount rate	+/- 10 basis points	+/- 4	–
Participations	Discount rate	+/- 50 basis points	-17;0	-11;1
Loans and Interest-bearing bond (assets)	Rating	+/- 1 rating grade	+/- 1	+/- 2
	Discount rate	+/- 10 basis points	+/- 56	+/- 8
	Cashflow	+/- 1 percent	+/- 1	+/- 3
	Volatility	Cap & Floor volatility surface	+/- 0,4	-
Loans (liabilities)	Discount rate	+/- 10 basis points	+/- 29	+/- 26
Derivatives (assets)	Rating (9-11)	+/- 1 rating grade	-/+ 0,1	-0,5; 0,3
	Rating (1-26)	+/- 1 rating grade	12; -14	34; -9
	Rating (9-27)	+/- 1 rating grade	55; -56	87; -60
Derivatives (liabilities)	Rating	+/- 1 rating grade	-0,5; 0,4	149; -90
	Volatility	Cap & Floor volatility surface	+/- 0,4	-
	Underlying	+/- 1 percent	-/+ 1	-/+ 1

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

(59) Risk Provisions and Gross Carrying Amount

Risk provisioning in the amount of the default expectations will be created for the next 12 months for financial assets and off-balance-sheet liabilities whose credit risk as at the reporting date has not increased significantly since initial recognition (Stage 1). If, as at the reporting date, the credit risk has increased significantly since initial recognition, risk provisioning is created in the amount of the default expectation for the remaining term of the financial assets and off-balance-sheet liabilities (Stage 2). Similarly, risk provisioning is created in the amount of the default expectation for the remaining term of the financial assets and off-balance-sheet liabilities if there are objective indications of impairment at the reporting date and the exposure has defaulted (Stage 3).

Changes in risk provisioning can arise mainly due to financial assets or off-balance sheet liabilities changing stage and due to changes in risk provisioning within a stage as a result of rating shifts. The key drivers for a significant reduction in the risk provisioning in the reporting year was the removal of the ship financing portfolio with the associated risk provisioning utilisations.

The following overview presents the change during the reporting period in the risk provisioning for financial assets not measured at fair value through profit and loss and for off-balance-sheet items:

		Transfer			Addition risk provisioning		Reversal/utilisation risk provisioning			Other changes					
(in € million)	Opening blanance 1 Jan.2020	Stage 1	Stage 2	Stage 3	Credit-related additions	Addition of assets	Credit-related reversals	Utilisation	Disposal of assets	Modification of assets	Unwinding	Currency translation	Change from the basis of consolidation	Other changes	Closing balance 31 Dec.2020
Financial assets at fair value through other comprehensive income															
Stage 1															
Debt securities	1	–	–	–	–	–	–	–	–	–	–	–	–	–	1
	1	–	–	–	–	–	–	–	–	–	–	–	–	–	1
Stage 2															
Debt securities	3	–	–	–	1	–	–	–	–	–	–	–	–	–	4
	3	–	–	–	1	–	–	–	–	–	–	–	–	–	4
	4	**–**	**–**	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5**
Financial assets at amortised cost															
Stage 1															
Debt securities	1	2	–	–	4	–	2	–	–	–	–	–	–	–	5
Loans and advances	49	24	– 5	–	182	44	33	–	28	–	–	– 1	–	–	232
	50	26	– 5	–	186	44	35	–	28	–	–	– 1	–	–	237
Stage 2															
Debt securities	4	– 2	–	–	3	–	–	–	–	–	–	–	–	–	5
Loans and advances	94	– 24	5	– 9	234	14	13	–	38	–	–	– 3	–	–	260
	98	– 26	5	– 9	237	14	13	–	38	–	–	– 3	–	–	265
Stage 3															
Loans and advances	1 452	–	–	9	397	86	53	748	378	2	– 18	– 42	– 125	– 60	522
	1 452	–	–	9	397	86	53	748	378	2	– 18	– 42	– 125	– 60	522
	1 600	**–**	**–**	**–**	**820**	**144**	**101**	**748**	**444**	**2**	**– 18**	**– 46**	**– 125**	**– 60**	**1 024**
Total	**1 604**	**–**	**–**	**–**	**821**	**144**	**101**	**748**	**444**	**2**	**– 18**	**– 46**	**– 125**	**– 60**	**1 029**

(in € million)		Transfer			Addition risk provisioning		Reversal/utilisation risk provisioning			Other changes					
	Opening blanance 1 Jan.2020	Stage 1	Stage 2	Stage 3	Credit-related additions	Addition of assets	Credit-related reversals	Utilisation	Disposal of assets	Modification of assets	Unwinding	Currency translation	Change from the basis of consolidation	Other changes	Closing balance 31 Dec.2020
Off-balance sheet liabilities															
Stage 1															
Loan commitments	4	–	–	–	1	6	3	–	1	–	–	–	–	–	7
Financial guarantees	1	1	–	–	–	3	2	–	2	–	–	1	–	–	2
Off-balance-sheet liabilities	3	–	– 1	–	2	3	2	–	1	–	–	–	–	–	4
	8	1	– 1	–	3	12	7	–	4	–	–	1	–	–	13
Stage 2															
Loan commitments	2	–	–	–	5	1	1	–	3	–	–	– 1	–	–	3
Financial guarantees	8	– 1	–	–	12	–	–	–	10	–	–	–	–	–	9
Off-balance-sheet liabilities	2	–	1	–	3	1	–	–	2	–	–	–	–	–	5
	12	– 1	1	–	20	2	1	–	15	–	–	– 1	–	–	17
Stage 3															
Loan commitments	8	–	–	–	10	15	14	–	19	–	–	1	–	–	1
Financial guarantees	9	–	–	–	–	–	9	–	2	–	–	10	–	–	8
Off-balance-sheet liabilities	24	–	–	–	1	19	36	–	2	–	–	3	–	–	9
	41	–	–	–	11	34	59	–	23	–	–	14	–	–	18
Total	**61**	**–**	**–**	**–**	**34**	**48**	**67**	**–**	**42**	**–**	**–**	**14**	**–**	**–**	**48**

The allocations and reversals due to credit ratings include effects from post-model adjustments (MAC19) in the amount of € 386 million, which lead to a corresponding increase in the risk provisioning (see Note (2) Effects of the COVID-19 pandemic).

The following overview presents the change during the previous year in the risk provisioning for financial assets not measured at fair value through profit and loss and for off-balance-sheet items.

(in € million)		Transfer			Addition risk provisioning		Reversal/utilisation risk provisioning			Other changes					
	Opening balance 1 January 2019	Stage 1	Stage 2	Stage 3	Credit-related additions	Addition of assets	Credit-related reversals	Utilisation	Disposal of assets	Modification of assets	Unwinding	Currency translation	Change from the basis of consolidation	Other changes	Closing balance 31 Dec. 2019
Financial assets at fair value through other comprehensive income															
Stage 1															
Debt securities	1	–	–	–	–	2	1	–	1	–	–	–	–	–	1
	1	–	–	–	–	2	1	–	1	–	–	–	–	–	1
Stage 2															
Debt securities	4	–	–	–	–	–	1	–	–	–	–	–	–	–	3
	4	–	–	–	–	–	1	–	–	–	–	–	–	–	3
	5	**–**	**–**	**–**	**–**	**2**	**2**	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**4**
Financial assets at amortised cost															
Stage 1															
Debt securities	1	4	–	–	–	–	4	–	–	–	–	–	–	–	1
Loans and advances	66	27	– 4	–	16	50	73	–	30	–	–	– 3	–	–	49
	67	31	– 4	–	16	50	77	–	30	–	–	– 3	–	–	50
Stage 2															
Debt securities	11	– 4	–	–	–	–	2	–	1	–	–	–	–	–	4
Loans and advances	123	– 26	4	– 3	83	21	53	–	79	–	–	24	–	–	94
	134	– 30	4	– 3	83	21	55	–	80	–	–	24	–	–	98
Stage 3															
Loans and advances	3 782	– 1	–	3	786	196	173	2 377	840	1	– 41	63	53	–	1 452
	3 782	– 1	–	3	786	196	173	2 377	840	1	– 41	63	53	–	1 452
	3 983	**–**	**–**	**–**	**885**	**267**	**305**	**2 377**	**950**	**1**	**– 41**	**84**	**53**	**–**	**1 600**
Total	**3 988**	**–**	**–**	**–**	**885**	**269**	**307**	**2 377**	**951**	**1**	**– 41**	**84**	**53**	**–**	**1 604**

(in € million)	Opening balance 1 January 2019	Transfer			Addition risk provisioning		Reversal/utilisation risk provisioning			Other changes					Closing balance 31 Dec. 2019
		Stage 1	Stage 2	Stage 3	Credit-related additions	Addition of assets	Credit-related reversals	Utilisation	Disposal of assets	Modification of assets	Unwinding	Currency translation	Change from the basis of consolidation	Other changes	
Off-balance sheet liabilities															
Stage 1															
Loan commitments	4	–	–	–	3	19	18	–	4	–	–	–	–	–	4
Financial guarantees	1	1	–	–	3	1	2	–	3	–	–	–	–	–	1
Off-balance-sheet liabilities	5	–	–	–	1	13	14	–	2	–	–	–	–	–	3
	10	1	–	–	7	33	34	–	9	–	–	–	–	–	8
Stage 2															
Loan commitments	4	–	–	–	2	2	2	–	2	–	–	– 2	–	–	2
Financial guarantees	12	– 1	–	–	3	–	3	–	3	–	–	–	–	–	8
Off-balance-sheet liabilities	–	–	–	–	3	–	–	–	3	–	–	2	–	–	2
	16	– 1	–	–	8	2	5	–	8	–	–	–	–	–	12
Stage 3															
Loan commitments	9	–	–	–	3	7	2	–	11	–	–	2	–	–	8
Financial guarantees	7	–	–	–	1	2	–	–	1	–	–	–	–	–	9
Off-balance-sheet liabilities	20	–	–	–	11	37	20	1	1	–	–	– 22	–	–	24
	36	–	–	–	15	46	22	1	13	–	–	– 20	–	–	41
Total	**62**	**–**	**–**	**–**	**30**	**81**	**61**	**1**	**30**	**–**	**–**	**– 20**	**–**	**–**	**61**

The closing balance of risk provisioning as at 31 December 2019 includes € 47 million of risk provisions recognised for assets held for sale.

The development of the gross carrying amounts in the reporting period for financial assets not measured at fair value through profit or loss is shown in the following overview.

(in € million)	Opening balance 1 January 2020	Transfer Stage 1	Stage 2	Stage 3	Addition of assets	Disposal of assets	Direct write-offs of assets	Other changes Modification of assets	Currency translation	Change from the basis of consolidation	Other Changes	Closing balance 31 Dec.2020
Financial assets at fair value through other comprehensive income												
Stage 1												
Debt securities	14 872	–	– 198	–	2 179	4 136	–	–	– 47	–	–	12 670
Loans and advances	1 358	–	–	–	14	373	–	–	–	–	–	999
	16 230	–	– 198	–	2 193	4 509	–	–	– 47	–	–	13 669
Stage 2												
Debt securities	103	–	198	–	16	–	–	–	–	–	–	317
	103	–	198	–	16	–	–	–	–	–	–	317
	16 333	–	–	–	2 209	4 509	–	–	– 47	–	–	13 986
Financial assets at amortised cost												
Stage 1												
Debt securities	3 877	101	– 195	–	320	562	–	–	– 101	–	–	3 440
Loans and advances	96 182	652	– 1 927	– 208	14 279	25 408	34	–	– 459	–	– 78	82 999
Cash reserve	3 454	–	–	–	7 477	4 924	–	–	23	–	1	6 031
	103 513	753	– 2 122	– 208	22 076	30 894	34	–	– 537	–	– 77	92 470
Stage 2												
Debt securities	308	– 101	195	–	43	18	–	–	– 32	–	–	395
Loans and advances	2 688	– 652	1 927	– 351	888	927	8	1	– 58	–	–	3 508
	2 996	– 753	2 122	– 351	931	945	8	1	– 90	–	–	3 903
Stage 3												
Loans and advances	2 714	–	–	559	214	958	856	–	– 54	– 192	–	1 427
	2 714	–	–	559	214	958	856	–	– 54	– 192	–	1 427
	109 223	–	–	–	23 221	32 797	898	1	– 681	– 192	– 77	97 800
Total	125 556	–	–	–	25 430	37 306	898	1	– 728	– 192	– 77	111 786

The following overview presents the change over the previous year in the gross carrying amounts of financial assets not measured at fair value through profit or loss.

(in € million)	Opening balance 1 January 2019	Transfer Stage 1	Stage 2	Stage 3	Addition of assets	Disposal of assets	Direct write-offs of assets	Other changes Modification of assets	Currency translation	Change from the basis of consolidation	Other Changes	Closing balance 31 Dec.2019
Financial assets at fair value through other comprehensive income												
Stage 1												
Debt securities	17 959	76	–	–	2 101	5 287	–	–	23	–	–	14 872
Loans and advances	1 736	–	–	–	–	378	–	–	–	–	–	1 358
	19 695	76	–	–	2 101	5 665	–	–	23	–	–	16 230
Stage 2												
Debt securities	185	– 76	–	–	1	7	–	–	–	–	–	103
	185	– 76	–	–	1	7	–	–	–	–	–	103
	19 880	–	–	–	2 102	5 672	–	–	23	–	–	16 333
Financial assets at amortised cost												
Stage 1												
Debt securities	3 707	225	1	–	281	377	–	–	40	–	–	3 877
Loans and advances	107 024	735	– 1 263	– 211	20 509	30 228	19	– 1	303	– 667	–	96 182
Cash reserve	1 519	–	–	–	7 257	5 377	–	–	53	2	–	3 454
	112 250	960	– 1 262	– 211	28 047	35 982	19	– 1	396	– 665	–	103 513
Stage 2												
Debt securities	680	– 226	– 1	–	17	168	–	–	6	–	–	308
Loans and advances	2 524	– 726	1 286	– 27	647	1 035	4	–	23	–	–	2 688
	3 204	– 952	1 285	– 27	664	1 203	4	–	29	–	–	2 996
Stage 3												
Loans and advances	2 765	– 8	– 23	238	2 142	1 293	1 196	2	71	16	–	2 714
	2 765	– 8	– 23	238	2 142	1 293	1 196	2	71	16	–	2 714
	118 219	–	–	–	30 853	38 478	1 219	1	496	– 649	–	109 223
Total	138 099	–	–	–	32 955	44 150	1 219	1	519	– 649	–	125 556

Financial assets were modified in the reporting year for which the contract adjustment did not lead to derecognition. In the reporting year, modified assets without derecognition with a total gross carrying amount of € 432 million, for which the risk provisions were determined on the basis of the lifetime expected credit loss at the time of modification, were transferred to risk provisions level 1.

(60) Net Gains or Losses by Measurement Category

	1 Jan. - 31 Dec. 2020 (in € million)	1 Jan. - 31 Dec. 2019[1)] (in € million)	Change (in %)
Trading profit/loss	254	238	7
Financial assets at fair value through profit or loss	– 41	107	> 100
Designated financial assets at fair value through profit or loss - Net result in the income statement	– 62	– 227	– 73
Designated financial assets at fair value through profit or loss - Net result OCI	– 58	– 136	– 57
Financial assets at fair value through other comprehensive income - Net result in the income statement	– 1	17	> 100
Financial assets at fair value through other comprehensive income - Net result OCI	116	167	– 31
Financial assets at amortised cost	– 461	29	> 100
Financial liabilities at amortised cost	– 26	– 27	– 4
Total	**– 279**	**168**	**> 100**

Net gains or losses in the income statement from financial assets at fair value through other comprehensive income and from financial assets measured at amortised cost comprises risk provisioning, modification result and the disposal profit/loss. Net gains or losses in other comprehensive income (OCI) from financial assets at fair value directly in equity include changes from the fair value measurement, risk provisioning and the disposal profit/loss. Net gains or losses from financial liabilities at amortised cost equate to the disposal profit/loss.

The profit/loss from hedge accounting is not included in the net gains or losses since it is not assigned to any of the categories.

(61) Offsetting of Financial Assets and Financial Liabilities

The effects of rights of set-off in connection with financial assets and liabilities are set out in the following table.

31 Dec.2020 (in € million)	Gross amount before balancing	Amount of the financially balancing	**Net amount after balancing**	Master netting arrangements and other without financially balancing: Financial instruments	Collaterals: Securities collateral	Collaterals: Cash collateral	**Net amount**
Assets							
Offsetting of current accounts	2 662	187	**2 475**	–	–	–	**2 475**
Derivatives	14 267	8 710	**5 557**	2 084	–	714	**2 759**
Securities lending and repos	821	–	**821**	778	43	–	**–**
Liabilities							
Offsetting of current accounts	19 709	187	**19 522**	–	–	–	**19 522**
Derivatives	13 772	8 710	**5 062**	2 084	–	2 486	**492**
Securities lending and repos	2 371	–	**2 371**	778	1 584	–	**9**

31 Dec.2019 (in € million)	Gross amount before balancing[1)]	Amount of the financially balancing	**Net amount after balancing**	Master netting arrangements and other without financially balancing: Financial instruments	Collaterals: Securities collateral	Collaterals: Cash collateral	**Net amount**
Assets							
Offsetting of current accounts	1 720	68	**1 652**	–	–	–	**1 652**
Derivatives	13 587	7 999	**5 588**	2 584	–	746	**2 258**
Securities lending and repos	1 407	–	**1 407**	1 340	67	–	**–**
Liabilities							
Offsetting of current accounts	11 870	68	**11 802**	–	–	–	**11 802**
Derivatives	13 249	7 999	**5 250**	2 576	–	2 360	**314**
Securities lending and repos	7 758	–	**7 758**	1 340	6 384	10	**24**

1) For individual items, the previous year’s figures have been adjusted, see Note (5) Restatement of previous year’s figures.

In the NORD/LB Group, the netting of unconditional liabilities due daily to an account holder is grouped under the offsetting of current accounts measured at amortised cost with loans and advances due daily to the same account holder in the sense of § 10 RechKredV. This holds insofar as it has been agreed for the calculation of interest and commissions that the account holder is treated the same way as if the postings are made via a single account. Offsetting is performed in accordance with IAS 32.42. There is no offsetting of loans and advances and liabilities in different currencies.

Transactions involving derivative financial instruments and securities lending and repurchase transactions are generally performed on the basis of bilateral framework contracts concluded with the counterparty. Such contracts provide only for limited rights to offset the loans and advances and liabilities reported as amortised costs and the collateral generally provided and received at fair value, e.g. in case of contract infringement or in case of insolvency. Hence, there is no current right to offset as per IAS 32.42.

Selected derivative financial instruments are concluded with central counterparties (clearing houses). For these financial instruments measured at fair value, there is a corresponding offset of loans and advances and liabilities reported at amortised cost and of collateral generally provided and received at fair value in accordance with IAS 32.42.

(62) Transfer and Derecognition of Financial Assets

The remaining risks and opportunities at the NORD/LB Group from transferred financial assets and associated liabilities are presented below. This overview also shows the extent to which the purchasers' rights of recourse apply exclusively to the respective assets transferred.

31 Dec.2020	Full recognition of financial assets despite transfer		Partial recognition of financial assets despite transfer			The transferee's right of recourse relates only to the respective transferred assets		
(in € million)	Asset value of the assets	Asset value of the appropriate liabilities	Asset value of the original assets	Assets value of assets still recognised	Asset value of the appropriate liabilities	Fair value of the assets	Fair value of the appropriate liabilities	Net position
Financial assets at fair value through profit or loss	565	481	–	–	–	565	478	87
Debt securities and other fixed interest securities	562	479	–	–	–	562	476	86
Loans and advances	3	2	–	–	–	3	2	1
Financial assets at fair value through other comprehensive income	2 074	1 886	–	–	–	1 767	1 561	206
Debt securities and other fixed interest securities	2 074	1 886	–	–	–	1 767	1 561	206
Financial assets at amortised cost	6 924	4 416	–	–	–	5 440	4 805	635
Debt securities and other fixed interest securities	1 224	1 071	–	–	–	1 157	986	171
Loans and advances	5 700	3 345	–	–	–	4 283	3 819	464
Total	**9 563**	**6 783**	**–**	**–**	**–**	**7 772**	**6 844**	**928**

31 Dec.2019	Full recognition of financial assets despite transfer		Partial recognition of financial assets despite transfer			The transferee's right of recourse relates only to the respective transferred assets		
(in € million)	Asset value of the assets	Asset value of the appropriate liabilities	Asset value of the original assets	Assets value of assets still recognised	Asset value of the appropriate liabilities	Fair value of the assets	Fair value of the appropriate liabilities	Net position
Trading assets	3	–	–	–	–	3	–	3
Debt securities and other fixed interest securities	3	–	–	–	–	3	–	3
Financial assets at fair value through profit or loss	678	572	–	–	–	678	583	95
Debt securities and other fixed interest securities	671	567	–	–	–	671	578	93
Loans and advances	7	5	–	–	–	7	5	2
Financial assets at fair value through other comprehensive income	6 131	6 367	–	–	–	4 655	4 898	– 243
Debt securities and other fixed interest securities	6 131	6 367	–	–	–	4 655	4 898	– 243
Financial assets at amortised cost	6 192	4 137	–	–	–	6 414	4 415	1 999
Debt securities and other fixed interest securities	1 930	935	–	–	–	1 841	923	918
Loans and advances	4 262	3 202	–	–	–	4 573	3 492	1 081
Total	**13 004**	**11 076**	**–**	**–**	**–**	**11 750**	**9 896**	**1 854**

Transferred financial assets within the items Trading assets, Financial assets at fair value through profit or loss, Financial assets at fair value through other comprehensive income and Financial assets at amortised cost are primarily repos and securities lending transactions. These are still listed in the consolidated balance sheet, since the interest, credit-rating, and other significant risks and opportunities from value appreciation and interest income remain within the NORD/LB Group. The collateral provided is subject to title transfer, i.e. the assignee can generally proceed as an owner and in particular can utilise it in the form of transfers or pledges. In the case of securities collateral, securities of the same type and quality must be delivered or returned unencumbered. When securities collateral is provided, the collateral provided may not be returned in the form of liquid assets without the consent of the assignor.

(63) Derivative Financial Instruments

The NORD/LB Group uses derivative financial instruments for hedging purposes as part of its asset/liability management. There is also trading in derivative financial transactions.

The nominal values represent the gross volume of all purchases and sales. This value is a reference parameter for determining reciprocally agreed settlement payments; these do not, however, represent receivables or liabilities that can be shown on the balance sheet.

The composition of the portfolio of derivative financial instruments is as follows:

	Nominal values		Fair value positive		Fair value negative	
(in € million)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019[1]	31 Dec. 2020	31 Dec. 2019[1]
Interest-rate risk						
OTC options	5 415	5 930	113	114	443	371
Other OTC derivatives	264 350	305 902	4 955	5 098	4 076	4 178
Other exchange-traded derivatives	112	208	–	–	–	–
	269 877	**312 040**	**5 068**	**5 212**	**4 519**	**4 549**
Currency risk						
OTC options	310	350	23	3	22	3
Other OTC derivatives	23 036	32 753	352	347	499	695
	23 346	**33 103**	**375**	**350**	**521**	**698**
Share price and other price risks						
Credit spread option	30	34	2	1	1	1
	30	**34**	**2**	**1**	**1**	**1**
Credit derivatives risks						
OTC options	3 071	4 882	113	26	31	51
	3 071	**4 882**	**113**	**26**	**31**	**51**
Total	**296 324**	**350 059**	**5 558**	**5 589**	**5 072**	**5 299**

[1] For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

(64) Underlying Transactions in Effective Hedges

Derivative assets and liabilities that are hedging instruments in a hedging transaction under IAS 39 are recognised in separate balance sheet items. Financial assets and liabilities that are underlying transactions in a hedging transaction under IAS 39 are still recognised together with the unhedged transactions in the relevant balance sheet items, since the hedging does not change the type and function of the hedged items. However, the balance sheet recognition of the financial instruments otherwise reported at amortised cost is corrected by the change in fair value attributable to the hedged risk (recognising a separate balance sheet item for the fair value hedge portfolio, see note (42) and Note (53). Financial instruments at fair value through other comprehensive income continue to be reported at the full fair value. Changes in fair value or value considered in effectiveness testing are recognised in the income statement and broken down in Note (30) Profit/loss from hedge accounting.

To hedge changes in fair value with regard to interest-rate risk, interest-rate or cross-currency interest rate swaps are used as hedging instruments in micro fair value hedge.

31 Dec.2020 (in € million)	Nominal values	Fair value positive	Fair value negative	Item in balance sheet	Change in fair value considered in effectiveness testing	Item in profit or loss
Interest-rate swaps	24 194	756	1 765	Positive/negative fair values from hedge accounting derivatives	– 86	Profit/loss from hedge accounting
Interest rate currency swaps	624	18	165	Positive/negative fair values from hedge accounting derivatives	–	Profit/loss from hedge accounting

31 Dec.2019 (in € million)	Nominal values	Fair value positive	Fair value negative	Item in balance sheet	Change in fair value considered in effectiveness testing	Item in profit or loss
Interest-rate swaps	24 706	970	1 795	Positive/negative fair values from hedge accounting derivatives	– 280	Profit/loss from hedge accounting
Interest rate currency swaps	896	28	205	Positive/negative fair values from hedge accounting derivatives	–	Profit/loss from hedge accounting

To hedge changes in fair value with regard to interest-rate risk, both financial assets and financial liabilities are used as underlying transactions in a micro fair value hedge.

31 Dec.2020 (in € million)	Carrying amount	*of which: hedge adjustments*	Change in value considered in effectiveness testing	Item in profit or loss
Financial assets at fair value through other comprehensive income	2 472	*439*	–	Result from hedge account
Financial assets at amortised cost	10 836	*1 595*	183	Result from hedge account
Financial liabilities at amortised cost	15 259	*1 150*	– 78	Result from hedge account

31 Dec.2019 (in € million)	Carrying amount	*of which: hedge adjustments*	Change in value considered in effectiveness testing	Item in profit or loss
Financial assets at fair value through other comprehensive income	2 969	*439*	50	Result from hedge account
Financial assets at amortised cost	11 101	*1 411*	428	Result from hedge account
Financial liabilities at amortised cost	14 404	*1 101*	– 179	Result from hedge account

The following table shows the remaining maturities of derivative financial 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. 2020	31 Dec. 2020	31 Dec. 2020	31 Dec. 2020	31 Dec. 2020	31 Dec. 2020	31 Dec. 2020	31 Dec. 2020	31 Dec. 2020	31 Dec. 2020
Interest-rate risks	435	415	2 391	1 945	10 109	9 789	11 259	12 557	24 194	24 706
Currency risks	57	10	23	194	355	399	189	293	624	896
Total	**492**	**425**	**2 414**	**2 139**	**10 464**	**10 188**	**11 448**	**12 850**	**24 818**	**25 602**

The remaining term is defined as the period from the balance sheet date to the contractual maturity date.

Interest-rate swaps are used as hedging instruments in the portfolio fair value hedge to hedge changes in fair value relating to interest-rate risk.

31 Dec.2020 (in € million)	Nominal values	Fair value positive	Fair value negative	Item in balance sheet	Change in fair value considered in effectiveness testing	Item in profit or loss
Interest-rate risk	22 890	83	36	Positive/negative fair values from hedge accounting derivatives	54	Profit/loss from hedge accounting

31 Dec.2019 (in € million)	Nominal values	Fair value positive	Fair value negative	Item in balance sheet	Change in fair value considered in effectiveness testing	Item in profit or loss
Interest-rate risk	20 422	21	18	Positive/negative fair values from hedge accounting derivatives	283	Profit/loss from hedge accounting

To hedge fair value changes in relation to interest rate risk, both financial assets and financial liabilities are used as underlying transactions in the portfolio fair value hedge.

31 Dec.2020 (in € million)	Carrying amount	Change in value considered in effectiveness testing	Item in profit or loss
Financial assets at fair value through other comprehensive income	1 376	9	Profit/loss from hedge accounting
Financial assets at amortised cost	3 305	190	Profit/loss from hedge accounting
Financial liabilities at amortised cost	11 444	– 206	Profit/loss from hedge accounting

31 Dec.2019 (in € million)	Carrying amount	Change in value considered in effectiveness testing	Item in profit or loss
Financial assets at fair value through other comprehensive income	402	85	Profit/loss from hedge accounting
Financial assets at amortised cost	2 917	188	Profit/loss from hedge accounting
Financial liabilities at amortised cost	9 896	– 553	Profit/loss from hedge accounting

(65) Residual Terms of Financial Liabilities

31 Dec.2020 (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	220	286	1 045	4 357	4 713	10 621
Derivatives	220	286	1 045	4 351	4 672	10 574
Delivery obligations from short-sales	–	–	–	6	41	47
Designated financial assets at fair value through profit or loss	29	610	172	1 637	5 149	7 597
Deposits	14	40	91	492	4 465	5 102
Securitised liabilities	15	570	81	1 145	684	2 495
Financial liabilities at amortised costs	31 539	5 394	8 470	30 051	34 573	110 027
Deposits	28 937	4 393	6 330	18 473	26 413	84 546
Securitised liabilities	2 602	1 001	2 140	11 578	8 160	25 481
Negative fair values from hedge accounting derivatives	38	51	179	872	1 173	2 313
Issued loan commitments	17 085	58	541	929	113	18 726
Issued financial guarantees	9 827	–	–	12	18	9 857
Total	**58 738**	**6 399**	**10 407**	**37 858**	**45 739**	**159 141**

31 Dec.2019 (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[1)]	Total
Trading liabilities	290	339	1 206	4 671	4 289	10 795
Derivatives	290	339	1 202	4 655	4 247	10 733
Delivery obligations from short-sales	–	–	4	16	42	62
Designated financial assets at fair value through profit or loss	26	88	353	2 652	6 642	9 761
Deposits	8	63	100	612	5 696	6 479
Securitised liabilities	18	25	253	2 040	946	3 282
Financial liabilities at amortised costs	36 097	8 089	11 043	32 431	34 360	122 020
Deposits	35 466	6 659	8 435	18 669	25 536	94 765
Securitised liabilities	631	1 430	2 608	13 762	8 824	27 255
Negative fair values from hedge accounting derivatives	44	65	233	1 096	1 489	2 927
Issued loan commitments	15 780	164	657	1 578	133	18 312
Issued financial guarantees	397	2	3	12	38	452
Total	**52 634**	**8 747**	**13 495**	**42 440**	**46 951**	**164 267**

[1)] For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

The residual term of the undiscounted financial liabilities is defined as the period between the reporting date for the annual report and the contractual maturity date.

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

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

	31 Dec.2020 (in € million)	31 Dec.2020 (in € million)	Change (in %)
Trading assets	–	5	– 100
Financial assets at fair value through profit or loss	832	1 003	– 17
Financial assets at fair value through other comprehensive income	2 781	6 774	– 59
Financial assets at amortised costs	55 978	57 181	– 2
Total	**59 591**	**64 963**	**– 8**

Collateral has been provided for borrowing undertaken within the scope of genuine repos (repurchase transactions). In addition, collateral was provided for refinancing funds borrowed for specific purposes, such as the cover assets included in the cover pool of the NORD/LB Group's covered bond banks and the loans underlying the securitisation transactions. Collateral was also deposited for securities lending transactions and for transactions with clearing brokers and on stock exchanges.

The amount of the financial assets provided as collateral for which the assignee has the right by contract or custom to sell or re-pledge the collateral is € 1,210 million (€ 5,197 million). They consist primarily of cash collateral and/or securities collateral.

For the following liabilities, assets were transferred as collateral in the specified amounts:

	31 Dec.2020 (in € million)	31 Dec.2019 (in € million)	Change (in %)
Trading liabilities	2 725	2 941	– 7
Designated financial liabilities at fair value through profit or loss	1 145	1 206	– 5
Securitsed liabilities	20 165	21 845	– 8
Hedge accounting derivatives	1 639	1 703	– 4
Total	**25 674**	**27 695**	**– 7**
Contingent liabilities for which the aforementioned assets as collateral were transferred	– 42	–	

Collateral in the amount of € 86 million (€ 0 million) was held in the reporting year 2020, which may also be sold or passed on without the assignor defaulting.

For collateral received, particularly in the context of securities repos and lending transactions that may be re-pledged or resold even if the assignor does not default, the fair value is € 689 million (€ 1,082 million).

Collateral that can be re-pledged or resold, even if the assignor does not default, was used. The repayment obligation at current market values is € 665 million (€ 1,034 million).

Securities repurchase and lending transactions are daily monitored with regard to collateralisation through measurement of the transactions. If a negative balance occurs, the assignee can require the assignor to provide additional collateral to increase the coverage level, provided that a specific threshold value specified in the contract is exceeded. If the assignor has provided collateral and if the market situation changes in such a way that over-collateralisation occurs, the assignor has the right to demand that the assignee release collateral, provided that a specific threshold value specified in the contract is exceeded. The collateral provided is subject to title transfer, i.e. the assignee can generally proceed as an owner and in particular can utilise it in the form of transfers or pledges. In the case of securities collateral, securities of the same type and quality must be delivered or returned unencumbered. When securities collateral is provided, the collateral provided may not be returned in the form of liquid assets without the consent of the assignor.

Other Notes

(67) Equity Management

Capital management for the NORD/LB Group is handled by the Group parent company, NORD/LB. The objectives are to ensure adequate capital in both a quantitative and qualitative sense, achieve an appropriate return on equity and continue to comply with minimum regulatory capital requirements at Group level.

In the reporting period, the capital items relevant for capital management were the “long-term equity under commercial law” derived from the reported capital as a parameter for measuring the return on equity, as well as the regulatory parameters of Common Equity Tier 1, core capital and own funds in the applicable version of the definition of Regulation (EU) No. 575/2013 on prudential requirements for banks and investment firms (CRR).

For these regulatory capital items, statutory minimum capital ratios and capital buffers apply, as well as additional requirements set by the European Central Bank (ECB) concerning compliance with certain capital ratios that shall be maintained individually at NORD/LB Group level. With all of these minimum capital ratios, the numerator represents the relevant capital ratio, while the denominator comprises the relevant total risk exposure amount according to Art. 92 para. 3 CRR. Details about the regulatory minimum capital ratios can be found in the section “Significant events in the financial year” in the economic report.

NORD/LB consistently complied with these minimum capital ratios in the reporting period. Further details about the development of the capital ratios can be found in the section “Significant events in the financial year” in the economic report. The relevant actual data is included in Note (68)0 Regulatory data.

Alongside the regulatory specifications, internal target capital ratios have been established at Group level for some of the capital items listed, and each of those ratios are higher.

The core tasks of capital management in the reporting period consisted in the technical initiation and/or monitoring of measures to strengthen equity as well as to further optimise the capital structure and total risk exposure amount. Against the background of the COVID-19 pandemic that broke out in the reporting year, the focus of capital management was also on the operational management of the relevant capital ratios and the total risk amount in order to achieve the internal target capital ratios and thus inherently also to comply with the minimum capital ratios stipulated by supervisory law.

Furthermore, estimates and forecasts of important equity items and the associated capital ratios are performed regularly and in response to specific needs in the context of capital management. Developments are reported to the management, the supervisory committees, the Bank’s owners and to the banking regulatory authorities. If these analyses reveal a need for action, corrective measures are taken with regard to the total risk exposure amount or – in coordination with the Bank’s owners – optimisation measures targeting individual capital items or measures to strengthen the capital are undertaken.

In addition, capital management also forms the basis for planning and managing the so-called MREL ratio. Thus, according to Directive 2014/59/EU for establishing a framework for the recovery and resolution of financial institutions and investment firms (BRRD), MREL is the legal framework for structuring the “minimum requirements for equity and eligible liabilities”, which banks in the EU must maintain for loss absorption in the potential event of resolution. To comply with the MREL minimum requirements, the interaction between capital and “eligible liabilities” must be taken into account accordingly in capital management, which may require modifications to the Group’s capital structure.

In the near future, the requirements for capital management will primarily be characterised by the flexible response to the possible further effects of the ongoing COVID-19 pandemic. In addition, however, the requirements will remain varied in the longer term due to new regulations, continuous changes to individual minimum capital requirements from the banking regulatory authorities and special regulatory requirements (e.g. stress tests).

(68) Regulatory Data

The following consolidated regulatory data for the Group were determined as at the reporting date in accordance with the provisions of Regulations (EU) No. 575/2013 (CRR) on prudential requirements for banks and investment firms.

	31 Dec.2020 (in € million)	31 Dec.2019[1)] (in € million)
Total risk exposure amount	**39 692**	**39 841**
Capital requirements for credit risk	2 743	2 659
Capital requirements for operational risks	258	321
Capital requirements for market risks	125	154
Capital requirements for loan amount adjustments	39	53
Other or transitional capital requirements	10	–
Capital requirements	**3 175**	**3 187**

[1)] For individual items, the previous year’s figures have been adjusted, see Note (5) Restatement of previous year’s figures.

Below we present the composition of regulatory equity for the Group in accordance with Article 25 et. seq. of the CRR:

	31 Dec.2020 (in € million)	31 Dec.2019[1)] (in € million)
Paid-up capital including premium	5 551	5 414
Retained êarnings	1 302	1 329
Accumulated OCI	– 840	– 744
Regulatory adjustments	– 45	– 93
Common Equity Tier 1 intstruments based on grandfathering	20	33
– Deductible items (from CET 1 capital)	– 184	– 181
Common Equity Tier 1 capital	**5 805**	**5 758**
Paid-in instruments of additional Tier 1 capital	50	50
Additional Tier 1 Capital components due to grandfathering	–	266
Additional Tier 1 capital	50	**316**
Tier 1 capital	**5 855**	**6 074**
Paid-up instruments of Tier 2 capital	1 620	2 292
Other components of Tier 2 capital	173	149
– Deductible items (from Tier 2 capital)	– 10	– 10
Adjustments due to transition rules	–	– 269
Tier 2 capital	**1 783**	**2 162**
Own funds	**7 639**	**8 236**

[1)] For individual items, the previous year’s figures have been adjusted, see Note (5) Restatement of previous year’s figures.

	31 Dec.2020 (in %)	31 Dec.2019[1] (in %)
Common equity tier 1 capital ratio	14.63%	14.45%
Tier 1 capital ratio	14.75%	15.25%
Total capital ratio	19.24%	20.67%

[1] For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

Due to the presentation in € million, there may be minor differences in the reproduction of mathematical operations in these tables.

(69) Foreign Currency Volume

As at 31 December 2020 and 31 December 2019 the NORD/LB Group had the following financial assets and liabilities in foreign currencies:

(in € million)	USD	GBP	JPY	Other	Total 31 Dec. 2020	Total 31 Dec. 2019
Assets						
Cash reserve	163	–	–	2	165	161
Trading assets	5 789	1 504	305	1 781	9 379	13 240
Financial assets at fair value through profit or loss	76	71	–	2	149	341
Financial assets at fair value through other comprehensive income	452	79	40	141	712	881
Financial assets at amortised costs	7 782	3 802	208	806	12 598	16 188
Positive fair values from hedge accounting derivatives	22	18	–	–	40	37
Balancing items for financial instruments hedged in in the portfolio fair value hedge	42	–	–	–	42	16
Shares in companies - not accounted for using the equity method	–	–	–	3	3	3
Property and equipment	1	–	–	2	3	4
Intangible assets	1	–	–	–	1	1
Assets held for sale	–	–	–	–	–	60
Income tax assets	19	–	–	–	19	6
Other assets	34	49	3	6	92	36
Total	**14 381**	**5 523**	**556**	**2 743**	**23 203**	**30 974**
Liabilities						
Trading liabilities	9 325	3 673	445	2 152	15 595	20 969
Designated financial liabilities at fair value through profit or loss	560	–	–	–	560	614
Financial liabilities at amortised costs	5 013	690	76	496	6 275	8 218
Negative fair values from hedge accounting derivatives	432	67	22	40	561	587
Balancing items for financial instruments hedged in in the portfolio fair value hedge	14	–	–	–	14	6
Provisions	4	–	–	–	4	3
Income tax liabilities	2	–	–	1	3	6
Other liabilities	31	10	–	9	50	46
Total	**15 381**	**4 440**	**543**	**2 698**	**23 062**	**30 449**

Exchange rate risks are eliminated by concluding countertrades with matching terms.

(70) Longer-Term Assets and Liabilities

For balance sheet items that contain both short-term and long-term assets, the assets and liabilities that will be realised or settled after more than twelve months are shown below.

	31 Dec.2020 (in € million)	31 Dec.2019[1] (in € million)	Change (in %)
Assets			
Trading assets	4 715	4 538	4
Derivatives	4 383	4 165	5
Loans and advances	332	373	– 11
Financial assets at fair value through profit or loss	962	1 504	– 36
Equity instruments	2	2	–
Debt securities and other fixed interest securities	672	1 003	– 33
Loans and advances	288	499	– 42
Financial assets at fair value through other comprehensive income	13 137	14 619	– 10
Debt securities and other fixed interest securities	12 242	13 563	– 10
Loans and advances	895	1 056	– 15
Financial assets at amortised costs	70 635	76 373	– 8
Debt securities and other fixed interest securities	3 634	4 008	– 9
Loans and advances	67 001	72 365	– 7
Positive fair values from hedge accounting derivatives	772	898	– 14
Total	**90 221**	**97 932**	**– 8**
Liabilities			
Trading liabilities	2 532	2 692	– 6
Derivatives	2 532	2 692	– 6
Designated financial liabilities at fair value through profit or loss	5 754	7 371	– 22
Deposits	4 000	4 486	– 11
Securitised liabilities	1 754	2 885	– 39
Financial liabilities at amortised costs	55 362	60 717	– 9
Deposits	36 226	39 285	– 8
Securitised liabilities	19 136	21 432	– 11
Negative fair values from hedge accounting derivatives	1 871	1 906	– 2
Provisions	103	104	– 1
Total	**65 622**	**72 790**	**– 10**

[1] For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

(71) Lease Agreements

In the 2020 reporting year the NORD/LB Group appears as the **lessee** in the context of **operating lease agreements** under IFRS 16, mainly for real estate, vehicles and hardware.

There are service contracts for IT infrastructure services and real estate containing operating lease agreements. A term until 30 June 2020 was originally agreed for the IT infrastructure framework agreement. Due to a one-year contract extension, this is expected to end in the first half of 2021. In addition to termination for good cause, there is also the possibility of extraordinary termination. Price adjustments are possible on a yearly basis. Renewal and purchase options are not included in the contract.

The real estate leases are primarily based at the Hanover and Braunschweig locations. The average lease period for real estate is five years. There is a major lease for a building at the Hanover location with a term of 9 years in the context of the operating lease agreements. The leasing agreement can be renewed up to two times. Lease payment adjustments are possible.

Furthermore, there are operate lease agreements for vehicles and hardware. The average rental contract term for the fleet is about 3 years; hardware is rented on average for 7 years.

Assets with a maximum term of 12 months are not shown. The relief option for low-value assets valued up to € 5,000 was also used.

The following earnings and expenses were incurred by NORD/LB Group as the lessee:

(in € million)	1 Jan. - 31 Dec.2020	1 Jan. - 31 Dec.2019	Change	Item in profit or loss
Interest expense on lease liabilities	2	2	–	Interest expenses from liabilities
Expense relating to short-term leases	–	1	– 100	Administrative expenses
Expense relating to leases of low-value assets	3	3	–	Administrative expenses

The payment outflows for leasing agreements in the reporting period are € 26 million (€ 14 million).

There could be future payment outflows that were not taken into account when valuing lease liabilities. These outflows may result in variable leasing payments, extension and termination options, outstanding value guarantees and leasing relationships that start in the future. As at 31 December 2020, there are extension and termination options in the amount of € 2 million (€ 2 million).

The development of usage rights from leasing including inflows is presented under Note (45) Investment property.

The following table shows the carrying amounts and depreciation of the usage rights from leasing and is divided into classes:

	Carrying amount		Depreciation
(in € million)	31 Dec.2020	31 Dec.2019	1 Jan. - 31 Dec.2020
Immovables	69	79	11
Vehicles	1	1	1
Hardware	3	5	4
Other right-of-use assets	–	2	–

The remaining terms of the undiscounted financial obligations from leasing relationships are shown below. They are defined as the period from the balance sheet date to the contractual maturity date.

31 Dec.2020 (in € million)	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Total
Lease liabilities	2	–	–	2	17	21

The NORD/LB Group appears as a **lessor** in the context of **operating lease agreements** under IFRS 16 for investment property in the 2020 reporting year.

Lessor relationships as a result of operating lease agreements exist exclusively as a result of renting owned real estate. The real estate is primarily rented at the Hanover, Bremen, Magdeburg and Braunschweig locations. This concerns the rental of commercial, residential and office properties whereby the rental contracts are set individually with extension options. The rental contracts for residential property are usually for an undefined period of time. At the Hanover location, there is an operating lease subleasing relationship for a building with a term of 2 years and an extension option of 2 months.

The leasing income from operating lease agreements is recorded in the Other operating profit/loss.

	31 Dec.2020 (in € million)	31 Dec.2019 (in € million)	Change (in %)
Lease income from Investment Property	9	12	– 25
Lease income from other lease transactions	–	5	– 100
Total	**9**	**17**	**– 47**

The following table shows the total of the undiscounted, future leasing payments from operating lease relationships to which the Group is entitled:

	31 Dec.2020 (in € million)	31 Dec.2019 (in € million)	Change (in %)
Future lease payments up to 1 year	10	11	– 9
Future lease payments more than 1 year up to 2 years	9	8	13
Future lease payments more than 2 years up to 3 years	9	8	13
Future lease payments more than 3 years up to 4 years	8	8	–
Future lease payments more than 4 years up to 5 years	8	7	14
Future lease payments more than 5 years	210	223	– 6
Total undiscounted, future lease payments	**254**	**265**	**– 4**

The NORD/LB Group appears as a **lessor** in the context of **finance lease agreements** under IFRS 16.

The NORD/LB Group is mostly the lessor for vehicles and machinery. In addition, the Group has purchased water pipelines that were leased in the context of a finance lease agreement. The borrower is obligated to make an annual variable lease payment. The borrower can buy back the leased property during the leasing period or at the end of the leasing period. The term is 30 years and ends in the year 2035.

The interest income from finance lease agreements is recognised in the net interest income. The carrying amount of the net investment in finance leases in the amount of € 23 million (€ 30 million) changed primarily due to the lease payments received.

The following table shows the transition of undiscounted, future lease payments to net investment in the Group's finance lease agreements:

	31 Dec.2020 (in € million)	31 Dec.2019 (in € million)	Change (in %)
Future lease payments up to 1 year	3	4	– 25
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	– 100
Future lease payments more than 3 years up to 4 years	–	1	– 100
Future lease payments more than 5 years	21	25	– 16
Total undiscounted, future lease payments	**27**	**33**	**– 18**
Less financial income not yet realised	– 5	– 5	–
Plus discounted, unguaranteed residual values	1	2	– 50
Net investment in finance leases	**23**	**30**	**– 23**

(72) Contingent Liabilities and Other Obligations

	31 Dec.2020 (in € million)	31 Dec.2019 (in € million)	Change (in %)
Contingent liabilities			
Liabilities from guarantees and other indemnity agreements	3 472	3 805	– 9
Other contingent liabilities	73	58	26
	3 545	**3 863**	**– 8**
Other obligations			
Irrevocable credit commitments	8 977	7 994	12
Total	**12 522**	**11 857**	**6**

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

NORD/LB ensures that the following companies are able to meet their obligations:

- Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover,
- Nieba GmbH, Hanover,
- NORD/LB Luxembourg S.A.Covered Bond Bank, Luxembourg-Findel/Luxembourg,
- Skandifinanz AG, Zurich, Switzerland

Due to the nature of the aforementioned obligations, there were still uncertainties regarding the amount and the time of utilisation as at the reporting date.

(73) Other Financial Obligations

In accordance with the Restructuring Fund Regulation (RstruktFV), NORD/LB is required to pay a bank levy. On 1 January 2015 the Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 with regard to ex ante contributions to resolution financing arrangements entered into force. The Regulation supplements the EU Bank Recovery and Resolution Directive (BRRD; Directive 2014/59/EU).

Also in the current financial year, NORD/LB has opted to apply a portion of the fixed annual contribution as an irrevocable payment commitment. These payment obligations, which now amount to € 40 million (€ 30 million), are covered by cash collateral.

As a member of the institution-specific deposit security reserve of the Landesbanks which belongs to the Savings Banks Finance Group protection scheme and owing to the European bank levy, NORD/LB is obliged to pay annual contributions. Apart from the contributions already made, there are also obligations to make additional payments in the amount of € 64 million (€ 156 million). If a case arises requiring financial support, these additional payments can be called in immediately.

For the reporting year, an annual contribution of € 11 million (€ 22 million) was due for the institution-specific deposit security reserve, and was reported in Other administrative expenses.

Part of the fixed annual contribution to the deposit security reserve was provided as an irrevocable payment commitment.These payment obligations, which now amount to € 33 million (€ 28 million), are covered by cash collateral.

NORD/LB acts as surety for the obligations of the Sparkassenverband Niedersachsen (SVN Lower Saxony Association of Savings Banks) resulting from its membership of the Deutsche Sparkassen- und Giroverband ö.K. (German association of savings banks and Girobanks) and the DekaBank Deutsche Girozentrale. In addition, joint liability has been assumed for DekaBank Deutsche Girozentrale with the other shareholders of this bank for legacy liabilities established prior to 18 July 2005 within the scope of the guarantor function.

Furthermore, NORD/LB together with Sparkassenverband Niedersachsen (SVN) and Landesbank Berlin Holding AG act as guarantor for LBS Norddeutsche Landesbausparkasse Berlin-Hannover.

NORD/LB has a 100 per cent holding in Deutsche Hypothekenbank (Actien-Gesellschaft). As guarantor of the deposit security reserve of the Landesbanks and Girozentralen (clearing centres), it undertakes to reimburse Deutscher Sparkassen- and Giroverband e. V. for all expenditure including interest and interest lost for supporting measures in accordance with the agreement concluded between Deutscher Sparkassen- und Giroverband e.V. and Deutsche Hypothekenbank (Actien-Gesellschaft) on 19 December 2008, which cannot be paid from the fund established for Deutsche Hypothekenbank (Actien-Gesellschaft).

NORD/LB had undertaken to release the Association of German Banks (Bundesverband deutscher Banken e.V.) from all losses resulting from the measures in accordance with § 2 paragraph 2 of the statute of the “Einlagensicherungsfond” (deposit protection fund) for Deutsche Hypothekenbank (Actien-Gesellschaft). The participation of Deutsche Hypothekenbank (Actien-Gesellschaft) in the German banks’ deposit protection fund was terminated on 31 December 2008. In accordance with § 6 no. 8 of the statute of the deposit protection fund, NORD/LB may still be liable for commitments previously entered into by Deutsche Hypothekenbank (Actien-Gesellschaft). The final maturity date for instruments that could fall under this liability is February 2023.

With regard to NORD KB Dachfonds II Beteiligungsgesellschaft mbH, NORD/LB has an obligation to grant partnership loans totalling approximately € 2 million (€ 2 million).

NORD/LB, together with other limited partners, also holds an interest in CG-Terrassen GmbH & Co. KG (formerly: Immobilien Development und Beteiligungsgesellschaft Niedersachsen mbH IDB & Co. – Objekt Zietenterrassen – KG). One limited partner has indemnified the former general partner IDB Niedersachsen mbH from liability. Within this relationship, NORD/LB assumes 50 per cent of the possible obligations from this declaration of liability. The legal secondary 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 of liability was agreed for the benefit of the new general partner Casa Gutingi Verwaltungs GmbH from 2020.

In accordance with its legal form, NORD/LB is liable without limitation to the creditors of GLB GmbH & Co. OHG. All of the shareholders are either legal entities governed by public law (Landesbanks) or companies governed by private law in which the majority of the shareholding is held directly or indirectly by entities governed by public law. Following the sale and transfer of the previously held direct holding and atypical silent participation in DekaBank in 2011, the company no longer actively pursues any business activity. There are no significant material risks relating to the final accounting of accessible profit shares due from previous years following the final approval of DekaBank's tax assessments.

NORD/LB has, together with the other limited partner Braunschweig Grund Objektgesellschaft Driebenberg mbH & Co. KG, indemnified the general partner from liability.

Payment obligations for shares and other interests amounted to € 7 million (€ 7 million) as at year end.

Over the normal course of business NORD/LB has furnished collateral in the nominal amount of € 10 million (€ 50 million) in the form of securities.

NORD/LB AöR concluded several securitisation transactions to reduce the charge on regulatory capital.

This affects the securitisation of a loan portfolio in the amount of € 5 billion as at 31 December 2019. The mezzanine tranche in the amount of € 252 million is hedged against default risks using an external guarantee. NORD/LB will itself bear the losses attributable to the first loss tranche.

Further securitisations totalling € 2 billion were terminated in 2020.

As long as and provided that it is not yet possible to use the guarantee to settle losses exceeding the first loss to be borne by NORD/LB, no claim for compensation can be enforced against the respective guarantors.

The annual premiums for the provision of guarantees are recorded in Commission expenses and amount to € 31 million for the current financial year, and to € 25 million provisionally for the following year.

On the basis of the measures agreed in the basic agreement to boost capital, NORD/LB concluded three guarantee contracts to secure loss risks and reduce the regulatory equity with the state of Lower Saxony which come into effect with the support contract on 23 December 2019. The guarantee portfolio covers two reference portfolios from the segment Ship Customers/Maritime Industries Customers (hedging the net book value of an NPL portfolio and the gross book value of an additional sub-portfolio) and a reference portfolio of aircraft financing transactions from the Special Financing segment. In return for granting the guarantees, NORD/LB pays the state of Lower Saxony a commission for each one. This is determined for the guarantee for the non-performing ship finance portfolio variably totalling 7.15 per cent p.a. (anticipated € 64 million; outstanding guarantee fee of € 21 million anticipated as at 31 December 2020) of the guarantee amount to be melted as part of the portfolio reduction. A fixed warranty commission is contractually agreed for each of the two further guarantees, which must be paid in fixed quarterly instalments. The guarantee for the ship financing part of the portfolio with hedged gross book values is subject to a fixed guarantee fee of a total € 236 million (outstanding guarantee fee of € 128 million as at 31 December 2020) or for the reference portfolio from the Special Financing segment (guarantee fee of € 60 million outstanding as at 31 December 2020), which is payable in fixed quarterly instalments.

NORD/LB concluded a framework contract with Wincor Nixdorf International GmbH, Paderborn to regulate the collaboration in the area of information technology. The contract, which bundles the IT infrastructure services with one service provider, went into effect on 1 July 2013 and was originally due to expire on 30 June 2020. Due to a one-year contract extension, this is expected to end in the first half of the following financial year. Invoicing of the annual costs will continue to be volume-dependent even after the service provider has been changed. The total volume of the current contract is approx. € 10 million (€ 7 million).

NORD/LB has obligations from long-term rental and lease agreements for land and buildings through to 2044 in the nominal amount of € 251 million (€ 312 million), of which € 169 million (€ 187 million) is owed to affiliated companies.

Related Parties

(74) Number of Employees

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

	Male 1 Jan. - 31 Dec. 2020	Male 1 Jan. - 31 Dec. 2019	Female 1 Jan. - 31 Dec. 2020	Female 1 Jan. - 31 Dec. 2019	Total 1 Jan. - 31 Dec. 2020	Total 1 Jan. - 31 Dec. 2019
NORD/LB	2 023	2 289	2 088	2 309	4 111	4 598
NORD/LB Luxemburg CBB	108	115	43	50	151	165
Deutsche Hypothekenbank	212	229	178	187	390	416
Other	114	122	197	188	311	310
Group	**2 457**	**2 755**	**2 506**	**2 734**	**4 963**	**5 489**

(75) Disclosures concerning Shares in Companies

Consolidated Subsidiaries

Of the 21 (19) subsidiaries included in the consolidated financial statements, 7 (8) are structured companies under IFRS 12.

At both 31 December 2019 and 31 December 2020, the NORD/LB Group had non-controlling interests in subsidiaries. These were not material either in terms of their share of the consolidated equity or in terms of their share of the consolidated profit on the aforementioned reporting dates.

Statutory, contractual or regulatory restrictions and property rights of non-controlling interests, can limit the NORD/LB Group in its ability to gain access to assets, or to transfer them freely between Group companies and settle the Group's liabilities.

Within the NORD/LB Group, there are restrictions on collateral provided, plan assets as per IAS 19 and the minimum liquidity reserve. With regard to the restrictions on collateral provided, refer to Note (66) NORD/LB Group as assignor and assignee. The information on collateral provided also includes the cover assets included in the cover pool of the NORD/LB Group's Pfandbrief banks and loans pooled on the basis of securitisation transactions. Restrictions on the plan assets can be found in Note (54) Provisions.

As indicated in Note (8) Consolidation principles, structured companies are consolidated when the relationship between the Group and the structured companies shows that they are controlled by the Group.

As at the reporting date, one (one) structured company was consolidated, and the Group is contractually obligated to provide financial assistance to that company. This concerns Conduit Hannover Funding Company LLC (Hannover Funding), which purchases receivables from corporate customers and finances those transactions by issuing commercial paper. NORD/LB Group guarantees the company a liquidity facility so that Hannover Funding can fall back on NORD/LB Group in the event of financing and liquidity shortages. This arrangement is regulated by the Liquidity Asset Purchase Agreement. By contractual agreement, NORD/LB Group cannot access Hannover Funding's assets or liabilities.

Associated companies and joint ventures

Among the six (seven) associated companies and one (one) joint venture company included in the consolidated financial statements, no (no) associated company and no (no) joint venture is individually of significant importance to the Group due to their share in earnings and share in overall earnings.

The following table provides summarised financial information on the non-significant associated companies viewed individually:

	31 Dec.2020 (in € million)	31 Dec.2019 (in € million)
Carrying amount of the shares of non-significant associated companies	121	146
NORD/LB Group's share in		
Profit/loss from continuing operations	11	19
Other income	7	8
Comprehensive income	**18**	**27**

The following table provides summarised financial information on the non-significant joint venture companies viewed individually:

	31 Dec.2020 (in € million)	31 Dec.2019 (in € million)
Carrying amount of the shares of non-significant joint ventures	3	3
NORD/LB Group's share in		
Profit / loss from continuing operations	–	1
Comprehensive income	**–**	**1**

Contractual (loan) or regulatory restrictions can limit an associated company or a joint venture in paying cash dividends to the Group or paying back loans received from the Group. There were no such restrictions as at the reporting date.

As at the reporting date, contingent liabilities to associated companies amounted to € 56 million (€ 58 million).

Non-consolidated structured companies

The NORD/LB Group is involved in structured companies that are not included as subsidiaries in the consolidated financial statements. Structured companies are companies designed in such a way that voting rights and similar rights are not the dominant factor in determining who controls these companies. For example, this is the case when voting rights only apply to administrative tasks, and the relevant activities are managed through contractual agreements.

The NORD/LB Group includes structured companies in the form of securitisation companies, investment companies, leasing companies and other credit-financed project and property companies.

The subject of this note is structured companies that the Group does not consolidate because they do not have voting rights, contractual rights, financing agreements or other resources.

Securitisation companies

Securitisation companies invest financial resources in diversified asset pools. Among others, these include fixed-interest securities, corporate loans, private and commercial property loans and credit card debts. The securitisation vehicles finance these purchases by issuing various tranches of debt and equity instruments for which repayment is tied to the performance of the vehicle's assets. The Group can transfer assets synthetically or in reality to securitisation companies and make these liquid assets available in the form of financing.

Investment companies

The NORD/LB Group invests in funds sponsored by third parties. A Group company can also exercise the function of a fund manager, a capital management company, or another function. Financing of the funds is generally collateralised with the assets underlying the fund. A Group company can also provide a fund with start-up financing in the form of seed money.

Leasing companies

The NORD/LB Group acts as a lender for companies that were founded solely for the purpose of acquiring or developing various commercial properties, usually through well-known leasing companies. The financing is collateralised with the property being financed. The leasing companies are typically operated under the legal form of a GmbH & Co. KG. Due to existing contractual agreements, these are often controlled by the respective lessee. Financing of leasing companies also occurs in the domain of project financing and in the context of aeroplane acquisitions.

Project and property companies

The Group makes financing available for structured companies that typically hold one asset each, e.g. a real estate property or an aeroplane. In many cases, these structured companies take the legal form of a partnership. The equity of these companies is very small in comparison with the debt financing provided.

Shares in structured companies

The Group's shares in non-consolidated structured companies consist of contractual or non-contractual commitments to those companies, through which the Group is exposed to variable returns from the performance of the structured companies. Examples of shares in non-consolidated structured companies 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 companies contain no instruments through which the Group exclusively transfers risks to the structured company. For example, if the Group buys credit default swaps from non-consolidated structured companies whose purpose is to transfer credit risks to an investor, the Group transfers this risk to the structured company and no longer bears it itself. A credit default swap of this kind does not therefore represent a share in a structured company.

Income from shares in structured companies

The Group generates income from fund-related asset management services that are oriented towards the change in fund assets' value and are also partially performance-based. Interest income is generated through financing of structured companies. All income resulting from derivatives trading with structured companies and ongoing changes in the values of the securities held are recognised in the income statement under the "Profit/loss from the fair value measurement" item.

Size of structured entities

The size of a structured company is determined by the type of its business activities. It can therefore be determined differently from one company to the next. The NORD/LB Group considers the following key figures as appropriate indicators for the size of the structured companies:

- Securitisation companies: current total volume of tranches issued.
- Funds: assets
- Leasing/property companies:
  total assets of the leasing/property company
- Other companies:
  sum of all assets

Maximum risk of loss

The maximum possible risk of loss is the maximum loss that the Group might have to recognise in the income statement and in the statement of comprehensive income from its involvement in non-consolidated structured companies. Collateral or hedging relationships are ignored in determining this figure, as is the likelihood of a loss occurring. Therefore, the maximum possible risk of loss need not be equal to the economic risk.

The maximum possible risk of loss is determined according to the type of involvement in a structured company. The maximum possible risk of loss from receivables from lending transactions, including debt securities, is the carrying amount indicated in the balance sheet. The same is true for trading assets and for ABS, MBS and CDO items. The maximum possible loss from off-balance-sheet transactions, such as guarantees, liquidity facilities and loan commitments, is equal to their nominal value. The maximum possible risk of loss for derivatives is equal to their nominal value as well.

For each type of non-consolidated structured company, the following table shows the carrying amount of the Group's shares that are recognised in the Group's balance sheet and the maximum possible loss that could result from those shares. It also gives an indication of the size of the non-consolidated structured companies. These values do not represent the Group's economic risk from these investments, since they do not take account of any collateral or hedging transactions.

31 Dec.2020 (in € million)	Securitisation companies (lender)	Securitisation companies (investor)	Investment companies	Leasing companies	Property and project finance	**Total**
Size of the non-consolidated structured company	599	4 524	72	2 019	21	**7 235**
Trading assets	–	–	–	4	–	**4**
Financial assets at fair value through profit or loss	–	117	22	–	6	**145**
Financial assets at amortised costs	–	6	–	780	6	**792**
Assets reported in the balance sheet of the Nord/LB Group	**–**	**123**	**22**	**784**	**12**	**941**
Financial liabilities at amortised costs	–	–	–	9	–	**9**
Liabilities reported in the balance sheet of the Nord/LB Group	**–**	**–**	**–**	**9**	**–**	**9**
Off-balance-sheet positions	268	–	–	53	–	**321**
Maximum risk of loss	268	123	22	881	12	**1 306**
Losses incurred during the reporting period	–	–	2	25	–	**27**

31 Dec.2019 (in € million)	Securitisation companies (lender)	Securitisation companies (investor)	Investment companies	Leasing companies	Property and project finance	**Total**
Size of the non-consolidated structured company	–	9 376	85	2 134	14	**11 609**
Trading assets	–	–	–	5	–	**5**
Financial assets at fair value through profit or loss	–	165	24	–	6	**195**
Financial assets at amortised costs	–	8	–	917	6	**931**
Assets reported in the balance sheet of the Nord/LB Group	**–**	**173**	**24**	**922**	**12**	**1 131**
Financial liabilities at amortised costs	–	–	–	2	–	**2**
Liabilities reported in the balance sheet of the Nord/LB Group	**–**	**–**	**–**	**2**	**–**	**2**
Off-balance-sheet positions	–	–	–	29	–	**29**
Maximum risk of loss	–	173	24	960	13	**1 170**

During the reporting year the NORD/LB Group did not provide non-consolidated structured entities with any non-contractual support. Two structured entities were granted repayment breaks by the Group. The amount of support provided amounts to € 2 million (none).

The NORD/LB Group is considered the sponsor of a structured company if market participants justifiably associate it with the structured company. Sponsorship is deemed to occur in the NORD/LB Group if

- the NORD/LB Group was involved in founding the structured company, and participated in its design and defining its objectives;
- the structured company's name contains components that establish a connection to the NORD/LB Group;
- the management of the structured company's assets and liabilities is based on a strategy developed by the Group, or
- the NORD/LB Group had issued or purchased the assets before they were transferred into the structured company (i.e. NORD/LB is the originator of the structured company).

The NORD/LB Group sponsors various securitisation companies, where the Bank is involved in the founding or it is the originator.

In financial year 2020, default risks from loan receivables in the amount of € 8 million (€ 14 million) were transferred to these companies by means of a financial guarantee or within the scope of syndicate agreements (see Note (73)Other financial obligations).

Earnings 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 € 1 million (none) in the reporting period. These include earnings from a retention to offset losses.

(76) Related Parties

All consolidated and non-consolidated subsidiaries, associated companies and joint ventures, subsidiaries of joint ventures and associated companies qualify as related legal entities. Other related parties of the NORD/LB Group are the owners of NORD/LB, its subsidiaries and joint ventures, and provident funds and companies controlled by related entities or under joint management.

Natural persons deemed to be related as per IAS 24 are the members of the Managing Board, the Supervisory Board and committees of NORD/LB, as the parent company, and their immediate families.

Dealings with related companies and persons are carried out at normal market terms and conditions.

The volume of transactions with related parties in 2020 and 2019 (not including those to be eliminated under consolidation) can be seen in the following lists:

31 Dec.2020 (in € million)	Companies with significant influence	Subsidaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Trading assets	**426**	**–**	**–**	**75**	**–**	**7**
Derivates	96	–	–	75	–	7
Debt securities and other fixed interest securities	23	–	–	–	–	–
Loans and advances	307	–	–	–	–	–
Financial assets mandatorily at fair value through profit or loss	**–**	**20**	**–**	**–**	**–**	**–**
Equity instruments	–	20	–	–	–	–
Financial assets at fair value through other comprehensive income	**987**	**–**	**–**	**–**	**–**	**–**
Debt securities and other fixed interest securities	956	–	–	–	–	–
Loans and advances	31	–	–	–	–	–
Financial assets at amortised costs	**1 777**	**–**	**–**	**406**	**2**	**297**
Loans and advances	1 777	–	–	406	2	297
Other assets	**91**	**5**	**–**	**–**	**–**	**–**
Total	**3 281**	**25**	**–**	**481**	**2**	**304**

31 Dec.2020 (in € million)	Companies with significant influence	Subsidaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Trading liabilities	**156**	**–**	**–**	**37**	**–**	**–**
Derivates	156	–	–	37	–	–
Financial liabilities designated at fair value through profit or loss	**39**	**–**	**–**	**–**	**–**	**77**
Deposits	39	–	–	–	–	77
Financial liabilities at amortised costs	**250**	**39**	**2**	**267**	**2**	**654**
Deposits	250	23	2	267	2	654
Other financial liabilities	–	16	–	–	–	–
Other liabilities	**–**	**1**	**–**	**–**	**–**	**–**
Total	**445**	**40**	**2**	**304**	**2**	**731**
Guarantees and sureties received	60	–	–	–	–	–
Guarantees and sureties granted	–	–	–	1	–	6

1 Jan. - 31 Dec.2020 (in € million)	Companies with significant influence	Subsidaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest income	70	36	–	10	–	2
Interest expense	25	–	–	10	–	6
Commission income	9	–	–	–	–	–
Commission expenses	152	–	–	–	–	–
Other income/expense	92	– 5	–	– 25	– 5	–
Total	**– 6**	**31**	**–**	**– 25**	**– 5**	**– 4**

31 Dec.2019 (in € million)	Companies with significant influence[1]	Subsidaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Trading assets	**335**	**–**	**–**	**81**	**–**	**8**
Derivates	55	–	–	81	–	8
Debt securities and other fixed interest securities	82	–	–	–	–	–
Loans and advances	198	–	–	–	–	–
Financial assets mandatorily at fair value through profit or loss	**–**	**20**	**–**	**–**	**–**	**–**
Equity instruments	–	20	–	–	–	–
Financial assets at fair value through other comprehensive income	**1 101**	**–**	**–**	**–**	**–**	**–**
Debt securities and other fixed interest securities	1 029	–	–	–	–	–
Loans and advances	72	–	–	–	–	–
Financial assets at amortised costs	**1 718**	**1**	**–**	**360**	**2**	**711**
Loans and advances	1 718	1	–	360	2	711
Other assets	**89**	**5**	**–**	**–**	**–**	**–**
Total	**3 243**	**26**	**–**	**441**	**2**	**719**

[1] For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

31 Dec.2019 (in € million)	Companies with significant influence[1]	Subsidaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Trading liabilities	**155**	**–**	**–**	**21**	**–**	**–**
Derivates	155	–	–	21	–	–
Financial liabilities designated at fair value through profit or loss	**39**	**–**	**–**	**–**	**–**	**77**
Deposits	39	–	–	–	–	77
Financial liabilities at amortised costs	**260**	**75**	**–**	**265**	**2**	**320**
Deposits	260	25	–	265	2	320
Other financial liabilities	–	50	–	–	–	–
Other liabilities	**–**	**1**	**–**	**–**	**–**	**–**
Total	**454**	**76**	**–**	**286**	**2**	**397**
Guarantees and sureties received	60	–	–	–	–	–
Guarantees and sureties granted	–	–	–	1	–	5

[1] For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

1 Jan. - 31 Dec.2019 (in € million)	Companies with significant influence	Subsidaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest income	91	3	–	10	–	9
Interest expense	24	3	–	10	–	7
Commission income	6	–	–	–	–	–
Commission expenses	16	–	–	–	–	–
Other income/expense	– 60	8	–	– 6	– 5	– 4
Total	**– 3**	**8**	**–**	**– 6**	**– 5**	**– 2**

Provident fund of the Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen/Hanover, is to be completed. In this context, with effect from 1 January 2020, NORD/LB assumed the obligations arising from pension plans of the former Bremer Landesbank by way of assumption of debt through the NORD/LB provident fund and obligations arising from aid agreements. At the same time, the cash assets of the provident fund of the former Bremer Landesbank were transferred proportionately to the NORD/LB provident fund or NORD/LB.

With regard to the recapitalisation of NORD/LB and assumption of guarantees by the State of Lower Saxony, refer to Note (3) Information on the impact on the balance sheet of guarantees and (4) Guarantee portfolios as at 31 December 2020.

The following table shows the maximum balances for NORD/LB transactions with related parties in the reporting period and the previous year.

	2020 (in € million)	2019[1)] (in € million)
Assets		
Trading assets	508	451
Financial assets at amortised costs	2 482	2 792
Other assets	1 181	1 498
Total	**4 171**	**4 741**
Liabilities		
Trading liabilities	205	166
Financial liabilities at amortised costs	1 214	1 045
Other liabilities	117	126
Total	**1 536**	**1 337**
Guarantees and sureties received	60	70
Guarantees and sureties granted	7	14

[1)] For individual items, the previous year's figures have been adjusted, see Note (5) Restatement of previous year's figures.

Key personnel are remunerated as follows:

	2020 (in € million)	2019 (in € million)
Employment-related payments due in the short term	5	5
Post-employment payments	1	1
Total remuneration	**6**	**6**

Total remuneration and loans to executive bodies in accordance with commercial regulations are shown in Note (77) Remuneration of and loans to governing bodies.

(77) Remuneration of and Loans to Govering Bodies

	1 Jan. - 31 Dec. 2020 (in € million)	1 Jan. - 31 Dec. 2019 (in € million)
Total emoluments paid to active members of governing bodies		
Managing Board	3	3
Total emoluments paid to former members of governing bodies and their dependants		
Managing Board	6	6

Total remuneration to active members of the Supervisory Board was € 351 thousand (€ 416 thousand).

No remuneration (previous year € 25 thousand) or associated commitments were granted in the reporting year that depend on the occurrence or omission of future conditions.

The loans and advance payments granted to the members of the Managing Board and the Supervisory Board amounted to € 380 thousand (€ 1,302 thousand) and € 170 thousand (€ 36 thousand), respectively. Of the loans and advance payments granted to the members of the Managing Board and the Supervisory Board, € 255 thousand (€ 224 thousand) and € 7 thousand (€ 9 thousand) were paid back in the reporting year.

There are pension obligations of € 129 million (€ 124 million) to former members of the Managing Board and their surviving dependants.

(78) Group Auditor’s Fees

(in € million)	1 Jan. - 31 Dec. 2020 (in € million)	1 Jan. - 31 Dec. 2019 (in € million)
Group auditor’s fees for		
The statutory audit	11	14
Other audit-related services	1	1
Other services	1	–

In accordance with § 285 no. 17 of the German Commercial Code (HGB), NORD/LB has exercised the option of reporting the auditor's fees in the consolidated financial statements.

In addition to the audit of the consolidated financial statements, the annual financial statements of Norddeutsche Landesbank – Girozentrale – as well as various audits of subsidiaries, including statutory contract expansions and key audit points agreed upon with the Supervisory Board, the auditor KPMG AG Wirtschaftsprüfungsgesellschaft provided the following significant, permitted services in financial year 2020:

- Voluntary annual audits and review of interim financial statements
- Assurance services based on statutory or contractual obligations. These include assurance services for savings bank organisations, assurance services pertaining to bank levies and assurance services as per § 89 of the German Securities Trading Act (WpHG)
- Assurance services related to the issue of comfort letters and assurance services related to the auditing of other reports
- Non-essential tax advisory services within the meaning of § 319a of the German Commercial Code (HGB)
- Other services as part of the new bank management project and in connection with the analysis of the contribution margin calculation
- Other training services

(79) Equity Holdings

The list of shareholdings shows all companies included in the consolidated financial statements, the non-consolidated subsidiaries, joint ventures and associated companies, and other shareholdings of 20 per cent or more. The information on the companies was taken from the most recent annual report available for each of them.

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		
BLB Immobilien GmbH, Bremen [3)]	–	100.00
Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover [3)]	–	100.00
KreditServices Nord GmbH, Braunschweig [3)]	–	100.00
Nieba GmbH, Hannover [3)]	–	100.00
NORD/FM Norddeutsche Facility Management GmbH, Hannover [3)]	–	100.00
NORD/LB Leasing GmbH, Oldenburg [3)]	–	100.00
NORD/LB Luxembourg S.A. Covered Bond Bank, Luxemburg-Findel / Luxemburg	–	100.00
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	100.00	–
NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen	90.00	10.00

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	–	–
ac) Investment funds included in the consolidated financial statements		
NORDLB, SICAV-RAIF S.C.Sp. Aviation 1, Luxemburg	–	100.00
NORD/LB SICAV-RAIF S.C.Sp.-Infrastructure & Renewables GBP 2, Luxemburg	–	100.00

Company name and registered office	Shares (%) indirect	Shares (%) direct
ad) Companies / investment funds accounted for in the consolidated financial statements using the equity method		
Joint Ventures		
caplantic GmbH, Hannover	–	45.00
Associated companies	–	–
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	–	32.26
GSG Oldenburg Bau- und Wohngesellschaft mit beschränkter Haftung, Oldenburg	–	22.22
LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hannover	–	44.00
LINOVO Productions GmbH & Co. KG, Pöcking	–	45.17
Öffentliche Lebensversicherung Braunschweig, Braunschweig [2]	–	75.00
Öffentliche Sachversicherung Braunschweig, Braunschweig [2]	–	75.00
ae) After IFRS 5 valuated companies		
Special Purpose Entities		
APSE SPV1 Pte. Ltd., Singapur	–	–
Maritime Asia Emerald Pte. Ltd., Singapur	–	–
Maritime Asia Opal Pte. Ltd., Singapur	–	–
Maritime Asia Pearl Ltd., Singapur	–	–
Maritime Asia Zircon Pte. Ltd., Singapur	–	–

Company name and registered office	Share of capital held (in %)	Equity [1] (in Tsd €)	Profit/Loss (in Tsd €)
b) Companies not included in the consolidated financial statements with an equity capital of greater or equal +/-€ 1 million			
BGG Oldenburg GmbH & Co. KG, Bremen [5]	100.00	10 518	795
Braunschweig Gesellschaft mit beschränkter Haftung, Braunschweig [3] [5]	100.00	6 000	–
Bremische Grundstücks-GmbH & Co. KG Präsident-Kennedy-Platz, Bremen [5]	100.00	2 768	863
NBN Grundstücks- und Verwaltungs-GmbH, Hannover [5]	100.00	2 024	118
NBN Norddeutsche Beteiligungsgesellschaft für Immobilien in Niedersachsen mbH, Hannover [5]	90.00	2 682	– 7
NORD/LB Project Holding Ltd., London / Großbritannien [5]	100.00	1 144	518
NORDLB SICAV-RAIF S.C.Sp., Luxemburg [6]	99.01	k.A.	k.A.
SGK Servicegesellschaft Kreditmanagement mbH, Hannover [5]	100.00	1 368	270
Skandifinanz AG, Zürich / Schweiz [5]	100.00	2 902	– 199
Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Hannover [4] [5]	100.00	123 557	9 055
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			
Bremer Spielcasino GmbH & Co. Kommanditgesellschaft, Bremen [5]	49.00	8 553	3 713
Brocken Verwaltungs- und Vermietungs-GmbH & Co. KG, Wernigerode [5]	50.00	2 300	412
Bürgschaftsbank Mecklenburg-Vorpommern GmbH, Schwerin [5]	20.89	16 899	262
Bürgschaftsbank Sachsen-Anhalt GmbH, Magdeburg [5]	20.44	16 436	437
CG-Terrassen GmbH & Co. KG, Göttingen [5]	50.00	4 537	– 20
FinTech Fonds GmbH & Co. KG, Köln [5]	39.60	5 218	– 976
Fire Support (SSFR) Holdings Limited, Maidenhead Berkshire, Großbritannien [5]	15.00	– 9 272	677
Gewobau Gesellschaft für Wohnungsbau, Vechta, mbH, Vechta [5]	20.46	13 806	558
LUNI Productions GmbH & Co. KG, Pöcking [5]	24.29	– 115 746	– 285
Marktcarré Grundbesitz-GmbH [5]	25.00	3 916	– 203
Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH, Schwerin [5]	26.00	16 617	668
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mit beschränkter Haftung, Hannover [5]	39.82	14 731	422
NBV Beteiligungs-GmbH, Hannover [5]	42.66	12 561	1 177
Wohnungsbaugesellschaft Wesermarsch mit beschränkter Haftung, Brake [5]	21.72	20 301	64

Company name and registered office	Share of capital held (in %)
d) Subsidiaries not included in the consolidated financial statements with an equity capital of greater or equal +/– € 1 million	
BLBI Beteiligungs-GmbH, Bremen	100.00
Braunschweig Grund Objektgesellschaft Driebenberg mbH & Co. KG, Braunschweig	66.67
Bremische Grundstücks-GmbH & Co. Wohnanlagen Groß-Bonn, Bremen	100.00
City Center Magdeburg Hasselbach-Passage Grundstücksgesellschaft mbH, Hannover	100.00
finpair GmbH, 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 RP Investments LLC, Wilmington / USA	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

Notes:
[1] Equity as defined in §§ 266 and 272 of the German Commercial Code (deutsches Handelsgesetzbuch – HGB) less outstanding capital contributions.
[2] This company is classified as an affiliated company due to its structure under company law.
[3] A profit/loss transfer agreement is in place with the company.
[4] Not subject to consolidation under IFRS 10.4 (b).
[5] Data is available as at 29.12.2019.
[6] Data is available as at 29.12.2018.

(80) Events after Reporting Date

In accordance with the resolution of the Owners' Meeting to introduce new bank management in December 2020, NORD/LB transferred this investment project into an implementation project in January 2021. Corresponding contracts were signed with IT service providers for this purpose in February 2021. Implementation is expected to take place by 2024 and is divided into three phases. By mid-2022, the construction of the target infrastructure and the data stores, data integration and technical implementation will be completed. In the course of 2023, an integration test will follow as well as initialisation for parallel operation of the new bank control system with the existing bank control system. The dismantling of the old systems is expected to be completed in 2024.

Statement and Audit

Audit Opinion of the independent Group Auditor

To the Norddeutsche Landesbank – Girozentrale-, Hannover, Braunschweig and Magdeburg

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of Norddeutsche Landesbank – Girozentrale, Hanover, Braunschweig and Magdeburg (NORD/LB), and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of the Bank and the Group (hereinafter referred to as combined management report) for the financial year from 1 January to 31 December 2020.

In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report.

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 Section 315e (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 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report..

Pursuant to Section 322 (3) 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 combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined 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)(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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Calculation of fair values for financial instruments using valuation models

For the accounting policies applied by NORD/LB, please refer to note 13 "Financial instruments" and note 58 "Fair value hierarchy" in the notes.

THE FINANCIAL STATEMENT RISK

The financial statements contain financial instruments measured at fair value for which there are no observable market prices. This concerns in particular derivative assets held for trading (EUR 4,702 million), derivative liabilities held for trading (EUR 3,105 million) as well as bonds and other fixed-income securities held for trading (EUR 1,857 million). It also relates to deposits and securitised liabilities designated at fair value through profit or loss in the amount of EUR 5,453 million. In addition, bonds and other fixed-income securities are measured at fair value through other comprehensive income (EUR 11,400 million). The fair values of these financial instruments are calculated based on recognised valuation methods. The selection of the valuation models and their parametrisation is in part subject to judgement.

The risk for the financial statements is that appropriate valuation models or inputs are not used for the calculation of fair values and changes in fair value and that assets held for trading, liabilities held for trading, financial assets required to be measured at fair value through profit or loss as well as financial liabilities designated at fair value through profit or loss are in this respect not measured in accordance with accounting standards.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion. Accordingly, we have carried out the following audit procedures in particular:

First, we gained a comprehensive understanding of the development of the relevant financial instruments, the associated risks and the internal control system with regard to the measurement of the relevant financial instruments.

To assess the appropriateness of the internal control system with regard to the measurement of financial instruments for which no market prices are observable, we conducted surveys with the involvement of our valuation specialists and gained insight into relevant documents. After carrying out this test of design, we assessed the effectiveness of specific established controls using tests of operating effectiveness.

The tests of controls were especially designed to establish whether the valuation models were validated when introduced as well as regularly or on an ad hoc basis, irrespective of the trading or business areas. Using sampling in the course of tests of operating effectiveness, we assessed whether the validations were appropriately implemented and documented and whether the implemented valuation models as well as the inputs incorporated for the respective product are appropriate. Furthermore, we audited the monitoring of measurement of the relevant transactions performed by a department that is independent of the trading or business area using inputs obtained from third parties.

With the involvement of our valuation specialists we carried out a remeasurement for a select group of products based on materiality and risk aspects as well as other randomly selected products.

Inputs observable in the market were used for the remeasurement where possible. We then compared the results of our remeasurement with the figures determined by NORD/LB.

OUR OBSERVATIONS

The Group's underlying assumptions and inputs are appropriately derived and have been used in accordance with the applicable accounting principles. The derivative financial assets and financial liabilities held for trading, the bonds and other fixed-income securities required to be measured at fair value through profit or loss, the deposits and securitised liabilities designated at fair value through profit or loss as well as bonds and other fixed-income securities measured at fair value through other comprehensive income for which no prices are observable in the market, are measured on the basis of appropriate valuation models.

Determining the expected Stage 1 and Stage 2 credit losses, including forward-looking adjustment of the inputs on account of the COVID-19 pandemic

For information on the accounting policies applied by NORD/LB, please refer to Note 2 "The effects of the COVID-19 pandemic" and Note 14 "Risk provisioning" in the notes to the financial statements.

THE FINANCIAL STATEMENT RISK

The loss allowances for financial assets from Stage 1 and Stage 2 measured at amortised cost totalled EUR 502 million as at the reporting date. Risk provisioning for Stage 1 and Stage 2 is determined in consideration of a management adjustment of EUR 386 million.

Loss allowances for Stage 1 and Stage 2 have been determined on the basis of expected credit losses and, thus, include expectations about the future. Expected credit losses are recognised using a three-stage procedure for determining allowances.

Various inputs are taken into account, such as the determination of statistical probabilities of default and loss given default, the potential amount of exposure at default, the criteria for transfer between stages, which relate to a significant change in the default risk of borrowers, as well as the determination of future cash flows. Furthermore, such calculation incorporates macroeconomic information in consideration of COVID-19 scenarios, which is subject to a high degree of judgement and uncertainty. Further COVID-19 effects, which cannot be presented using the existing methodology, are taken into account in later adjustments.

There is a risk to the financial statements that the creditworthiness of customers and future cash flows are not assessed correctly or that the calculation of risk provisioning parameters is incorrect, resulting in loss allowances not being recognised or not being recognised in sufficient amounts.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion. Accordingly, we have carried out the following audit procedures in particular:

In a first step, by way of inspections of analyses and risk reports, inquiries, review of policies and procedural instructions, review of defined methodologies and their implementation, and review and evaluation of the validation design and validation reports, we obtained a comprehensive understanding of the development of portfolios, the associated counterparty-related risks and the processes for the identification, management, monitoring and measurement of credit risks.

We checked the internal control system's appropriateness and effectiveness in relation to the risk classification procedures and risk models as well as the determination of value-determining factors, and assessed the relevant IT systems and internal processes.

The audit included a review by our IT specialists of the appropriateness of the IT systems concerned and associated interfaces to ensure the completeness and accuracy of data as well as the audit of automated controls for data entry and processing. Our audit focused on assessing the methodological approach for determining risk categories and calculating the probabilities of default and loss given default, which were derived from historical data.

We took into account the effects of COVID-19 as part of our audit of the approach to considering macroeconomic information and subsequent adjustments (management adjustment).

Based on the results of a validation carried out by NORD/LB, we assessed the appropriateness of key risk provisioning parameters and the parameter adjustments made in line with current market conditions. In this regard, we checked the data underlying the validations. Furthermore, we verified the categorisation of risk classification and calculation of the Stage 1 and Stage 2 risk provisioning.

OUR OBSERVATIONS

The methodological approach, procedures and processes used to determine the loss allowances for Stage 1 and Stage 2 as well the assumptions and risk parameters incorporated into measurement are appropriate.

Determination of stage 3 (credit-impaired) provisions for expected credit losses on loans and advances in specific areas of the commercial lending business

For the accounting policies of NORD/LB applied, please refer to note 14 "Risk provisioning" in the notes.

THE FINANCIAL STATEMENT RISK

As at 31 December 2020, Stage 3 risk provisioning in the consolidated financial statements totalled EUR 540 million, of which the majority was attributable to the business areas of corporate customers, special financing, special credit and portfolio optimisation, and real estate banking customers. Commensurate with IFRS 9 the measurement of risk provisioning for expected credit losses is generally based on probability-weighted scenarios. This also concerns loans and advances that are credit-impaired (stage 3 risk provisioning for expected credit losses). In this context, the influence of macroeconomic factors on credit risk must also be taken into account.

Determining the number and nature of scenarios, deriving the cash flows expected in each scenario and estimating the probabilities of occurrence require considerable judgement. These estimates are subject to uncertainty, which can be amplified by the effects of the COVID-19 pandemic.

The risk for the financial statements is that the number of scenarios considered was inconsistent with the complexity of the conditions determining the individual credit risks including the dependence on macroeconomic factors. We also considered it important that the selection of specific scenarios, estimates of probability for each scenario and estimates of cash flows expected in each scenario were verifiable, objectively justified and consistently performed and documented.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion. Accordingly, we have carried out the following audit procedures in particular:

First, we gained a comprehensive overview of the development of the loan portfolios examined, the related counterparty credit risks and the internal control system in respect of monitoring and measurement of the counterparty credit risks.

Our audit included system and compliance testing of the internal control system with particular focus on assessing the valuation method with regard to measuring credit-impaired loans and advances. For the IT systems and individual data processing systems used, we first verified the effectiveness of rules and procedures relating to numerous IT applications and supporting the effectiveness of application controls, with the involvement of our IT experts.

Based on these findings, we also assessed, within the scope of our selection of loan exposures defined in accordance with materiality and risk criteria, whether the number and nature of the scenarios used as well as the probabilities assigned to these scenarios were appropriate. In doing so, we took into account the complexity of financing in each case and the factors likely determining further exposure to risk and assessed whether the assumptions underlying the scenarios were consistent with the forecasts of general macroeconomic conditions used at NORD/LB.

We then assessed the cash flows derived for the scenarios including the payment dates assumed. Our assessment included an evaluation of collateral depending on the exposure strategy pursued by the NORD/LB. Finally, we verified that the expected value of Stage 3 risk provisioning for expected credit losses was accurately calculated.

OUR OBSERVATIONS

For determining the Stage 3 risk provisioning for the loans and advances with impaired credit rating in the corporate customers, special financing, special credit and portfolio optimisation and real estate banking customers business areas, we found that the selection of specific scenarios, estimates of probability for each scenario and the estimate of cash flows expected in each scenario, including the dependence on macroeconomic factors, were verifiable, objectively justified and consistently performed and documented.

Subsequent measurement of the guarantees agreed with the State of Lower Saxony

For information on the accounting policies applied by NORD/LB, please refer to Note 3 "Explanation of the impact of the guarantee contracts on the balance sheet" and Note 4 "Guarantee portfolios as at 31 December 2020" in the notes to the financial statements.

THE FINANCIAL STATEMENT RISK

With effect from 23 December 2019, NORD/LB signed three guarantee contracts with the State of Lower Saxony on risk relief with respect to two loan portfolios with ship financing as well as an additional loan portfolio with aircraft financing. The guarantee contracts are recognised as credit derivatives, where NORD/LB acts as the secured party.

The three guarantee contracts cumulatively disclosed a positive fair value of EUR 66 million as at the reporting date. These amounts are part of the disclosures on credit derivatives found in Note 63 "Derivative financial instruments". The year-on-year changes in fair value are recognised in trading profit/loss for credit derivatives through profit or loss, which is shown within the result from fair-value measurement. In financial year 2020, changes in the fair value of the three credit derivatives resulted in a measurement gain totalling EUR 115 million. In this regard, please refer to Note 27 "Profit/loss from financial assets at fair value" and Note 5 "Restatement of previous year's figures" in the notes to the financial statements. The selection of the valuation models and their parametrisation is in part subject to judgement.

The risk for the financial statements is that the models, assumptions and (measurement) parameters underlying the measurement of guarantee derivatives are not appropriately and verifiably derived and thus that the guarantee derivatives are inaccurately measured.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion. Accordingly, we have carried out the following audit procedures in particular:

In a first step, as part of our test of design and with the involvement of our valuation experts, we conducted interviews and inspected the three guarantee contracts and the accounting policies and other relevant documents with respect to potential changes and assessed the appropriateness of the internal control system with regard to the measurement of the three guarantee derivatives. Our test of design included assessing the valuation models and the underlying assumptions and parameters.

With the involvement of our valuation specialists, we verified the data flow and carried out independent revaluation in the course of substantive audit procedures.

OUR OBSERVATIONS

The three guarantee contracts classified as credit derivatives were measured using appropriate valuation models. The underlying assumptions and (measurement) parameters are appropriate and verifiably derived from the relevant information.

Subsequent measurement of the silent participations

For information on the accounting policies applied by NORD/LB, please refer to Note 13 "Financial instruments', Section 'h) Subordinated liabilities" and Note 25 "Net interest income" in the notes to the financial statements.

THE FINANCIAL STATEMENT RISK

The silent participations are disclosed under subordinated securitised liabilities as at 31 December 2020 in the amount of EUR 145 million. Subsequent valuation yielded for the 2020 financial year interest income totalling EUR 297 million.

NORD/LB is a contracting party to various agreements to establish silent partners, where institutional investors (bilateral agreements) and special purpose entities (refinancing the silent participations by issuing securities on the capital market) in each case participate as the Bank's silent partner directly or indirectly via special purpose entities. The participation agreements stipulate certain rules with respect to loss participation and replenishment of the silent participations as well as the termination of these agreements. In financial year 2020, the participation agreements were terminated without notice for a significant portion of the silent participations.

The silent participations were measured in the consolidated financial statements according to the amended estimates of contractual cash flows pursuant to IFRS 9.B5.4.6. The estimated amount repayable in connection with the termination is based on the lower of the carrying amount or nominal amount of the participation. The carrying amount is determined under commercial law according to loss participation in the accumulated losses. Thus, the loss participation of silent partners from past years and the profit planning for upcoming financial years are to be taken into account within the two-year termination notice period for the measurement of the silent participations as at the reporting date. Estimating contractual cash flows is subject to judgement.

The risk for the financial statements is that the corporate planning underlying the measurement of the silent participations is not appropriately and verifiably derived and, thus, the silent participations are inaccurately measured. A further risk for the financial statements is that legal estimates, upon which the write-down and termination of the silent participations are based, are inaccurate.

OUR AUDIT APPROACH

Based on our risk assessment and the assessment of the risks of material misstatement, we largely based our audit opinion on substantive audit procedures. Accordingly, we have carried out the following audit procedures in particular:

In order to audit the silent participations, we evaluated the process established by NORD/LB for measuring the silent participations by interviewing the individuals responsible and by inspecting corporate planning. On the basis of the contracts for establishing silent partners, we gained a comprehensive insight on a case-by-case basis into the calculation methodology used as well as verified on the basis of the Bank's calculation files the carrying amounts of the silent participations as at the reporting date.

In order to review the measurement of the silent participations we involved our legal experts and external legal opinions evaluating the effectiveness of the terminations as well as the consideration of loss participations in the measurement were critically assessed.

OUR OBSERVATIONS

As regards termination and measurement of the silent participations, the Bank maintains a point of view that is supported by qualified expert opinions. The assumptions and inputs applied on the basis of this legal opinion are appropriate and verifiably derived from the relevant information.

Other Information

The Managing Board and/or the Supervisory Board are responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the separate combined non-financial report of NORD/LB and the Group referred to in the combined management report, but which will probably not be provided to us until after the date of this independent auditor's report.

The other information also includes:

- the parts of the annual report made available to us before the date of the auditor's report and
- the remaining parts of the annual report that are expected to be made available after this date.

The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information:

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Managing Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Managing Board is 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 Section 315e (1) HGB and for ensuring 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 Managing Board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Managing Board is 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 Managing Board is responsible for the preparation of the combined 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 Managing Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined 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 combined 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 combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the combined 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 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 opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 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) and supplementary compliance with the ISAs 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 combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined 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 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 combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Managing Board and the reasonableness of estimates made by the Managing Board and related disclosures.
- Conclude on the appropriateness of the Managing Board's 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 combined management report or, if such disclosures are inadequate, to modify our respective 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 Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined 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 Managing Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Managing Board 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 opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the electronic reproduction of the consolidated financial statements and the combined management report together with the reproduction of the annual financial statements in one file (hereinafter the “ESEF documents”) contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, "nordlb.zip" (SHA256-Hashwert: 54c9125e2231cad211acd678a76b5ee0d96c8e022f91bb8df39c52ba83c01d52), and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2020, contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above.

We conducted our assurance work on the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Bank's Managing Board is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Bank's Managing Board is responsible for the internal controls it considers necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Bank's Managing Board is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, 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 of 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 Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the Supervisory Board on 24 April 2020. We were engaged by the Chairperson of the Supervisory Board on 18 August 2020. We have been the group auditor of NORD/LB without interruption since financial year 2012.

We declare that the 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).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Volker Bormann.

Hanover, 25 March 2021

KPMG AG

Wirtschaftsprüfungsgesellschaft

Wiechers	Bormann
Wirtschaftsprüfer	Wirtschaftsprüfer

Responsibility Statement by the Legal Representatives

We declare that to the best of our knowledge and in accordance with applicable accounting principles, the consolidated financial statements provide a true and fair view of the Group's financial position and financial performance and that the Group management report presents a true and fair view of the performance of the business, including the operating results and the position of the Group, and also describes the significant opportunities and risks relating to the probable direction of the Group.

Hannover / Braunschweig / Magdeburg, 19. March 2019
Norddeutsche Landesbank Girozentrale

The Managing Board

Bürkle Dieng Schulz

Seidel Tallner

Further Information

Country-by-Country-Reporting in accordance with §26a of the German Banking Act as at 31 December 2020

The requirement for country-by-country reporting as contained in Article 89 of EU Directive 2013/36/EU (Capital Requirements Directive – CRD IV) was transposed into German law by the German Banking Act. In this report the revenues generated, the number of employees, the profit or loss before taxes, the taxes on profit or loss and the state aid received from each EU Member State and from third countries are reported on a non-consolidated basis for companies included in the IFRS consolidated financial statements by way of full consolidation. Under revenue, the earnings before taxes included in the IFRS consolidated financial statements are stated before the recognition of consolidation effects, risk provisioning and administrative expenses, and do not include other operating expenses. The number of employees is the average num ber of employees during the reporting period. The profit or loss before income taxes and the taxes on profit or loss are stated before taking consolidation effects into account. The taxes on profit or loss are based on current and deferred tax expenses and income. The NORD/LB Group has not received any state aid through the EU state aid proceedings.

	Number of employees	Turnover (in € million)	Profit/loss before tax (in € million)	Taxes on profits and losses (in € million)	Received public aids
Germany	4 594	1 266	-124	26	–
China	26	2	-2	–	–
Great Britain	63	26	7	– 2	–
Luxembourg	151	87	-5	– 1	–
Singapore	64	8	-37	6	–
USA	65	46	-39	10	–

	Type of activity	Country	Location
BGG Bremen GmbH & Co. KG	Other company	Germany	Bremen
DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Provider of ancillary services	Germany	Pullach i. Isartal
Deutsche Hypothekenbank (Actien-Gesellschaft)	Bank	Germany	Hanover
Fürstenberg Capital Erste GmbH	Other company	Germany	Fürstenberg
Fürstenberg Capital II. GmbH	Other company	Germany	Fürstenberg
Hannover Funding Company LLC	Finance company	USA	Dover
KreditServices Nord GmbH	Provider of ancillary services	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	Singapur	Singapur
NORD/FM Norddeutsche Facility Management GmbH	Other company	Germany	Hanover
NORD/LB Leasing GmbH	Finance company	Germany	Oldenburg
NORD/LB Luxembourg S.A. Covered Bond Bank	Bank	Luxemburg	Luxemburg-Findel
NORD/LB Objekt Magdeburg GmbH & Co. KG	Provider of ancillary services	Germany	Pullach i. Isartal
NORD/LB, SICAV-RAIF S.C.Sp. - Aviation 1	Other company	Luxemburg	Luxemburg
NORD/LB, SICAV-RAIF S.C.Sp. - Infrastructure & Renewables GBP 2	Other company	Luxemburg	Luxemburg
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG	Other company	Germany	Bremen
NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG	Other company	Germany	Bremen

The average return on capital is 0.02 per cent. This is calculated from the earnings after tax and the total assets in the IFRS consolidated financial statements as at 31 December 2020.

Comments on the Corporate Governance Report

The German Corporate Governance Code contains important provisions for running and monitoring German exchange-listed companies. It includes nationally and internationally recognised standards of good and trustworthy corporate management, especially with respect to the management and organisation of a company, control mechanisms and the collaboration between the Managing Board and the Supervisory Board. The aim of the Code is to promote confidence among investors, customers, employees and the public in a company's management and supervision.

Because it applies for exchange-listed stock corporations, the Code is not legally binding for NORD/LB, which is a public-law credit institution. However, it is important to NORD/LB, which is active nationally and internationally, to position itself in the market as a reliable and trustworthy partner. Transparent corporate management is an important aspect of this aspiration for us. For this reason, the Bank has decided to make a voluntary commitment to adhere to the principles, recommendations and proposals.

The detailed Corporate Governance Report can be accessed online at:
www.nordlb.de/rechtliches/rechtliche-hinweise/corporate-governance/

Forward-looking Statements

This report contains forward-looking statements. They can be recognised in terms such as “expect”, “intend”, “plan”, “endeavour” and “estimate” and are based on our current plans and estimations. These statements include uncertainties since there are numerous factors which influence our business and are beyond our control. These include, in particular, the development 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 here for the forward-looking statements and also does not intend to update or correct them if developments materialise that are different than those expected.

Facts and Figures

(As at 31 December 2020)

Establishment

Merger into Norddeutsche Landesbank Girozentrale on 1 July 1970

Predecessor Institutions

Niedersächsische Landesbank – Girozentrale – (established in 1917)
Herzogliches Leyhaus (established in 1765) (from which Braunschweigische Staatsbank emerged in 1919)
Hannoversche Landeskreditanstalt (established in 1840)
Niedersächsische Wohnungskreditanstalt Stadtschaft (established in 1918)

Legal Foundations

State Treaty of 6 December 2019 between the state of Lower Saxony, the state of Saxony-Anhalt and the state of Mecklenburg-Western Pomerania concerning Norddeutsche Landesbank Girozentrale, which entered into force on 10 December 2019.

Statutes of Norddeutsche Landesbank Girozentrale in accordance with the resolution of the Owners' Meeting of 14 December 2020. These Statutes entered into force on 31 December 2020.

Legal Form

Public-law institution with legal capacity

Owners

State of Lower Saxony
Niedersachsen Invest GmbH
Hannoversche Beteiligungsgestellschaft mbH
Niedersächsischer Sparkassen- und Giroverband
State of Saxony-Anhalt
Sparkassenbeteiligungsverband Saxony-Anhalt
Sparkassenbeteiligungszweckverband Mecklenburg-Western Pomerania
FIDES Gamma GmbH
FIDES Delta GmbH

Governing Bodies

Managing Board
Supervisory Board
Owners' Meeting

Supervision

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

Managing Board

Thomas S. Bürkle (Chairman)
Christoph Dieng
Christoph Schulz
Olof Seidel
Günter Tallner

General Representatives

Carsten Hünken

Registered Office of the Bank

Hanover (Head Office)
Friedrichswall 10
30159 Hannover

Brunswick
Friedrich-Wilhelm-Platz
38100 Braunschweig

Magdeburg
Breiter Weg 7
39104 Magdeburg

Development Banks

Investitionsbank Sachsen-Anhalt
Domplatz 12
39104 Magdeburg

Landesförderinstitut Mecklenburg-Vorpommern
Werkstraße 213
19061 Schwerin

Branches in Germany

Hanover Branch
Georgsplatz 1
30159 Hannover

Bremen Branch
Domshof 26
28195 Bremen

Duesseldorf Branch
Königsallee 63-65
40215 Düsseldorf

Hamburg Branch
Brodschrangen 4
20457 Hamburg

Magdeburg Branch
Landesbank for Saxony-Anhalt
Breiter Weg 7
39104 Magdeburg

Munich Branch
Maximiliansplatz 14
80333 München

Oldenburg Branch
Markt 12
26122 Oldenburg

Schwerin Branch
Graf-Schack-Allee 10/10A
19053 Schwerin

Stuttgart Branch
Kronprinzstraße 11
70173 Stuttgart

Branches Worldwide (in alphabetical Order)

NORD/LB London
One Wood Street
London EC2V 7WT
Great Britain

NORD/LB New York
1114, Avenue of the Americas
20th Floor
New York, NY 10036
USA

NORD/LB Shanghai
37/F Jinmao Tower
88 Century Avenue
Shanghai 200120
PR China

NORD/LB Singapore
CapitaGreen
138 Market Street
36-03
Singapore 048946

Locations of Deutsche Hypo in Germany and worldwide

http://www.deutsche-hypo.de/en/aboutus/locations

Branches of Braunschweigische Landessparkasse

www.blsk.de

Supervisory Board of Norddeutsche Landesbank

(The current status of the members of the Supervisory Board is provided on the homepage of the NORD/LB: www.nordlb.com/nordlb/investor-relations/committees-and-executive-bodies/)

Chairman
Reinhold Hilbers
Minister
Ministry of Finance Lower Saxony

1st Deputy Chairman
Herbert Hans Grüntker
FIDES Delta GmbH

2nd Deputy Chairman
Thomas Mang
President
Sparkassenverband, Lower Saxony

Members
Frank Berg
CEO
OstseeSparkasse Rostock

Edda Döpke
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Frank Doods
Secretary of State
Lower Saxony Ministry for Environment, Energy and Climate Protection

Jutta Echterhoff-Beeke
Managing Partner
Echterhoff Holding GmbH

Dr. Jürgen Fox
CEO
Saalesparkasse

Nana Geisler
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Cornelia Günther
Trade Union Secretary
ver.di Bezirk Hannover

Hermann Kasten

Prof Dr Susanne Knorre
Management Consultant

Ulrich Markurth
Mayor of Brunswick

Frank Oppermann
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Jörg Reinbrecht
Trade Union Secretary
ver.di Bezirk Hannover

Michael Richter
Minister
Ministry of Finance Lower Saxony-Anhalt

Jörg Walde
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Matthias Wargers
FIDES Gamma GmbH

Owners' Meeting

Chairman
Reinhold Hilbers
Minister
Ministry of Finance Lower Saxony

1st Deputy Chairman
Helmuth Schleweis
President
Deutscher Sparkassen- und Giroverband

2nd Deputy Chairman
Thomas Mang
President
Sparkassenverband, Lower Saxony

State of Lower Saxony
Ulrich Böckmann
Ministerial Councilor
Ministry of Finance Lower Saxony

Dr. Anne Deter
Ministerial Director
Ministry of Finance Lower Saxony

Doris Nordmann
State Secretary
Ministry of Finance Lower Saxony

State of Saxony-Anhalt

Sebastian Beier
Government Director
Ministry of Finance Saxony-Anhalt

Michael Richter
Minister
Ministry of Finance Saxony-Anhalt

Saxony-Anhalt Savings Banks Holding Association

Dr. Jürgen Fox
CEO
Saalesparkasse

Michael Ziche
District Administrator
Altmarkkreis Salzwedel

Special Purpose Holding Association of the Mecklenburg-Western Pomerania Savings Banks

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

Frank Berg
CEO
OstseeSparkasse Rostock

Lower Saxony Savings Banks and Giro Association
Ludwig Momann
CEO
Sparkasse Emsland

FIDES Gamma GmbH

Ralf Fleischer
CEO
Stadtsparkasse München

Matthias Wargers
FIDES Gamma GmbH

FIDES Delta GmbH

Herbert Hans Grüntker
FIDES Delta GmbH

Report of Supervisory Board

The Managing Board of the Bank regularly informed the Supervisory Board and the committees set up by the Supervisory Board about business performance and the position of NORD/LB AöR and the Group. The Supervisory Board and its committees adopted resolutions on business matters presented to them and on other issues requiring decisions by these executive bodies in accordance with the statutes and regulations relating to these articles.

The Supervisory Board also looked closely at NORD/LB AöR's business and risk policy. Fundamental issues concerning business policy were discussed in detail at several meetings. The Supervisory Board also looked at the status of the protection scheme of the Savings Banks Finance Group.

The annual report and the consolidated financial statements of NORD/LB AöR for the 2020 reporting year were audited by KPMG AG Wirtschaftsprüfungsgesellschaft and each provided with an unqualified audit opinion. The auditors also took part in the sitting of the Supervisory Board to discuss the annual report, which was held on 21 April 2021, and reported on the findings of their audit.

At its meeting on 21 April 2021, 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 reporting year 2020. Furthermore, the Supervisory Board proposed to the Owners' Meeting to decide that there were no objections with regard to the combined management report.

The Supervisory Board also recommended to the Owners' Meeting to discharge the Managing Board.

Left the Supervisory Board:

as at 31 May 2020	Dr Matthias Bergner
as at 31 May 2020	Ms Astrid Hamker
as at 31 May 2020	Mr Frank Hildebrandt
as at 31 May 2020	Mr Freddy Pedersen
as at 31 May 2020	Ms Stefanie Rieke
as at 31 May 2020	Mr Felix von Nathusius

The following persons were appointed to the Supervisory Board:

as at 1 June 2020	Mr Herbert Hans Grüntker
as at 1 June 2020	Ms Nana Geisler
as at 1 June 2020	Ms Cornelia Günther
as at 1 June 2020	Mr Hermann Kasten
as at 1 June 2020	Mr Jörg Walde
as at 29 June 2020	Ms Jutta Echterhoff-Beeke

The Supervisory Board would like to thank the Bank's Managing Board for its cooperation based on mutual trust and recognise the work carried out by all the Bank's employees in 2020.

Hanover / Braunschweig / Magdeburg

April 2021

Reinhold Hilbers

Minister of Finance

State of Lower Saxony

Report of the Owners' Meeting

In the year under review the Owners' Meeting took over the tasks imposed on it by the State Treaty and the Articles of Association.

Furthermore, at its meetings in 2020, the Owners' Meeting mainly discussed the NORD/LB 2024 programme and in particular passed resolutions on the implementation of the new bank steering system and on the merger of Deutsche Hypothekenbank.

The annual report and the consolidated financial statements of NORD/LB for the 2020 reporting year were audited by KPMG AG Wirtschaftsprüfungsgesellschaft and provided with an unqualified audit opinion. The auditors also took part in the sitting of the Owner's Meeting to discuss the annual report, which was held on 21 April 2021, and reported on the findings of their audit.

At the Owners' Meeting on 21 April 2021, the annual financial statements of NORD/LB AöR for the 2020 reporting year were adopted and the consolidated financial statements of NORD/LB approved on a proposal from the Supervisory Board. Furthermore, the Owners' Meeting decided that there are no objections to the combined management report.

The Owners' Meeting discharged the Managing Board and the Supervisory Board.

The following left the Owners' Meeting:

as at 31 May 2020	Dr Matthias Bergner
as at 24 November 2020	Mr Heinrich Heine

The following were appointed to the Owners' Meeting:

as at 1 June 2020	Mr Herbert Hans Grüntker
as at 11 December 2020	Mr Sebastian Beier

The Owners' Meeting thanks the Supervisory Board, the Managing Board and the Bank's employees for their work in 2020.

Hanover / Braunschweig / Magdeburg

April 2021

Reinhold Hilbers

State of Lower Saxony

Our annual and interim reports are available for download at www.nordlb.de/reports.

For questions about the reports, please contact our Investor Relations department.
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Branches (including Braunschweigische Landessparkasse)

Bad Harzburg	Braunschweig	Bremen
Düsseldorf	Hamburg	Helmstedt
Holzminden	Magdeburg	Munich
Oldenburg	Salzgitter	Schwerin
Seesen	Stuttgart	Wolfenbüttel

In total, there are more than 100 branches and SB centres in the Braunschweigische Landessparkasse business region.
Details can be found at https://www.blsk.de

Foreign branches
London, New York, Singapore, Shanghai